



WORK SESSION MINUTES
BEDFORD COUNTY BOARD OF SUPERVISORS
BEDFORD COUNTY ADMINISTRATION BUILDING
MARCH 18, 2013

5:00 P.M. – WORK SESSION

Board of Supervisors: Steve Arrington, Chairman, District 5; John Sharp, Vice-Chairman, District 4; Bill Thomasson, District 1; Curry Martin, District 2; Roger Cheek, District 3; Annie Pollard, District 6; Tammy Parker, District 7

Staff: Mark Reeter, Frank Rogers, Carl Boggess, Judge Louis Harrison, Toni Pierce, Chief Jack Jones, Jr., Susan Crawford, Marci Stone, Janet Blankenship, Cheryl Dean, Krystal Hullette, Sheldon Cash, Eric Rice, Sergei Troubetzkoy, Lynn Scott, Captain Mike Miller, Sheriff Mike Brown, Tim Wilson, Traci Blido, Michael Stokes, Ricky Gardner and Brigitte Petersen

Chairman Arrington welcomed everyone and then turned the meeting over to Frank Rogers, Deputy County Administrator. Mr. Rogers distributed the evening's presentation information and the School Board budget (which was received just prior to the meeting) and reviewed the upcoming budget meeting and advertisement schedules. He then began the discussion with a review of the Capital Improvement Plan (CIP), stating that it is typically a five year plan for items that cost more than \$10,000.00 and that are not to be built in as operating expenses on a reoccurring basis. Prior to the recession, the CIP was funded at approximately \$4 to 5 million per year; more recently, it's been closer to \$2 million and used to fund moral obligations and debt service, as well as a few other projects in CIP.

Mr. Rogers stated that the present FY2013 CIP was adopted at \$2,719,652.00 and included \$200,000.00 for reassessment, some money for computer server upgrades, \$158,000.00 for emergency apparatus, \$64,400.00 (the portion of the EMS Fee For Service that is directed to CIP), \$89,000.00 for the Welcome Center (debt service), \$100,000.00 for the Governor's Opportunity Fund (a matching grant program with the State that assists with economic development prospects), \$72,000.00 for the ongoing groundwater study (as reported on at the last regular Board meeting) and \$2,000,000.00 for water &

sewer. He said that in addition to these items, the Board went to Fund Balance for \$5,000,000.00. We put \$3.5 million was held pending additional State action at the time the budget was developed, and \$2.5 million over to the County side, funding the VRS “hold harmless” at \$290,000.00 out of this amount. At the time the budget was adopted, this left a little over \$1,177,500.00 that was also available for capital, which the Board decided to target, but has not appropriated, as follows: \$50,000.00 for reassessment, \$300,000.00 for Public Safety and Apparatus, \$250,000.00 going to Buildings & Grounds, \$200,000.00 for Community Development Road Sharing Projects (specifically, Woodhave), \$100,000.00 for Parks and Recreation, and \$277,500.00 for Information Technology because our financial software is reaching the end of its life and there is a need to plan for replacement software. Mr. Rogers said this leaves the unappropriated funds he just mentioned, as well as funds that had been held in reserve for anticipated impacts from the State that did not occur and subsequently were pushed into CIP with no targeted projects. This resulted in another \$1,288,458.00 in the CIP. He said this leaves \$2,465,958.00 for projects to be determined or otherwise used as a place holder.

Moving forward, Mr. Rogers said that in the proposed budget the CIP is at \$2,685,610.00, which includes another \$300,000.00 for Reassessment, \$50,000.00 to fund the software needed in the Commonwealth Attorney’s office, \$64,400.00 Fee for Service revenue, \$2,000,000.00 for Water and Sewer Phases and \$271,210.00 which represents the left over funds that are unassigned to a project.

Supervisor Thomasson asked if the \$2,000,000.00 for Water and Sewer represents funds that are appropriated yearly for the Public Service Authority (PSA); Mr. Rogers responded in the affirmative. Mr. Rogers commented that the additional information Vice-Chairman Sharp requested on the amortization (with regard to the refunding) is included in the March 11th staff memo to the Board.

