

AT A SCHEDULED PUBLIC HEARING ON THE PROPOSED FY2014-15 BUDGET
THE BOARD OF SUPERVISORS OF ROCKBRIDGE COUNTY VIRGINIA, HELD IN
THE COUNTY ADMINISTRATION BUILDING, 150 SOUTH MAIN STREET
LEXINGTON, VIRGINIA ON WEDNESDAY, APRIL 23, 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

Call to Order:

Chairman Higgins called the meeting to order at 6:00 p.m. Supervisor Lewis led an invocation and the Pledge of Allegiance. Chairman Higgins opened the Public Hearing and asked Mr. Suter if he had any comments.

Public Hearing:

Mr. Suter gave a recap of the budget process which started over a year ago. He communicated that during the budget proceedings last spring the County continued to take a long-range approach to budgeting for future needs. He explained that the Board wrestled with budgetary decisions as it became apparent that many deferred expenditures were converging at the same point. Prior to making budgetary decisions, the Board developed Mission, Vision, and Values statements and as well as a list of strategic priorities to help guide the budget decision-making process.

Mr. Suter continued by explaining that a long-range expenditure forecast was developed and openly shared throughout the budget process. Forecasts included increased long-term needs in the areas of public safety, education, and solid waste. Mr. Suter noted the specific items included: 1. Regional safety radio system, 2. paid EMS coverage, 3. school debt service supporting the Maury River Middle School renovation, 4. tipping fee increase to help fund a new landfill cell, 5. regional jail renovation, and 5. mandated increases in the Virginia Retirement System contribution rates. He also commented that the budget analysis specifically did not include any projections for overall increases in operational costs such as fuel, maintenance, or utility costs.

Mr. Suter further remarked that the analysis estimated a tax increase for FYE 2015 at 4.4 cents and nearly 3 cents for FYE 2016. He added that though the future cannot be predicted at 100%, the County could do their best to plan for known costs.

Mr. Suter then transitioned to highlight the FYE 2015 budget deliberations. He stated the Board's FYE 2015 budget funding priorities were set in November 2014 and were aligned with the Mission, Vision, and Values statements, as well as the strategic priorities established in the spring of 2013. He expanded his comments by indicating that as the budget process progressed, it became clear that revenues were expected to remain generally flat, while expenditure requests were increasing as expected and planned. Mr. Suter indicated that one bright spot for school revenues came from the state level. The school was projecting to receive a considerable increase in state funding due to adjustment of the composite index.

Mr. Suter subsequently spoke on the significant increases in the areas of public safety. He stated that a major funding addition involved the support of paid EMS services which is currently targeted as an area with the greatest need. Mr. Suter expanded by saying the General Fund would support a large percentage of this increase, but it would be supplemented by the growing ambulance service cost recovery fund balance. He wrapped up this portion of his statements by stating the County was in the final stages of securing a contract to implement a regional public safety communication system.

Mr. Suter also gave details on the steps taken by the Board to secure the services of Davenport and Company Financial Advisors during the spring of 2014. Davenport reviewed the County's position and recommended judicious use of some of the fund balance for budget stabilization. Mr. Suter underscored that the current and previous Boards had built the fund balance in anticipation of the needs the County was now seeing. Furthermore, he emphasized that the Board had authorized the development of comprehensive financial policies to include a capital reserve in order to assist with future budget decisions.

Mr. Suter summarized his comments by stating this budget was very difficult to tackle and that he expects next year to be even tougher as new debt service requirements come on line. He ended by saying the Board has and continues to be open and honest about the challenges we face and is continually planning for the future.

Mr. Suter asked Mr. Bolster to go down the proposed FYE 2015 budget and highlight, at the category level, some of the more significant budget changes compared with the FYE 2014 budget and then to discuss the proposed tax rates for calendar year 2014.

Mr. Bolster started his presentation by discussing some items related to the current budget process. Those included:

The latest draft, line-item budget for FYE 2015 budget is available for review along with the proposed budget advertisement at the front table.

