

Virginia:

AT A CONTINUED MEETING of the Nelson County Board of Supervisors at 3:00 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
Thomas D. Harvey, North District Supervisor
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

I. CALL TO ORDER

Mr. Rutherford called the continued meeting to order at 3:00 p.m. with five (5) Supervisors present to establish a quorum.

II. CONSENT AGENDA

Mr. Parr moved to approve the Consent Agenda as presented and Mr. Reed seconded the motion. There being no further discussion, Supervisors approved the motion by vote of acclamation and the following resolutions were adopted:

A. Resolution R2023-34 Minutes for Approval

**RESOLUTION R2023-34
NELSON COUNTY BOARD OF SUPERVISORS
APPROVAL OF MINUTES
(February 14, 2023 and February 21, 2023)**

RESOLVED, by the Nelson County Board of Supervisors that the minutes of said Board meetings conducted on **February 14, 2023 and February 21, 2023** be and hereby are approved and authorized for entry into the official record of the Board of Supervisors meetings.

B. Resolution R2023-35 TJPDC TAP Applications MOAs

**RESOLUTION R2023-35
NELSON COUNTY BOARD OF SUPERVISORS
AUTHORIZATION TO EXECUTE MOAs WITH TJPDC
FOR 2023 TRANSPORTATION ALTERNATIVES PROGRAM (TAP) GRANT APPLICATIONS**

WHEREAS, the Thomas Jefferson Planning District Commission (TJPDC) is willing and able to prepare the 2023 Gladstone Depot Restoration- Phase II TAP grant application and the previously submitted 2021 Lovingston Business District Pedestrian Improvements TAP grant application on behalf of Nelson County; and,

WHEREAS, the cost to provide the services associated with each application is not to exceed \$5,000 per project application; and,

WHEREAS, the County needs to enter into an agreement with the TJPDC to authorize the work for each grant application;

BE IT HEREBY RESOLVED, that the Nelson County Board of Supervisors authorizes the County Administrator to execute Memorandum of Agreements (MOAs) with the Thomas Jefferson Planning District Commission (TJPDC) for said work.

III. FY24 BUDGET WORK SESSION

A. Status Review

Ms. McGarry noted that nothing had really changed from what was presented at the public hearing on May 9, 2023. She reported that they had a balanced budget at \$50,222,334. She noted that this contained a Recurring Contingency of \$509,702 and a Non-Recurring Contingency of \$399,920. She reported that the budget had a 5 percent salary adjustment for employees plus an adjustment to the minimums of the pay scales. Ms. McGarry noted that the Board covered the 9.9 percent increase in Health Insurance premiums for employees. She noted that the General Fund synopsis in the meeting packet, along with some of the expenditure highlights from the budget presentation. She offered to answer any questions for the Board.

Mr. Rutherford noted the Recurring Contingency of \$509,702 and Non-Recurring contingency of \$399,920. He noted that the budget included 5 percent salary adjustment plus a step (a step is equal to a 0.5 percent) for the School Division employees, and then 5 percent for County staff with adjustment to the minimums. He asked if all of that was accomplished without any changes to the Transient Occupancy Tax (TOT). Ms. McGarry confirmed that was done without changes to the TOT, and noted that the budget was balanced with about \$500,000 in recurring revenue.

Mr. Rutherford reminded the Board that per their discussion at the May meeting, they would not be taking any actions on the TOT or the budget at the work session that day. He noted that the purpose of the day's meeting was to have time for discussion.

Mr. Reed wanted to discuss debt service. He noted that they had a transfer to debt service that was just over \$3 million. Mr. Reed noted that he was serving on the Nelson County Service Authority (NCSA) Board. He commented that during a meeting between himself, Robert McSwain, Ms. McGarry, Ms. Spivey, and Mr. George Miller and Ms. Jennifer Fitzgerald of the NCSA, there had been discussion of possible future scenarios to address a scenario in Nelson. He explained that the Service Authority was only able to borrow money and have its own debt service based on their number of customers, due to the fact that the customers provide guaranteed revenue. He noted that there was a lot on the horizon for the Service Authority and they did not have the debt service to accomplish it all on their own. He pointed out that the only way the Service Authority could do these things without the County's help, would be to increase rates. He noted that the Service Authority already had a public hearing scheduled for the following month to increase rates to cover debt that was currently foreseen in the future. Mr. Reed commented that he only wanted to flag the issue, and he was not asking the Board to change allocations. He wanted to keep the water and sewer service in mind when discussing revenues later on in the meeting. He stressed that development in the County was predicated on the ability to increase water and sewer service in the County. He noted that if the Service Authority was not able to do that, it would be up to the County to do it. He noted there were possibilities with Dillard Creek. He reported that the Black Creek reservoir needed to be dredged, and dredging estimates so far were \$2 million or more. He noted that they were also looking at Lovington system improvements. He wanted to make Board aware that there may be a need to consider additional revenues to add to Debt Service for things that were not currently in the budget.