Mr. Rogers then reviewed capital funds at the Board’s disposal. He said that if we assume that the proposed budget is accepted at \$2,685,610.00, and that the targeted funds are appropriated as discussed last year at \$1,177,500.00, we would be left with \$1,288,000.00 which was left at the end of the last budget cycle, \$271,210.00 for Projects to Be Determined in the FY2014 CIP, \$132,190.00 from revisions of the proposed expenditures and \$103,882.00 which was previously applied to an Animal Control Officer position request. This creates a total of \$1,795,740.00 after taking out what was targeted and what is proposed in the budget.

Mr. Rogers reminded the Board of the big capital projects we are already aware of which included the Revenue Sharing Road Project at Woodhaven, county facilities (such as the County Administration Building and the bell tower on the Courthouse), the power supply to New London and the financial software upgrade. He then reviewed how the funds are divided up in the FY2014 proposed budget with regard to targeted and untargeted funds from FY2013. Mr. Rogers noted that the \$100,000.00 for Parks and Recreation was targeted in FY2013 with \$80,000.00 be allotted to Montvale, \$10,000.00 to

the Forest Park for a shelter (by the walking trail, adjacent to the Library) and \$10,000.00 to the Moneta Park project; he further suggested in the FY2013 untargeted funds of \$77,055.00 as a full payback to Montvale Park. He concluded by stating the “untargeted” column contains staff suggestions for applying funds to priority needs that we are aware of, but it’s the Board purview to direct and redirect the funds as they see fit.

Mr. Reeter, County Administrator, commented that getting the power to New London could be a very significant capital project, possibly as high as \$3,000,000.00 by the time it’s completed. Mr. Rogers concurred, stating that some of the projects in the CIP have needs that extend beyond one year budget cycles.

Supervisor Pollard stated that she feels more funds should go to Montvale Park for a picnic shelter, walking trail and swing sets. Mr. Rogers asked Mr. Michael Stokes, Director of Parks and Recreation, to provide more detail on what might be the priorities for Montvale with regard to the next stages of development. Mr. Stokes stated that with the \$80,000.00 mentioned earlier they could possibly have the restrooms installed, or it could possibly cover the playground equipment and the additional shelter. He estimated the walking trail would cost approximately \$60,000.00. He said even with \$150,000.00, they would still fall short of doing all the projects he just mentioned, so it would have to be decided which of these would be a priority to Supervisor Pollard and the community. Supervisor Pollard suggested adding another \$150,000.00 to Montvale’s funding.

In response to a question from Chairman Arrington, Mr. Rogers clarified that the \$77,500.00 is the “payback” number that represents funds taken out of the Montvale Park project in 2004 and repurposed for the purchase of Moneta Park. He added that funding from the Stroobants Project, Falling Creek Park project and foundation dollars were all applied towards the acquisition as well.

Supervisor Martin suggested doing a little bit at a time on the parks so we’ll have funds to operate the County with. Supervisor Pollard said that means we won’t do any of the projects in the CIP. Supervisor Martin responded that he wasn’t saying things weren’t needed, but the way the economy is and how uncertain everything is right now, we need to prioritize.

There followed a brief conversation between Mr. Rogers and members of the Board regarding funding and projects for Montvale Park. Chairman Arrington summarized that if the Board agrees with what the amount of dollars that are being budgeted for Montvale, regardless of how they are targeted, can be moved around. Supervisor Pollard stated she is not supporting anything if there isn’t some money for the Montvale Park.

Mr. Rogers then reviewed changes made by staff based on discussions with the Board since the last meeting. He said the Animal Control position did not have the Board’s support. Funds previously applied to this request are now proposed to fund \$20,000.00 toward an incentive fund for Fire and Rescue

Volunteers and \$103,882.00 to be transferred to CIP. He stated that the health insurance renewal costs have been reduced from 14.1% down to 10.4% based on revised renewal information that staff recently received. Staff is suggesting the Board reduce their beginning cash balance to jump start the budget sufficiently, so the health insurance trust fund will still be drained but it will minimize the reliance on beginning cash balance when we start the new budget.

Supervisor Thomasson asked what caused the health insurance adjustment. Ms. Crawford stated that when we were given the rate of 14%, the provider only had claims data through December. Additional claims data from January and February improved negotiations with Piedmont. She noted that of the 10.4%, almost of 2% of it was related to the Affordable Health Care Act.

