Virginia:

AT A CONTINUED MEETING of the Nelson County Board of Supervisors at 1:00 p.m. in the Former Board of Supervisors Room located on the fourth floor of the Nelson County Courthouse in Lovingston, Virginia.

Present: Jesse N. Rutherford, East District Supervisor – Chair
J. David Parr, West District Supervisor – Vice Chair
Ernie Q. Reed, Central District Supervisor
Robert G. "Skip" Barton, South District Supervisor
Candice W. McGarry, County Administrator
Amanda B. Spivey, Administrative Assistant/Deputy Clerk
Linda K. Staton, Director of Finance and Human Resources

Absent: Thomas D. Harvey, North District Supervisor

I. CALL TO ORDER

Mr. Rutherford called the continued meeting to order at 1:03 p.m. with four (4) Supervisors present to establish a quorum and Mr. Harvey being absent.

II. FY24 BUDGET WORK SESSION

A. General Fund Budget Status
B. General Fund Revenues and Expenditures (As Needed)
C. School Funding

Ms. McGarry provided an update on the current status of the budget with the changes that had been made to the Contingencies. She reported that the subtotal of changes made to the General Fund Budget as of April 4, 2023, was adding back in $322,455 in expenditures, which left a contingency balance of $805,437. She provided a list of the changes made to the Contingencies for review.

Changes to Contingencies

Introduced Budget Recurring Contingency	**$**	**1,127,892**
Made New Registrar Position Full Year	$	(46,357)
Added Sheriff's Evidence Position	$	(51,053)
Added BI/PZ Shared Admin Position	$	(50,824)
Added AC Shelter Manager Position	$	(61,741)
Added Parks & Rec PT Position	$	(23,791)
Added PZ Junkyard Cleanup Grant	$	(5,000)
Increased Employee Benefits (HINS)	$	(34,404)
Added PVCC Requested Increase	$	(405)
Added Foothills Child Advocay Requested Increase	$	(1,000)
Added JABA Requested Increase	$	(5,075)
Added JAUNT Requested Increase - Level Service	$	(36,647)
Added MACAA Requested Increase	$	(4,590)
Added OAR Requested Increase	$	(932)
Added Shelter for Help Requested Increase	$	(426)
Added TJPDC Requested Increase	$	(210)
Subtotal of Changes	**$**	**(322,455)**
Balance as of 4/04/23	**$**	**805,437**

Ms. McGarry reported a staff change to the Personal Property Tax revenue. She noted that staff had received a new edit book from the Commissioner of Revenue which added $380,783 to the Contingency balance. She reported that as of April 17, 2023, there was $1,186,220 in the Recurring Contingency.

Ms. McGarry then reported that the Introduced Budget had a Non-Recurring Contingency of $375,212. She explained that they had a staff change due to the Personal Property Tax change, which added $174,708 to the Carryover for the current year. She also noted that they had added in the change to the cost of the radio upgrade, which had been $1,250,000 and increased to $1,400,000 ($150,000 change). She pointed out that the radio expense would remain in the FY24 budget as they would still receive the discount as long as the purchase order was signed by June 30th. She noted they would not actually pay for the radios until FY24. She noted that with those staff changes, the Non-Recurring Contingency balance was $399,920 as of April 17, 2023.

Ms. McGarry reviewed other changes not affecting Contingency Balances. She explained that the decline in Debt Service from FY23 to FY24 would go back into the Debt Service Reserve per the Debt Capacity strategy. She noted that it would go into the Fund balance, they would then bring it back from the Fund Balance to then be added to the FY24 Transfer to Debt Service.

Ms. McGarry noted that as of that day, they had a balanced budget of $50,167,334. She reiterated that Non-recurring contingency was $399,920 while Recurring contingency was $1,186,220 and the Capital Outlay total was $2,641,454. Mr. Rutherford reiterated that $1.1 million was the new recurring contingency.

Ms. McGarry reviewed the options that could increase Recurring Revenue. She noted that the Board could revisit/reduce operating expenditures by revisiting the additions on the Changes to Contingencies sheet; or they revisit other departmental/agency expenditures.

Ms. McGarry indicated that the Board could revisit/reduce the Debt Service Transfer of $610,000 for FY24 only and resume in FY25. She reported that staff had spoken to Davenport about the strategy, and explained that it would reduce the $57 million in available borrowing capacity in years 2023-2026 by about $3.8 million for a capacity within that timeframe of $53.2 million. She noted that the $3.8 million in borrowing capacity would be forgone due to not transferring the $610,000 in FY24, but would be available in 2027. She indicated that if the full $57 million in available borrowing was utilized in years 2023-2026, a one-time contribution of approximately $250,000 would need to be set aside for the reserve by FY2031.

Ms. McGarry noted another option to increase Recurring Revenue would be increasing the Transient Occupancy Tax Rate of 5 percent. She indicated that a public hearing was optional. She reported that every one percent increase in rate yielded $360,000 if the rate was effective July 1st for a full fiscal year. She noted that a pro-rated amount would be generated If a rate increase was effective after July 1, 2023.

