

A Budget Committee meeting of the Botetourt County Board of Supervisors was held on Wednesday, March 19, 2014, in Rooms 229 of the Greenfield Education and Training Center in Daleville, Virginia, beginning at 7:00 A.M.

PRESENT: Members: Dr. Donald L. Scothorn, Chairman
Mr. L. W. Leffel, Jr., Vice-Chairman (left at 8:35 A. M.)
Mr. Billy W. Martin, Sr.
Mr. John B. Williamson, III
Mr. Todd L. Dodson

ABSENT: Members: None

Others present at the meeting:

Mr. David Moorman, Deputy County Administrator
Mr. Tony Zerrilla, Director of Finance
Mr. Pete Peters, Director of Parks, Recreation & Tourism
Mrs. Kathleen D. Guzi, County Administrator

The Chairman called the meeting to order at 7:05 A. M.

Dr. Scothorn stated that he has learned a lot after participating in the two recent budget subcommittee meetings. He noted that it is an amazing process and he learned the history of where the County was and where we are today financially. Dr. Scothorn thanked everyone for working on the FY 14-15 budget.

He then asked for a moment of silence.

Mrs. Guzi noted that at this time she will provide the Board with highlights of the proposed budget and those items which are "driving" the budget's development. She noted that she will also update the Board on the expenditure adjustments made by the staff and provide an update on anticipated revenues. She noted that it is a continuing process to update, revise, and refine the budget figures to provide the most current information to the Board. She noted that the staff continues to hold discussions on the budget to ensure that everything has been considered.

Mrs. Guzi noted that health insurance for County employees is a key budget driver in FY 15 and approximately \$600,000 in new funding will be needed to provide health insurance coverage. She noted that this is not a definitive number as the County's insurance renewal date is December 1. Mrs. Guzi stated that any number in the budget is an estimate based on the information available to the staff at this time. She noted that the employees have increased their health insurance contributions over the last few years as well.

She stated that one new budget expense in FY 15 is funding for the reassessment process. She noted that the County is required by the State to conduct a reassessment at least every six years and the County's previous reassessment figures were effective as of January 1, 2010. Mrs. Guzi noted that approximately \$200,000 is included in the FY 15 budget for this expense at this time.

She stated that there are other mandated expense areas that the County is required to fund including juvenile detention and Comprehensive Services. She noted that the County works closely with the Probation Office and the courts to ensure that the appropriate services are received and that they are cost-efficient. Mrs. Guzi noted that the MIS department has had some staff turnovers in the past two years due to the higher salaries that computer staff can obtain in the private sector. She noted that the County's computer software is over 10 years old

and is in need of an “enterprise-wide” software system upgrade. Mrs. Guzi stated that the new MIS Director, Rodney Gray, believes that the County will be able to retire some of the old software/systems which will make the system and the department more efficient. Mrs. Guzi then stated that a new Human Resources Specialist position has been included in the budget which will serve all of the County’s departments and offices.

After discussion, Mrs. Guzi stated that two large capital items are included in the proposed budget—a new ambulance for the EMS career staff and a new “attack vehicle” for the Troutville Volunteer Fire Department. She noted that the new ambulance will replace an existing ambulance which will be transferred to the Blue Ridge Rescue Squad as a reserve unit. Mrs. Guzi further noted that the County has applied for a 50/50 State grant to fund the new ambulance.

After discussion, she further stated that the Troutville Fire Department answers the most calls of any volunteer station and is in need of this replacement attack vehicle. She noted that this is the first new fire apparatus that has been requested in the budget in several years.

Mrs. Guzi stated that the proposed budget also includes increases in the Waste Management Department due to new leachate system requirements from the Virginia Department of Environmental Quality. She noted that the County has delayed funding these improvements for as long as possible. Mrs. Guzi further noted that the Library’s Books and Subscriptions budget is funded at the same level as FY 14 which was an increase over the prior year at the request of the Board and there are several small capital items proposed for the Blue Ridge and Fincastle branches. She stated that there is also a small proposed increase in the Animal Pound allocation.

