

FISCAL YEAR 2017 BUDGET MESSAGE  
APRIL 12, 2016

Eric R. Zehr, Chairman  
Members of the Campbell County Board of Supervisors  
County Board Room  
Rustburg, Virginia

Dear Chairman Zehr:

Attached for the Board of Supervisors' review and consideration is the Proposed Fiscal Year 2017 Campbell County budget. This budget submission was developed with the direction and guidance of the Board of Supervisors as well as with the cooperation and support of all departments, offices, and agencies making funding requests. The FY 2017 draft budget attempts to meet the County's service needs within available resources.

The Board of Supervisors and staff is to be commended for their collective efforts to keep local expenditures as low as possible. Critical to this process is the continued, proper management of programs, careful use of our vacancy hiring process, proper management of fund reserves at every opportunity, and participation in regional programs that maximize cost effectiveness.

While there has been some continued improvement in the economy, these improvements have not been enough to make up for the economic challenges faced over several years. As a result, during this period the Board has relied significantly upon the use year-end fund reversions and General Fund balance to work through these difficult economic times.

In addition to using \$1,716,712 of Unassigned General Fund Balance, the Board will recall that the existing adopted Fiscal Year 2016 budget imbalance was addressed last year during the budgeting process by:

- Utilizing savings realized through routine turnover; and
- Factoring in additional savings from a hiring freeze managed by the County Administrator in order to pay for the 2% cost of living compensation increase that was approved by the Board during the FY 2016 budget process.

The attached budget for FY 2017 as submitted is a balanced budget with expenditures equaling revenues (assuming there are no changes in existing tax rates.)

As you know, reliance upon Fund Balance for on-going expenses is not a sustainable long-term strategy. As a result, the budget as proposed does not utilize fund balance to meet needs. At the time of this proposal, the unassigned fund balance at the end of FY 2017 is estimated to be \$13,950,000. The County's financial policies dictate that a minimum of \$12,200,000 remains in the unassigned fund balance.

Total General Fund revenues of **\$69,460,463** are up by \$1,112,661 (or 1.6%) primarily as a result of the continued improvement in local revenues resulting from the continued economic recovery. There are no proposed increases in either tax rates or fees included in this proposed budget. In developing the budget proposal, staff has worked to project revenues with as much cautious optimism as is reasonable. Assumed revenue increases attributable to growth are factored into the Fiscal Year 2017 spending plan. Please refer to *General Fund Revenues* on page 7.

Working closely with department heads, and constitutional officers, the Budget Committee reduced Department requests by \$1,026,679 and held the General Fund budget submission for expenditures and transfers to **\$69,460,463** for a decrease of \$604,051 (or 0.9%) versus the current year budget.

The proposed budget brings expenditures into balance against projected revenues without relying upon fund balance. As a result, there are several impacts of note in the proposal. To that end, staff would respectfully offer the following items as key elements included in this proposal:

- The proposal as presented reflects a reduction in local funding for school operations of \$542,013 to \$27,320,682 in order to assist in balancing the General Fund budget. For Fiscal Year 2017 the schools have requested level local operations funding of \$27,862,695. Level local funding for operations for the School Division would amount to \$27,862,695. Debt service paid out of the County General Fund for school facilities totals \$3,496,720.
- The proposed budget does not include any funding for compensation increases.
- The budget as proposed reflects reducing funding for staffing in Parks and Recreation; Youth, Adult and Community Services; Public Works; Public Safety; the Commissioner of Revenue's office; and Human Resources.
- As proposed the budget reduces funding to each of the Towns, as well as for regional economic development marketing endeavors.
- Funding in the amount of \$183,371 as the employer share increase in the Health Insurance Premiums. The Health Insurance Fund and insurance plan is a combined program with the County, Schools and CCUSA with all three entities sharing the same premiums, benefit coverage, deductibles, out of pocket expenses, and HSA employer paid contribution costs. We continue to experience substantial claims cost increases impacting the program due to the inflation for medical care expenses that is occurring nationally. This budget includes an increase of \$183,371 in employer costs for health insurance for the general government for employer premium contributions that were effective January 1, 2016, along with the projected premium increase for January 1, 2017. Of this amount \$80,137 was previously approved by the Board for the premium increases that were made effective January 1, 2016. The remaining \$103,234 is the budgeted increase for the proposed premiums to be made effective January 1, 2017 based on an estimated increase of 11% for county employer contributions.
- The budget submission for FY 2017 includes the same annual HSA contributions of \$1,000 for Employee Only, and \$2,000 for Employee Plus 1, and Employee Plus Family for eligible employees. The contributions to individual employee HSA accounts come from existing Health Insurance Fund reserves.
- The budget proposal also includes budgeted expenditure savings of \$450,000 throughout the year in non-school related compensation and benefits anticipated for FY 2017 that are associated with expected staff position vacancies due to the time it takes to hire new staff to fill position vacancies.