Each of the updates to the draft, line-item budgets have been available for public review at each of our budget work sessions and the Public Hearing. The draft budget also remains accessible on the County's website under the "Budget / Audit" link found on the website's main page.

The Public Hearing was the County's fourth public forum to discuss the proposed FYE 2015 budget. The previous three meetings involved a detailed look at anticipated revenues and planned expenditures. The presentation for the Public Hearing would emphasize major changes in the draft budget.

Mr. Bolster also explained the main impacts on the proposed FYE 2015 budget. They involved:

General Fund Anticipated Revenues

The primary driver for the rise in local revenues is associated with a proposed four and a half cent increase on the real property tax resulting in an additional \$1,039,500 in revenues based on a \$231,000 penny rate. Recent positive trends in local revenues include the Public Service Corporation Tax, Personal Property Tax, the Business, Professional, and Occupational License Tax, Local Sales and Use Taxes, and Machinery and Tools Tax. They reflect a combined anticipated revenue growth of over \$361,000. Although these revenue projections display positive economic activity for next fiscal year, they show only a 1.7% growth in local revenue sources.

Revenue decreases from the state reflect the current reimbursement totals for Constitutional Officers and their staff from the Compensation Board website as of May 2013.

Any potential adjustments to the Compensation Board reimbursement levels for FYE 2015 will not be known until after a state budget is passed. The overall Commonwealth revenue is anticipated to decrease by \$14,618.

The federal revenue changes include the most recent upward trend for the Payment in Lieu of Taxes, also known as PILT. The PILT payment from the federal government typically occurs in early June. It should be noted that there was concern by counties across the Country on whether PILT would be fully funded in 2014. The PILT program was fully funded through the 5-year Farm Bill and signed into law on February 7th. The overall decrease in federal revenues, however, reflect the reduction in our interest-payment reimbursement for the Quality School Construction Bond associated with the Maury River Middle School renovation and the decrease in federal dollars supporting our Rental Assistance program. Both of these revenue cuts are resulting from the prior year consequences of sequestration.

The reduction in Use of Transfers is due to less operational and capital expenditures funded by unencumbered and restricted cash.

General Fund Planned Expenditures

The draft budget includes a proposed step increase for eligible County employees effective July 1st and a one percent cost of living increase effective December 1st. Other impacts on the operational budget include the County's employer contribution to the Virginia Retirement System. It will increase from 13.34% to 14.11%, our health insurance premiums will rise 4.1%, the County's contribution the employee group life insurance is up from .48% to .53%, and finally we projected a 5% increase in property and liability insurance in anticipation of a potential increase by our provider.

The top 5 changes are seen in: 1) Public Safety increase of \$531,495; 2) Public Works up \$505,649; 3) Parks, Recreation, and Culture higher by \$200,799; 4) Community Development increased by \$154,827; and 5) Administration and Financial up \$108,542.

Starting with Public Safety, the primary increase involves the County budgeting \$400,000 towards implementing an ambulance transport service. Part of these expenditures will be supported by \$100,000 from the EMS Revenue Recovery account. Other increases include budgeting for a higher payment to the city of Lexington under the Fire and Rescue contract by \$32,900. This additional cost is based on the current fiscal year trend of more calls being answered in the County by Lexington units. Lastly, the County is paying for the volunteer fire and rescue agency's financial audits in FYE 2015.

The main expenditure increase in the Public Works category comes from higher tipping fees at the Solid Waste Authority landfill. The County's share for the landfill is projected up by an additional \$346,835. A couple additional costs at the landfill are the two lease-purchases which came online in the current fiscal year. The lease-purchases are for a track loader and compactor. Another piece of the increased tipping fees is the plan to generate revenue surplus in order to build a capital reserve fund to assist with building a new lined cell at the landfill. In addition to the County's share for the landfill operations, the County will take on full maintenance responsibility for the Rockbridge Middle and Highland Belle properties. Lastly, the County has budgeted for \$62,500 in renovations and upgrades at the County Admin Building. Most of these projects bring the building into ADA compliance.

