

FISCAL YEAR 2017 BUDGET MESSAGE
APRIL 11, 2017

Mike Rousseau, Chairman
Members of the Campbell County Board of Supervisors
County Board Room
Rustburg, Virginia

Dear Chairman Rousseau:

Attached for the Board of Supervisors' review and consideration is the Proposed Fiscal Year 2018 Campbell County budget. I would like to once again commend the Board of Supervisors and staff for their collective efforts to keep local expenditures as low as possible.

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 2018 draft budget attempts to meet the County's service needs within available resources. As you consider the budget information, I would respectfully draw your attention to certain key items.

- You will note that local revenues continue to trend upward. Total local revenue growth is projected to be \$1,228,683. In light of this growth, the proposal includes a tax reduction of \$0.10 on the Personal Property rate, taking it from \$4.45 to \$4.35. The reduction in tax revenue reduces local revenue projections by \$280,486. As a result, local revenue growth anticipated in the Fiscal Year 2017-2018 proposed budget is \$825,405. This, when coupled with changes in State and Federal funding support, increases total General Fund revenue by a total of \$1,344,844.
- The proposed budget totals \$71,111,307 a 1.9% increase over the Fiscal Year 2017 Adopted Budget.
- The proposal includes additional funds for education. The proposal includes \$27,320,682 in funding for the School Division. In addition, \$185,145 in additional funding is proposed to be earmarked for school maintenance needs. These funds, in addition to previously earmarked maintenance funds are intended to meet near term maintenance needs of the division.
- The submitted budget for FY 2018 contains a 2% raise for county employees. In addition to the 2% raise for county employees, Sheriff and Public Safety employees will receive an additional 2% raise (along with compression pay increases for law enforcement). The Compensation Board will fund the majority of the additional 2% and compression pay.
- The proposal submitted here contains recommendations that a part-time position in the Registrar's office be made full-time and that a part-time Administrative Assistant position in the Commonwealth Attorney's office be made full-time.
- The budget submission for FY 2018 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.

In order to make these recommendations, certain service reductions are reflected in the attached budget information. Among these are:

1. Elimination of \$18,500 in part-time funding for the Long Island Park.
2. Elimination of one full-time position in Parks and Recreation, at a savings of \$40,000.
3. Reducing part-time funding in the Library budget through the closure of the Patrick Henry Memorial Library in Brookneal.
4. Closure of the Hodges trash collection site, with relocation of the container to the existing Altavista site.

These measures, taken in addition to the very fiscally responsible budget requests from County Departments enable staff to present the attached, balanced budget proposal.

At the time of this proposal, the unassigned fund balance at the end of FY 2017 is estimated to be \$15,050,000. The County's financial policies dictate that a minimum of \$12,200,000 remains in the unassigned fund balance.

This draft budget proposal is now ready for review and revision prior to the public hearing scheduled for Tuesday, May 2nd beginning at 6:30 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 \$71,111,307 are \$1,344,844 more than the current year budget for an increase of 1.9%.

LOCAL EXPENDITURE INCREASES FOR GOVERNMENT OPERATIONS:

There is a proposed compensation increase for county staff of 2% to begin August 1st. There will be an additional 2% increase for the Sheriff's Department and Public Safety along with compression pay as appropriated by the Compensation Board starting August 1st. The State Compensation Board has directed that compression pay be added to the base salary of each sworn officer with three or more years of continuous service in a Compensation Board funded position by an amount equal to \$80 for each full year of service, \$65 for non-sworn officers. Campbell County will match this for non-Compensation Board paid positions as well. The majority of the compression pay funds comes from the Compensation Board and the final calculations are expected in late April.

Expenditures below represent all increases over the previous year in amounts greater than \$10,000.

1. \$447,000 increase in Compensation and Fringe Benefits costs to cover the proposed raise for FY18 starting in August.
2. \$316,655 increase in transfer out to Solid Waste Fund to accommodate increased expenses in tipping fees and waste hauling.
3. \$315,690 increase in ADCFC (Aid to Dependent Children Foster Care) for Public Assistance Service for children who come in for IV-E care.
4. \$184,145 increase to be assigned to schools for future maintenance needs.
5. \$56,660 increase in EMS expenditures to fully fund the annual costs of the Timberlake crew.

6. \$26,750 increase in maintenance repair of communications equipment for the Sheriff's department.
7. \$25,000 increase for Regional Business Alliance to offset the \$50,000 reduced funding from FY 2017
8. \$18,972 increase for Library staff members related to education reimbursement
9. \$16,000 increase for Volunteer Fire Companies cost of Gas, Oil & Grease line due to a realignment of gas consumption calculations.
10. \$13,500 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. \$11,261 increase for maintenance of medical equipment due to the County having additional career medic units on the road and needing to be maintained by the county.
12. \$10,000 increase in medical supplies in EMS service due to a new medical unit.