This draft budget proposal is now ready for review and revision prior to the public hearing scheduled for Tuesday, May 3rd beginning at 5:30 p.m. The Budget Committee awaits your direction as to any changes including Board review of any expenditure reductions and revenue forecasts recommended by the Committee.

## GENERAL FUND EXPENDITURES

As stated previously, total budgeted expenditures for the General Fund of \$69,460,463 are \$604,051 less than the current year budget for a decrease of 0.9%.

## LOCAL EXPENDITURE INCREASES FOR GOVERNMENT OPERATIONS:

As stated above, there are no proposed compensation increases for county staff for either cost of living adjustments or for merit pay. The following twelve individual increases of \$10,000 or more for expenditures for the General Fund total \$589,618 and are either mandated or dedicated programs that have been approved by the Board, or, are included in the Priority Initiatives adopted by the Board in February. These increases total \$437,844 in additional locally funded expenditures and \$151,774 in grants, fees, and other reimbursement funding from State/Federal.

1. \$200,000 increase in the Children Services Act (CSA) Department for services paid for youth for children at risk based on a rising number of special private day placements. The local cost increase is \$130,000 for FY 2017 partly due to a shift in the local match percentage. On an overall basis the CSA program for FY 2017 has a local cost of 40% and 60% is funded by the State.
2. \$183,371 increase in Health Insurance for non-school employer premium contributions to the Health Insurance Fund for the premiums contribution rates that were made effective January 1, 2016 and are proposed for January 1, 2017. \$80,137 of this amount was previously approved by the Board for the health insurance premium increases that were made effective January 1, 2016 with Board approval. \$103,234 is the additional budgeted amount for the proposed premiums to be effective January 1, 2017 for the last six months of FY 2017 based on an estimated increase of 11% for employer contributions.
3. \$40,774 increase for payments made to Off Duty Deputies based on recent actual experience. This expenditure is matched by local revenue comprised of collections to compensate off duty deputies. The county is fully reimbursed for these payroll costs.
4. \$25,000 increase in Social Services Public Assistance for ADCFC based on increased utilization of these services. There is no local cost associated with this program.
5. \$22,700 increase in EMS expenditures for Maintenance & Repair of Vehicles based on higher accumulated mileage on our ambulances.
6. \$21,077 increase in Human Resources Information Systems due to increased service contract cost for human resources software services. \$5,389 of this increase for HR is a cost shift from Management Services to HR for the human resources module that was previously budgeted and charged to Management Services as part of the payroll processing and time & attendance services contract. Contracted services for Management Services for payroll processing and time & attendance functions are being reduced by \$5,389 in this budget. An additional \$9,468 increase in the HR annual contracted services cost is for compliance with the Affordable Care Act requiring extensive new record keeping as to changes in health insurance participation by employees and covered dependents. Other contracted HR services increased by \$6,220 versus the current year budget.
7. \$21,000 increase for the Registrar's Office for ongoing operational costs associated with the new electronic voting equipment for paper ballot printing, annual services and support contract, and election programming services.

8. \$20,211 increase for CCUSA Water Authority for debt service reimbursement paid to CCUSA. This expenditure is impacted each year by the amount of payments made to the county by CCUSA for new water line connections CCUSA receives from properties located on the Leesville Road Waterline. Our memorandum of understanding concerning the waterline is that the county reimburses CCUSA for the actual debt payments. CCUSA in turn pays the county for new waterline connections. What we budget each year as a General Fund expenditure is the net difference of the debt service and expected payments to be received by the county for new waterline connections fees.
9. \$16,000 increase in Social Services Public Assistance for View Services based on increased utilization of these services. There is no local cost associated with this program.
10. \$14,585 increase for E-911 Lease Agreement –Towers due to an increase in the annual rental cost for public safety equipment attached to the Long Mountain cell tower.
11. \$12,500 increase for Maintenance of Buildings & Grounds Maintenance /Repair HVAC based on projected costs as provided by the Director of Public Works.
12. \$12,400 increase in Social Services Public Assistance for Other Purchased Services. This program is 100% locally funded.

#### EXPENDITURE DECREASES FOR GOVERNMENT OPERATIONS:

To assist in balancing the proposed budget without increasing tax rates and fees, the proposed expenditure reductions from current operations and decreases in budget requests were needed to bridge the difference between the funds available in new revenue and the increases in the dedicated and mandated expenses noted in items one through twelve listed above.