The third category is Parks, Recreation, and Culture. A capital project to renovate and repair the Lake Robertson pool is budgeted at \$110,000. We also are budgeting for the additional funding requests associated with RARO and the Library.

Fourth, Community Development includes reflecting a fully funded transportation program which involves the Maury Express bus service (increase of \$96,000). We are also accounting for higher funding support to the regional tourism program (up \$23,162) and payment towards the Virginia Horse Center debt service (higher by \$25,000). These last two projected increases are based on higher anticipated revenues and not on any other action the Board is considering in the future.

The fifth category is Administration and Financial. At the second budget work session, the Board requested a Human Resource Administrator be added into the proposed budget. This overall budget reflects an additional \$71,737 which is the main reason for the categorical increase.

Finally, the reduction in the local support to the School Division represents a lower contribution to their debt service. It's important to note that the local contribution to the school debt will rise by \$411,726 in FYE 2016 when the interest only period ends. Local support for operations and the VRS Supplement will remain level with the current fiscal year.

Chairman Higgins followed Mr. Bolster's presentation by opening the floor for public comment.

Roy Swisher from the Walkers Creek Magisterial District stated he used to come to the Public Hearings in the past and the Board room used to be packed. He commented that the Board must be doing a good job since only a two people were present for tonight's meeting. Mr. Swisher had the following questions:

1. What is the \$110,000 budgeted for the Lake Robertson pool to accomplish?
2. Was it true that the County's debt service level was at \$74 million during last year's budget proceedings?
3. He requested an explanation on the Human Resources Director budget, to include who was doing those responsibilities now?
4. How can the Board pass a County budget without the state passing their budget?

Chairman Higgins commented that, typically a Public Hearing is to take public comment and not necessarily to answer questions. He noted however, that since there were only a few people in the audience, we would do our best to answer. Staff and the Board answered in the following manner:

- 1) A complete renovation of the Lake Robertson Pool which is in a state of disrepair.
- 2) Yes. The County is currently on the high portion of the debt-cycle curve.
- 3) Human resources duties are currently spread out among multiple staff members and the process is far from efficient.

- 4) We have a responsibility to ensure that we have a budget adopted in time to ensure creation of accurate June 2014 tax bills. In addition, the State could end up in a stalemate until June and beyond.

Mark Lewis from the Kerrs Creek Magisterial District said he agreed with the draft budget plan as presented. He also commented that a better job needs to be done in promoting the County. Mr. Lewis explained that during his business travels around the Commonwealth, his contacts are not aware of Rockbridge County's location within the state or the opportunities available here. He also added that he would like to see HVAC and other technical training programs expand within the Rockbridge County School Division.

Chairman Higgins noted that he understood Mr. Lewis's concern but that he thought that staff was doing a good job of promoting economic development. He also noted that, as Chairman in 2013, Supervisor Campbell had sent many letters to prospective businesses, trying to attract business to Rockbridge County. He then stated that he intended to place an ad in the paper promoting economic development.

Supervisor Ford noted that, with regard to Mr. Lewis's comments, the ongoing extension of high-speed internet into the County represents a good opportunity to attract more business of all kinds; it's probably a good idea to include this fact in promotional efforts. Mr. Ford added, "in working with the budget committee, we have a tight budget. We are working to fund reserves. At the same time, the School Board has produced a budget based on a lot of uncertainties on the revenue side from expected state support and increased tuition payments; they also have yet to report their enrollment numbers and the cost of employee health insurance. In light of these unknowns, I would counsel extreme caution on new spending by the schools."

Adjourn:

Mr. Bolster announced that the Budget Adoption meeting for the proposed FYE 2015 budget is scheduled for Wednesday, April 30, 2014 at 6 p.m. in the Rockbridge County Administration Building's Board Room. With no further business, Supervisor Campbell made the motion to adjourn the Public Hearing. Supervisor Ford seconded the motion. With a unanimous vote by the Board of Supervisors, the Public Hearing was adjourned.