Mrs. Guzi noted that requested items that were not included in the budget include five school resource officers, staff salary increases, and several CIP items including requests from EMS, Public Works, and Buildings and Grounds. She noted that the County continues to make “bare bones” improvements to the various buildings and facilities to protect our investment. Regarding the new storm water management regulations, Mrs. Guzi stated that she and the Development Services personnel do not believe that a new staff person is necessary at this time; however, there is a possibility that she may have to come back before the Board in the new fiscal year to request funding for this position if development activity increases to the point where a new position is warranted.

Regarding budget requests from miscellaneous organizations, Mrs. Guzi stated that some of these requests are not being recommended for funding in FY 15. She noted that all of the organizations provide a quality service but staff primarily recommended funding to those organizations that are located in the County or who have a presence in the County.

After discussion, Mrs. Guzi stated that estimates are that revenues in FY 15 will be “basically flat” other than small increases in property, real estate, meals, sales, and hotel/motel taxes. She noted that machinery and tools taxes are anticipated to decrease in the new fiscal year along with revenues from the State for items such as Comprehensive Services. Mrs. Guzi further stated that the federal payment-in-lieu-of-taxes monies are not included in the County’s FY 15 budget due to this allocation not being included in the federal government’s budget appropriation. She encouraged the Board members to contact the County’s federal legislators to have these funds included in the federal budget.

The Board was then provided with a handout developed by the Finance Director regarding the working budget balance as of today’s date. She noted that updated personal property

tax and bank stock tax revenue figures, which show a proposed increase of \$265,000, were updated earlier this week after the Finance Director conferred with the Treasurer and the Commissioner of Revenue.

Mrs. Guzi noted that the General Assembly adjourned a week ago without adopting a biennium budget which has caused the School Board to delay action on their proposed FY 15 budget and therefore, the County has incomplete budget information from the schools. She stated that the Board will consider a resolution at the March regular meeting requesting that the General Assembly adopt a budget as soon as possible.

She stated that the school system developed three different proposed funding scenarios for FY 15. She noted that the first scenario requests \$814,000 in new local funding; the second proposal requests \$1.363 million, and the third scenario requests \$3.3 million in new monies. Mrs. Guzi noted that, based on current estimates, the total General Fund revenues for FY 15 are \$53.6 million, the total General Fund expenditures are \$33.7 million, the local school contribution is \$22.5 million, and \$100,000 is proposed to be allocated to the contingency fund. She noted that these figures would necessitate the use of \$2.7 million in Undesignated Fund Balance monies to balance the proposed budget.

Mrs. Guzi stated that, as shown on the handout, \$265,000 in additional personal property and bank stock tax revenues are estimated in FY 15 and there is a balance of approximately \$990,000 in funds from the prior year's tax increase remaining. She noted that a portion of these monies will be used to fund several County capital items. She stated that there is currently a \$1.5 million difference between revenues and expenditures. Mrs. Guzi stated that the staff budget review team went through the budget line by line to try to reduce expenditures and further noted that the revenues from last year's tax increase helped to fund the public safety and schools budgets.

Mrs. Guzi stated that there are several tools that localities can use to balance a budget including cutting expenditures, increasing revenues, delaying capital project costs, and using a portion of the fund balance. She noted that each of these options needs to be used judiciously and the Board and County need to be cognizant of these issues going forward.

After discussion, she also noted there are funds in the proposed budget for economic development, infrastructure improvements, and tourism-related expenses.

Mr. Williamson noted that the Budget Subcommittee has met several times over the past few weeks including two formal sessions of 4 – 5 hours each to meet with the staff budget team to review the proposed budget. He noted that another Subcommittee meeting is scheduled for Friday at which they will develop a draft budget and proposed tax rates which will be presented at the Board's regular meeting on March 25 with a request to advertise the budget in early April for public hearing.

Mr. Williamson stated that there are no salary increases included in the proposed budget but it is proposed that the County continue to fund the percentage of participation in employee health insurance costs. He noted that as of this time the Subcommittee is not proposing a tax increase but will suggest, based on current estimates, that \$1.5 million from the County's reserves, including the funds received for the sale of the Crawford Mountain telecommunications tower, be used to balance the FY 15 budget. Mr. Williamson stated that the alternative proposal is to implement a tax increase, freeze the school allocation at the current year's level, eliminate capital projects, or reduce staff. He further noted that the Subcommittee is still working on prioritizing a number of key budget items.