Expenditure decreases listed below of \$10,000 or more initiated by departments total \$691,645. All of these expenditure decreases result in reductions in local cost. The second group consisting of decreases made by the County Administrator/Budget Committee total \$1,026,679. All of these expenditure decreases result in reductions in local cost. Specific reductions and changes can be reviewed on a line-by-line basis by viewing the enclosed budget printouts. The second column from the right shows the department requested amount and the column furthest to the right shows the Administrator's recommendation.

#### EXPENDITURE DECREASES FROM DEPARTMENTS

1. \$262,053 reduction in VRS Retirement employer contributions for pensions as the employer contribution rate was reduced from 12.62% to 10.75% of covered payroll due primarily to improvement in the earnings investment performance reported by VRS. The employees continue to pay their own 5% contribution of salary.
2. \$162,554 reduction in Debt Service payments due to the refunding savings associated with the refinancing of the 2008 bond issue that was refinanced earlier this year.
3. \$98,072 reduction in Gasoline and Diesel Fuel throughout the organization due to the drop in the price of gasoline and diesel fuel.
4. \$52,000 reduction in Fuel Services pass-thru expense due to the drop in the price of gasoline that is issued to departments from our central gasoline storage tanks. There is an equal revenue amount as departments are charged for the gasoline issued from the central gasoline tanks. As stated above the reduction in anticipated fuel costs based on usage and price throughout the organization is \$98,072.
5. \$30,000 reduction in Juvenile Detention Care due to an anticipated reduction in usage.
6. \$23,850 reduction in Library Lease/Rent Buildings for lease savings resulting from the move to the new Timbrook Library.

7. \$20,000 reduction in Maintenance of Buildings & Grounds, Comp – Part Time Help due to the elimination of a part time custodial position.
8. \$17,108 reduction in the Transfer to Solid Waste Management Fund based on FY 2017 needs in operations costs in the Solid Waste Management Fund.
9. \$14,667 reduction in E-911 Maintenance Contract – EDP Equipment as the County recently purchased a new mapping software system and the new system does not require an annual maintenance contract for the first year as the new purchased system is still under warranty.
10. \$11,341 reduction in Volunteer Fire & Rescue for premium reduction for Motor Vehicle Insurance and Volunteer Insurance primarily due to the transfer to the County of the building facilities, equipment and ambulances for Brookneal Rescue and Rustburg Rescue.

**EXPENDITURE DECREASES MADE BY COUNTY ADMINISTRATOR/BUDGET COMMITTEE:**

As previously conveyed, decreases totaling \$1,026,679 were made by the County Administrator/Budget Committee in order to assist in balancing the proposed budget without increasing tax rates or fees. Thus, the expenditure reductions listed below primarily stem from items and service proposals that were not part of the Priority One Initiatives adopted by the Board in February. Recommended reductions of \$5,000 and above listed below total \$981,095; all this reduction amount results in reductions in budgeted local cost.

1. \$542,013 reduction in the transfer to the school operating fund recommended by the County Administrator in order to assist in balancing the County General Fund budget.
2. \$170,666 reduction for compensation and fringe benefits throughout the organization for 4.5 positions as follows:
  - Commissioner of the Revenue, Deputy position \* \$ 34,777
  - EMS, Administrative Aide position \$ 36,092
  - Recreation, Program Manager position \$ 43,711
  - Volunteer Program, Program Coordinator position \$ 39,923
  - HR, Part -Time Admin Aide position \$ 16,163

\*Note that the Commissioner of the Revenue position reduction was offered by our Commissioner of the Revenue, Calvin Massie, to assist in balancing the county budget.
3. \$100,000 reduction in the request for Local Corrections – Blue Ridge Regional Jail based on a true-up credit that is due the county from the Regional Jail for previous years of operation. The FY 2017 budget submission of \$3,170,000 is the same as the existing budget for FY 2016.
4. \$50,000 reduction in Lynchburg Regional Business Alliance by the County Administrator in order to assist in balancing the county budget.
5. \$37,759 reduction in the Real Estate Office budget in total associated with the reconstitution of the office to proceed with contracting out the reassessment work needed for the 4-year reassessment cycle. Annual expenditures for internal staff along with associated operating costs were reduced by \$212,759. This was in part replaced by an increase in budgeted Other Professional Services of \$175,000 in order to pay for the initial phase of contracted services for the next reassessment to be performed by a professional real estate appraisal firm.
6. \$25,000 reduction Town of Altavista general support by the County Administrator in order to assist in balancing the county budget.

7. \$25,000 reduction Town of Brookneal general support by the County Administrator in order to assist in balancing the county budget.
8. \$12,230 reduction in the request from Recreation & Parks for Comp – Part Time Help based on recent actual experience and expectations.
9. \$12,000 reduction in the request from Recreation & Parks for Machinery & Equipment for (3) softball backstops recommended for Yellow Branch. This budget request has been moved to the CIP Plan budget request for consideration by the Board.
10. \$6,427 reduction in the request from the Registrar’s Office for Comp–Part Time Help based on a review of actual experience.