LOCAL EXPENDITURE DECREASES FOR GOVERNMENT OPERATIONS:

To assist in balancing the proposed budget while providing a tax reduction, 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 increased expenses noted in items listed above.

Expenditure decreases listed below are \$10,000 or more initiated by departments total \$573,624. Specific reductions and changes may be reviewed on a line-by-line basis in the included budget pages. The third column from the right shows the department requested amount and the second column from the right shows the Administrator's recommendation with the variance between the two in the last column.

EXPENDITURE DECREASES FROM DEPARTMENTS

1. \$270,000 reduction in Blue Ridge Regional Jail as expected charges are projected to decrease due to anticipated reduction in usage.
2. \$75,000 reduction in Juvenile Detention care because of a new favorable contract reducing costs.
3. \$44,000 reduction in the operation and maintenance of EMS service vehicles.
4. \$28,000 reduction in the operation and maintenance of the volunteer ambulance vehicles.
5. \$25,000 reduction in expected maintenance and repair for the Rustburg rescue squad.
6. \$25,000 reduction in costs associated with servicing low income elderly and disabled adults through the State mandated Auxiliary Grant Payment program administered by Social Services.
7. \$20,124 reduction due to lower amount of medical equipment purchased in EMS Services as opposed to FY 2017.
8. \$19,800 reduction in mowing expenses for ball fields maintained by the county.
9. \$15,000 reduction in costs of Lumos, CenturyLink and Verizon telephone companies for 911 services due to the new mapping software.
10. \$14,000 reduction for children living with non-blood relatives in need of assistance decreasing from FY 2017.
11. \$13,050 reduction in IT outside services.
12. \$12,650 reduction in software purchasing from FY 2017 for the county.
13. \$12,000 reduction in electric services for multiple buildings maintained by the county.

DEBT SERVICE

Debt Service for principal and interest of \$4,624,320 is down in the amount of \$184,145 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 \$3,248,746 of total FY 2018 debt service.

GENERAL FUND REVENUES

As stated previously, total budgeted revenues for the General Fund at \$71,111,307 are \$1,344,844 more than the current fiscal year budget (up 1.9%). State and federal funding revenue of \$17,797,595 represent 25% of the total General Fund revenue budget. In total, state funding decreases by \$145,971 and federal funding increases by \$665,410 for a net combined revenue increase of \$519,439 or 3.01%.

As stated above, total state funding is down \$145,971. Funding from the state for partial reimbursement for the Comprehensive Services Act (CSA Program) is up in the amount of \$20,000 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 2018 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 \$214,322 in line with increases in expenditures for these programs.

LOCAL REVENUE SUMMARY:

There is a proposed \$0.10 decrease in the personal property tax rate for FY 2018 and no change in fees charged to the public. Overall, budgeted local revenues increase by \$825,405 or 1.6% to \$53,313,712. Local revenues make up 75.0% of total budgeted revenues for the General Fund. The revenues listed below for local revenues each increasing by \$20,000 or more total \$1,078,158. The remaining decreasing revenues of \$20,000 or more total \$476,782. The net change of these revenue sources is an overall posted net increase of \$601,376. All other remaining sources of local revenues combined yield an increase of \$224,029 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 \$599,276 in Real Estate Taxes due to improving property values and development
2. Increase of \$100,000 for EMS Billing Revenues due to amended fee schedule.
3. Increase of \$68,165 in Vehicle Licenses Fees due to expected overall improved economy trends with people purchasing new cars.
4. Increase of \$58,334 in Bank Franchise Fees which is a tax applied to banks in lieu of Personal Property and Business License Tax.
5. Increase of \$51,447 based on an increase valuation of Machinery and Tools as supplied by Commissioner of the Revenue.
6. Increase of \$44,574 for Off-Duty Deputy Fees collected based on recent 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.
7. Increase of \$42,520 in BPOL Tax based on projections provided by the Commissioner of the Revenue based on the improved economic outlook.

8. Increase of \$37,800 Transient Occupancy Tax due to expected greater hotel occupancy.
9. Increase of \$27,116 in interest due to higher rates of interest available for investment purposes.
10. Increase of \$25,240 in Court Fines and Forfeitures as supplied by Clerk of the Circuit Court.
11. Increase of \$23,686 in Late Penalties, Interest and State Debt Setoff Admin Fees collected from property owners who are late in paying various taxes.

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

1. Decrease of \$280,486 in Personal Property Tax due to the proposed \$0.10 tax reduction.
2. Decrease of \$92,359 in Apportioned Vehicles for Hire as supplied by Commissioner of the Revenue and follows FY 2015 and FY 2016 trends.
3. Decrease of \$50,937 in Local Sales Tax due to actual receipts and projected trends.
4. Decrease of \$30,000 in Health Department Earned Revenue because of an expected decrease in funds returned at the end of the year. The Local Health Department has requested the same level of funding as FY 2017 and the overage, which is typically returned to the county, is expected to be lower since assumed health care costs will increase.
5. Decrease of \$23,000 in Building Permits.

