

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
WEDNESDAY, MARCH 12, 2014 AT 5:30 P.M.

PRESENT: CHAIRMAN J.M. HIGGINS
MEMBERS: D.W. HINTY, JR., R.R. CAMPBELL,
R.S. FORD, A.W. LEWIS, JR.

COUNTY ADMINISTRATOR
AND CLERK TO BOARD: SPENCER H. SUTER
FISCAL SERVICES
DIRECTOR: STEVEN J. BOLSTER
ASSISTANT DIRECTOR OF
COMMUNITY DEVELOPMENT: CHRIS SLAYDON

Call to Order:

Chairman Higgins called the meeting to order at 5:30 p.m.

Budget Work Session (#2):

Chairman Higgins opened the floor for citizen comments. No citizens were present to provide inputs on the draft capital and operating budgets. The floor was closed for citizen comments.

Mr. Suter explained the primary focus of tonight's meeting was for Mr. Slaydon to provide an update on the draft FY 2015-2019 Capital Improvement Program and for Mr. Bolster to go line-by-line through the proposed FYE 2015 budget and explain changes made between department requests and finance committee decisions on funding levels. Mr. Suter went on to comment that during last year's budget process, he stated that the FYE 2014 budget would be the first of several steadily increasing budget years, since revenues are generally flat and expenditures are steadily increasing in nearly every sector. Mr. Suter continued by communicating that every budget season comes down to where the Board wishes to place its priorities and whether or not raising taxes is an option, and if so, by how much. He went to say that the finance committee has met regularly over the past 12 months and stepped the meeting schedule up over the past 45 days in order to work through the budget. In addition, Mr. Suter spoke about the two joint meetings with the School Division's finance committee, with one more planned for Friday, March 14th, and also on the Board's one full, joint meeting with the School Board.

Mr. Suter informed the Board that the first item on the agenda was the presentation on the Capital Improvement Program by Mr. Slaydon. Mr. Suter reported that Mr. Slaydon has worked closely with Mr. Bolster in developing the draft capital budget plan during the past four months. Mr. Suter notified the Board that typically the capital budget would have been reviewed by the Planning Commission prior to the Board review, but last month's meeting was cancelled due to weather. As a result of this meeting change, Mr. Slaydon would present the Capital Improvement Program to the Planning Commission later that evening. Mr. Suter asked the Board to consider tonight's presentation as an overview, with the knowledge that the capital budget would be brought back to the Board for approval at a future meeting. Mr. Suter explained the new format for the capital budget worksheets - part of several changes staff had implemented in this year's budget process.

Mr. Slaydon expanded on the format changes from the prior year Capital Improvement Program worksheets to the new structure. He explained the primary change involves having each department list and explain multiple capital projects associated within their area of responsibility, all on a single worksheet. In addition, capital projects previously provided for in the approved FYE 2014 budget would not be reflected in the draft Capital Improvement Program worksheets. The draft plan included capital projects requests associated with fiscal years 2015 through 2019. Mr. Slaydon also informed the Board that capital projects listed in the worksheets were part of the draft operating budget for 2015. He then proceeded to review each worksheet submitted for consideration in this budget process.

Several topics of discussion occurred during Mr. Slaydon's presentation. They included:

- Commissioner of Revenue's request for scanning and indexing services is expected to cost less than \$15,000, by choosing the "value option"
- Registrar's submission for new voting equipment is not based on a mandate, but rather is a planned replacement for aging equipment and updated technology
- Building and Grounds' request for repairing/replacing the administration building roof and HVAC system should be considered for procurement in the same fiscal year, versus the current presentation of two consecutive fiscal years
- RARO petition for consideration of County contributions to fund tennis court renovations and the Brewbaker Field annex should be postponed to next fiscal year because of recent

challenges the organization is facing

- Update on the radio system upgrade project involved a negotiated reduction of \$1M, along with affirmation that the project is engineered to manage future requirements

Mr. Suter followed Mr. Slaydon's presentation with further comments on the operational budget review. He began by highlighting that the County is doing a much better job staying within budget and not appropriating funds for which there is no offsetting revenue. Mr. Suter is anticipating that if our current trend of revenues and expenditures continues, the County may achieve budget savings by the end of the fiscal year. He provided the example by comparing last fiscal year with the current fiscal year. Through February 2014, the Board has appropriated \$987,246 (2%) in additional budget funds. In comparison, last February reflected \$1,862,656 (5%) in additional appropriations for FY 12-13. He expanded his commentary by stating that most of the additional appropriations in this fiscal year have an associated revenue to offset.