Ms. McGarry indicated that the Board could consider increasing the Revenue Recovery Transport Rates to either 130 percent or 150 percent above the current Medicare fee schedule rates. She noted that the County's billing company recommends going to the 150 percent rate. She indicated that the rates were on a calendar year basis and could be adjusted anytime during the year. Ms. McGarry reported that the billing company provided revenue estimated based on the County's transport history. She noted that they had estimated $21,000 to $28,000 in additional revenue for a full fiscal year at the 130 percent rate. She then noted that the 150 percent rate was estimated to generate $39,000 to $52,000 in additional revenue for a full fiscal year. She pointed out that a pro-rated amount would be generated if a rate increase was effective after July 1, 2023.

Mr. Barton asked about revenue recovery transport rates. Ms. McGarry explained that the County had Revenue Recovery Transport rates for ambulance transport. She noted that the rates were based on a percentage of the Medicare allowable rate for transports. She indicated that organizations typically charged rates that were 130 percent of that rate, or 150 percent of that rate to generate a little more revenue. Ms. Staton noted that they had some flexibility in what the rate charges were. She explained that whenever a transport occurred, the insurance was billed first, and then any remaining balance became the responsibility of the patient. Ms. Staton had a process for waivers for those who were unable to pay. Mr. Reed asked what the current billing rates were. Ms. McGarry noted that she would need to check, but thought they were at least at 100 percent. Mr. Parr noted that in his experience, an ambulance ride was about $1,200 before insurance and his portion, after insurance had paid, was about $484 at the current rates.

Lastly, Ms. McGarry noted that assumption of the Nelson County Broadband Authority (NCBA) operations in December 2023 would provide a net income of $55,500 for 6 months (estimated $111,000 for a full year).

Ms. McGarry noted she had provided the Board details on the public hearing that was held on the proposed Transient Occupancy Tax (TOT) in 2022. She indicated that Mr. Payne had advised that another public hearing would not be required by statute but may be preferable. Mr. Rutherford indicated that he would not want to do a rate increase without a hearing. Mr. Reed noted that a public hearing had been held on the TOT at the full range.

Ms. McGarry reported that staff had provided some salary scenarios could have an effect on the recurring contingency. She noted that they could review the scenarios if the Board wished to do so.

Salary Scenarios and Effect on Recurring Contingency

	*5.5% Salary Adjustment School & County	5% Salary Adj.+ Step & County Adj. to Min.	7% + Step Schools & 5% County + Adj. to Min.	7% Salary Adj. + step & County Adj. to Min.
Updated Contingency as of 4-18-23	$ 1,186,220	$ 1,186,220	$ 1,186,220	$ 1,186,220
County Net Salary Adjustment from Budgeted 7%	$ 99,042	$ (98,368)	$ (98,368)	$ (557,653)
Adjusted Contingency	$ 1,285,262	$ 1,087,852	$ 1,087,852	$ 628,567
School Funding				
Initial School Request w/ 7% + step	$ 1,582,639	$ 1,582,639	$ 1,582,639	$ 1,582,639
Net Reduction in Request	$ (339,489)	$ (339,489)	$ -	$ -
New Funding Amount	**$ 1,243,150**	**$ 1,243,150**	**$ 1,582,639**	**$ 1,582,639**
Unallocated Funding Balance	**$ 42,112**	**$ (155,298)**	**$ (494,787)**	**$ (954,072)**
* Schools Step Increase = .5%				

Mr. Reed and Mr. Rutherford asked for a walk-through on the salary scenarios.

Ms. McGarry explained that the first column showed a 5.5 percent salary adjustment for both School and County employees. She noted that the half percent comes from the fact that the School's step increase was equal to a half percent. She noted the updated contingency (as of 4/18/23) at $1,186,220. She explained that the County net salary adjustment from the budgeted 7 percent down to a 5.5 percent salary adjustment would provide $99,042 back for an Adjusted Contingency at $1,285,262. She noted that the initial school request of $1,582,639 for 7 percent plus a step would be reduced by $339,489 and make their new funding amount $1,243,150. She indicated that if they compared the new funding amount to the adjusted contingency, they would have $42,112 left in contingency. Mr. Rutherford asked if that took into consideration the compensation study that was done. Ms. McGarry noted that it did not and it was just a flat 5.5 percent. Mr. Rutherford asked if they went to 5 percent, whether they would know the difference to get to the minimum pay range.

Ms. McGarry indicated that the next column had the 5 percent salary adjustment plus a step and County adjustment to the minimums. Mr. Reed asked what the County adjustment meant. Ms. McGarry explained that they had a new salary scale from the consultants. She noted that the adjustment would move anyone who was not already at the minimum in the pay band for their position, to that minimum of the new pay band. Mr. Reed asked if both the County and School positions would get the adjustment. Ms. McGarry explained that the County did not control the School's salary scales, so the School positions would receive a 5 percent salary adjustment plus a step, and County positions would receive a 5 percent salary adjustment while also moving County staff to the minimums. Ms. Staton commented that the move to the minimums was only if the 5 percent adjustment did not already put them there. Ms. McGarry noted there would be an additional cost of $98,368 on the County's side to adjust people to the minimums if needed. She noted that would provide an adjusted contingency of $1,087,852. She pointed out that the School funding scenario was the same since it was essentially the same as the first column, noting that their funding amount would be $1,243,150. She noted that comparing the School funding to the adjusted contingency of $1,087,852, they would be short $155,298. Mr. Rutherford noted that they were short on contingency before even evaluating the other options. Ms. McGarry noted that they had looked at 7 percent plus a step for the Schools and 5 percent for County plus the adjustment to minimums. She noted that the picture was worse as they looked to the right side of the salary scenarios. She indicated that she could run through those scenarios if the Board wished to do so.