Ms. McGarry reminded the Board that as projects came up and needs arise, budgets could be amended. Mr. Rutherford commented that some of the projects like Lovington, for example, could use Community Development Block Grant (CDBG) funds. He commented that if there were an expansion due to a business entity, proffers could be another scenario. Ms. McGarry noted that the County would explore all options for funding.

Mr. Barton asked about the dredging cost and who would finance it. Mr. Reed noted that it was yet to be determined. He indicated that the Service Authority was working to obtain additional quotes. Mr. Barton asked about other projects were anticipated by the NCSA. Mr. Reed reported that the Service Authority had not traditionally been proactive in planning for the future. He noted that the Piney River Pump Station would need to be upgraded in the near future. He noted that the development of Dillard creek was another project. He commented that infrastructure would need to be added to allow for more achievable development in the Lovington/Colleen/Arrington Area. Ms. McGarry noted that the Lovington sewer system was also discussed as being in need of repairs. She reported that the Service Authority had applied for ARPA (American Rescue Plan Act) funding but did not receive it. She thought that was due in part to their revenue streams. Mr. Reed felt that they had good communication between the County and the Service Authority. He commented that Mr. Miller was now looking more towards the future than in the past.

Mr. Rutherford asked if there were any other budget items to discuss.

Ms. McGarry noted that for the June 13th regular Board meeting, the plan was to have the adoption and appropriation resolutions ready for the Board's consideration. She noted that staff just needed to know if there were any changes that needed to be incorporated for that. Mr. Rutherford noted that the budget was currently balanced without any revenue enhancements. Mr. Barton asked if they needed to consider revenue enhancements for other capital projects. Ms. McGarry noted that it was not necessarily an immediate need, but in the near future potentially.

Ms. McGarry noted that the state budget may not be determined until July or August, and it would be best for the Board to go ahead and move forward in June and make adjustments later if needed. She indicated that the County had to have its budget in place by June 30th.

Mr. Rutherford reiterated that the budget was currently balanced as presented. He commented if no changes needed to be made, they had nothing to discuss and they could proceed with voting on the budget in June.

Mr. Reed noted other localities had now adopted their budgets. Mr. Reed wanted to discuss salary increases. He reported that the State budget had 7 percent salary increases for School SOQ positions. Ms. McGarry noted that they were still hashing it out. She commented that the Governor's budget had 5 percent, and the House and Senate budgets had 7 percent. Mr. Reed reported that Albemarle, Charlottesville and Fluvanna (all counties in the TJPDC except for Greene County), went for 7 percent County and School salary increases. He noted that Greene County was the only one that did not. He commented that Greene County wanted to do 7 percent but due to extraneous circumstances, they were no able to do so. Ms. McGarry asked whether Albemarle went with 7 percent and Mr. Reed commented that he hoped he was right. Mr. Rutherford noted that Ms. McGarry could check. Ms. McGarry noted discussions at the Jail Board budget committee meetings, noting that they did not seem to be leaning towards 7 percent. Mr. Reed commented that they may have been referring to the School budgets. Mr. Reed commented that salaries were difficult to adjust, he noted that contracts had already gone out, and it may be too late to adjust. Mr. Reed wanted to flag salary increases in terms of the TOT conversations. Mr. Reed was in favor of giving the Schools sufficient revenue so they would be able to give a 7 percent increase if they chose to. Mr. Reed thought the TOT increase should be considered.

Mr. Rutherford suggested that Ms. McGarry check to see what the other Counties did before they met again in June. Mr. Reed noted that he had some stats on teacher demographics specific to Nelson County. He reported that Nelson County ranked 4th in the state for beginner teacher salaries. He then noted that 25 years out, Nelson was ranked 55th. He commented that Nelson County had one of the highest benchmarks for Bachelor's degrees, in terms of staff, of any other counties. He noted that there was additional training for teachers to maintain their jobs, and the teachers were absorbing the costs for that training. He pointed out that teachers did a significant amount of work outside of school hours. Mr. Reed wanted to acknowledge the value the quality of the teachers in Nelson and the quality of the schools. He thought it was important to make an investment in the people of Nelson, and using the TOT to be able to do so, would be great opportunity.

