

BOARD OF SUPERVISORS MEETING

April 7, 2011

A meeting of the Campbell County Board of Supervisors extended from April 5, 2011 convened at 6:00 p.m. on the 7th day of April, 2011 in the Board Multi Use Room of the Walter J. Haberer Building, Rustburg, Virginia. The members present were:

Steven M. Shockley, Chairman, Presiding	Sunburst Election District
Charles W. Falwell	Timberlake Election District
Stanley I. Goldsmith	Altavista Election District
Eddie Gunter, Jr.	Concord Election District
Hugh T. Pendleton, Jr.	Rustburg Election District
J. D. Puckett	Brookneal Election District
Hugh W. Rosser	Seneca Election District

Also present were:

R. David Laurrell, County Administrator
Clifton M. Tweedy, Deputy County Administrator
Cathy Vance, Management Services
Anne Blair, Director of Information Technology
Mary Pascale, Co-Director of Recreation
Sherry Harding, Co-Director of Recreation
Catherine Moore, Clerk to the Board
Amy Trent, the News & Advance
Tina Barbour, Altavista Journal

Chairman Shockley called the meeting to order at 6:00 p.m. and announced this was a work session on the Fiscal Year 2012 Budget.

// FY 2012 BUDGET WORK SESSION

The Budget Committee recommended a County General Fund budget for FY 2012 that was contingent only upon any additional budget reductions from the Commonwealth, local revenue fluctuations that might still occur but were unknown at this time, or growth in unfunded mandates that were unknown at this time. There were no increases in local tax rates or fees other than the adjustment in the real estate tax rate to offset the recent reassessment decline in overall property values. The proposed budget included a 47 cent real estate tax rate per one hundred dollars of assessed value for taxable property, which was the rounded, equalized tax rate based on the recently conducted reassessment.

The proposed budget included a General Fund balance step-down of \$1,750,000 and utilization of \$500,000 in carryover funds planned to be reverted by the Schools as well as a fund balance step-down of \$141,433 for County government operations primarily for the initial start up costs for the new mandated Stormwater Management program, which includes filling the current E & S/Stormwater Management vacancy approved by the Board in 2008. Additionally, a new administrative support staff position under the Commissioner of the Revenue's direction to augment the Business Auditor/BPOL Administrator previously adopted as a Priority by the Board was included for final approval.

Total General Fund revenues of \$58,760,164 were virtually flat with the current fiscal year, up by only \$117,371 or 0.2%. Modest increases in local revenue were almost entirely offset by reductions in state/federal funding. Working closely with department heads and constitutional officers the Budget Committee held the General Fund expenditures budget to \$60,651,597 for an increase of \$318,039 or 0.5% versus the current year budget. However, the increase in expenditures includes a special General Fund reserve step-down transfer to the Schools of \$1,750,000 million as previously mentioned. There is a reduction in the amount of \$180,000 in the regular annual transfer to the Schools for operations due to the agreed upon share of reductions in non-dedicated local revenue. This becomes the new base funding for the Schools in local funding for FY 2012. Total local funding for the Schools excluding debt service payments effectively increased by \$70,000 after taking into consideration the additional \$1,750,000 in step-down funds. This did not include the separate carryover request of \$500,000

from FY 2011. Had it not been for the growth in expenditures and reductions in state aid for four individual state-mandated and supported programs, County expenditures would have been \$1,176,711 lower than the expenditure budget submissions here. Those four mandated programs were: Blue Ridge Regional Jail, Juvenile Detention, Stormwater Management (new) and Line of Duty Act cost (new.)

For budgeting purposes staff assumed the same health insurance premium contributions for employer and employees as the existing program. Staff would likely recommend changes to the health insurance program that would be handled in the form of future supplemental appropriations from the Health Insurance Fund. The current health care policy year was being extended to December 31st to make a transition to any new plan more convenient and cost effective for the County and plan participants. Staff would bring back final recommendations on plans to migrate to a Health Savings Account plan toward the end of the summer for 2012. The Board recommended staff distribute information as quickly as possible about the new plan if it was supposed to become effective in January 2012. Administrator Laurell indicated some of the Health Insurance Fund monies would be distributed to employees to offset the difference in deductibles.

The budget proposal included expenditure savings of \$500,000 for FY 2012 associated with a continued 180-day mandatory rolling vacancy policy for vacant positions until revenues increase such that this policy would no longer be required. It should be understood that there were some negative ramifications in efficiencies, cost and customer service to citizens by requiring vacant positions to remain unfilled for six months.

There were no recommended changes to VRS for FY 2012 in the proposed budget. Staff would like to have employees pay 5% of their salary into the VRS retirement system and receive a corresponding increase in salary in return. However, during the 2011 General Assembly session the General Assembly removed language that would have allowed this even though the State had made this change for its employees effective July 1, 2011.

Staff was recommending the Board consider a one-time bonus of up to 2% to be paid in December 2012 if the reversion savings to the General Fund at the end of FY 2011 ending June 30, 2011 would support that. The reversion savings would be the result of strong management and cost control throughout all County departments and offices. This approach would encourage staff to be as cost effective as possible and rely on organizational savings to result in financial reward. If the savings was not realized, then the bonus would either be eliminated or reduced based on actual year end results. The recommendation would apply to all employees on the County Pay and Classification system.

For obvious reasons using almost \$1.9 million in reserve funds for operating costs was not a sustainable practice. The vast majority of those funds were being used to offset reductions in State revenues for education over a four year step-down period. In FY 2013 it was projected the shortfall in funding to education would approach \$5 million as local step-down funds and federal stimulus funds come to an end, unless the State stepped up and provided additional education funding. This deficit would result in a significant change in education resources available in Campbell County. The Board needed to weigh the benefit of incremental increases over waiting to adjust local revenue more abruptly. This would be discussed in more detail at the Board's planning session scheduled for October 2011.

