

March 26, 2013

At a special meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 26th day of March, 2013; at 3:00 p.m., there were present:

Howard M. Campbell

Pattie Cooper-Jones

William G. Fore, Jr.

Don C. Gantt, Jr.

Robert M. Jones

Charles W. McKay

Howard F. Simpson

Jim R. Wilck

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

Chairman Fore called the meeting to order.

In Re: Meeting Schedule Amendment

Chairman Fore stated there is a scheduling conflict for the April 23 meetings as there will be several events held at the Moton Museum that day. He recommended changing the Board's scheduled meetings and public hearing to Monday, April 22, 2013 in order to keep with the budget schedule. After some discussion, the Board members concurred. Chairman Fore then recommended changing the meeting time on April 30 for the budget adoption to 3:00 p.m.; the Board concurred.

In Re: HVAC System at Ag Building

Mr. Wade Bartlett, County Administrator, said the HVAC system at the Ag building is broken. He stated the cooling coils could be replaced at a cost of \$5,000 or a new unit could be installed at a cost of \$8,351.

After some discussion, Supervisor McKay made a motion to appropriate \$8,351 for the replacement of the HVAC unit at the Ag building; the motion carried unanimously:

Aye:	Howard M. Campbell Pattie Cooper-Jones William G. Fore, Jr. Don C. Gantt, Jr. Robert M. Jones Charles W. McKay Howard F. Simpson Jim R. Wilck	Nay: None
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In Re: Request from Social Services Department

Mr. Bartlett stated Roma Morris, Social Services Director, requested the conversion of a room in the Social Services department to two offices. He said the modifications will cost less than \$1,000.

Supervisor Cooper-Jones made a motion to approve the request from Social Services to convert one room into two offices at a maximum cost of \$1,000; the motion carried unanimously:

Aye:	Howard M. Campbell Pattie Cooper-Jones William G. Fore, Jr. Don C. Gantt, Jr. Robert M. Jones Charles W. McKay Howard F. Simpson Jim R. Wilck	Nay: None
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In Re: FY 14 County Budget

Mr. Bartlett presented his proposed FY 14 County Budget:

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2014 (FY14). I am presenting a budget with no tax increases. 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. After several years of reducing funding to local governments it appears this year the General Assembly is increasing funding albeit only slightly. This slight increase does not replace the funding reductions local governments, to include schools and jails, have endured of the last five years. But it is a sign that the state's economy is rebounding, providing more revenues to the Commonwealth which hopefully will continue into the future.

Locally we are seeing a rise in revenues from the rebounding economy. Unemployment is down and it appears payrolls are increasing. The higher personal income is helping increase the collection rates which are a key factor in the amount of revenue collected. Additionally, new construction is increasing which is expanding the real estate tax base, sales of new vehicles is strong, driving personal property tax collections higher and the collection of local

sales tax is rising. While the increases are not dramatic they are cumulative and added together are significant.

While the increase in revenues is a positive sign we are also experiencing rising costs, some dramatically. The County's healthcare renewal increased 16%; expenses associated with the regional jail will be the most pressing issue in this budget and will represent a new expense costing several hundred thousand dollars. These two items alone will be greater than all the revenue increases.

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. I am not recommending such actions.

FORECAST OF FY13 BUDGET RESULTS

Before discussing the new budget which starts on July 1, 2013, 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 increase by \$1,232,434 to a total of \$12,290,869. Of the amount in cash \$408,493 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. An additional \$1,568,538 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 closed in FY14 at a cost of \$1,150,500 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 FY13 with a slight increase in the fund balance of \$133,068 and end with a cash reserve of \$7,660,623. While a slight increase, the result is much better than anticipated when the fiscal year began. The initial budget adopted for FY13 called for a draw from fund balance of \$500,597. During the course of the fiscal year the Board approved additional appropriations which increased the anticipated draw from the fund balance by \$303,375 to budgeted total of \$803,972. The largest of these appropriations were \$86,000 for jail expenses, \$65,000 for a match to a grant to purchase a generator, \$54,557 to carry over unexpended funds for the fire departments, and \$35,000 to conduct a community survey. The ability to absorb these expenditures will be the result of revenues exceeding forecasts by approximately \$140,000 and expenses being less than the budgeted amounts by almost \$797,000.

Collections of General Property taxes (\$190,839) and local sales tax (\$111,769) were the major drivers of the greater than expected revenues. The savings in expenses can primarily be found in CSA (\$173,000), refuse (\$67,000), planning (\$69,000) and general property (\$56,000) 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. This fund balance increase will play an important role in the FY14 budget as explained below.