Mr. Barton commented that the most important factor in why a person stayed in education was the satisfaction a teacher got from teaching. He noted that a lot of that had to do with the attitudes from the community toward education. He commented that a teacher's motivation determined the quality of education children received. He noted that the education a child received, determined their success and their ability to think for themselves. He did not think the Board could determine the quality of education, that was up to the teachers, administration and parents. Mr. Barton felt that they needed to do the most that they could to support the teachers. He commented that compromise was a good thing, and he could see looking at 6 percent and enhancing revenues to support it.

Mr. Harvey agreed that the schools were very important, but there were also other things in the County that the Board needed to protect and support.

Mr. Rutherford was supportive of the 5 percent increase in the budget, with the understanding that the State was not ready with their budget. He felt it was best to stay at 5 percent with the Governor's budget. He felt comfortable with the 5 percent increase and movement to the minimums, noting that the Schools were at 5 plus a step, which was equal to 5.5 percent. He commented that he did not know what it would take to get to 6 percent. He commented that they were in a good place with where the budget sat currently. He noted that infrastructure needs in the future may take some serious capital improvement funds. Mr. Rutherford confirmed that he was good with the budget as is. He reminded the Board that they could see what they needed to adjust once state budget came out.

Mr. Parr commented that he had a little heartburn over dropping the recurring contingency down to \$500,000. He noted that he was the one who had suggested it, but he had been second guessing it since he had made the suggestion. He was a little concerned going from \$990,000 down to \$510,000 but it made the budget work, so he was okay with it. Mr. Parr felt they were in a good place across the board on salary adjustments and it showed support to the employees.

Mr. Barton agreed with Mr. Parr about the contingency figures. He noted they could raise it on the revenue side, but they had not discussed that yet. Mr. Barton commented that becoming a teacher was not about the money, it was about the commitment and satisfaction in what you do. He noted that it was important that the community supported it and recognized that.

Mr. Reed agreed with Mr. Parr that the current budget was a real, solid budget, even though he felt that county employees and school employees deserved and benefited by a 7 percent increase. He commented that he was most heartened that both the County and School Board budget included 7 percent increases in their initial budgets, noting it made him hopeful that they were going to continue to maintain a high level in terms of staff and schools. He stated that it was pretty clear that there was a little more consensus on the budget as it stood, on the expenditure side. He thought it made sense for the Board to consider revenues also.

B. Transient Occupancy Tax Ordinance (O2023-02)

Mr. Rutherford noted that at the last meeting, the Board had suggested having a discussion on revenue enhancements. He commented that he had thought about it himself, and the Transient Occupancy Tax on people visiting Nelson County was one of the first taxes he would want to see increase before Personal Property or Real Estate Tax. He noted that they had a balanced budget and they could consider a TOT increase later if they needed a revenue enhancement. Mr. Rutherford commented that as enforcement had increased, they had seen a natural and organic increase in TOT revenues. Ms. McGarry confirmed that it had steadily increased, but pointed out that it was volatile. MR. Rutherford supportive of looking at the TOT increase for revenue enhancements. Mr. Reed felt Nelson County was way behind the curve on Transient Occupancy Tax. He read a list of current TOT rates in place in surrounding localities: Roanoke 8%, Charlottesville 8%, Albemarle 8%, Loudon 8%, Richmond 8%, Harrisonburg 7%, Staunton 6.7%. Mr. Harvey commented that Nelson did not compare to the places Mr. Reed mentioned. Mr. Reed commented that Lynchburg was 6.5% plus \$1 per room per night, which equated to a little more than 7%. He then noted that Augusta was at 6%, along with Waynesboro at 6%. He noted that people would continue to book rooms in advance and that would be a factor, no matter how they may implement something. He noted that they were dealing with around 1,000 short term rentals in Nelson County. He commented that all indications were that the market was saturated and a loss in short term rentals in Nelson County would not be because of an increase in transient occupancy tax, it would be because there was more supply than demand.

Mr. Reed commented that as sympathetic as he was to the couple of people who spoke at the public hearing, he noted increased competition could be a good thing in terms of quality of service. He pointed out the amount of services that the County provided to 1,000 short term rentals in comparison to Nelson County's population, was an entire population of people using the County's services and not paying for them. He cited other costs like roads, traffic, disturbances to citizens, and trash. He noted that those short term rentals were taking long term rentals out of the market. He cited negative impacts from having short term rentals which included fewer long terms rentals, increased rent and housing prices. He noted that the costs were something that the County would have to bear, and they would bear them in increased Real Estate Revenues if they did not deal with it in another way. Mr. Reed felt that an increase should be done.