Mr. Suter went on to detail some of the changes implemented in the current budget process. He explained that, as a result of last year's Board request, staff has added fuel and vehicle maintenance accounting lines for each department with a vehicle. This change will allow better tracking of expenditures and needs by department. Mr. Suter also spoke about the budget request document, which has been changed to a standard format. This change will result in the Board's seeing departmental request in a consistent layout. He added that the budget request included supplemental information, as previously included in prior year submissions. Furthermore, Mr. Suter informed the Board that a comprehensive listing of County vehicles has now been completed. Staff can now begin evaluating each department's vehicle maintenance and replacement needs.

Mr. Suter transitioned to discuss the current status of the draft FY 2015 budget. He provided a brief overview of the current estimated revenues at \$38,651,903. The total revenues included internal transfers from restricted cash accounts such as the County Maintenance Garage Capital Improvement reserve account. Mr. Suter then expanded on the projected expenditure level of \$41,297,237 for FY 2015, which included all internal and external departments, agencies, and other entities traditionally supported by the Board. He explained the aggregate expenditure level included an operational funding figure for the School Division of \$13,478,834. Mr. Suter stated that recent discussions with the School Division administration included the

potential for an additional funding request of approximately \$563,000. He informed the Board that the School Division categorical request was not required until April 1st, but by working with the School Division administration, the County was hoping to have a more concrete funding request soon. Mr. Suter commented that the School Division was still waiting on final figures from the State and also working out details with the City of Lexington on cost-sharing for high school operations.

Mr. Suter reported that the gap between recently-adjusted revenues and expenditures now showed a \$2,645,334 shortfall. He added that this deficit did not account for incorporating employee compensation increases, which he highly recommended. Mr. Suter detailed potential compensation options:

- One percent cost of living adjustment would increase the budget by \$23,510
- Two percent cost of living adjustment results in a budget increase of \$47,018
- Honoring employee step increases with no cost of living adjustment would be a \$25,566 increase to budget (not all employees would be eligible for step increases in FY 2015)

Mr. Suter explained the how the Finance Committee sought ways to close the budget deficit through four options:

1. Reduction - Overall budget reduction in departmental requests.
2. Pre-Purchase - Finding ways to fund certain requests in the current budget using some of the aforementioned savings, in particular the purchase information technology equipment.
3. Use of Fund Balance - Recent tax increases, fiscal austerity, and deferral of expenditures in prior years have resulted in a strong fund balance. Staff is of the opinion that use of some fund balance is legitimate as we face these challenges. Our recently retained financial advisor Davenport and Company has completed a preliminary fiscal health review which confirms this opinion. The Board is scheduled to receive Davenport's report on March 24th.
4. Tax increase - Last year, the Board projected a 4.4 cent tax increase. Assuming that a penny equals \$231,000, this would equate to approximately \$1,016,400 in additional real property tax revenue.

Mr. Suter conveyed that when reviewing what to cut and what to fund in order to close the budget shortfall, the Finance Committee relied on the FY 14-15 Budget Priorities established

by the Board on November 25, 2013. He advised the Board that with the exception of the Lake Robertson pool, which is in dire need of replacement, all the major budget impacts are directly related to the Board's top priorities. Mr. Suter then turned the floor over to Mr. Bolster to go over the departmental budgets and highlight where cuts and pre-purchases have been recommended by the Finance Committee.