As evidenced by these reductions, in an effort to balance the expenditures against available revenues, every possible budget reduction has been considered. This includes a proposed reduction in funding to the two Towns in the amount of \$25,000 each and a \$50,000 reduction in support for regional economic development through the Lynchburg Regional Business Alliance. These recommendations are not taken lightly. Our relationships with the Towns and their continued financial viability is a critical concern for the County. Similarly, regional marketing for economic development offers the best opportunity to leverage our local assets with those of the region to amplify our communication to prospective businesses. However, revenues are not sufficient to fully fund budget requests, and, as a result, these reductions are recommended as part of the strategy to bring the budget into balance.

Additionally, the Budget Committee did not include funding for the following activities as requested as these outside programs do not have direct offsetting cost avoidance on other county obligations funded throughout the budget. These are typically funded at the Board’s discretion:

*Health/ Education and Welfare: Page #45 of Expenditure printout:*

The Healing Place of Southwest Virginia	\$10,000
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<i>The ARC: Page #46 of Expenditure printout</i>	\$16,279
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Note: This is the first request for funding requested by The Healing Place of Southwest Virginia. The ARC has requested funding in the past, but the Board has not approved funding in the past.

As additional information, Court Appointed Special Advocates (CASA) on *page #43* has requested an increase of \$2,152 in funding from the County. \$9,500 has been requested for FY 2017 from CASA. The Budget Committee recommends an increase of only \$1,152 for CASA for a budget amount of \$8,500.

Additionally, Virginia Legal Aid Society *page #43* has requested an increase of \$263 in funding from the County. \$6,831 has been requested for FY 2017 by Virginia Legal Aid Society. The Budget Committee recommends Board approval of this small budget increase.

The Budget Committee recommends that the Board not approve the \$5,000 request for funding for Teen Parent on *page #43* as this program is now part of the Healthy Families program, which is then in turn funded through the Safe and Stable Families program.

In addition to the recommended reductions noted above, the Budget Committee is also recommending numerous other smaller reductions of less than \$5,000 each totaling \$12,805.

DEBT SERVICE

Debt Service for principal and interest of \$4,808,465 is down in the amount of \$162,554 due to the refunding savings associated with the refinancing of the 2008 bond issue that was refinanced this year. School facilities debt financing makes up \$3,496,720 of total FY 2017 debt service.

## GENERAL FUND REVENUES

As stated previously, total budgeted revenues for the General Fund at \$69,460,463 are \$1,112,661 more than the current fiscal year budget (up 1.6%). State and federal funding revenue of \$17,210,156 represent 24.8% of the total General Fund revenue budget. In total, state funding increases by \$667,888 and federal funding decreases by \$349,331 for a net combined revenue increase of \$318,557 or 1.9%.

As stated above, total state funding is up \$667,888. Funding from the state for partial reimbursement for the Comprehensive Services Act (CSA Program) is up in the amount of \$70,000 in line with the increase in the budgeted cost of this mandated program for services provided to Children at Risk. State funding amounts to 60% for this program for FY 2017 with the County picking up the remaining 40% of this \$2.5 million mandated program. State and Federal partial reimbursements to the county for Social Services Administration and Direct Assistance Payments increased by \$210,451 in line with increases in expenditures for these programs. We are seeing some shifting from federal funding to state funding for these Social Services programs.

## LOCAL REVENUE SUMMARY:

As previously stated, there are no proposed changes in either tax rates or fees charged to the public. Overall, budgeted local revenues increase by \$794,104 or 1.5% to \$52,250,307. Local revenues make up 75.2% of total budgeted revenues for the General Fund. The first twelve revenues listed below for local revenues each increasing by \$20,000 or more total \$1,181,133 in revenue increases. The remaining seven listed revenues decreasing by \$20,000 or more total \$412,313. The net change of these nineteen revenue sources is an overall posted net increase of \$768,820. All other remaining sources of local revenues combined yield an increase of \$25,284 for total local revenue in the General Fund. Please note that all of the primary indicators of a continually improving economy at the local level are reflected in these revenue projections.

## LOCAL REVENUE INCREASES OF \$20,000 OR MORE:

1. Increase of \$350,000 in Local Sales Tax due to actual experience and projected trend due to the improving retail sales.
2. Increase of \$270,365 for Machinery & Tools Tax based on increase in taxable values established by the Commissioner of the Revenue.
3. Increase of \$111,067 in Other Personal Property Tax due to increased purchasing of vehicles located within the county.
4. Increase of \$126,795 for Apportioned Vehicles for Hire Tax based on information provided by the Commissioner of the Revenue and based on recent actual trends.
5. Increase of \$99,967 in Public Service Corporations Taxes primarily due to the results of the annual assessment of Public Service Corporation fixed assets performed by the State.
6. Increase of \$45,000 in Interest Earned on Investments due to higher rates of interest available for investment purposes. Interest rates for investment purposes are still very low, but they are higher than they were a year ago.

