

AT A SCHEDULED BUDGET WORK SESSION OF THE BOARD OF SUPERVISORS
OF ROCKBRIDGE COUNTY VIRGINIA, HELD IN THE COUNTY ADMINISTRATION
BUILDING, 150 SOUTH MAIN STREET LEXINGTON, VIRGINIA ON THURSDAY
MARCH 14, 2013 AT 5:30 P.M.

PRESENT: CHAIRMAN RONNIE R. CAMPBELL
MEMBERS: ALBERT W. LEWIS, JR., RUSSELL S. FORD,
JOHN M. HIGGINS, DAVID W. HINTY

COUNTY ADMINISTRATOR
AND CLERK TO BOARD: SPENCER H. SUTER
FISCAL SERVICES
DIRECTOR: STEVEN J. BOLSTER

Call to Order:

Chairman Campbell called the meeting to order.

Continued Budget Work Session (#3):

Chairman Campbell explained the primary focus of tonight's meeting was for Mr. Bolster to go line-by-line through the proposed FY13-14 budget and explain changes made between department requests and finance committee decisions on funding levels.

Mr. Suter provided an initial overview, budget process that presented multiple challenges. He stated that upon receiving and reviewing budget requests, the Finance Committee - Mr. Ford, Mr. Higgins, Mr. Suter and Mr. Bolster - compared projected revenues with overall requests and were forced to make some very difficult decisions in matching existing revenues to ever-increasing needs. Some key points included:

- While no new, direct mandates are forthcoming from the Commonwealth in the current year, we continue to feel the pinch from the austerity and unfunded mandates of the past several years.
- In many cases, capital upgrades, service improvements and other agency assistance has been deferred for some years now.
- We are now reaching a point of critical mass, compounded by an increasing debt service due to both previous commitments and upcoming critical needs.

- Debt Service increases in the FY14 budget are \$1.2 M
 - School debt service - Debt Service increase of \$783,229
 - Regional Jail Renovations - \$91,000
 - Transfer station upgrades will average \$50,500 through year 2033
 - Bridge financing for lined landfill - \$25,000
 - Planned regional radio system upgrades- \$250,000 (which is a very conservative estimate, representing only one-half of the future annual debt service costs)
- Operational Cost increases - In addition to debt service on capital improvements, we are now facing increasing operational costs and programs which have been deferred over time. Mr. Suter highlighted a few items:
 - Schools have had essentially level funding for the previous 4 years. In the current year, a savings carryover from FY12 and a last minute caboose bill carried the school operations through at a level of \$13,807,502 - this included final year operations at Rockbridge Middle School. In the upcoming year, operational savings via the school consolidation brought that initial number back down to the base of \$13,051,000. However, increased needs have resulted in a request for an additional \$427,205 of general funds.
 - Sheriff's Office -
 - o Two additional deputies for highway safety patrol.
 - o An additional school resource officer to serve Maury River Middle School.
 - Fire and EMS - while we have many needs, it has been agreed that the first step in addressing issues is to have someone at the helm who is granted the directive to develop a plan for the future. As an economy measure, we've deferred hiring a Director of Fire and EMS until Jan. 2014.
 - Maintenance - an increase in funding for maintenance of the Administration Building. We feel it is important to plan for and budget for maintenance costs, rather than make additional appropriations when issues occur.

Mr. Suter commented that ultimately, when working through the budget, we tried to be both conservative in revenue estimates and, through necessity, sparing in new requests. He reiterated that many of the budget request increases which are not being recommended have significant merit - we simply can't afford them right now.

Mr. Suter further explained the recent board retreat to develop Mission, Vision, and Values statements. He explained that throughout the process, the committee relied on the guidance of the Board's mission and vision statements, which, even though they had not yet been officially adopted, are essentially an extension of the previously-adopted budget priorities. Mr. Suter stated the Board would see evidence in Mr. Bolster's presentation that the finance committee adhered to core services of education and public safety, as is the dedication to maintaining local control of our waste stream.

Mr. Suter emphasized that this budget process is the first of several which will be painful. He ended his overview by noting that he will provide a summary of some challenges on the horizon after Mr. Bolster's budget review.

