March 27, 2012

At a called meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 27th day of March, 2012; 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.

Chairman Fore called the Special Meeting to order at 3:00 p.m. for discussion of the Granite Falls Financing Plan and the presentation of the County Administrator's recommended Budget for FY 13.

In Re: Granite Falls Hotel and Conference Center Project

After some discussion, Supervisor McKay made a motion to accept the financial plan and recommendation of the Granite Falls Community Development Authority and adopt the Resolution of Support Regarding the Granite Falls CDA; the motion carried unanimously:

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	

RESOLUTION OF SUPPORT REGARDING THE GRANITE FALLS COMMUNITY DEVELOPMENT AUTHORITY

RECITALS:

1. By Ordinance creating the Granite Falls Community Development Authority, dated November 17, 2009, the Board of Supervisors of Prince Edward County, Virginia (the "Board") created the Granite Falls Community Development Authority (the "CDA").

2. The application for creation of the CDA was forwarded by petition received from the Industrial Development Authority of Prince Edward County, Virginia (the "IDA") and from Prince Edward Development, LLC (together with Granite Falls Hospitality, LLC, the "Developer").

3. The Developer, CDA and IDA and certain other parties jointly intend to develop a Hotel/Conference Center and related amenities (the "Project") on approximately 92 acres of land (the "Property") currently owned by the IDA.

4. The preliminary financing package for the Project includes the issuing of approximately $17,000,000 of CDA bonds by the CDA pursuant to Section 15.2-5158 of the Code of Virginia (the "CDA Bonds").

5. The proceeds of the CDA Bonds will be utilized to finance the construction of certain public infrastructure related to the Project, including, without limitation, (i) approximately 35,000 square feet of the proposed conference center component of the Project and (ii) the related project and site infrastructure costs.

6. Pursuant to the CDA Bonds, a Debt Service Reserve Fund (the "DSR Fund") is intended to be established in the approximate amount of the lesser of 1) 10% of the par amount of the bonds issued, 2) maximum annual debt service, or 3)125% of average annual debt service. The current estimated amount of the DSR Fund to be established is $1,700,000. If insufficient revenues are available to service the debt on the CDA Bonds, this DSR Fund may be drawn down on an annual basis so as to service debt payments due on the CDA Bonds.

7. To enhance the marketability of the CDA Bonds the Developer has requested and the Board has determined it is in the best interest of the County to provide its indication of support for the County to replenish all or any deficient portion of the DSR Fund in the event Project funds and other reserve streams pledged or to be pledged to support the repayment of the CDA Bonds (including, without limitation, payment by the owner of any required special tax assessments) are insufficient to pay annual payments of principal and interest on the CDA Bonds. Any such commitment to replenish all or a portion of the DSR Fund shall be made "subject to appropriation" in accordance with Virginia law.

8. Such resolution of support is subject to finalization of the proposed transaction in form and substance acceptable to the Board and to the CDA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of Prince Edward County, Virginia as follows:

A. Subject to the finalization of the complete financing package sufficient to finance all elements of the Hotel/Conference Center in a form and substance, acceptable to the Board and CDA, the Board acknowledges its intention, in principle, to enter into a contractual agreement, SUBJECT TO ANNUAL APPROPRIATION, as provided by applicable state law, to replenish the DSR Fund as established for the CDA Bonds, on an annual basis, to the extent such fund becomes depleted.

B. This is only a preliminary expression of support. Upon finalization of the CDA Bond financing and related Project financing, this Board, by separate meeting, shall approve and authorize the specific manner by which it will agree, subject to appropriation, to replenish the DSR Fund and approving all of the agreements putting such mechanism into place, all of which must be acceptable to the Board and CDA in all regards.

C. No final commitment shall exist with respect to the Board unless and until final Bond and Project documents have been presented to the CDA and the Board and a separate Board meeting is held approving the final form of such documents.

D. The commitments expressed herein are premised upon representations from the Developer that the anticipated principal amount of CDA Bonds to be issued shall be in the amount of approximately $17,000,000 and the DSR Fund shall be approximately 10% of this amount.

In Re: Presentation of the County Administrator's Fiscal Year 2013 Recommended Budget

Mr. Bartlett read his FY13 County Budget Letter to the Board of Supervisors into record:

INTRODUCTION

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2013 (FY13). I am presenting a balanced 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. As has been the case for the last four years, the General Assembly continues a pattern of reducing funding provided to local governments. Previously the General Assembly concentrated on reducing non-educational funding while using funds provided by President Obama's Administration to shift a significant portion of the state's responsibility for education to the federal government. Now that the federal funds have expired the state has refused to fully replace them and has decided to push increased costs associated with teacher retirement down to the local level. In addition, many specific state education programs have been reduced or eliminated. The result has been the largest reduction in educational funding from the Commonwealth for at least the last 20 years.