7. Increase of \$37,348 in BPOL Tax based on projections provided by the Commissioner of the Revenue based on the improved economic outlook.
8. Increase of \$40,774 for revenue collected for Off Duty Deputies based on recent actual experience. This revenue is comprised of collections to compensate off duty deputies and is offset by an increase in expenditures of the same amount for payroll payments made to off duty deputies. The county is reimbursed for these payroll costs.
9. Increase of \$30,478 for Real Estate Tax - Wards Crossing generated from taxes paid by properties located within the special service district. This incremental General Fund tax revenue will be transferred to the expenditure line in the CIP fund for development of the Airport Special Service District and is included in the proposed transfer from the General Fund to the CIP Fund.
10. Increase of \$24,626 in Late Penalties, Interest and State Debt Setoff Admin Fees collected from property owners who are late in paying various taxes. These revenues account for \$529,026 of local revenue for the county.
11. Increase of \$23,238 for Meals Tax Revenue Sharing from the distribution from the Town of Altavista for a portion of the meals tax generated by the Town in the area that was annexed by the Town years ago when Walmart opened. This revenue source is expected to generate \$52,154 in tax revenue for the County in FY 2017 based on the agreement with the Town.
12. Increase of \$21,475 for Manufactured Homes Tax based on increase in taxable values established by the Commissioner of the Revenue.

#### LOCAL REVENUE DECREASES OF \$20,000 OR MORE:

1. Decrease of \$149,000 in Fees and Delinquent Collections generated by the sale at auction of real estate properties sold for non-payment of real estate taxes. This revenue source fluctuates substantially from year to year based on the two-year cycle of auctioning off real estate properties for delinquent taxes owing to the County and when the auction proceeds are recognized.
2. Decrease of \$52,000 in Fuel Sales revenue due to drop in the price of gasoline that is issued to departments from our central gasoline storage tanks. There is an equal pass-thru expenditure reduction amount as departments are charged for the gasoline issued.
3. Decrease of \$46,000 in Transient Occupancy Tax due to previous revenue projections not yet being fully realized based on assumed occupancy rates for the two most recent new hotel openings. Projected revenue to be generated for FY 2017 from Transient Occupancy Tax is \$173,200.
4. Decrease of \$83,725 in Real Estate Taxes based on information provided by the Commissioner of the Revenue.
5. Decrease of \$39,613 in County Recordation Grantee Tax based on transaction information provided by the Clerk of Court's Office.
6. Decrease of \$21,475 in Manufactured Homes Taxes based on recent history and information provided by the Commissioner of the Revenue.
7. Decrease of \$20,500 in Court Fines & Forfeitures based on actual recent experience.

#### CAPITAL IMPROVEMENT FUND



The original Capital Improvement Plan (CIP) as approved by the Board on April 5, 2016 is being recommended with the proposed budget with no revisions. The transfer from the General Fund for FY 2017 is \$1,300,000 pending Board approval and the transfer from the Solid Waste Management Fund is \$400,000. Both fund transfer amounts are the same as the existing budget.

## SOLID WASTE MANAGEMENT FUND

FY 2017 marks the eighth year that landfill operations have been provided by the Regional Services Authority. For FY 2017 the county is projected to receive \$918,123 in payments from the Regional Authority as revenue recovery for payment of airspace at the Campbell facility. Projected payments to the county from the Regional Authority are up from the current fiscal year by \$15,283 or 1.7%. Also, included in the FY 2017 revenue budget is a transfer of appropriation from the General Fund in the amount of \$623,777 in order to fund budgeted expenditures in the Solid Waste Management Fund. The budgeted transfer from the General Fund decreased by \$17,108 or 2.7% from FY 2016.

Expenditures for Tipping Fees paid to the Regional Authority of \$615,000 increased by \$25,000 from the current year budget based on tonnage estimates provided by the Regional Authority. There is also included in the budget submission a transfer of appropriation from the Solid Waste Management Fund to the CIP Fund in the amount of \$400,000. This is the third year of five planned annual transfers of this amount from the Solid Waste Management Fund to the CIP Fund to be used to pay for CIP projects that were delayed over the last eight years due to the economic slowdown. This recommendation was included in the Capital Improvement Plan adopted by the Board.

## SCHOOLS

### LOCAL SCHOOL FUNDING:

Local funding for the Schools for FY 2017 as recommended by the County Administrator is as follows:

School Debt Service	3,496,720
Other School Operations Transfer *	<u>27,320,682</u>
	\$ 30,817,402

\*Note: \$200,000 of the operations transfer from the General Fund is requested for the purchase of school buses.