Mr. Bolster provided background information on the spreadsheet and formula calculations associated with the budget presentation. He explained the FY13-14 health insurance premiums did not increase, but that we planned for a 0.5% increase for a potential higher payment in June 2104 when the first FY14-15 premium is due. He also explained other fringe benefit rates used in developing the proposed FY13-14 budget.

Mr. Bolster detailed changes in the anticipated local, state, federal and inter-governmental transfer sources. He also noted that the impact of continued, future sequestration measures was not accounted for in developing revenue projections. Note: the increase or decrease in revenues is displayed in the draft FY13-14 operating budget under the column titled 'Finance Committee Recommendation.'

Mr. Bolster explained the components of the draft FY2012-13 County Operating Budget that he displayed via spreadsheet presentation. The individual County function/activity budgets were reviewed by the Board. During this budget evaluation by the Board, Mr. Bolster described specific expenditure cuts recommended for their approval. Note: these expenditure cut details are reflected in the draft FY13-14 operating budget under the column titled 'Finance Committee Recommendation.'

At this point several items were discussed for clarification or potential action items. They include:

- Personnel policy upgrade coming in near future (Supervisor Ford).
- Looking to further audit departmental operations in the future to seek out efficiencies (Supervisor Higgins).
- We expect to fund salaries and equipment support for Emergency Management Services (EMS) crews in the near future (Chairman Campbell); additional EMS Revenue Recovery may support this function (Supervisor Ford).
- Potential to move Special Enforcement from Public Works function to Public Safety category (Mr. Suter).
- Consideration for Rockbridge Regional Library to be open on Mondays: potential question for Rockbridge Regional Library Board of Trustees Chairman Doug Horan (Supervisor Lewis).
- Clarification on the future funding coverage associated with the Virginia Retirement System (Supervisor Lewis).

Convene Solid Waste Authority:

The Solid Waste Authority convened at 7:13 p.m. to discuss Fund Code 19 - Solid Waste Authority Landfill Operations. Mr. Suter informed the Authority that the Solid Waste Committee, which includes representation from the County and the Cities of Lexington and Buena Vista, met earlier in the month to review the proposed FY13-14 landfill budget. The committee unanimously agreed to recommend to the Authority that the FY13-14 tipping fee be set at \$24 per ton.

Chairman Campbell noted the title listed as 'Baler Facility Insurance' needed to get changed to 'Transfer Station Insurance .'

Supervisor Ford made a motion to set the FY13-14 tipping fees for the Solid Waste Authority landfill operations at \$24 per ton. Supervisor Higgins seconded the motion. The motion carried by the following roll call vote:

AYES: Ford, Higgins, Lewis, Hinty, Campbell
 NAYS: None
 ABSTAIN: None
 ABSENT: None

Mr. Bolster then explained the changes associated with the Solid Waste Authority Recycling budget for FY13-14.

Solid Waste Authority closed at 7:23 p.m. by unanimous roll call vote.

Continued Budget Work Session (#3):

Supervisor Ford spoke on issues related to the Comprehensive Services Act (CSA) function. Comments focused on the following:

- His discussion with Lexington City Manager Jon Ellestad on evaluating potential cost saving measures for the CSA.
- Community Policy and Management Team (CPMT) has not met since the conversation with Mr. Ellestad, but Supervisor Ford will have this topic broached at the next CPMT meeting.
- CPMT will receive a CSA performance audit from VA OCS in FY13-14.
- CPMT has not met to discuss or approve the FY13-14 budget for the CSA Administration function.

Mr. Suter then provided another review of the major issues facing the County going forward. These included the finance committee's need to make significant cuts in departmental and agency requests. He emphasized that many of these requests held great merit, and trimming the budget request down was very difficult.

Furthermore, Mr. Suter stated that it was imperative that the County plan for the future, noting that last year the Board agreed that real estate tax increases were inevitable and should be planned for. Mr. Suter summarized some of the significant and ongoing challenges ahead. Issues which the County faces in FY14-15 and beyond include:

- Radio system - projected minimum is \$500,000/year for 10 years (additional \$250,000 / year over FY13-14) - noting we'll have a clearer picture on March 27th when bids are received.
- Debt service for previously committed school projects will increase in FY15-16 by an additional \$500,000 to an annual payment of \$3.4M.
- We used \$385K from the schools' VRS escrow to fund operations. This will need to be addressed in ongoing budgets.
- Fire/EMS Costs - this is certainly a core service. Provision of services is currently all volunteer; these citizens have saved the County a tremendous amount of money in personnel costs over time, but they can only hold the line for so long, as volunteer rolls dwindle and training

pressures increase. At some point, the dam will break and the County needs to prepare for additional operational costs.