This is placing great pressure on local governments to increase local funding for education. While many localities are contemplating increasing taxes (Appomattox, Halifax, Pittsylvania, Powhatan, Franklin, Lynchburg, Montgomery, etc.) due to rising costs and declining state support I am not recommending such action. Indications are the national and local economies are recovering. This can be seen locally in the increase in real estate, personal property and sales tax revenues collected. With the current climate in Richmond, I do not foresee any will on the part of the General Assembly to provide additional revenues to local governments, even when the economy turns around. This does not bode well for local governments and will continue to place great pressure on us in the future. If this trend continues, the question will be when (not if) will Prince Edward County be forced to raise taxes.

FORECAST OF FY12 BUDGET RESULTS

Before discussing the new budget which starts on July 1, 2012, I think it is appropriate to review the current budget and the forecast of the state of the County's finance's at the start of the new fiscal year. Enclosure (1) is a chart of projected fund balances for each of our budgetary funds at the end of the current fiscal year. When totaling all the funds together I predict the fund balance will increase by $917,461 to a total of $12,294,340 and cash in the amount of $10,561,019. Of the amount in cash $328,169 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. An additional $1,101,551 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.

The General Fund is our primary source of revenue and supports the majority of all County operations. I project the General Fund will end FY12 with a decrease in the fund balance of $81,664 and end with a cash reserve of $7,205,548. While a slight decrease, the result is much better than anticipated when the fiscal year began. The initial budget adopted this time last year called for a draw from fund balance of $637,344. During the course of the fiscal year the Board made appropriations of $150,000 to the schools for HVAC equipment, the purchase of the Glad Hill property for almost $390,000, the creation of the revolving capital fund for the Volunteer Fire Departments/Rescue Squad from which $220,000 will be spent in FY12, and the purchase of two cars for the sheriff for $50,000. When totaled appropriations exceeded the initial revenue projections by more than $1.4 million. The ability to absorb almost this entire amount will be the result of revenues exceeding forecasts by almost $800,000 and expenses being less than the budgeted amounts by almost $550,000.

Collections of General Property taxes ($500,000) and local sales tax ($119,000) were the major drivers of the greater than expected revenues. The savings in expenses can primarily be found in debt service ($186k), CSA ($130K), refuse ($64K) and general property ($60K) budget 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 of $917,461 will play an important role in the FY13 budget as explained below.

Another major revenue source iw the Landfill Construction Fund. Revenues from customers of the landfill located outside Prince Edward County are placed in this fund and are accumulated and then used to pay for the closure and construction of new landfill cells. It was anticipated we would need to close a cell in the spring of 2012 but that will not happen.

The fund and cash balances in the Water Fund will increase by $767,085 during FY12. This occurs due to the VRA borrowing completed in November 2011. All expenses associated with the water project were completed earlier and the VRA borrowing replenished the Water Fund which will end the year with a fund balance of almost $1.4 million and cash of $933,625. The Sewer Fund's fund and cash balances declined by $36,547 for the year and have a negative cash balance of almost $69,000. Cash could be transferred from the Water Fund to balance the Sewer Fund but there is no overriding reason to do that at this time.

FY13 BUDGET

For FY13, the Board of Supervisors made it clear they did not want to see any tax increases, and at the same time the Board wishes to maintain the current level of services to our citizens. This proposed budget meets those goals. I am proposing a budget that is relatively flat with only a few exceptions. After deducting the transfers between funds, the proposed budget for all funds is $42,062,414. The budget is balanced but requires the use of some of the fund balances. I recommend using $416,003 from the fund balance of the General Fund and, after deducting the noncash depreciation expense, $244,039 from the Water Fund and $93,106 from the Sewer fund for a total of $753,148. This can be funded from the $917,461 increase in the Fund Balance for FY12 mentioned above.

Enclosure (2) is a chart that shows the revenues, expenses and projected fund balances of the various funds at the end of FY13. Enclosure (3) provides a comparison of the departmental costs over the last four years.

FACTORS SHAPING THE FY13 PROPOSED BUDGET

The FY13 proposed budget incorporates the Board's direction to present a budget that level funds the schools, holds charitable donations steady, provide the first COLA in five years, no increase in tax rates, and at the same time maintain core service levels.

The FY13 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 8.5% in January 2012, compared with 9.4% last January. This compares favorably to the unemployment rate for the nation which is 8.8% for the same period.

This improving economy, even if it is a slow recovery, bodes well for the future. We are seeing an increase in the number of business prospects displaying an interest in Prince Edward County. The future looks more promising now than it has for three years. Luck Stone is still proceeding on the opening of the quarry, we have two local businesses that are set to expand, and new real estate projects are about to begin construction. Finally, I am hopeful the Granite Falls project will develop. While I am bullish on the future prospects of Prince Edward County, I did not factor any revenue growth from any of these projects into my revenue calculations.