The total budgeted expenditures for the General Fund were \$60,651,597, or 0.5% more than the current year budget, which included the short term step-down increase in local funding to the schools in the amount of \$250,000.

There was a discussion concerning the increase to 47 cents in the real estate tax rate. Since the rate change from 46 cents to 47 cents would increase revenue by \$136,000, several Supervisors perceived it as a tax increase. The budget was balanced at 47 cents, and if lowered to 46 cents, adjustments would have to be made. Staff explained that when the changes were less than one percent, the State did not recognize the change as a tax increase.

Administrator Laurrell reviewed the most significant expenditure increases of \$10,000 or more. One of the increases was \$102,761 for Building Inspections for the new mandated Storm Water Management position already approved by the Board for nine months of compensation and benefits as well as \$75,000 additional funding for Other Professional Services for outside engineering services required for the new program. Going forward the new position would cost \$34,701 per year after FY 2012 for compensation and fringes. The requirements for a Storm Water Control program was a new mandate placed on localities. Beginning in FY 2013 staff would be recommending a fee structure to replace the General Fund subsidy for the new program.

Also included was an increase of \$18,342 as requested by the Commissioner of the Revenue for one-half of one year cost for a new administrative support position to support BPOL and the Business Auditor to be on an annualized basis for compensation and benefits. The position would help focus on ensuring that everyone was paying their fair share of County taxes and the position was expected to generate more revenue than the cost for the position. Supervisor Rosser was not supportive of this position and likened it to a "witch hunt." He suggested using over-time pay to correct business assessments instead of creating a new position.

Administrator Laurrell reviewed expenditure decreases made by departments and the Budget Committee. It was noted that monies for community support programs were not recommended. These included the Patrick Henry Memorial and Avoca Museum which the Board believed supported tourism in the County. It was the consensus of the Board that if there were any savings at the end of the year, they would like to revisit these expenditures for reconsideration of funding.

Each one cent of current real estate tax would generate \$342,000. Each five cents of personal property tax would generate \$84,000. Included with the budget submission were nine recommendations as set forth in the budget message for the Board's consideration.

On motion of Supervisor Pendleton, it was resolved the Board of Supervisors adopts the budget recommendations, as follows:

- 1) Adjust expenditures as deemed appropriate;
- 2) Adjust revenues as deemed appropriate;
- 3) Authorizes staff to advertise the Fiscal Year 2012 Budget for the May 2, 2011 meeting with a 47 cent real estate tax rate, which is the rounded, equalized tax rate for real estate based on the estimated results of the reassessment;
- 4) Approve the utilization of \$500,000 in reverted education funds as additional step-down revenue for FY 2012, assuming these potential reverted funds actually exist at year's end FY 2011;
- 5) Authorize additional future unexpended education funds from FY 2011 that revert to the General Fund to be used toward future step-down strategy implementation;
- 6) Approve the request to fill the vacant E & S/Stormwater Management position for the new mandated programs by the federal government beginning October 1, 2011;
- 7) Approve the requested administrative support position in the Commissioner of the Revenue Office for the Business Auditor function to be filled effective January 1, 2012;
- 8) Authorize the re-grading of the Business Auditor position to be based on a comparable market analysis to be paid from retained salary expenditures in the current fiscal year and be carried forward into FY 2012; and
- 9) Approve a change in the financial audit process for volunteer fire companies and rescue squads to require outside financial audits to be conducted every two years rather than on a yearly basis alternating yearly between fire and EMS agencies.

Supervisor Rosser offered a substitute motion to accept the recommendations but advertise the budget using a real estate tax rate of 46 cents and \$342,000 from the Undesignated Fund Balance to balance the budget.

On substitute motion of Supervisor Rosser, it was resolved the Board of Supervisors adopts the budget recommendations as amended:

- 1) Adjust expenditures as deemed appropriate;
- 2) Adjust revenues as deemed appropriate;

- 3) Authorizes staff to advertise the Fiscal Year 2012 Budget for the May 2, 2011 meeting with a 46 cent real estate tax rate and decrease Undesignated Fund Balance by \$342,000;
- 4) Approve the utilization of \$500,000 in reverted education funds as additional step-down revenue for FY 2012, assuming these potential reverted funds actually exist at year's end FY 2011;
- 5) Authorize additional future unexpended education funds from FY 2011 that revert to the General Fund to be used toward future step-down strategy implementation;
- 6) Approve the request to fill the vacant E & S/Stormwater Management position for the new mandated programs by the federal government beginning October 1, 2011;
- 7) Authorize the re-grading of the Business Auditor position to be based on a comparable market analysis to be paid from retained salary expenditures in the current fiscal year and be carried forward into FY 2012; and
- 8) Authorize the re-grading of the Business Auditor position to be based on a comparable market analysis to be paid from retained salary expenditures in the current fiscal year and be carried forward into FY 2012; and
- 9) Approve a change in the financial audit process for volunteer fire companies and rescue squads to require outside financial audits to be conducted every two years rather than on a yearly basis alternating yearly between fire and EMS agencies.

The vote on the substitute motion was:

The vote was: Aye: Puckett, Rosser, Shockley
Nay: Falwell, Goldsmith, Gunter, Pendleton
Absent: None

The substitute motion failed. A vote was taken on the original motion:

The vote was: Aye: Falwell, Goldsmith, Gunter, Pendleton
Nay: Puckett, Rosser, Shockley
Absent: None

// ADJOURNMENT

The meeting was adjourned at 7:25 p.m. until 5:00 p.m. on April 19, 2011 for a public hearing on the proposed election district boundary maps.

STEVEN M. SHOCKLEY, CHAIRMAN

Approved: _____