Mr. Barton commented that it was a 2 percent increase in price. He noted that everyone had experienced increases in gasoline costs. He commented that people visiting Nelson County would not notice a 2 percent increase He pointed out that they had revenue enhancements that may be able to help give the County and School staff 7 percent pay increases. He commented on the hidden costs of short term rentals and reference Cooperstown, New York. He explained that Cooperstown was a little ahead of Nelson County in terms of the impacts from short term rentals. He noted that the housing was being bought up for financial interest, and their school system lost half of their student body due to the lack of housing. Mr. Barton commented that people were coming in to Nelson to invest and make money. He noted they were not taking people's money away; they were just raising the price of what they were offering by 2 percent. He stated that Nelson County was a community for the people who lived in Nelson, not for the investor. He thought that taxing people from somewhere else an additional 2 percent on their visit to enable an increase in pay to employees seemed to be clear.

Mr. Parr commented that they had taken the TOT discussion in several different directions. He agreed that he also had heartburn over what the Airbnb market was doing to the housing market. He commented that a conversation for another day as part of their Comprehensive Plan should determine how they would address it and how they would stifle that growth. He agreed that they needed to tackle the Airbnb market and what it was doing to the local housing market and how it was impacting citizens and their ability to find housing. He pointed out that going to a 7 percent TOT rate was a 40 percent increase in the tax. He commented that if he was going to talk about increasing the TOT, it would be about replacing the difference in recurring revenue. He noted that they could not assume that an increase in the TOT meant they would put it towards a salary increase. He noted that they needed to think about the decreased contingency. He agreed that they needed to address Airbnbs and what they were doing to the housing market in Nelson County. He commented that they needed to address the issues in the Comp Plan. Mr. Barton commented that he could possibly go along with idea of using TOT revenues to increase the recurring revenues. Mr. Barton referred to his Cooperstown story and noted that their way to solve the Airbnb issue was to ban them from the town. He commented that he came to Nelson County because of its beauty and noted that people also stayed in Nelson because of that. He noted that beauty was a value of Nelson County. He commented

that they worked for the people who lived in Nelson County. He agreed with Mr. Parr that they could use the revenue one way or another, and he thought they should get it.

Mr. Reed commented that now was the time to make the change to TOT. Mr. Barton noted not many people showed up to comment at the last public hearing. Mr. Reed wanted to get the TOT addressed now, rather than trying to go for it again next year. He wanted to make it effective at the start of 2024. He agreed that an increase to recurring contingency made a lot of sense. Mr. Reed commented that they had held two public hearings on TOT and it was less than half of what the proposed increase was the previous year. He thought the benefits to the County would be significant and they could amend the budget later on if needed.

Mr. Rutherford commented that the good news was that they were not making any actions at that time, so they would have more time for discussion leading up to the June meeting. Ms. McGarry noted that they would have the budget items on the agenda for the day session in June.

C. Other Budgetary Matters as Presented

Ms. McGarry commended staff and the Board for their work on budget, noting that a lot of time and effort were spent to understand what was presented. She noted that they would like to have done more for employees in terms of a 7 percent increase, but she felt that the 5 percent was a great compromise. She felt that they had a solid budget for upcoming year. She cautioned the Board that the upcoming budget cycles could be tough. She reminded the Board that since they did not transfer the \$610,000 to keep up with the debt capacity strategy, they would need to make it up the following year so that they could tackle some of the capital projects coming up in the future. She noted there would be increases coming in relation to the regional jail, Comprehensive Services Act expenditures, Juvenile Detention, as well as trying to provide cost of living adjustments for employees. She noted that they already needed to start thinking beyond the next fiscal year. Ms. McGarry thanked the Board again for their work.

Mr. Barton thanked the staff for all of the work done. He commented that certain things had worked better between the County and the schools. He commented that he respected Ms. McGarry and wanted her input on what they were doing. He noted that in many ways she had the most experience aside from Mr. Harvey.

Mr. Harvey commented that they had not gone into a budget yet that they thought was impossible to maintain.

Mr. Rutherford noted that staff did a great job, as they had a year and a half of a lot of changes with Administration and working on the Comprehensive Plan, along with other ambitions of the Board. He thought they had a successful year, noting they had accomplished a lot and there was lot on the horizon. He noted that they had not gotten much paint on the canvas but they made sure that the canvas was still there.

Mr. Rutherford noted that they would vote on the budget on June 13th during the afternoon session.

IV. OTHER BUSINESS (AS MAY BE PRESENTED)

The Board had no other business to discuss.

V. ADJOURNMENT

At 3:55 p.m., Mr. Barton moved to adjourn the meeting and Mr. Parr seconded the motion. There being no further discussion, Supervisors approved the motion by vote of acclamation and the meeting adjourned.