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 \$269,497 to \$1,468,538 but as mentioned earlier the majority will be used in FY15 to close a landfill cell.

Water and Sewer fund balances will decrease a total of \$327,388 primarily due to debt payments but will still have a balance of \$366,371.

FY14 BUDGET

For FY14, the Board of Supervisors strongly indicated they did not want to see any tax increases, and at the same time they wanted to maintain the current level of services to our citizens. This proposed budget meets those goals. After deducting the transfers between funds, the proposed budget for all funds is \$44,353,590. The budget is balanced but requires the use of some of the reserves. I recommend using \$1,100,000 from the balance in the VDOT Revenue Sharing Fund (this is a reimbursement to the General Fund for an advance used to begin the Route 786 project), \$825,500 from the Landfill Construction Fund, \$239,783 from the Water Fund, \$91,113 from the Sewer Fund (both after deducting the noncash depreciation account), and \$73,993 from the Forfeited Assets and \$18,431 from the balance in the Piedmont Court Services account. The total decrease is \$2,112,756 and the majority can be funded from the \$1.2 million increase in the Fund Balance for FY13 mentioned above. Several major capital expenditures that will not be duplicated in the near future are responsible for the remaining need to draw funds from the various balances.

Enclosure (2) is a chart that shows the revenues, expenses and projected fund balances of the various funds at the end of FY14.

FACTORS SHAPING THE FY14 PROPOSED BUDGET

The FY14 proposed budget level funds the schools, holds the majority of charitable donations steady, provides a modest 2% pay increase, no increase in tax rates, and at the same time maintains core service levels.

The FY14 proposed budget process comes amid a slowly improving economy. One statistic which conveys the economic health of a locality is the unemployment rate. Unemployment in Prince Edward County fell to 8.9% in January 2013 after peaking at 10.2% in July 2012.

This improving economy, even if it is a slow recovery, bodes well for the future. Construction is increasing in the County, sales tax revenues are up and car sales are steadily increasing. We have just recently been informed by Luck Stone they have completed most of their DMME reviews and DMME will hold required public hearings this calendar year. If all regulatory hurdles are overcome it appears work on the property could begin in 2014 with the County collecting revenues from this project in Fiscal Year 2015. Finally, Longwood continues to see growth in its student population which will pump additional money into Prince Edward County.

Personal Property is always the most challenging revenue to estimate due to the transient nature of the cars and the annual changes in values of vehicles. I project we will collect \$3,167,708 during FY13 from this revenue source. I have projected collections of \$3,160,000 for FY14 but indications are this amount could be greater. It appears values for used cars are holding steady or possibly increasing and the Commissioner of Revenue has mailed out approximately 150 more tax applications this year than last. This is a strong indication assessments will increase, generating more revenues than contained in the proposed budget. Revenues from General Property taxes are projected to increase \$263,002 when compared to the same amount in last year's initial budget. Sheriff Reed has increased efforts associated with traffic enforcement; this is resulting in an increase in the collection of fines and forfeitures of \$45,000. Finally, the County should receive approximately \$70,000 more from

the Compensation Board due to the pay increase passed by the General Assembly for Constitutional Officers and their employees.

For FY14 to keep the same health insurance plan would require a 16.1% increase in cost of \$140,000. I did not budget such an increase. Instead I assumed a move from the current plan offered at County expense of the Key Advantage with Expanded Benefits to the Key Advantage 500 plan. This change will keep the County's cost stable. Employees could be given the opportunity to "buy up" to the Key Advantage 250 plan. At the same time we have bid out the County's Health insurance to determine if a more attractive alternative exists for the employees and the County. The bids are due on March 27, 2013. I anticipate a work session on this issue during the budget process. Additionally, the General Assembly during the 2012 session adopted a new retirement plan for new employees hired after January 1, 2014. This plan includes a new mandate for local governments to provide a new disability program but only for the new employees. The cost which must be paid by the local governments will be .91% of covered payroll. VRS is still developing implementation procedures for this new retirement and disability plan. While the disability plan is a new cost, the new retirement plan appears to be considerably less expensive for local governments. I anticipate the final cost to local governments will decrease. Because this change is only for new employees hired after January 1, 2014 it will have very little impact to the FY14 budget.

The County's engineers anticipate we will have to close a landfill cell during FY14. It is anticipated this will cost \$1,150,500.