Mr. Rutherford noted that School funding was the big thing that they needed to discuss. He noted they had $1.1 million in Recurring Contingency with the adjustment to personal property tax revenues. He didn't think the EMS Revenue Recovery rates were worth discussing at the moment. He thought that the Broadband revenues could be something to consider. Mr. Reed indicated that he was interested in a TOT increase. He wanted to make sure that they made it possible for the Schools to provide 7 percent for their employees as they had budgeted for County staff to have a 7 percent increase. He noted they did not necessarily know what the cost breakdown may be. Ms. McGarry referred to Budget Summary sheet from Schools to see what the 7 percent and step costs were.

Budget Summary

Expected Decrease in State Revenue	-1,100,387	
Expected Decrease in Federal Revenue	-64,417	
Expected Decrease in Other Revenue	-6,644	
Total Expected Decrease in Non-Local Revenue		**-1,171,448**

Recommendations of Increases to Expenditures:

1) Compensation Adjustments:		
A)Salary Increases (7% + Step for all employee groups)	1,411,088	
Social Security	81,835	
VRS	215,517	
RHCC	16,904	
Group Life Insurance	26,488	
Workers Compensation	5,301	
Subtotal 7% COLA + Step		**1,757,133**
C) Para-Pro Stipend for Instructional Assistants	50,518	
Social Security	3,865	
VRS	8,396	
RHCC	611	
Group Life Insurance	677	
Workers Compensation	147	
Disability Program	429	
Subtotal ParaPro Stipend		**$64,643**
Total Salary Adjustments		**$1,821,776**

2) New Positions		
ISS Position at NMS	36,082	
AP at Elementary Level	110,560	
Subtotal New Positions		**$146,642**
3) Fringe Benefits		
Group Health Insurance – 4.5% Rate Hike	$167,676	
Workers Compensation – Experience Mod Increase	34,123	
Subtotal – Discretionary Insurance		**$201,799**
4) Heating & Utilities	120,005	
Communication	26,921	
Subtotal – Utilities/Communication		**146,926**
5) Weight Room Equipment		**27,000**
6) Purchased Services – Nursing programs		**22,777**
Major Increases to Expenditures		**$2,366,920**

Mr. Barton asked about the decrease in state revenues of $1.1 million. Ms. McGarry noted it was likely construction funding of about $1.2 million that was received in FY23, that would not be received in FY24. Mr. Rutherford asked if there had been a change in the composite index. Ms. McGarry noted it was the same as the number was calculated on a biennium (every two years) basis. She indicated that according to the Department of Education calculation tool, $568,921 from the State would help offset the costs. She noted that the State would provide 7 percent for their SOQ (Standards of Quality) positions. She indicated that the local portion of the salary increase would be $1,188,212. Ms. McGarry noted that funding for the ParaPro stipend was included for assistants. She indicated that the Schools had included a few new positions: an ISS (in-school suspension) position at Nelson Middle School and reinstating the assistant principal position at the elementary school level. She noted that the Schools had also shown the increases in health insurance and workers compensation costs, the increases to heating and utilities and communication, the cost for weight room equipment that they wanted to purchase, and funds to go toward the school nurse program. Ms. Staton noted that the school nurse program funds would be in addition to the $164,000 already obligated.

The Board reviewed the recommended decreases to expenditures.

Recommendation of Decreases to Expenditures:

Capital Equipment Repair/Replace/Addition	-1,488,650	
Employee $1,000 Bonus	-341,347	
Lower Participation in Health Ins Program	-31,969	
Unemployment, Tuition, Sick Leave, Travel	-5,906	
Misc. Savings (salary differentials, reduced bus routes etc)	-68,541	
Athletic Equipment (hurdles, chairs)	-11,638	
Textbook Fund Required Local Match	-7,678	
Major Reductions to Expenditures:		**-$1,955,729**
Request for County Funding		**$1,582,639**
($1,171,448 less revenue plus $2,366,920 increase to expenses minus $1,955,729 reduction in expenses = $1,582,639)		

Mr. Rutherford asked if the Schools annually budgeted $1.4 million for Capital Equipment and Repairs. Ms. McGarry noted that she was not sure. Mr. Rutherford and Mr. Reed noted that may be a good question for the joint meeting with the School Board. Mr. Barton asked about the reduction of $341,347 for Employee $1,000 Bonuses. Ms. McGarry thought it was the bonus that was provided in FY23 that would not be provided in FY24.