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 $3,081,892 during FY12 from this revenue source. I have projected collections of $3,050,000 for FY13 but indications are this amount could be greater. NADA values for used cars are holding steady and the Commissioner of Revenue mailed out 722 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 $453,8-6 when compared to the same amount in last year's initial budget. I do not foresee any other revenue source changing to such a degree.

For FY13 health insurance rates increased 5.7%, which will cost the County approximately $34,000. Additionally, VRS rates are increasing from 15.11% to 17.25% adding an additional $65,000 to our retirement cost. But I must make one point to our citizens regarding the County's retirement program. The County and in fact all local governments are not underfunding their retirement funds. Each locality's retirement rate is set using actuarial data specific to that locality. Unlike the state, no local government delays funding its obligations. Additionally, the landfill operations contract will expire on June 30, 2012. I anticipate the new contract will increase and I have included that increase in the budget.

There are a number of outside factors that may still impact the FY13 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.

FY13 BUDGET DEVELOPMENT STRATEGIES

It has been at least four years since any department or outside entity has received any significant funding increases. In fact most have seen funding decreases. 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 Board instructed me to develop a budget that would hold tax rates steady, provide a 3.6% COLA to County employees which is equal to the COLA provided to social security recipients in January, maintain core service levels and fund the public schools and charitable organizations at the same levels as in FY12. This budget recommendation achieves those instructions.

The 3.6% COLA will cost $168,178 which does not include the employees of Social Services. This will be the first COLA since July 2008. Once again capital purchases are being kept to a minimum. I recommend $30,000 be used to replace aging computers and printers, $60,000 to purchase two vehicles for the Sheriff and $60,000 to purchase vehicles for county administration.

The proposed budget includes the transfer of $8,106,652 to the schools. This is the same amount as in the FY12 budget but represents an increase in available funds of $415,730 for the School Board to use *to replace loss state funding or cover increased costs. The available funds increase due to the reduction in school debt service of $189,210 and continuing to appropriate the funding of $226,520 that was provided by the Board of Supervisors for a one-time bonus for school employees.*

Due to the growth in responsibility I am recommending the elevation of the Building & Grounds section to a Departmental level – Public Works. Due to the incumbents background he has been able to complete in-house many tasks that were normally contracted out in the past saving the County tens of thousands of dollars. Additionally, I anticipate this department assuming vehicle maintenance responsibility this next fiscal year saving additional taxpayer dollars. In response to this additional responsibility I am recommending the reclassification of the Building & Grounds Supervisor to the Public Works Director increasing this position to a grade 21 and step 5 with a salary of $56,165. This will bring that position in line with the existing department directors.

While not increasing any costs I recommend the hours at the Cannery be changed slightly to allow some evening and weekend hours. This will allow citizens who work to use the Cannery. The only change the current users will experience is that the Cannery will be closed on Wednesday. The new additional hours will be Monday from 4pm-7pm and the second Saturday of each month from 7am-2pm.

Tax Rates

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

FUTURE REVENUE ENHANCEMENTS

The landfill operations contract will expire on June 30, 2012. As stated above I anticipate the new contract will increase and the proposed budget contains that increase. Once a new contract is awarded I recommend the current landfill tipping fees be increased by the same percentage as the contract increases. This increased revenue has not been budgeted and will help offset the draw on the fund balance.

I recommend the Board of Supervisors authorize the Staff to research the development of a service charge in lieu of real property taxation as allowed in Section 58.1 Chapter 34 of the Code of Virginia. Such a service charge can be placed on all real estate which is exempted from property taxation. Certain criteria must be met to allow the service charge to be placed on property owned by the Commonwealth. Such criteria do not apply to the placement of such a service charge on exempted property not owned by the Commonwealth. Currently nine counties and 11 cities impose this service charge. The County has $335,322,400 in real estate assessments that are currently tax exempt; this is approximately 22% of all real estate assessments in Prince Edward. This revenue stream has the potential to be a significant source of funding but due to state regulations cannot be imposed prior to next year.

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 a balanced budget for the citizens of Prince Edward County.

Mr. Bartlett then reviewed the PowerPoint presentation.

Supervisor Simpson inquired about the sales tax revenue projections. Mr. Bartlett stated they are above what was collected during the same period in the previous year.

Discussion followed regarding the Sheriff's department writing tickets based on state code or county code, and regarding the costs incurred regarding the Piedmont Regional Jail.

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

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

the meeting was recessed at 4:15 p.m. until 2:00 p.m. on Tuesday, April 3, 2012.