CAPITAL IMPROVEMENT FUND

The Capital Improvement Plan (CIP) as approved by the Board on April 4, 2017 is being recommended with the proposed budget with no revisions. The transfer from the General Fund for FY 2018 is \$1,300,000 pending Board approval and is the same as the existing budget. The transfer from the Solid Waste Management Fund is \$300,000, and is \$100,000 less than the current fiscal year.

SOLID WASTE MANAGEMENT FUND

FY 2018 marks the ninth year that landfill operations have been provided by the Regional Services Authority. For FY 2018 the county is projected to receive \$918,129 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 expected to remain similar to FY 2017. Also, included in the FY 2018 revenue budget is a transfer of appropriation from the General Fund in the amount of \$940,432 in order to fund budgeted expenditures in the Solid Waste Management Fund. The budgeted transfer from the General Fund increased by \$316,655 or 50% from FY 2017.

Expenditures for Tipping Fees paid to the Regional Authority of \$765,000 increased by \$150,000 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 \$300,000. This is for the CIP Fund to be used to pay for CIP projects that were delayed over the last nine 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 2018 as recommended by the County Administrator is as follows:

| | | |
|----------------------------------|----|----------------|
| School Debt Service | \$ | 3,248,746 |
| Other School Operations Transfer | \$ | 27,320,682 |
| Assigned to School Maintenance | \$ | <u>184,145</u> |
| | \$ | 30,753,573 |

Included in amount above is a reduction for School related long-term debt principal and interest payments of \$247,974 from FY 2017 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 \$46,004,882 for the FY 2017 adopted budget to \$48,083,808 for the FY 2018 budget for an increase of \$2,078,926 (up 4.5%).

For comparison purposes state funding for schools for FY 2018 is down \$3.0 million from FY 2010 and is down \$7.9 million from FY 2009. Close monitoring of this revenue stream will be needed to adjust the school budget in future years.

FEDERAL FUNDING:

Federal funding for schools is projected to increase from \$4,901,443 for the opening budget for FY 2017 to \$5,072,250 for FY 2018 for an increase of \$170,807 or 3.5%. On a combined basis State and Federal funding for education of \$53,156,058 is up \$2,249,733 or 3.7%.

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 2018 | \$83,031,773 | \$48,083,808 | \$5,072,250 | \$29,875,715 |
| 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 |

Overall Change between FY 2018 – FY 2009:

| | | | |
|--------------|----------------|-------------|-------------|
| \$ 2,776,198 | (\$ 7,998,909) | \$1,463,926 | \$9,311,181 |
|--------------|----------------|-------------|-------------|

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 2018 of \$ 29,538,465 is an increase of \$2,217,783 over FY 2017. In order to fully fund the requested increase, an increase to the real estate tax rate of 6¢ would be required.

The largest contributors to the increase in school expenditures are:

1. Increased cost for a salary increase of 5% for all staff except for a 2% increase for administration staff with an annual total cost increase of \$2,036,736.
2. Employer cost for premium increases for health insurance for employees and eligible retirees in the amount of \$695,666.

The school budget will be presented to the Board of Supervisors on April 11th by a representative of the School Administration at the Budget Workshop 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.

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 \$408,000
2. Each 5 cents of personal property tax generates \$116,000
3. Each 5 cents of machinery and tools tax generates \$93,000

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
Tyler Carraway, Director of Management Services
Ronna Johnson-Davis, Deputy Director of Management Services
Minna Norris, Finance/Budget Analyst
Calvin Massie, Commissioner of the Revenue

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

RECOMMENDATIONS:

Staff recommends the Board review the information presented and take action on the following three items at the April 11th 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 a \$0.10 reduction in Personal Property Tax and all other tax rates remain unchanged as currently set for a May 2nd public hearing.

A public hearing has been scheduled for May 2nd at 6:30 p.m. A final budget workshop is scheduled for May 16th at 5:00 pm with adoption of the budget for FY 2018.

READING THE SUPPORTING FINANCIALS:

The suggested reading method of the supporting budget details is to review the summary of each section: County Revenues, County Expenditures, School Revenues and School Expenditures. Following each summary; the detail is broken out to individual lines which when totaled, equal the summary pages. The connecting piece for Expenditures are the department numbers and Fund numbers for Revenues. In Expenditures, a positive number indicates increasing costs and a negative number indicates a decreasing cost. Revenues are listed as negative numbers following the previously submitted budget format. A negative number indicates an increase in Revenue while a positive number indicates a decrease. For all submitted budget numbers the column listed as "Variation FY17 Adpt & FY18 Admin" is calculated by subtracting Adopted FY17 from Admin Budget FY18.