Mr. Reed commented that since they did not propose and increase to the real estate tax, the obvious number to get money to the schools as requested would be the $1.8 million increase to Transient Occupancy Tax if they went to a 10 percent tax rate. Mr. Rutherford noted that they would not have to increase to the full 10 percent to get the funding requested. Mr. Reed suggested that they could make other adjustments in other places and possibly not need to go the full 10 percent TOT. He noted that he was interested in exploring options.

Mr. Rutherford asked for clarification from Mr. Reed on what he wanted to do and whether he wanted to fully fund the schools by increasing the TOT. Mr. Reed noted that basically, he did, but he was amenable to all of the options that Ms. McGarry provided. He also noted that the Debt Service transfer option was a route to go. Mr. Reed was not sure if the transport recovery rate was a way to go as it looked like it would affect people on an individual basis. Mr. Rutherford noted that they had soft billing and the transport cost was not something they could rely on. Mr. Reed commented that the Broadband Authority revenue was a real number. He noted that he was willing to look at all of the options because he felt that the basic school staff increases were worth doing. He also felt that the 7 percent plus step was what should be done in order to have parody across all County employees. Mr. Rutherford confirmed that Mr. Reed was at $1,582,639 for the additional school funding. Mr. Rutherford noted that they currently had $1.186 million. Ms. McGarry suggested there needed to be a minimum of $500,000 in recurring contingency. Mr. Parr supported reallocating the recurring contingency down to $500,000. He was not opposed to looking at debt service reduction, but he did not like it. He asked about the NCBA absorption and what that would mean, noting that number was pretty easy to grasp. He noted that his position had not changed on the TOT, he still did not want to change the TOT rate. He noted that he might consider 6 percent. Mr. Reed, Mr. Rutherford, and Mr. Parr were in agreement that holding a public hearing would be best if they were considering raising the TOT. Mr. Parr noted that he was not comfortable using all of the recurring contingency.

Mr. Barton asked for the current contingency number. Ms. McGarry reported that the Recurring Contingency was $1,186,220. Mr. Rutherford noted that did not reflect absorbing the NCBA or changing the $610,000 set aside for Debt Service. Ms. McGarry confirmed that was with no changes. Mr. Barton noted that the prior year they had $1 million in Recurring Contingency. Ms. McGarry indicated that was correct. She explained that they typically retained about $1 million after a reassessment year to bridge the gap in any rate increases. Mr. Parr asked how much of that $1 million in contingency would be allocated to be used. Ms. McGarry reported that they would probably use all of the contingency. She anticipated that a lot would be for the Comprehensive Services Act expenditures they were expecting in FY23. Mr. Barton asked what amount Ms. McGarry would recommend to have in contingency. Ms. McGarry noted that $500,000 to $750,000 would be okay for an in between assessment year.

The Board discussed funding options for the schools. Mr. Parr commented that they were short about $682,000. Mr. Reed suggested increasing the TOT by 2 percent, which would bring it to 7 percent. Ms. McGarry noted the increase would provide about $720,000 in additional revenue. Mr. Barton spoke in favor of increasing the TOT and noted that people visiting Nelson County were using services provided by the County. He commented that the tax was not paid by the residents. He was confident that people would not even notice the increase and commented that it would provide a way to fully fund the schools. He felt that the new school administration had made a great effort to provide a bare bones budget. Mr. Reed noted the benefit of not taxing the County residents directly to be able to fund the schools, and not having to increase the real estate tax rate.

Mr. Parr asked if the reduction in the Transfer to Debt Service had to be $610,000. Ms. McGarry and Mr. Rutherford noted that it could be a lesser amount. Mr. Parr noted that he was willing to discuss the TOT but he was not at all for increasing it to 10 percent. He commented that he preferred to leave the rate alone, noting there was some local impact. He asked what it would look like to have a 1 percent increase to the TOT, pull in the NCBA, and adjust the debt service some to make up the difference. Mr. Reed noted that if Mr. Parr made the motion, he would buy it. Mr. Parr noted he was not prepared to make a decision that day, particularly with the TOT. He indicated that he could totally support a 6 percent TOT rate, adjusting Broadband, making some changes to Debt Service, and not revisiting the budget items they had cut, and allowing the schools to be fully funded.

Mr. Rutherford suggested that any change to the TOT would be a January 1st start to allow people time to prepare. He pointed out that a lot of the surrounding counties were looking at a 5 percent or 6 percent salary increase. He felt that a 5 percent County pay raise and move to the minimums would have more benefit and less impact on the budget. He thought that 5 percent was still a good number on the County side. He felt it would be great if the Schools could mirror a 5 percent with the County.

Mr. Parr asked if the taxes were included at the time of booking an Airbnb, or whether that was something that was added in with the miscellaneous fees later. Mr. Rutherford indicated that the taxes were shown just prior to booking. Mr. Reed noted that the rates were seen without taxes but then the taxes and fees were shown just before final booking.

