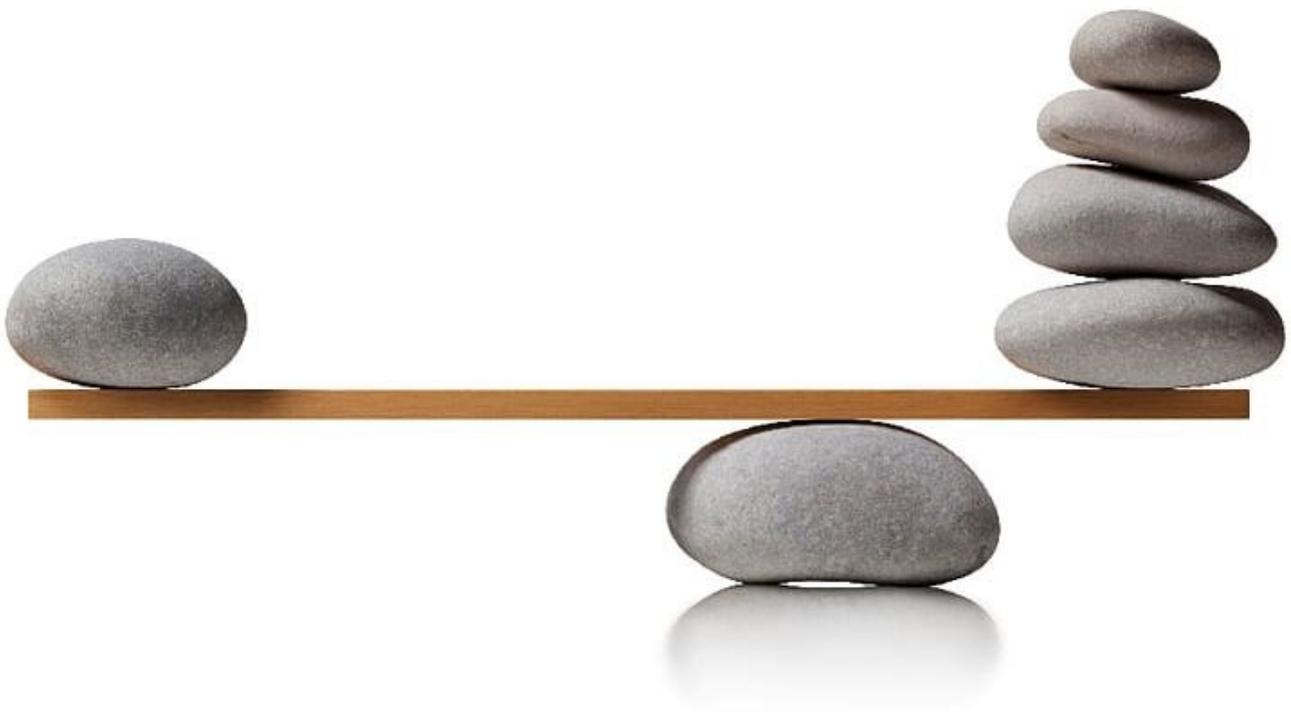


# BOARD OF SUPERVISORS



Budget Worksession  
March 9, 2020

Revenue Estimates & Budget "Big Rocks"



**WORKSESSION AGENDA**  
**BEDFORD COUNTY BOARD OF SUPERVISORS**  
**BEDFORD COUNTY ADMINISTRATION BUILDING**  
**MARCH 9, 2020**

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**5:00 PM**      **GROUND FLOOR MEETING ROOM**

**(1) Budget Discussion**

**a.** FY2021 Revenue Estimates

- *Staff Presentation by Interim Finance Director Ashley Anderson*

**b.** Review FY2021 Budget “Big Rocks”

- *Staff Presentation by County Administrator Robert Hiss and Interim Finance Director Ashley Anderson*

**(2) Board Calendar and Reminders**

- March 16 – Budget worksession beginning at 5:00 pm (questions, follow-up, and new positions) (Ground Floor Meeting Room)
- March 23 – Budget worksession from 5:00 to 6:30 pm (Ground Floor Meeting Room); Regular Meeting at 7:00 pm (Boardroom)
- April 6 – Budget worksession beginning at 5:00 pm (Ground Floor Meeting Room)
- April 13 – Worksession at 5:00 pm (Ground Floor Meeting Room); Public Hearing on Tax Rate (if needed) at 7:00 pm (Boardroom)

**(3) Adjourn**

**FY21 General Fund**  
**Administrator “Big Rocks Issues” Review**  
**(March 9, 2020)**

**The purpose of this document is to highlight the significant issues within the budget or the Big Rocks. Until decisions are made and staff is provided direction on these major issues, we will not arrive at a balanced budget. Therefore, it is important for the Board to spend time on moving and breaking up the Big Rocks that are impacting the budget.**

## **Revenues**

- **Property Taxes:** Property Tax revenues in FY21 are estimated to be \$43.5 million, or \$0.5 million more than FY20. The budget is planned to be based on the current tax rate of \$0.50. This estimate assumes an overall collection rate of 96%. (Note: each 1 cent of property tax generates an estimated \$871,500).

Other notable increases in property related taxes is broken down as follows:

- Personal Property Taxes: \$15.5 million, or \$0.9 million more than FY20.