Mr. Rogers summed up the key pieces of what remained in the budget, which included \$20,000.00 for the volunteer incentive program, a health insurance increase at 10.4%, the 3% Raise (effective August 1st), the Recruitment/Retention position, the Maintenance position, funding for the School Resource Officer position, \$150,000.00 to take Medic 14-5 to 24/7 coverage, EMS funds to pay the \$328,000.00 in debt service for the Group Home and \$2,921,682 for CIP. Mr. Rogers clarified that the funds from EMS represent 40% of the debt service for three years, and it is estimated Fire and Rescue would utilize 40% of the square footage. He said there are additional conversations taking place with non-profit entities who are also interested in the property, and some active proposals may come to fruition. However, the plan regarding Fire and Rescue would take care of the debt service issue and the Fire & Rescue space issue if there are no better solutions come July 1.

There followed a brief discussion between Mr. Reeter, Mr. Rogers and members of the Board clarifying a few points of the debt service and the best use of the Group Homes property. The Board reached consensus to leave the Fire and Rescue option in for now, but keep their options open to other proposals as they come in.

Mr. Rogers then moved the discussion to the schools funding. He stated the schools budget information was received just a few minutes prior to the start of this evenings meeting.

Chairman Arrington referenced a meeting in the previous fall that included County staff, School staff and School Board representatives. He noted that during the development of the budget there were a number of changing proposals surrounding funding for education. He noted during that meeting that the group discussed a number of pending impacts on County funds including, but not limited to, the upcoming reassessment and potential decline in values; the regional radio upgrade; reversion impacts; and various other budgetary impacts. He noted the committee discussed the possibility and suitability of moving School maintenance projects into a capital plan. Chairman Arrington reported that the group discussed an approximate cost for the new middle school of \$40 million with annual debt service of approximately \$2.3 million as suggested by the School Board Chair. Chairman Arrington suggested at

that time that the School's retain \$500,000.00 a year as a reserve for such time in the future when additional funds, due to reversion, are no longer received. He noted that by implementing this strategy, recognizing other savings and extending the debt service schedule, an economically viable plan could be developed. He also noted he has been requesting since 2005 a long range capital plan for the School division.

Mr. Rogers stated that in our current FY2013 budget, the County support was level to the pervious at \$36,285,144.00. Then \$2.5 million was taken out of Fund Balance for the Schools, as well as additional revenue that came in towards the end of the process that brought the balance to \$39,041,103.00. He said that the City funded the Schools with \$2.5 million, and then there are State and Federal dollars that come in over and above these numbers. He reiterated that it was noted throughout last year's budget process that the transfer from the Fund Balance was one-time funding.

In response to a question from Chairman Arrington, Mr. Rogers stated that once reversion dollars are factored out, the County is estimated to have \$800,000.00 in new revenue in the next fiscal year.

Mr. Rogers then reviewed a summary of the reversion funds with the Board. He stated that to begin with there is additional State aid in the amount of \$6 million, less the \$2.5 million from the County's Fund Balance last year, leaving \$3.5 million. Out of that remaining amount is taken an \$800,000.00 loss in Federal Jobs Bill funds, \$1.1 million cost (net of State revenue for the raise), \$450,000.00 to bring the School's VRS to the full 6% and 5%, the health insurance increase of \$450,000.00, \$200,000.00 for bus purchases, \$120,000.00 for the mandated efficiency study, \$100,000.00 for safety cameras for the elementary schools and \$280,000.00 for other miscellaneous adjustments.

Mr. Rogers said that considering these figures, the question is how to get the new middle school funded, which is at the crux of the conversation about the reversion dollars. The School Board has suggested level funding the \$2.5 million again from the Fund Balance, with \$1.7 million being directed to the textbook fund simply because there is no other place to put it for future debt service; the issue with doing this is that we will become reliant on Fund Balance. The Board can withhold the transfer amount sufficient to reassure the Board that there's funding for the debt service for the new middle school; however, this may create a potentially adverse impact on school operations. The Board also has the \$1.4 million remaining from the Jefferson Forest project which could be made available for the construction of the middle school in conjunction with \$800,000.00 from FY2013 debt service savings. The issue with this proposal is that this is a one-time strategy that buys some time, being a deferral of how to get the project done by pushing out for one more year the question of how to get the project done.