Mr. Parr asked if any of the salary scenarios were included in the current budget. Ms. McGarry noted that a 7 percent increase across the board was what was in the budget currently. She reported that if the Schools had a 5 percent increase instead of 7 percent, there would be a net reduction of $339,489 from their initial request. Mr. Rutherford was in support of considering the 5 percent plus a step for the Schools and 5 percent with adjustment to the minimums for County employees. He noted it would still be a huge benefit to employees. He commented that if they chose to increase the TOT, they could allow people enough time to prepare before it became effective and it could be utilized in the following budget year. Mr. Barton asked which of the scenarios was proposed by the Schools. Ms. McGarry indicated that the Schools were proposing a 7 percent increase plus a step. Mr. Barton asked which salary scenarios Ms. McGarry was proposing. Ms. McGarry noted that she was proposing them all, but she thought that the first two options were the most palatable from a financial standpoint. Mr. Rutherford commented that if they could get the Schools to 5 percent, they could make up the difference in cost by utilizing the $610,000 from the Transfer to Debt Service, adding in the NCBA $100,000 revenue, and then they would have the $500,000 in recurring revenue needed. Ms. McGarry reminded the Board that if a TOT increase was effective in January, they would only have revenue from half of the year, along with half a year from Broadband.

Mr. Barton suggested a 2 percent increase in the TOT. He noted that many people had rentals and did not even live in Nelson. He felt the TOT was a no brainer, noting they would be taxing people who did not live in the County.

Ms. McGarry clarified that if the Board chose Scenario 2 with the 5 percent increase and adjustment to the minimums, utilized $610,000 from Debt Service Reserve Transfer, and kept $500,000 for contingency, it looked like they were $102,228 shy of meeting the adjusted school request of $1,243,150. She noted that if they were looking at the NCBA money and things, that would help cover it, but they would not start receiving those funds until December. Mr. Rutherford noted that they could do the 5 percent number and adjustment to the minimums, and they would still have an opportunity to adjust the TOT at any time to put into the recurring debt contingency. Mr. Barton commented that he still thought the initial proposal to increase the TOT to 10 percent was a good idea and he would go along with a 2 percent increase. Mr. Reed commented that a 2 percent increase would be the same as a 1 percent over the entire year, since they only had half of a year if the increase was implemented on January 1st. Mr. Rutherford also noted that the revenues were economically driven also, noting it could depend on whether they had snow, as well as other factors. Ms. McGarry noted that it also assumed that revenues remained constant. Mr. Reed commented that the attractiveness of Nelson County to visitors would remain constant.

Mr. Parr commented that he was still at 1 percent on the TOT if they were to increase it. He noted that he had come into the meeting saying that he was not interested in changing it. He indicated that he could go to a 6 percent TOT. He asked if they were to go to the 6 percent TOT, what that would do to the $102,000 shortage on the adjusted school request. Ms. McGarry noted if they went to 6 percent, that would be $180,000 in revenue for the full year. Mr. Parr commented that did not include the NCBA revenue, which would be another $55,000. Mr. Parr noted they had the ability to balance with a 6 percent TOT, noting he thought they had four yesses.

Mr. Barton advocated for a 10 percent TOT rate, noting he did not understand the reluctance to increase. He noted that the children and workers of Nelson County could benefit from it.

Ms. McGarry asked whether the Board wanted to build a TOT increase into the budget, when they had not held the public hearing and made a decision on it. She noted they were working on advertising the budget and needed to work with certain timelines. The Board was in agreement to build a 1 percent TOT increase in the budget. Mr. Rutherford asked if they could get a motion to have a public hearing on the 1 percent increase to the TOT. Mr. Barton preferred to make a motion for 2 percent. Mr. Rutherford commented that they could do 1 percent or 2 percent, noting they could change the rate up or down following the public hearing.

Authorization for Public Hearing on TOT

Mr. Barton moved to authorize a public hearing to increase the TOT rate by 2 percent. Mr. Reed seconded the motion. Supervisors approved the motion (3-1) by roll call vote to approve the motion, with Mr. Parr voting no. Ms. McGarry confirmed that would be a public hearing for a 2 percent increase in the TOT rate, going from 5 percent to 7 percent.

Mr. Rutherford then asked for the Board to provide guidance to Ms. McGarry on the budget portion. He noted that he was still leaning toward the second salary scenario. Mr. Parr agreed on the second scenario, along with the $610,000 from Debt Service, and keeping $500,000 in Recurring Contingency. He noted that he was also in favor of including the $55,500 from Broadband. He asked whether there were any downsides to assuming or not assuming the NCBA operations in December 2023. Mr. Rutherford noted that he did not see any reason why they should not include those revenues. Mr. Parr reiterated his suggested to go with the second salary scenario of 5 percent, along with reallocating the $610,000 Transfer to Debt Service, keeping $500,000 in Recurring Contingency and the $55,500 from Broadband. Ms. McGarry noted there were some procedural items that would need to take place for the dissolution of the Broadband Authority. She indicated that staff was working to report on the process to the NCBA at their June meeting. Mr. Parr noted there was about a $47,000 difference in the funding amounts. Ms. McGarry suggested that they could review some of the revenue estimates.

Mr. Parr made a motion to select salary option #2 (5 percent salary adjustment plus a step and County adjustment to the minimum), reallocate the $610,000 Transfer to Debt Service, keep $500,000 in Recurring Contingency, and assume Broadband operations effective December 2023. There was no second. Ms. McGarry suggested that if they were not ready to decide on school funding or any other items, they could advertise the school budget as level funded and then continue working on making a decision. She noted they would have from the public hearing until adoption to decide. She noted it was not a great option. Mr. Parr did not support that idea.

