

April 3, 2012

Virginia:

AT A CONTINUED MEETING of the Nelson County Board of Supervisors at 4:00 p.m. in the Board of Supervisors room located on the second floor of the Nelson County Courthouse in Lovingson, Virginia.

Present: Allen M. Hale, East District Supervisor
Constance Brennan, Central District Supervisor
Thomas H. Bruguire, Jr. West District Supervisor - Vice Chair
Larry D. Saunders, South District Supervisor
Thomas D. Harvey, North District Supervisor -Chair
Stephen A. Carter, County Administrator
Candice W. McGarry, Administrative Assistant/Deputy Clerk
Debra K. McCann, Director of Finance and Human Resources
Phillip D. Payne, IV, County Attorney

Absent: None

I. Call to Order

Mr. Harvey called the meeting to order at 4:05 pm with all Supervisors present to establish a quorum.

II. FY12-13 Budget Work Session

Mr. Carter recapped that the budget had been revised to include the Courthouse debt prepayment and that staff had been advised to advertise the increases in Real Estate tax rates and the Motor Vehicle License Fees, which has been done. He then noted that staff was not sure on the direction the Board wanted to take so staff has provide a set of assumptions to consider.

Mr. Carter then distributed and reviewed the following:

REVENUE CONSIDERATIONS

	<u>Non-Recurring</u>	<u>Recurring</u>
	<u>FY12</u>	<u>FY13</u>
1) As Proposed:		
Five Cent Real Estate Tax Increase	\$655,733	\$1,338,230
Motor Vehicle License Fee Increase	\$67,813	\$135,625
	<u>\$723,546</u>	<u>\$1,473,855</u>
2) Other Available Sources:	<u>Non-Recurring</u>	
Courthouse Project Fund remaining balance	\$908,100	
Capital Fund-Unobligated	\$1,197,790	
Capital Fund- BOS allocation to School Bldg Envelope	\$300,500	
	<u>\$2,406,390</u>	

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	<u>Non-Recurring</u>	<u>Recurring</u>
Total As Proposed & Other Available Sources	\$3,129,936	\$1,473,855

Other Considerations:

3)

- A) **State revenue for schools** could potentially change depending on final state budget. The House budget proposed an additional \$43,352. The Senate budget proposed an additional \$110,313 more than the Governor's budget.

- B) The Senate currently has included language in the budget stipulating that when fines and fees collected on violations of local ordinances exceed 30% of the total for the locality, half of the excess would be diverted to the Literary Fund. This would **transfer revenue from local ordinance violations to the state**. These fees and fines result from violation of local ordinances that parallel state statutes (e.g. motor vehicle infractions). The reduction in court fines resulting from this legislation would be approximately \$35,000 (based on FY11 receipts).

Mr. Carter noted that the Courthouse Project Fund in item #2 included the costs of the Jefferson Building completion. He noted that he used Blair's total and bids would hopefully come in better.

Mr. Carter then noted that staff was not presenting the overall fund balance here as it is a cash flow consideration and the County needed to maintain a 60 day cash flow. He added that the Board could dip into it but he would not recommend doing so. He noted that the "Rainy Day" fund never got officially established because the policy was not formally established by the Board and therefore all of the fund balance was in the General Fund.

Ms. McCann then noted that what was presented was what was left in the Capital Fund and then \$300,500 was added for the monitoring of the TRES building envelope. Mr. Carter then reiterated that the school formula that was once in place to cover the new debt over ten years had been completed and there was no need for it to continue.

In response to questions, staff noted that interest earnings were shown in a General Fund line item on the revenue side.

Mr. Carter then explained that the County needed to keep 45-60 days cash flow and 20% on hand of the amount of the total budget; which meant that \$12 million was needed on hand. Ms. McCann added that dividing the budget by 12 would give roughly the amount of a 30 day obligation. She noted that expenses were not level over the year and so it was recommended to go with a 60 day plus cash flow of at least \$8.5 million for operations.

Staff then reviewed the Expenditure considerations as follows:

EXPENDITURE CONSIDERATIONS

- 1) **Adjustments for 2014 reassessment expense:** Radio project debt service is proposed to be reduced by

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\$175,088 because interest only (\$29,557) will be due in FY13. The \$175,088 will add to the already budgeted \$95,000 for a total of \$270,088 for reassessment expense. Net impact to budget is \$0.

2) **Paid EMS**-Increase in transport fees is anticipated to generate **\$244,000** in FY13. It is proposed that this additional revenue be used to expand the paid program. Details to be determined in future sessions.

3) **Address Capital needs and School operational requirements:**

A) Use of non-recurring revenue for renovation of the health department. Estimated cost is **\$2,216,708**.

B) Use recurring revenue to pay debt service to renovate existing courthouse. Debt service on \$4,186,734 is **\$280,000**.