This total local allocation results in a decrease in operations funding for the schools from the county in the amount of \$652,828 (down 2.1%). Included in that reduction amount is a reduction for School related long-term debt principal and interest payments of \$110,815 from FY 2016 primarily due to the refunding savings associated with the refinancing of the 2008 bond issue that was refinanced this year. Additionally, interest expense declines as principal is paid down.

### STATE FUNDING:

State funding for schools is projected to increase from \$44,858,023 for the FY 2016 adopted budget to \$46,367,241 for the FY 2017 budget for an increase of \$1,509,218 (up 3.4%).

For comparison purposes state funding for schools for FY 2017 is down \$4.8 million from FY 2010 and is down \$9.7 million from FY 2009. Close monitoring of this revenue stream will be needed to adjust the school budget in future years.

The required local match established by the state for education operations funding in Campbell County for FY 2017 is estimated to be \$13.5 million. This compares with the \$27,320,682 local level funding recommended for School operations for FY 2017 excluding debt service.

**FEDERAL FUNDING:**

Federal funding for schools is projected to increase from \$4,743,690 for the opening budget for FY 2016 to \$4,901,443 for FY 2017 for an increase of \$157,753 or 3.3%.

On a combined basis State and Federal funding for education of \$51,268,684 is up \$1,666,971 or 3.4%.

**OVERALL ANALYSIS FOR SCHOOLS:**

For comparison purposes the schools total recommended operations budget requests before opening encumbrances and supplemental appropriations are listed below:

Year	Total	State	Federal	Local
FY 2017	\$78,926,616	\$46,367,241	\$4,901,443	\$27,657,932
FY 2016	\$77,906,408	\$44,858,023	\$4,743,690	\$28,304,695
FY 2015	\$77,816,819	\$46,053,171	\$4,373,446	\$27,183,695
FY 2014	\$75,586,767	\$45,249,260	\$5,147,305	\$25,190,202
FY 2013	\$73,914,663	\$44,064,275	\$5,350,186	\$24,500,202
FY 2012	\$72,735,390	\$44,246,095	\$7,239,093	\$21,250,202
FY 2011	\$71,982,645	\$43,675,795	\$6,626,648	\$21,680,202
FY 2010	\$79,755,696	\$51,165,594	\$8,319,568	\$20,270,534
FY 2009	\$80,255,575	\$56,082,717	\$3,608,324	\$20,564,534
Change:	(\$ 1,328,959)	(\$ 9,715,476)	\$1,293,119	\$ 7,093,398

Local funding for the Schools includes the transfer from the General Fund of \$ 27,320,682 plus \$337,250 of other local revenue received by the schools primarily for sale of surplus property, charges for private tuitions, miscellaneous refunds, and recovered costs.

The school’s budget was reduced by \$7.5 million, or (9.3%) between FY 2009 and FY 2012. During that timeframe state funding declined by \$11,836,622, hitting a low point in FY 2011 of a reduction of \$12,406,922. Federal funding increased significantly during that period to help close the gap in state revenue losses. Reductions in budget and local step-down funds were used during this time to offset some of the remaining losses in state revenue. As federal funding began to decline and local step-down funds were no longer available, the Board increased local tax revenue in 2012 (FY 2013) to prevent further reductions in education spending and program losses.

In FY 2012 and FY 2013 the majority of expenditure increases were mandated, including significant increases for contributions to the Virginia Retirement System (VRS) and implementation of a state mandated salary adjustment with offsetting employee paid VRS contributions. The county opted to implement this change in one cycle, which produced a 5.75% increase in salaries and a corresponding 5% reduction in employer-paid VRS contributions. In FY 2015 additional expenditures of \$1,224,438 annually were required to fully fund the teacher's VRS retirement program, due primarily to state underfunding in prior years.

The schools request for local funding for FY 2017 of \$ 27,862,695 is level with the local funding currently being provided by the county in FY 2016. However, the County Administrator is recommending a reduction in the transfer to the Schools of \$542,013 in order to assist in balancing the County General Fund budget.

The largest contributors to the increase in school expenditures are:

1. Increased cost for a salary increase of 2% for all staff except for a 1% increase for administration staff with an annual total cost increase of \$982,553.
2. Employer cost for premium increases for health insurance for employees and eligible retirees in the amount of \$739,799.

Included in the schools budget is a projected decrease in fuel costs of \$371,250. Additionally, reduced bus driver compensation in the amount of \$179,172 is projected due to shortage of available drivers and modified bus routes.