Mr. Reed noted that they would be having a joint meeting with the School Board. He noted that if they had proposed advertising level funding the schools, he would not feel very good going into that meeting. Ms. McGarry understood, noting that it was a suggestion if they wanted to have more time. Mr. Reed noted that whatever they decided that day, would go to public hearing and they could still change numbers. He commented that if they went into the meeting, looking at fully funding the schools, he felt that it would make for a very positive meeting with the School Board and allow them to work together to determine how to accomplish it realistically. Mr. Reed wanted to revisit the option of the salary scenario of 7 percent salary adjustment and step for the Schools and 7 percent County staff with adjustment to the minimums.

Mr. Rutherford and Mr. Parr were still at 5 percent. Mr. Parr liked that salary scenario option #2 had 5 percent plus a step for the schools to keep the scale. Mr. Barton wanted to do more for the people of Nelson County and the children. Mr. Reed said wanted to see a public hearing based on a fully funded school budget. He commented that he wanted to hear what the public had to say about the County finding a way to balance a budget that fully funded the Schools. He wanted to see what the public thought about a 7 percent increase across the board for the School and County staff. He commented that there was no better place to invest than in the people of the County. He noted that he would be open to discussing with School Board, opportunities that may present themselves that could change that. He commented that if people thought they were giving away too much money with a fully funded school budget and a fully funding County budget (in terms of staffing), he wanted to hear about it.

Mr. Reed moved to advertise a budget public hearing for a 7 percent salary adjustment and a step for the Schools and 7 percent salary increase for County employees and no adjustment to the minimums, which included $610,000 retained from Transfer to Debt Service, keeping $500,000 in Recurring Contingency, included fully funding the Schools request of $1,582,639 and a $360,000 which was a half year of TOT revenue at the 2 percent rate increase. He noted this would provide the public an opportunity to comment on a 2 percent TOT increase and a fully funded school budget, along with the methodology to pay for both. Ms. McGarry summarized the motion and noted that they would have a balance of $73,581. Mr. Reed noted that could go into recurring contingency. Mr. Barton seconded the motion. There being no further discussion, Supervisors voted (2-2) by roll call vote, with Mr. Rutherford and Mr. Parr voting no and the motion failed.

Mr. Barton asked why Mr. Parr and Mr. Rutherford voted no. Mr. Rutherford commented that 5 percent was a fiscally responsible number that did a good equitable thing for both the County and the Schools. He noted that the number could change between then and the public hearing, but he felt that 5 percent got them close to what they were asking for. Mr. Parr commented that he felt the 5 percent salary adjustment plus a step and also getting all County employees to the minimum was a good place for the County economically. He noted they were making concessions with the debt capacity that they had previously agreed upon. Mr. Parr thought that fully funding one department while making adjustments and cuts to others was not fair. He commented that he was not opposed to fully funding schools if all other departments were fully funded. He noted that they could discuss a fully funded budget and revisit any items that were cut and add them back in if they wanted to consider a fully funding budget.

Mr. Rutherford noted they could reconsider Ms. McGarry's suggested of advertising the budget with the school budget not yet determined, but it did have the impression of level funding the School budget. He commented that was not necessarily something they would be advocating for. He asked what the next motion would be.

Mr. Reed asked if they should look at 6 percent plus a step since it was half way between 5 percent and 7 percent. The Board discussed options on how to proceed. Mr. Barton wanted to see 7 and a half percent. Mr. Reed noted that when it came time to talk about what they were actually going to do for the budget, he would be willing to look at options that would be less than 7 percent. Mr. Rutherford noted that he was still at 5 percent. Mr. Parr commented that he was still at 5 percent also. He explained that his concern what had happened the previous year. He did not want to send a message of a higher number as they had the previous year and it did not happen. He preferred to send a message of where things were. He did not want to send a message of higher and then have to cut it.

Mr. Reed asked what was needed to announce the public hearing. Ms. McGarry explained that the advertisement for the budget public hearing needed to get to the newspaper by Friday of that week so that they would meet the notice periods required by state law. Mr. Rutherford revisited the option that they could go to public hearing without the school budget determined. Ms. McGarry noted that created its own issue in regards to public perception. She commented that she had never advertised an unbalanced budget, noting she thought that state code required the budget to be balanced.

Mr. Barton asked if what was needed was something to advertise. Ms. McGarry confirmed that she needed to know what to advertise and noted that the Board could make changes any time after the public hearing until budget adoption. Mr. Barton asked if they could come up with a compromise. Mr. Reed commented that he thought they would have to wait on the compromise until after meeting with the School Board and the public hearing. Mr. Rutherford asked about the required wait time from public hearing to adoption. Ms. McGarry noted they had to wait seven (7) days. Mr. Rutherford commented that they would have time since they planned to adopt the budget at the June meeting. Ms. McGarry confirmed, noting that the public hearing would take place on May 9th and the June meeting was on June 13th. Mr. Rutherford commented that they had the ability to vote on the TOT the same night of the public hearing, or anytime thereafter.