C) Use recurring revenue to provide for school operations from the following menu:

Increase in VRS/Group Life rates	\$620,883
Increase in Health Insurance premiums	\$124,356
Increase in utility costs	\$108,720
Purchase of 3 school buses @ \$89,000 each (5 requested)	\$267,000
Increase in overall State Revenues including funds for VRS	(\$138,193)
Reduction for new positions included in proposed budget	(\$192,280)
Consideration of funding already budgeted in FY13	(\$246,190)
New Funding for School Total	\$544,296

D) The health department renovation would reduce non-recurring funds to \$913,228 which potentially could be applied to the courthouse renovation project to reduce debt service by \$60,000 annually. The balance of recurring funds based on the uses noted above would be \$649,559

4) **Consideration for Salary Adjustment (recurring funds)**

County-1% cost is **\$44,000**

School-1% cost is estimated to be **\$175,000**, pending calculations from schools.

5) **Use non-recurring funds to replace other solid waste truck (net of trade-in)- \$100,000**

6) **Use of recurring funds for Animal Control Supervisor/Officer position-\$45,660 with benefits.**

7) **Consider reserve/contingency of any remaining funds not obligated.**

8) **Expenditure Reductions:**

A) Departmental expenditure reductions (after payroll) of 1% would save **\$24,225**

B) Contribution reductions to agencies of 1% would save **\$9,446**

9) **Consideration of Pending Legislation relative to VRS:** Legislation is pending requiring all local VRS members (employees) to pay the 5% member contribution as of 7/1/12. Localities and school boards shall be required to provide an increase in compensation as of 7/1/12 to offset the member contributions for members. The increase shall equal the difference between five percent of creditable compensation and the percentage of the member contribution paid by the local member on 1/1/12. Only school boards are authorized to phase in the member contributions required by this legislation. The phase-in period may be up to five years.

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Any phase-in by school boards must be in whole percentages. The offsetting raise is to be effective 7/1/12 (unless a school board is phasing in the member contribution). The associated costs for the county are about \$31,500. Receipt of this information relative to the schools is pending.

Staff noted that the new Reassessment will cost between \$16-\$18 per parcel.

Mr. Carter noted that the renovations to the Health Department instead of demolishing it could be done with nonrecurring revenues from page 1.

Ms. McCann noted that item 3C did not include the schools requested pay adjustment and their Health Insurance increase assumes that the entire increase would be paid by the employer; however they have made no decision as to how this would be split. She then noted the VRS increased revenue from the State offsets their costs.

Mr. Carter noted that on item #6, he has spoken to the Sheriff who was open to considering this, but not right now. He added that the County has 2 Part Time officers and 1 Part Time Shelter Attendant. Mr. Carter then noted that bringing them up to full time was not currently in the budget and he recommended that the County keep 2 Part Time and 1 Full Time position with a reduction in force of the Attendant position. He added that the officers were on call at all times.

Mr. Carter noted that there was no contingency at this point in the budget.

Ms. McCann noted that there was not much fluff in the budget; however staff backed out payrolls and calculated a 1% reduction in expenses for departments and agencies. Mr. Carter added that there were obligations in some departments such as the jail that could not be included for reduction.

Ms. McCann reported that in item #9, it was estimated that \$600,000 plus was needed for the VRS increase; however the true costs were needed from Shannon Irvin. Mr. Carter noted that there was increasing pressure to have the Governor veto this.

Mr. Carter then noted that depending on what the Board did with revenues, they would have a great deal of ability to accomplish things and that staff was showing big picture items to consider.

Mr. Carter then noted items 3A&B as having been discussed for several years and he noted that if the Board did these it would not address DSS space needs but that they could be done with the funds on hand. Mr. Harvey and Mr. Bruguere noted that they thought the Health Department building renovations were out of the question and Ms. McCann noted that demolition was estimated at \$80,000.

Members and staff discussed the judge setting a date for courthouse renovations and Mr. Carter noted that he has not discussed this recently with him. He noted that he did say he would wait but that there is an expectation that it would be renovated for the Courts.

Mr. Carter then noted that the Board should consider its financial ability moving forward to 2014 and if they raised taxes slightly now and if those values are low, then they have not made much progress and are left with no real ability.

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Mr. Bruguere stated that the Board has not made any cuts so far and that they should weed out the agencies and reduce their funding by half.

Mr. Hale reiterated that the Health Department issue should be discussed as a Board even though the majority has previously indicated to renovate it and then to demolish it. He added that the Board did not have to decide until the Health Department actually moves out and that he thought in terms of moving forward, staff has a sense of what the majority feels about that.

Members and Staff briefly discussed the possibilities if it were renovated inclusive of the possibility of moving the School Board Offices there and keeping the Registrar's Office there. It was noted that the renovations may not be as expensive if the space was not the Health Department or DSS who need private areas etc.

In terms of the cost of rebuilding, it was noted that renovation would be around \$70-\$100 per square foot and building new was around double that.