After discussion, Mr. Williamson stated that the \$1.5 million “hole” in the budget would necessitate taking a total of \$2.6 million from the General Fund Reserve. He noted that this equates to 6 cents on the real estate tax rate and also adjusting other tax levels. Mr. Williamson stated that, if capital projects (\$1.4 million) are removed from the proposed budget, a \$1.2 million difference between revenues and expenditures will remain. He stated that the Budget Subcommittee is proposing that the real estate tax rate remain at its current level (72¢/\$100).

Mr. Williamson noted that there are several “big ticket” items that could be “on the table” if the Board does not want to use monies from the Undesignated Reserve Fund to balance the budget. He noted that these items include a fire truck, ambulance, and computer system upgrades which total \$1.4 million.

Mr. Williamson further stated that the Sheriff has also requested funding to adjust the entry level position salaries for his deputies.

After questioning by Dr. Scothorn, Mrs. Guzi noted that the current Troutville fire truck is almost 20 years old and has 44,000 miles and 5,270 hours on it. Mrs. Guzi noted that this is a 1997 vehicle and the standard rule is that these trucks should be retired after 20 years of usage. She noted that this truck averages 234 incident responses per year and the yearly maintenance costs for this truck are approximately \$6,000.

After discussion, Mrs. Guzi noted that the EMS staff estimated the resale value of the two vehicles (fire truck and ambulance) is approximately \$50,000 but she believes that this figure is high and \$30,000 would probably be a more realistic figure. Mrs. Guzi noted that the County has applied for a State grant to partially fund the purchase of a new ambulance. She noted that this is a 50/50 grant.

Regarding the MIS budget, Mrs. Guzi stated that the staff continues to go through the maintenance contracts to determine whether some can be cancelled to save money.

Mr. Moorman noted that all of the County departments’ computer maintenance service contracts are being transferred to the oversight of the MIS Department. Mr. Moorman further stated that the County has received a formal proposal from the County’s current software vendor to upgrade our financial software package. He noted that this will allow the total project cost to be reduced from \$600,000 to \$300,000 in FY 15; however, additional funding would be needed in FY 16 for the next phase of this software upgrade.

After questioning by Mr. Dodson, Mr. Moorman noted that Rodney Gray, MIS Manager, has participated in all of the software upgrade meetings and is in agreement with proceeding in this manner. Mr. Moorman stated that the MIS staff has stated that they can maintain the software upgrades and “get us where we want to be.”

After questioning by Mr. Williamson, Mr. Moorman stated that this is an upgrade to the County’s core financial software computer system, not the peripherals, and staff hopes that this upgrade will meet the County’s financial software needs for the next 15 years. He further noted that software updates are being issued on a quarterly basis at this time, while they were previously issued yearly.

After questioning by Dr. Scothorn, Mr. Dodson stated that the schools do not know at this time what amount of revenues they will receive from the State in FY 15 and they are assuming that the additional \$250,000 in funds as previously mentioned by the Governor will not be allocated. He stated that the schools need \$814,000 to “just keep the doors open” in FY 15 and most of this amount is to fund mandated Virginia Retirement System costs.

Mr. Dodson further stated that if the schools receive \$1.363 million in new revenues from the County it will allow them to fix roofs and do other things but not purchase new school buses. He noted that, if the schools receive \$3.3 million in new County revenues, they can replace 7 buses, provide teachers with a step salary increase, and fund several CIP items.

Mr. Williamson noted that the school system currently has approximately \$1.4 million in reserve funds and questioned if the School Board had discussed using these funds to repair the Lord Botetourt High School roof.

Mr. Dodson noted that this option was discussed.

Mr. Martin stated that he understood that the School Board was not too keen on using reserve funds for roof repairs and they were concerned about the State's revenue allocation. Mr. Martin noted that the School Board is hoping to receive \$1.363 million in new revenues from the County. Mr. Martin further noted that student enrollment is down and there has been an increase in home-schooled students over the past few years which results in less funding from the State. He noted that the student population is estimated to be 4,600 in FY 15.