There followed a brief discussion on a 15 year amortization schedule, available funding and anticipated versus unanticipated future needs.

Chairman Arrington commented that the state of the economy, combined with the uncertainty of whether State funding will be forthcoming every year, concerns him greatly.

Supervisor Parker stated that when Dr. Schuch addressed the Board last week he proposed a school budget of \$104 million, which was approximately \$6 million more than last year. She said that since then, the School Board has met and the figure has increased to \$106 million and stated she would like to know why they added \$2 million to the proposal from last week. Chairman Arrington stated he would like to talk to his School Board member to try to understand the School Board's intent. Mr. Rogers reiterated that, although he was just given the schools budget a few minutes prior to this evening's meeting and has not yet had time to review it, his understanding is that the School Board left the last meeting understanding that the Board wanted a plan for debt service. The schools have added nurses at every school, additional teachers for schools that are on accreditation watch, etc., which has driven the budget numbers up.

Vice-Chairman Sharp asked if enrollment in the schools was increasing or decreasing. Mr. Rogers replied that he believes enrollment is relatively flat.

Supervisor Cheek said he felt pretty good about the school's budget when it was presented last week. He said he is not going to fund this new proposal at \$106 million.

Mr. Reeter stated he would encourage the Board to begin thinking about the \$6 million in reversion funds as simply revenue that isn't anything special. It's just an integral part of the revenue stream coming into the operations of the County government. He wouldn't think of those funds as distinct or special; it's going to be subject to the same variations and fluctuations as any other intergovernmental revenue stream that will be gone after 15 years. Setting in stone what it is and how it should be used may only serve to cloud the issue.

Vice-Chairman Sharp stated that he understands what Mr. Reeter is saying, but we already know that, best case scenario, it drops off in 15 years. In order to not kick the can down the road to a future Board, we will have to be cognizant of the fact that those funds are going to dry up. Chairman Arrington stated that if we look at our historic growth versus our expenditures, maybe we can make some assumptions for the next 15 years based on those numbers.

Mr. Rogers commented that recently staff has been discussing the need to engage our financial advisors to put parameters on this specific project as well as the County's overall needs. Getting some clarity with the Board and some certain assumptions on how these pieces may move together or apart and what position the Board wants to take long term with regard to the County's financial future.

Supervisor Thomasson stated that the Federal government is printing money and buying bonds, etc., and when this dries up the financial markets are going to start crumbling, and we've got to start

planning for it. With these long term liabilities we've got to prepare for the worst-case scenario and pray it doesn't happen.

Chairman Arrington stated the biggest disappointment he has in the State budget this year is with the retirement/pension deficient. He said he was amazed that it wasn't even addressed, considering it's one of the greatest moral obligations we have to fund. Added to that is the impact healthcare reform is having, and it seems all the problem solving will have to be done right here at the local level.

Mr. Reeter stated that devolution of governmental responsibilities from the Federal to the State, and the State to localities, has been slowing emerging for over 20 years. He said more and more the local tax base is being asked to pick up what used to be Federal and State taxes.

Vice-Chairman Sharp commented that they are still taking the same Federal monies and doing less with it, and then expecting the localities to make up the difference through mandates. He said that the debt service on the Federal debt is barely manageable, but only because the interest rates are so low. Vice-Chairman Sharp suggested that the Fed has artificially been working on that and then propping it up with the stock market, but as soon as the economy actually starts to do a little better and interest rates start to go up, that debt service will become the worst adjustable rate mortgage in the history of the world. He said it will swallow up all the Federal revenues and then the current sequester will look like child's play, and the dollar will have to be devalued in a dramatic way, such as is currently happening in Greece. He stated that we have to be prepared for the worst; we can't gamble that everything is going to work out well.

Chairman Arrington stated that not included in the Sheriff's request for 17 new positions are other costs associated with those positions. He said that if the positions cost \$800,000.00, he can guarantee that you can't outfit a car, run it and maintain it for less than the cost of the deputies; he estimates that would be another \$1.6 million. Mr. Rogers noted that these positions (which were for SROs) are not included in the County's or the School's proposed budgets.

Mr. Rogers and Ms. Crawford briefly reviewed the draft advertisements for the upcoming public hearing on the tax rates, proposed budget and bond refunding with the Board. Mr. Reeter noted that until we have hard numbers on what the construction of the new middle school will be, it's impossible for us to really begin to do any kind of projecting; he said we may not be in a position to do this for several years.