The Board discussed budget options. Mr. Rutherford felt that a 5 percent increase in salary was matching a lot of what they were seeing in the market with surrounding counties. He also thought the adjustment to minimums for the County and the step increase for the Schools helped with a lot of issues. Mr. Reed noted that they had not really looked at the compensation study. Ms. McGarry noted that the increase would take care of two pieces, the 5 percent and the adjustment to the minimums. She explained that the last piece had to do with putting people within their pay band according to experience and longevity in their positions. She felt there was still some more vetting to be done with the results, but they could continue to work on that for the public hearing.

Mr. Parr made a motion to advertise a public hearing at the 5 percent salary adjustment plus step, and County adjustment to minimums, with the $610,000 Debt Capacity reallocated, retaining $500,000 in Recurring Contingency, and assuming the Broadband Authority. Mr. Rutherford asked if that was the same as Mr. Parr's original motion and Mr. Parr confirmed that it was. Mr. Reed seconded the motion. There being no further discussion, Supervisors voted (3-1) by roll call vote to approve the motion, with Mr. Barton voting no.

The Board took a brief recess.

D. Other Fund Budgets

Ms. Staton reviewed the other fund budgets. She explained that the audited proprietary funds within the General Fund included the Piney River Water and Sewer Fund and the Broadband Authority Fund. She noted that the Broadband Authority Fund was not going to be presented or discussed within the current discussion that day.

Piney River Water and Sewer Fund:

Ms. Staton explained that the Piney River Water and Sewer Fund was for the County owned portion of the water and sewer system in Piney River, which the Nelson County Service Authority operated for the County. She noted that the system was typically self-sufficient and FY24 did not require support from the General Fund for operations. She reported that the FY24 Piney River Water and Sewer Fund budget was balanced at $194,908. She noted that the FY24 budget was a decrease of ($23,634) or -10.81 percent from the FY23 amended budget. Ms. Staton explained that the decrease was primary due to there being no capital expenditures planned for FY24 since Pump Station repairs had been completed in FY23. She reported that as of April 14, 2023, the system served 203 sewer customers and 103 water customers with 100 customers being sewer only and 105 having both water and sewer. Mr. Rutherford noted the inability to shut off sewer for non-payment by law and he then asked what the outstanding accounts receivable amount was. Ms. Staton was not sure but she noted that in previous years, it had not been outrageous. She pointed out that the Piney River rates were much cheaper than the Service Authority rates. She indicated that it had been quite some time since there had been a rate increase, and even so, they were still able to cover expenses. She noted that staff recommended future consideration of increasing the water and sewer rates to provide for greater contingency funding for maintenance and repairs. She pointed out that grinder pump costs were increasing.

Ms. Staton explained the County's collection policy in regards to delinquent accounts. She reported that accounts were considered delinquent when they were 90 or more days overdue and had a balance of $300 or more. She noted that delinquent account holders were then sent notices and given 10 business days to return full payment to avoid legal action. She noted that accounts remaining 90 days in arrears with no payment plan established, would then be turned over to the Treasurer for collection procedures. She then reported that accounts considered uncollectible by the Treasurer would have a lien filed with the Circuit Court Clerk against the property to include various fees up to 20 percent of the delinquent charges.

Ms. Staton noted that FY24 expenditures were proposed to be $194,908 with a Contingency Reserve of $1,799. She reported that notable proposed changes in FY24 included: an increase in Nelson County Service Authority work order charges for customer service calls, grinder pump replacements and $18,000 in maintenance and repairs for annual maintenance of the granulated carbon media for the GAC system installed in FY21. She noted that the GAC system was implemented as part of a corrective action required by DEQ. She reported that no new capital improvements were currently proposed for FY24.

Ms. Staton reported that the FY24 Revenues were proposed to be $194,908, utilizing a Year Ending Balance of $19,908 which was attributed to carry-over funds from FY23. She noted that the fees for water/sewer service were anticipated to increase by $5,703 due to the addition of new customers. Ms. Staton explained that the transfer from the General Fund in FY23 was for the replacement of grinder pumps within the system throughout the year as well as for emergency repairs in the main pump station that were not anticipated or built into the original budget and were not required for FY24. She noted that the Piney River Water and Sewer System continued to be self-supporting and no transfer from the General Fund for operations was needed at that time.

Mr. Reed asked about the Piney River Water and Sewer Rates being less than the Nelson County Service Authority. He commented that the Service Authority thought that the rates would be more in line with each other in the future, and noted that the County had not taken any steps to increase their rates. He asked if it was appropriate to discuss the rates when they worked on the budget. Ms. McGarry indicated that they would need to determine whether a public hearing may or may not be required for rate increases. Mr. Barton noted that people in Gladstone commented that they were paying a considerable amount more for their service. Ms. Staton indicated that Gladstone customers were on the Service Authority's system.

Ms. Staton reported that other assigned funds within the General Fund included: Debt Service Fund, Capital Fund, School Textbook Fund, and the School Cafeteria Fund.