Mr. Bruguere noted that he did not think it was a building worth keeping and does not want to spend \$200 per sq ft on office space. He added that renovation would be cheaper and now the cost was too high. Mr. Carter pointed out that the numbers presented for renovation did not include any new space except for a portico and elevator.

Mr. Carter reiterated that staff was showing what the Board could accomplish within the means presented.

The Board's consensus was that the space was needed although Mr. Bruguere suggested leaving the School Board where they are as there were departments in leased space that needed to be addressed.

In response to questions, it was noted that the numbers in #4 included all positions, full time and part time.

Ms. McCann noted that in item #9, the schools had indicated a preference not to phase this. Ms. McCann then noted that if the County had to do the 5% for VRS, a 1% raise would be a little bit more than the \$44,000 because it would be calculated on the higher salary. She noted that the legislation requiring the General Assembly to use the actuarial rates did not go anywhere and was set aside; therefore this mandate did not fix the problem.

Mr. Carter then noted that the bigger picture was that between now and the 12th, the Board needed to decide what to do or not do with the tax increase. He noted that the Board had some fiscal flexibility but if there was no tax increase, they would only have nonrecurring revenues to use as there is more one-time money on hand. He added that the Board could also decide to set it aside and hold it.

Members and staff briefly discussed paying off the Piney River 3 water and sewer debt with nonrecurring funds and then handing it over to the Service Authority. Mr. Carter noted that Staff was to meet on this in the next week or so and that the system could sustain itself if it were not billing the County for work done.

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Ms. McCann reiterated that the big decision was school funding as it has been in the past years.

Mr. Harvey inquired about having a budget presentation by the School Board and the consensus was to have this done after they have come back with a realistic budget. It was noted that they would receive \$790,486 in new dollars if the Board did all of the items in c) on the expenditure sheet. It was noted that this was less than half of their request but that included a salary adjustment of around \$600-\$800 thousand. Ms. McCann noted that the salary adjustment was 3.65% and adjusting the scale to be in the top 25% of all divisions in the state and phasing it in over two years. Ms. McCann noted that their salary scale percentages varied between steps; which differs from the County scale where the percentage difference between steps is the same.

Staff recommended that the School Board give justification for their request and Mr. Harvey noted that the raises were high on their list. Ms. McCann noted that several new positions were requested and that the most vital to them was the tech support position.

Mr. Harvey noted that the school system has never had a tough budget year or had to have layoffs and Mr. Bruguere questioned why they were adding teachers if there was no increase in students.

Mr. Hale revisited the Health Department and suggested that when looking at this, it seems the Board is not ready. He noted that his observation is if they look at what was built for the new courts and the needs chart they went by, it was overkill. Mr. Harvey noted that he did not want to have to do that again in the next twenty years. Mr. Hale then noted that he was not ready to undertake a \$4 million renovation of the old courthouse area and that they needed to settle the vacated space issues first in the old J&D and General District court areas. Mr. Harvey agreed that they can vacate the Health Department and then decide; however a new roof was needed per Mr. Carter.

Mr. Saunders clarified that in item #8, all departments were included in the 1% reduction and Ms. McCann advised that it did, however things like vehicles were in the motor pool department budget but were eliminated already. She noted that the Sheriff's Department had an extensive list of spare vehicles-around 8 or 9.

Mr. Saunders then inquired about the school report on transportation noting that relatively empty buses have been observed going in at Tye River Elementary. Ms. Brennan noted that the Board has discussed this every year and decided that they would let them figure this out. Mr. Harvey noted that he thought that they should not have all age groups together on the buses even though they do in the mornings.

Mr. Harvey then stated that he thought the revenues were nailed down but the Board needed to work on expenditures and that the Board ought to go ahead with the proposed increases.

Mr. Carter reiterated that the key was deciding on the tax rate and then the Board can take its time to work on the budget. He added that the presented items were brought forward to provoke thought on the matter.

Members and Staff then confirmed the meeting on the following Thursday at 2:00 pm in order to set the tax rate subsequent to the public hearings held on the preceding Tuesday.

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Setting up a joint meeting with the School Board was discussed and Members asked to try to make it work for Thursday.

Ms. Brennan stated that she wanted to get to work on the expansion of emergency services and Mr. Carter suggested that the County needed people on the Rt.151 side and the Lovington side, not just on Rt. 151 per Mr. Sheet's plan. Mr. Harvey suggested that they could rotate depending on duty roster submissions and divide the coverage a different way. He then introduced the idea of purchasing Station II and noted that the Squad spent \$400,000 on the building and the Board paved the driveway. He noted that this would take a financial burden off of them and if they financed the purchase by the County, it would give them a source of income.

III. Other Business (As May Be Presented)

There was no other business considered by the Board.

IV. Adjournment

At 5:20 pm, Ms Brennan moved to adjourn and Mr. Saunders seconded the motion. There being no further discussion, Supervisors voted unanimously by voice vote to approve the motion and the meeting adjourned.