- Solid waste costs - currently 37 green-box sites dot the County. This comes at significant refuse collection cost. In addition, we are in the position where we must decide whether to begin transferring our waste out of the area or maintain control of our destiny and long-term associated costs by permitting new landfill cells (this landfill development cost will be absorbed by the County). In either case, costs are expected to nearly triple in FY14-15.
- Economic Development - we have to attract new business and industry to take the pressure off our residential population. One clear avenue is to foster development in the area of Exit 188. We can't do this unless we bring water and sewer to that point.

Mr. Suter further commented on the future needs reflected in the County's operational budget. These include:

- Unmet needs in the Building Office, Maintenance, & Human Resources functions.
- Vehicle replacement plans - We need to keep up with replacement of County vehicles to include the Sheriff's Department and School Division bus fleet.
- Probable increases in health insurance costs due to inflation and federal mandates
- Reassessment costs in FY14-15 and FY15-16
- Recruiting and retaining quality staff

Mr. Suter communicated that the administration's plan is to translate these costs into a projected tax rate increase for outgoing years, for presentation to the Board at the next budget work session on Monday, March 25th. In addition, Mr. Suter commented that the County will continue to try to find efficiencies wherever possible. Lastly, he informed the Board that the finance committee has resolved to meet on a monthly basis throughout the year to work toward this goal.

Mr. Suter then transitioned to discuss potential options for County employee compensation. He stated the finance committee discussed looking at both 2% and 3% options for employee compensation increase effective August 1, 2013. Mr. Suter then asked the Board for their recommendation so we can continue moving forward with development of the proposed FY13-14 budget.

Supervisor Higgins suggested the Board consider the 3% salary increase. Supervisor Hinty agreed with 3%, which amounted to a \$22,000 increase on the proposed budget. Supervisor Ford advocated for a 2% increase, which would be in line with the School Division's plan. In addition, he suggested a review of local salary changes by both public and private entities. Supervisor Lewis discussed the challenges of approving a 3% increase, but supported the proposal. Chairman Campbell also concurred with evaluating the proposed budget based on a 3% increase for County employees effective August 1, 2013.

Supervisor Higgins stated we need to continue to contribute to our reserves in the future.

Supervisor Ford discussed CSA Administration salaries. Typically CSA Administration salaries are in line with what the County does. This is not currently reflected in CPMT budget talks. Result: changes are needed in the CSA Administration proposed FY13-14 budget submission.

The Board requested clarification on how Constitutional Officer staffs get compensated when the State Compensation Board does not directly fund certain positions. Mr. Bolster explained that the County typically funds these positions based on what the Compensation Board is doing. For FY13-14, this reflects a 3% compensation increase effective August 1, 2013.

Supervisor Higgins provided comment on how much work had gone into the budget to trim down the requested expenditures and anticipated revenues gap. He also spoke on working monthly with the finance committee moving forward to see if further savings could be garnered. Supervisor Ford echoed the appreciation for the effort of staff in developing the proposed FY13-14 budget. Chairman Campbell agreed that the finance committee's continuing to meet monthly was a great idea.

Supervisor Lewis asked to review the remaining FY13-14 budget schedule.

Chairman Campbell commented about the discussion last year of looking forward to a 3-cent increase on the real estate tax for FY13-14. He asked about consideration for a 4-cent real estate tax increase. Supervisor Lewis noted that we are in tough economic times and he would have a hard time supporting a real estate tax increase over three cents for FY13-14.

The Board agreed to evaluate the proposed FY13-14 budget with a 3-cent increase. The finance committee was requested to meet again to determine how discussed changes impacted the overall draft budget so staff could present at the next budget work session (#4).

Adjourn:

With no further business, the budget work session will reconvene on Monday, March 25, 2013 in the Rockbridge County Administration Building's Board Room after the Board of Supervisor meeting is adjourned.