Debt Service Fund:

Ms. Staton noted that the Debt Service Reserve was inclusive of the $610,000 that the Board was discussing. She pointed out that not including the $610,000 would affect the reserve budget. She explained that the funds for the reserve were made up of an anticipated $159,916 in declining debt service from FY23, $3,016,034 carried over in Fund balance. Ms. McGarry noted that they would reduce the Debt Service Reserve by the $610,000 as well as the Transfer from Fund amount. Ms. Staton explained that the County

paid the principal and interest for the School and County related debts out of the Debt Service fund. She indicated that a corresponding transfer from the General Fund to the Debt Service Fund was made at the beginning of each Fiscal Year in order to facilitate the debt service payments. She reported that the total School and County debt service payments for FY24 would be $3,165,368 and the total debt balances at the beginning of FY24 would be $13,711,000. She noted that the Total Debt Service payments for FY24 were a decrease of ($159,916) or -4.8 percent, which she reiterated that amount could roll into the Debt Service Fund. Ms. Staton reported that the FY24 Debt Service Fund contained a proposed reserve of $3,785,950 which was established to increase the County's debt capacity in FY23-26 in order to potentially finance some capital projects.
Ms. Staton reported that the FY24 payments for the County debt totaled $1,192,511, which was a decrease of ($115,480) or -8.83 percent from FY23. She noted that the net decrease was associated with final principal and interest payments being made in FY23 on the 2012 State mandated radio narrow-banding project loan, increases in principal payments on all other debt offset by varying interest payments on all debt according to amortized debt payment schedules. She reported that County debt balances at the beginning of FY24 were $8,535,000 and consisted of debt for the 2013 and 2015 additions/renovations for the Judicial/Sheriff/Courts wing and the Circuit Court/Administration areas, the 2018 Library Expansion project, and the Larkin property purchase at $2,600,000.

Ms. Staton then reported that the FY24 payments for School debt totaled $1,972,858, which was a net decrease of $6,354) or -0.003 percent due to a slight increase in principal payments being greater than the decrease in interest payments. She noted that in FY21, the County refinanced the 2012 VPSA debt for the same term, but at a lower interest rate such that the overall savings for the next seven (7) years was $185,368; which was approximately $26,000 to $27,000 per year through June 2028. Ms. Staton indicated that the School debt balances at the beginning of FY24 were $5,176,000 and consisted of two financings for the Nelson Middle School construction and High School renovation projects. She noted that the final principal and interest payments on the aforementioned 2012 VPSA debt totaling $1,138,305 would be processed in July 2023 (FY24).

Ms. Staton noted that as the Board had made decision regarding the $610,000 from debt service, staff would make the necessary adjustments following the meeting.

<u>Capital Fund:</u>

Ms. Staton explained that the Capital Fund was created to segregate larger capital projects from the General Fund. She noted that it currently provided a holding place for capital reserves of $705,251. She indicated that $300,500 of those funds were set aside by the Board of Supervisors for remediating the building envelope at Tye River Elementary School if needed, and the remaining $404,751 was unallocated. Ms. Staton explained that the Capital Fund as it currently existed had not been by accounting standards an assigned balance within the General Fund, and therefore were not considered when calculating unassigned General Fund Balance. She noted that if the fund was not appropriated in FY24, the funds would become unassigned within the General Fund Balance.

<u>School Textbook Fund</u>:

Ms. Staton reported that Shannon Irvin, Assistant Superintendent, had requested an appropriation of the FY24 School Textbook Fund in the amount of $595,000 which was inclusive of $409,723 in Textbook Fund balance as of April 12, 2023, $75,991 in State Funds, and $108,812 in local match. She noted that the FY24 School Textbook Fund was balanced at $595,000, which was an increase of $104,833 from FY23 or 21.4 percent. She explained that expenditures were anticipated to be $595,000 in School Textbook Payments with Revenues being primarily a supplement from School Operations of $184,803, anticipated FY23 Carryover Funds of $409,723, a small amount of interest earnings at $30, and used book sales of $444.

Mr. Barton noted that he would love to know how much of the cost was for textbooks and how much was for computers. Ms. Staton was not sure but she noted that the Schools had requested for $500,000 to be put in the Instructional line and $95,000 to be put in the technology line.

<u>Cafeteria Fund</u>:

Ms. Staton indicated that Shannon Irvin had requested an appropriation of the Cafeteria Fund balance of $299,280. She noted that this fund was proposed to be appropriated pending any adjustments as requested with $299,280 in Food Services Equipment expenditures and anticipated FY23 Carry-Over fund revenues of $299,280. She indicated that these funds had not been spent in FY23 and would all roll over into FY24.

The Board had no questions.

III. OTHER BUSINESS (AS MAY BE PRESENTED)

IV. ADJOURNMENT (CONTINUE TO APRIL ___, 2023 AT ____ FOR A BUDGET WORK SESSION)

At 3:18 p.m., Mr. Parr moved to adjourn and continue the meeting to April 20, 2023 at 6:00 p.m. Mr. Reed seconded the motion and there being no further discussion, Supervisors approved the motion by vote of acclamation and the meeting adjourned.