Vice-Chairman Sharp asked how the new revenues will be divided up. Mr. Rogers replied that we've balanced the available revenues, having applied the funds to the proposed budget.

Vice-Chairman Sharp stated that during the presentation by Ms. Holt regarding "Agenda 21" at a previous meeting, VACo was mentioned as an entity that promotes some of the Agenda 21 proposals. He said that VACo opposed the County's position with respect to the farm bill this year. He stated that VACo opposed restricting the use of eminent domain, when the citizen of the State supported those

restrictions. He said while there are some positives that come out of VACo, these things would have happened whether Bedford is a member or not. He does not know how much we spend in dues to VACo or NACo, but stated we could save money by dropping our memberships. Mr. Rogers responded that VACo membership is approximately \$15,000.00, and NACo is \$1,100.00 to \$1,200.00. Supervisor Thomasson mentioned that all our property and casualty insurance is thorough VACo Risk Management. Vice-Chairman Sharp asked what the insurance savings are through VACo; Mr. Rogers responded that he would have to get back to him with that information. In response to questions from the Board, Mr. Rogers stated that NACo serves as a lobbyist for Counties at the Federal level with regard to Federal legislation; VACo lobbies on our behalf with regard to State legislation. He said it's an advocacy group and it's good to have County voices represented.

Supervisor Pollard asked if anyone had looked at what it would look like to have everyone paying the same amount into it instead of the tiered system. Mr. Rogers said there have been some preliminary conversations about it, but they don't have a final analysis on it. In response to a question from Supervisor Pollard, Mr. Rogers stated that we have open enrollment in 30-40 days, so there is not enough time to significantly change the health insurance plan for this fiscal year.

Chairman Arrington asked if the entire amount of new money (\$800,000.00) was included in the proposed budget; Mr. Rogers responded in the affirmative. Mr. Rogers clarified that the vacancy savings are a cost that is put in the budget, only to take it back out, so there's not a pot of vacancy savings dollars. Mr. Reeter said that because this have been done for so many fiscal years, there's almost no point in listing them anymore since essentially these positions will not be getting refilled in the future.

Chairman Arrington asked for and received consensus from the Board to meet again on March 21. He clarified that if they meet on the 21st, they would not need to have a work session on March 25th.

In response to a question from Vice-Chairman Sharp, Ms. Crawford stated under Dr. Schuch's proposed budget the schools needed \$315,000.00 more in funding. His budget also included \$800,000.00 they didn't need in debt service (which they didn't know when they were first preparing the budget). She said that if you net these two figures at \$485,000.00 that could be put into reserve for future needs, and it will still be the same amount of money we planned to fund them (just part of it is being held back for future needs).

Supervisor Pollard said she is more comfortable keeping the placeholder funding on the County's side versus the Schools, since we are obligated to build a middle school. She said if the money is left on the Schools side, she isn't sure where we would be going with that. She said she has heard from one of the School Board members that they need to build Liberty Middle School as cheaply as possible. She noted they have 26 acres that aren't even enough for the high school, and they've already said the high school will need some attention soon. She said there has already been an offer to donate land for the new

middle school, and that the Board of Supervisors is going to have to take the bull by the horns to get the school built. She asked Mr. Rogers if the Board can take over the project if the School Board tries to squeeze the middle school on the same property where the high school sits. Mr. Rogers responded that only through local appropriations and withholding funding would the Board be able to redirect the course of that project. He said the Board of Supervisors can advocate for certain things, but the project falls under the purview of the School Board. Supervisor Parker stated that, from what she has read in the newspapers, the School Board may locate the fields offsite from the middle school, which means children would have to be bused to the fields; she said this makes no sense. Ms. Crawford responded that the School Board has not decided anything yet – they just have a study that was done. There followed a short discussion on the site for the school, with Mr. Reeter clarifying that the site location is at the School Board’s discretion, but the funding for the project falls under the control of the Board of Supervisors. Chairman Arrington commented their best opportunities will be through the School Liaison Committee.

Chairman Arrington thanked everyone for their work on the budget.

Supervisor Thomasson made a motion to adjourn the work session at 6:59 p.m.; motion passed by acclamation.

Chairman