Numerous expenditure lines have been reduced as noted by the Superintendent during his presentation to the Board. The Schools included a request in the amount of \$200,000 in order to purchase school buses. Only eight buses on a combined basis have been approved by the Board of Supervisors during the budget process over the last seven years for an average purchase of one school bus per year. When the opportunity has presented itself over the last few years the Board has approved transfers of appropriations and pre-approved carryovers to purchase a few school buses from end-of-year budget reversions.

The school budget presentation to the Board of Supervisors on April 5th by Dr. Johnson provided a means to share the School Board's priorities, funding issues, and circumstances. The Board of Supervisors, as always, has the option to adjust tax rates within the final budget, either upward or downward, which in turn would affect the actual funding provided to the county and school operations. The Board of Supervisors does not have the authority to fund school-related items on a line item basis. Once a funding amount is provided by the Board of Supervisors, the School Board has the statutory responsibility to determine how to allocate those funding resources for educational purposes.

## CLOSING COMMENTS

The draft County budget as in the past was developed on a zero-based budgeting process. In all cases, the requesting agencies strongly considered their own fiscal responsibilities and those of the Board while developing their respective budget requests. The Budget Committee then exercised their responsibility to review detailed proposals, with the exception of a detailed review of the schools, and made adjustments with consideration of the fiscal direction of the Board, the needs of the citizens, and the county's ability to provide needed and desired services.

Adjustments made by the Budget Committee are included with the Synopsis and Expenditure Summaries. These can be determined by comparing the “Department Request” versus the “Administrator’s Recommended” columns on the computer printouts and as summarized under *Decreases Made by the Budget Committee* outlined above.

In order to assist the Board in the overall review of the budget document, there are four separate sections: Budget Message, Synopsis, Revenue Projections, and Expenditure Projections. Staff maintains detailed backup of all department budget requests which will be available at the budget workshops to answer any questions the Board may have about specific budgets or to clarify any information presented.

For the Board’s information, the following tax revenue projections are provided:

1. Each 1 cent of current real estate tax generates \$362,000
2. Each 5 cents of personal property tax generates \$108,000
3. Each 5 cents of machinery and tools tax generates \$85,000

We hope the Board finds the attached draft budget easily readable and adequate toward meeting expectations. We would like to point out that this presentation represents the most accurate numbers available at this time. As always, we will make adjustments based on the information received and generate the final document during May, following the Board’s approval.

Please inform staff if you have any questions before we proceed with the review process.

This year the Budget Committee was made up of the following individuals:

Frank Rogers, County Administrator  
Clifton Tweedy, Deputy County Administrator  
Alan Lane, Director of Management Services  
Ronna Johnson-Davis, Finance/Budget Manager  
Minna Lombardi, Finance/Budget Analyst  
Lisa Linthicum, Director of Social Services

The Commissioner of Revenue, Calvin Massie, was instrumental in helping to establish the local tax revenue budget.

Budget Distribution (21):

Board of Supervisors (7)	
Clifton Tweedy, Deputy County Administrator	Cathy Moore, Deputy Clerk to the Board
Alan Lane, Director of Management Services	The Altavista Journal/Union Star
Dr. Bobby Johnson, Superintendent of Schools	Original to County Administrator
Minna Lombardi, Finance/Budget Analyst	The News and Advance
Lisa Linthicum, Director of Social Services	Public Copy to 4 Libraries
Ronna Johnson-Davis, Finance/Budget Manager	

RECOMMENDATIONS:

Staff recommends the Board review the information presented and take action on the following three items at the April 12<sup>th</sup> budget workshop assuming a second budget workshop is not needed.

- 1) Adjust expenditures as deemed appropriate;
- 2) Adjust revenues as deemed appropriate;
- 3) Authorize permission to advertise with the same tax rates as the existing year for a May 3rd public hearing;

A public hearing has been scheduled for May 3rd at 5:30 p.m. A final budget workshop is scheduled for May 17<sup>th</sup> at 4:00 pm with adoption of the budget for FY 2017.

The Budget Synopsis attached also reflects the changes approved by the Board at the Budget Workshop conducted on April 14. There were several changes to the original budget submission that was presented to the Board at the Budget Workshop. Namely, the Board of Supervisors approved the following changes: expenditures were increased for the hiring of 6 additional EMT Technicians; a 2% salary increase effective December 1, 2016 for staff for the five Constitutional Offices and Social Services Department; reinstatement of \$23,000 funding for general support for the Town of Brookneal. These expenditure increases approved by the Board for advertisement of the budget public hearing are to be funded by increases to EMS billing fees; increased building permit fees; increases in local revenue projections; and increased state and federal reimbursements covering the majority of the increases in salary for the for the five Constitutional Offices and Social Services Department. Additionally the Schools reduced their expenditure request for the School Operations Fund in the amount of \$362,359 as the School Board voted to forgo the salary increase that was originally included in the budget request. This amount represents the state funding that will not be received.