Mr. Dodson noted that the teachers' salary scale has 18 steps and there will be a "bubble" in three years when there will be approximately 97 teachers at step 18. After discussion, Mr. Dodson noted that there are currently 45 teachers at step 0 on the scale and eight at step 1.

After questioning by Dr. Scothorn, Mr. Scott Paderick, Troutville Fire Department Chief, stated that, if the purchase of the new fire truck is delayed one year, it will increase the department's maintenance costs. He noted that they have recently experienced some problems with the truck's brakes and do not have any additional funds in their maintenance budget to fund these expenditures. He noted that, if needed, these maintenance funds would have to be taken from elsewhere in their budget.

After further questioning by Dr. Scothorn, Chief Paderick stated that, if their maintenance monies are increased, the purchase of a new fire truck can be delayed for another year; however, the truck's price will increase the longer the purchase is delayed.

After questioning by Mr. Williamson, Chief Paderick stated that the typical replacement schedule of a fire truck of this type is 20 years or between 5,000 and 7,000 hours; however, their department responds to more calls now than in the past.

After questioning by Mr. Dodson, Chief Paderick stated that he has not looked into the possibility of purchasing a used fire truck or whether there are grant funds available to purchase the truck.

Chief Paderick noted that the Troutville Fire Department is responding to more calls than all of the other volunteer departments combined. Chief Paderick stated that Troutville has given up a truck to Eagle Rock to assist the County in not having to purchase a truck for that department.

After questioning by Mr. Leffel, Chief Paderick stated that, if a new fire truck is ordered today, it will take a year to receive the vehicle and, if the truck's purchase is delayed a year, it will be two years before the truck is delivered. After further questioning by Mr. Leffel, Chief Paderick stated that the department's maintenance expenses have averaged \$6,000 for the last four years; however, he would estimate these costs averaging \$10,000 per year in the future if this truck is not replaced.

After questioning by Mr. Leffel, Mr. Paderick stated that he would be “comfortable” in using this truck as a response vehicle for another year, if necessary, but he cannot give an answer for a two year timeframe. Chief Paderick further stated that they “would make it work,” if necessary, due to the County’s budget constraints.

Mrs. Guzi stated that the County and the Troutville Fire Department can begin reviewing specifications for this new truck in FY 15 in order to have more detailed information available during the FY 16 budget’s development to make this funding decision.

Mr. Williamson noted that the County is not making much interest from the banks on its accounts due to the current economic conditions.

After questioning by Mr. Martin, Chief Paderick stated that they currently have several vehicles in “reserve.”

Mrs. Guzi stated that the County and the emergency services units need to “look at what we have” as a system and determine if each piece of apparatus is in the right location to be of the best use in responding to calls. She noted that, at this time, the staff believes that it is best to sell Troutville’s current fire truck that is scheduled to be replaced.

Chief Paderick then questioned what would be done if the Virginia Fire Services Board’s report on the County’s fire and rescue system determined that a ladder truck was needed. He noted that such a vehicle would cost approximately \$800,000 to \$1 million.

Mr. Leffel then thanked the Budget Subcommittee for the time that they have spent in reviewing the County’s proposed FY 15 budget and thanked Mr. Dodson and Mr. Martin for serving on the School Board’s budget committee. He noted that it will be 3 – 4 weeks before the schools have any ideas on what monies they will receive from the State.

Mr. Leffel stated that the County needs to seriously look at the roof problems at Lord Botetourt High School. Mr. Leffel noted that this roof is in a bad condition and he does not believe it is advantageous to wait to take money from the reserve fund. He stated that the County is not receiving any interest from the banks on our funds and he thinks that the County needs to consider the possibility of a bond issuance to pay for various projects or a tax increase.

Mr. Leffel stated that step salary increases for the teachers are needed as well as monies to pay the deputies. He noted that these funding needs have been occurring for a long time. Mr. Leffel again noted that he appreciated the work that everyone has put in on the budgets this year.