Finally, \$700,000 has been budgeted as our share of the costs associated with the Regional Jail. There are still two major issues that must be resolved before the jail board can adopt their budget. These are (1) medical staffing and protocols and (2) revenues from participation by Chesapeake. Regarding medical issues the Jail is finalizing requirements with the Department of Justice and is hopeful that DOJ will accept certain protocols that can save hundreds of thousands of dollars. In addition, the Jail Board will advertise for medical services and are hopeful that the anticipated increase of \$400,000 can be lowered. Chesapeake has signed a contract with the Jail to house some of their prisoners. Chesapeake is still evaluating the number of prisoners they would like to house in the Jail. I have not anticipated nor budgeted for a decrease in the medical costs or an increase in Revenues for the Jail. Thus, any positive news on either topic will lower our cost. More should be known as we move through the budget process.

There are a number of outside factors that may still impact the FY14 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 decrease costs to the County.

FY14 BUDGET DEVELOPMENT STRATEGIES

There are many demands on the Board to increase funding to various constituencies but to do so would have required a tax increase. While the Board of Supervisors recognizes the economy is improving slowly, they also recognize there are still many citizens who are struggling.

The 2% COLA will cost \$90,000 which does not include the employees of Social Services. The state is providing additional funds to Social Services for a pay increase and I am recommending the amount provided by the County for the operation of Social Services be maintained at the same level as in FY13 or \$578,943.

Enclosure (3) lists the capital/one-time purchases contained in the various funds. The total amount is \$1,587,787. The largest expenditures are \$1,150,500 for the closure of the landfill cell, \$200,000 for a new Garbage truck, and \$120,000 for vehicles.

Most outside agencies have been recommended to receive level funding. After discussion with the Director of the Health Department funding was reduced 2.5% from the requested amount which equates to a reduction of \$8,121 compared to FY13. I recommended funding for the Library be reduced to the level provided in FY11, \$166,559 a reduction of \$25,597. The Library's most recent audit is contained in your binders. I am recommending elimination of funding for Piedmont Senior Resources which is \$1,616 in FY13. I am recommending elimination of funding for HOPE, which is \$9,500 in FY13. I am recommending new funding of \$10,000 be provided to the DownTown Farmville Main Street Program.

To eliminate the confusion concerning the Fire Programs funding I am recommending the elimination of the practice of budgeting the Fire Programs funds during the initial budget process. It is estimated the Fire Programs funds provided in FY14 will be \$40,506. I am recommending a new procedure be established wherein when the Fire Program funds are received the Fire Association will be notified of the amount. The Fire Association will then provide the County with the division of the Fire Program funds by Company. The Companies will then provide the County with invoices at least equal to the amount of funding they have been allocated. The County will review the invoices to ensure they are valid expenditures in accordance with Fire Program regulations. Once verified the invoices will be paid from a new expenditure line contained in the Volunteer Fire Department portion of the budget and titled "Fire Program Funds." To ensure this process was budget neutral I recommend the funding to all the Companies with the exception of the Farmville Volunteer Fire Department be reduced from \$68,000 to \$61,249, decreasing expenditures by \$40,506. If the Fire Association divides the Fire Program funds equally among the six companies each will have \$68,000 to expend, the same amount as in the past. I am recommending the funding for the Farmville Volunteer Fire Department be reduced by \$24,403. This is the amount of Fire Program Funds they receive from the Town of Farmville. The Fire Association will have complete control on the allocation of the Fire Program Funds and can allocate a portion to the Farmville Department if they so desire. Additional information concerning the Fire Departments is contained in your binder.

The capital / one-time purchases account for 75% of the decrease in the fund balances. Subtracting those expenditures leaves approximately \$525,000 being drawn for operational purposes. With the increasing revenue streams and possible expenditure savings associated with the Jail this amount will be manageable in the out years.

The proposed budget includes a transfer of \$8,106,652 to the schools. This is the same amount as in the FY13 budget. Enclosures (4) and (5) display various data concerning state and local funding and the ADM. As stated at the joint meeting on March 5, 2013 the schools have anticipated the reduction in state funding in FY13 as a result of the decreasing ADM and have already taken action to reduce expenditures accordingly.

Tax Rates

I recommend all tax rates be maintained at their current rates.

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. Thank you for this opportunity to present this budget for the citizens of Prince Edward County.

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

Aye:	Howard M. Campbell	Nay: None
	Pattie Cooper-Jones	
	William G. Fore, Jr.	
	Don C. Gantt, Jr.	
	Robert M. Jones	
	Charles W. McKay	
	Howard F. Simpson	
	Jim R. Wilck	

the meeting was recessed at 3:44 p.m. until April 2, 2013 at 2:00 p.m. for a Budget Work Session.