#### BACKGROUND:

The Budget Committee has submitted for the Board's consideration a balanced budget with no tax increase. The proposed budget is outlined in more detail in the Budget Message and incorporates the elements of the Board's adopted priorities.

In the past the Board has requested that the Budget Committee also provide an additional list of potential changes to the budget that would allow for a possible reduction in the real estate tax rate and/or the personal property tax rate.

That information is provided below in the sequence order it appears in the budget. Each of the items listed has an impact on financial stability, employee support, and/or service delivery; however, are discretionary and not mandated programs or expenses. This list identifies existing areas that are discretionary if it is the desire of the Board to look at these items further.

When giving consideration to making any adjustments the Board should take into account the effect reductions in the upcoming year may have on future budgets including pressure on general fund revenues, the ability to incorporate the Board's goals and priorities in future years, and the revenue increases that will be necessary to fund previously approved projects and initiatives.

#### DISCUSSION:

For discussion purposes as stated above each one-cent of real estate tax generates approximately \$362,000. Each five cents of personal property tax generates approximately \$108,000.

## GENERAL OPTIONS:

- 1) **Amount ??** - Utilize fund balance to provide an offsetting reduction in tax rate. Staff highly recommends against using fund balance for anything other than one-time expenses. Using fund balance to replace revenue for ongoing operations will effectively place the Board in the position of having to raise rates the following year in order not to have to rely on continued reduction in the fund balance going forward. If using fund balance is considered as an option it should only be used for offsetting non-recurring expenses such as capital improvement projects, and fund balances should be taken into consideration to conform to fund balance policy.

## OPERATING EXPENSE OPTIONS:

- 1) **\$103,234** – Employer contribution for health insurance for all covered county employees effective January 1, 2017. This would require that employees pick up this cost on top of any increase in employee paid premium contributions projected for January 1, 2017.

CAPITAL IMPROVEMENT PLAN OPTIONS: Based on spreading over five years funding in the form of the annual General Fund transfer to the CIP Fund as we have done in the past. As an example a reduction of \$100,000 of capital expense in the CIP Fund would result in a reduction of \$20,000 per year over the five-year CIP period in the form of the annual transfer from the General Fund to the CIP Fund.

## CURRENT DISCRETIONARY PROGRAMS:

- 1) Board of Supervisor Stipends of \$59,000
- 2) Board of Supervisor Health Insurance Employer Contributions of \$10,025. Additionally, \$2,000 is the cost for the Health Insurance Fund to pay for contributions to Board HSA accounts.
- 3) Public Information and Communications (2 positions). Website, newsletters, public announcements, press releases, public meeting communications, internal meeting communications.
- 4) Business Auditor – Commissioner of the Revenue (2 positions). BPOL Tax administration.
- 5) Locally funded Treasurer (part time positions).
- 6) Organizational Memberships. NACo, VACo, Virginia Institute of Government, Region 2000 Local Government Council.
- 7) Victim/Witness Program (4 positions). Victim, witness support. (grant revenue generally equals expenditures.)
- 8) Sheriff's Office/County (7 county paid deputies and 2 admin support positions for the Sheriff's Office). Patrol and administrative support.
- 9) School Resource Officers (9 positions). School law enforcement deputies. 7 of these positions are reimbursed to the County by the Schools.
- 10) Volunteer Fire Companies – General Support. Insurance, fuel, communications equipment, personal protective equipment, etc.
- 11) Volunteer Fire Companies – Individual Support. Annual allocation for building and equipment maintenance and improvements.

- 12) Volunteer Ambulance/Rescue Squad – General Support. Insurance, fuel, communications equipment, etc.
- 13) Volunteer Ambulance/Rescue Squad – Individual Support. Annual allocation for building maintenance and improvements.
- 14) EMS Services (28 positions). Career response to emergency medical services calls. (Fee for services program.)
- 15) Volunteer Program (1 position). Retired Senior Volunteer Program and general countywide volunteer support and recruitment. (Revenue currently equals about 40% of this program.)
- 16) Central Virginia Area Agency on Aging. Nutrition and meeting centers.
- 17) Community Support Grants - YWCA Domestic Violence.
- 18) Health/Education & Wellness. Court Appointed Special Advocacy Program and Legal Aid Society.
- 19) Recreation Department (6 full time positions and substantial part time help). General parks and recreation activities and support.
- 20) Libraries (15 full time positions and substantial part time help). Library programs and building operations – four buildings.
- 21) Economic Development (3 positions). Existing business support and expansion, new business recruitment.
- 22) Planning & Development. Remaining general support to the towns Towns of Brookneal and Altavista.
- 23) In-house Construction (1.5 FTE positions).