Mr. Martin stated that there are several items in the proposed budget that concern him. He noted that the proposed FY 15 budget has a \$1.1 million expenditure increase over the FY 14 budget. Mr. Martin noted that the tax increase implemented by the County in 2012 raised revenues by \$2.1 million which were to be used to fund future years’ budgets. Mr. Martin stated that the proposed budget “has used up everything from the tax increase” and additional funds from the Undesignated Fund Balance are needed to balance the budget.

Mr. Martin stated that it has been said that some of these departmental increases are due to increases in employee insurance rates and questioned if the County can negotiate with the insurance companies on their rates. He questioned if we are doing all that we can do to obtain the best rates.

Mr. Zerrilla stated that it is difficult to negotiate with insurance companies when the County had back-to-back years of expensive health insurance claims.

Mr. Martin noted that several County departments submitted requests for increased funding and new positions and he questioned if the County needed a genealogist at the library.

Mr. Martin stated that he cannot see some of the proposed budget items as being justified. He stated that “we need to take a hard look at the budget and see where the money can be used better.”

Mr. Martin stated that a new elementary school is needed in Blue Ridge and this request has been delayed until at least 2017-19. He noted that the County needs to “develop a plan so we will know which way we want to go.” Mr. Martin noted that the County’s debt service will be further reduced in the next two years and this will be a prime opportunity to fund a new school.

After discussion, Mr. Martin stated that he is aware that the deputies’ salaries need to be adjusted but the County needs to “determine the needs versus the wants.”

Mr. Dodson stated that the County needs to look at what its priorities are. He noted that hopefully the economy will begin to look better in the next few years but the Board will need to decide what to invest in—people, technology, things, etc.—and “where do we want to put our money for the County to keep going forward.” Mr. Dodson noted that there are numerous ways to provide funding. He further noted that the County has to sustain the people that work for it and we need to “set the framework based on what we need” and “position ourselves to do better and do more.”

Mr. Dodson agreed that the Board needs to do some strategic planning after the budget is adopted to set the County up for a better future. He noted that the “one-time purchases are the easy ones—the hard decisions are on things to sustain ourselves in the future.”

Mr. Martin also thanked Dr. Scothorn and Mr. Williamson for their work on the Budget Subcommittee.

Mrs. Guzi stated that, when employees have left the County’s employment over the past two years, we have had to pay higher salaries to get quality people to replace them. She noted that the County’s salary scale is “out of market.”

Mr. Martin noted that the Board of Social Services had to pay more in recently hiring a new Social Services Director than the current position-holder was receiving.

Mr. Williamson noted that the strategic planning process is critical for the future as County staff is also forecasting a flat budget in FY 15-16. Mr. Williamson noted that the County needs to look at what we are doing compared to other localities and what we want to do long-term. He noted that the school system has received State funds to conduct an efficiency review next year and the County needs to do some benchmarking and forward thinking as well.

After discussion, Mr. Williamson stated that he hopes that the County’s financial scenario will look very different three years from now and noted that this proposed budget “is a bridge.”

Mr. Leffel then left at this time. (8:35 A. M.)

Dr. Scothorn stated that the school system should be included in the strategic planning process. He noted that the State’s efficiency study will be very important and will provide valuable information for the County going forward.

Mr. Martin then stated that he would like to see the County “do a little better” than allocating only \$814,000 in new revenues for the FY 15 school budget.

After questioning by Mr. Williamson, Mr. Martin stated that the school allocation does not have to be \$1.36 million but he would prefer that the amount be higher than \$814,000 in new revenues.

After discussion, Mr. Williamson stated that the County has not yet received information on the school system's final budget request. He noted that the school budget will be finalized tomorrow and the public hearing held next week. Mr. Williamson further noted that no proposed increases in the tax rate are proposed at this time.

Mr. Dodson and Mr. Martin agreed with the proposed tax rate figures.

There being no further discussion, on motion by Mr. Dodson, seconded by Mr. Martin, and carried by the following recorded vote, the meeting was adjourned at 8:40 A. M. (Resolution Number 14-03-01)

AYES: Mr. Williamson, Mr. Dodson, Mr. Martin, Dr. Scothorn

NAYS: None

ABSENT: Mr. Leffel

ABSTAINING: None