Mr. Bolster provided background information on the spreadsheet and formula calculations associated with the budget presentation. He explained that in FY 14-15, health insurance premiums will increase by 4.1%. He also explained other fringe benefit rate changes used in developing the proposed FY 14-15 budget.

Mr. Bolster explained the components of the draft FY 14-15 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 FY 14-15 operating budget under the column titled 'Finance Committee Recommendation.'

Mr. Suter reported to the Board that the reductions and pre-purchases have resulted in approximately \$967,000 in cost offsets to close the budget gap. He recommended the use of fund balance of approximately \$440,000 to source one-time expenditures, and to assist with moving towards a balanced budget. Furthermore, Mr. Suter advised the Board that the use of restricted cash of approximately \$104,000 is available to further reach a balanced budget. He stated the incorporation of these potential budget changes left the shortfall of \$1,142,513 which needs to be bridged in order to achieve a balanced budget.

Mr. Suter stated that one option for reduction that the Board discussed at the last budget work session involved deferring the reassessment for another year, at a savings of \$232,000. He commented that it was important to note that should the Board determine to push the reassessment back, the County will need to be prepared to fund the reassessment in the FY 2016 budget cycle. Mr. Suter conveyed that staff would like to gain a decision on this soon, so that we may include or remove this service from the FY 2015 budget. In addition, we would need to get a Request for Proposal on the street soon if the project remains in the budget.

Mr. Suter detailed some of the key points the Finance Committee considered in generating recommendations.

- Debt Service increases: Radio System - approximately \$307,700 (still under negotiations); Solid Waste Authority Compactor - \$82,674; Solid Waste Authority Loader - \$60,200
- Operation cost increases: last year's penny rate projection noted that operational increases for the County and School Division were not accounted for since they were unknown.
- Two operational increase requests stood out among the Board's funding priority list: Education and Fire/EMS. The School Division request stands at \$13,478,834 with a potential increase of \$563,000 for operations. Fire and EMS budget submissions included additional funding request totaling \$285,190.
 - Increase allotment per fire department by \$10,000 (total impact equals \$100,000).
 - Increase fire department variable pay to \$151,000 (up \$12,096)
 - Increase foam purchases by \$2,500
 - Increase training funds by \$10,000
 - Increase rescue squad allotments by 7% (impact of \$30,594)
 - Begin EMS variable pay program of at least \$30,000

Mr. Suter went on to say that he included a figure of \$100,000 in the budget for implementation of a fire and EMS incentive program which has been under planning consideration by a sub-committee of the Fire and Rescue Commission. He detailed that at the last Fire and Rescue Commission meeting, the representatives in attendance (they did not have a quorum) indicated that should limited funds be available, the Board should apply those funds toward fixing the most pressing need - daytime EMS coverage. Mr. Suter explained the different funding and staffing options available for the Board to consider, including contracted services or hired staff.

Mr. Suter then communicated that he anticipated a decision on this matter by adding \$400,000 to the budget as a placeholder. He stated this funding level would go up or down depending on what type and level of EMS service the Board ultimately authorizes. Mr. Suter explained that he considered this service as absolutely critical for the upcoming year. He informed the Board that funding EMS service would mean level funding for volunteer units, despite work that has been done at the commission and committee level for volunteer recruiting and retention measures, and the expressed needs in the area of operations. Mr. Suter strongly advocated that the County should

consider funding some R&R measures, as well as additional contributions to departments that are doing a good job of covering calls.

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

- Consensus among the Board to move to and stay on a 6-year reassessment schedule, in order to generate expenditure savings in FY 2015 and beyond.
- Board supported Commissioner of Revenue's request for scanning and indexing services; directed procurement in current fiscal year using one-time capital reserves. An additional goal involved finding ways for other County departments to use this service in the future.
- Contracted EMS Services budget line was increased from \$400,000 to \$500,000 by sourcing the program with \$100,000 from EMS Revenue Recovery account. The County Administrator will work with staff to develop an interim plan to maximize available funds in FY 2015 while preparing a strategic view for addressing the long-term needs of the County.
- Pre-school program will receive future review on potential for certified personnel.
- At Chairman Higgins' suggestion, the Board was united in adding a Human Resources Administrator to the County's organizational structure. The position would report to the County Administrator. Completion of a position description is needed.
- Discussion on various compensation options for County employees. The Board reached consensus to fund steps for eligible County employees on July 1, 2014 and a 1% cost-of-living increase effective December 1, 2014. The proposed 1% cost-of-living increase would mirror what the General Assembly is considering for state employees.

Convene Solid Waste Authority:

The Solid Waste Authority convened at 7:45 p.m. to discuss Fund 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 FYE 2015 landfill budget. The committee agreed to recommend to the Solid Waste Authority that the FY 2014-15 tipping fee be set at \$37.90 per ton for the County of Rockbridge and the City of Lexington, whereas the City of Buena Vista tipping fee is set at \$34.15 per ton with the

acknowledgment that approximately \$49,664 from Buena Vista's balance of reserves would balance the remaining budget.

Supervisor Ford made a motion to set the FY 2014-15 tipping fees for the Solid Waste Authority landfill operations at \$37.90 per ton for the County of Rockbridge and the City of Lexington while the City of Buena Vista rate would remain at \$34.15 per ton with approximately \$49,664 from Buena Vista's portion of reserves used to balance the FYE 2015 budget. Supervisor Campbell seconded the motion. The motion carried by the following roll call vote:

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

Mr. Bolster then explained the changes associated with the Fund 20 - Solid Waste Authority Recycling budget for FYE 2015.

Solid Waste Authority closed at 7:50 p.m. by unanimous roll call vote.

Continued Budget Work Session (#2):

Mr. Suter provided summary comments to the Board. He stated the Finance Committee recommends significant cuts in departmental and agency requests. Mr. Suter explained that as staff worked 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 considerable merit, but that we simply can't afford them right now.

Mr. Suter continued his thoughts by saying that it's imperative we plan for the future. He stated that during last year's budget deliberations, the Board agreed that tax increases were inevitable and should be planned for. He reiterated that major, ongoing challenges remain. Mr. Suter alerted the Board that issues we face in FY 2016 and beyond include:

- Radio System - should we execute a contract, costs are projected to increase to \$619,000 in FY 2016 and then again in FY 2019 to \$754,000, as the warrantee period expires and we move to a maintenance phase.

- Debt service payments for previously committed school projects - will increase in FY 2016 by an additional \$411,276, resulting in a combined total transfer to the School Division for debt in the amount of \$3,731,757.
- Fire and EMS costs - this core service is expected to realize increases over the next several years until a comfortable balance between cost and service levels can be struck. It's vital to find a way to balance the need for paid EMS service with support to volunteers who remain the backbone for the service provided to our citizens.
- Solid waste costs - the County still has over 30 greenbox sites. Servicing this many sites comes at a significant cost and continues to pose operational problems. With a solid waste committee formed and a Request for Proposal for a solid waste plan on the street, the County should be in position to make some important decisions in the upcoming year. Despite the fact that we are in the final stages of obtaining a second extension for use of the current cell, tipping fees are going to go up over the next three years as we fund a new landfill cell. (Note: the City of Lexington has announced that they will partner with the County in the new landfill cell, helping keep costs down for the region).
- Vehicle replacement plans - we need to keep up with the replacement of County vehicles to include the Sheriff's Department.

Mr. Suter's plans were to translate the long-term expenditures, to include fuel and utilities, health insurance, and recruiting and retaining quality staff, into a projected tax rate increase for the outgoing fiscal years at the next budget work session. He explained that the next session was originally scheduled for March 24th, but since the School Division was still working through some unknowns, he suggested the next budget work session be moved to Wednesday, April 2nd at 5:30 p.m. The Board unanimously agreed to this recommendation.

Adjourn:

With no further business, Supervisor Lewis made the motion to adjourn the budget work session. Supervisor Ford seconded the motion. With a unanimous vote by the Board of Supervisors, the meeting was adjourned at 8:25 p.m.