- **Sales Tax:** \$6.8 million estimate for FY21, which is \$0.4 million more than the FY20 Budget. In FY19, sales tax revenues were \$6.4 million. Year to date revenues are trending 12.5% above the FY20 budget. The FY21 estimate assumes a growth in sales tax revenues of 7.0% over current collections. The State estimated a 6.0% increase for the current fiscal year, but has experienced an actual year-to-date increase of 8.4%. The State has not released growth estimates for FY21 yet.
- **Other Taxes:** Based on current rates and fees, other taxes are projected to increase \$0.2 million to \$15.5 million in FY21. This estimate reflects current trends in revenues collected through February 2020.
- **Other Revenues and Transfers-In:** All other revenues, which include charges for services, fines and fees, recovered costs, rental and interest income, intergovernmental funds, and transfers from other funds are projected to be \$28.1 million in FY21. Significant changes in these revenues include:
  - Interest income is projected to decrease by approximately \$95,000 due to a dip in interest rates.
  - State funding for CSA is expected to increase by approximately \$1.5 million due to rising CSA costs. The rate of reimbursement for these expenditures varies by service type, but the majority are reimbursed at approximately 69%.
- **Use of Fund Balance for Annual Operating:** The planned use of fund balance in the FY21 budget is \$5,001,918 to fund the following:
  - Increase in capital improvement projects - \$2,786,327
  - Transfer from Solid Waste Reserve funds to cover cost on construction for the transfer station - \$2,215,591

## Expenditures

- **Compensation:** Budget does not include any pay adjustment at this time. Each one percent of pay increase equates to approximately \$222,000 in the general fund.

Currently, Bedford County has 27 employees immediately eligible for full retirement. With this volume of retirements on the horizon, Bedford County will lose years of institutional knowledge, skill and ability. As the economy continues to improve and the competition for talent increases, Bedford County will have difficulty recruiting and retaining quality employees if appropriate attention is not given to maintaining competitive pay rates.

- **Employee Benefits:** In FY21, funding for the Employee Health Insurance allows for active employees to continue with the four existing health plans. The FY21 Budget currently has an increase in the employer share of health insurance, by \$638,000 across all funds. This reflects a 13.3% increase in the renewal rate. This is not a realistic amount for implementation so options are being explored including increasing deductibles, revisiting the EE/ER payment mix, and freezing enrollment in the most expensive PPO plan.

### *Budget Challenge Going Forward:*

With the minimum wage likely increasing over the next several years, employers are advised to incrementally increase salary and wages to keep pace. Several area local governments are mulling 2-3% increases each year over the next 4-5 years to keep pace with the minimum wage and to ease salary compression on existing employees. If these steps are not taken, then each year the minimum wage is increased, additional salary compression will occur for those earning slightly above the new minimum wage which will create morale and retention challenges.

Is the a fully insured health insurance model the best for our organization? In the future, it is recommended in the future that the county at least consider a self-funded model similar to the school system. The school system has less robust insurance coverage, but has historically not experienced the large single year increases and has a nice health insurance fund balance to counter any poor claim years.

- **Authorized Positions:** During the FY21 budget process, departments requested new positions to increase efficiency and effectiveness of their respective operations and in reaction to workload changes. If new positions are deemed unaffordable, it is recommended to still consider the reclassification requests. New position requests and reclassifications include the following:
  - Sheriff: 2 field deputies and associated equipment
  - Tourism: one part-time front desk customer service representative (primarily on weekends)
  - Tourism – Associate Director (reclassification)
  - County Attorney: Senior Assistant Attorney

- County Administrator: Public Information Officer
  - E911: Warrants Specialist
  - Parks & Rec: Regional Sports Coordinator in Jefferson Forest zone
  - Elections: 14 part-time election officials for early voting
  - Registrar: 9 Assistant Registrar positions for early voting
  - Fire & Rescue Training Officer
  - Firefighter/Medic-ALS (3 positions)
  - Nursing Home - Human Resources Manager (reclassification from HR Specialist)
  - Nursing Home – Business Manager (reclassification from Admin Manager)
  - Chief Planner (reclassification)
  - Social Services – family services specialist II (4 separate positions):
    - Family Support Worker – Prevention Services (1 position)
    - Foster Care (2 positions)
    - Adult Services – APS (1 position)
  - Deputy Treasurer I
- **Debt Service:** Only significant change is due to the addition of the debt service payment related to the School debt taken out in May 2019 for the Forest Middle School, but this is paid out of the School budget. Debt service payments related to this bond total \$1,455,475 in FY21.
  - **Unfunded Mandates:** Total estimated cost of actions taken by the 2020 General Assembly are \$713,000 for FY21.
    - 45 days Early voting (\$191,500): This cost reflects establishing three satellite locations as recommended by the Board of Elections and Registrar across the county to accommodate the anticipated 15,000 in-person early voters. These costs include the election workers, training, computer equipment, and operating supplies and equipment. The mandate is to have 45 days of early voting, but no requirement as to the number of voting locations, so costs could be reduced if opt for less than three locations.
    - Minimum Wage impact at \$10 per hour: increase of approximately \$115,000 in General Fund
    - DSS pay scale adjustments and state granted new positions: increase of approximately \$146,500, net of increase in State revenues
    - VRS employer increase from 7.39% to 8.87%: increase of approximately \$260,000 in General Fund
  - **Increases to Maintain Current Services:** Each year, Departments and Offices are asked to develop budgets to continue to deliver current services. Significant increases worth highlighting include the following:

- IT (\$56,385 Computer Software costs): Full year of budgeting for conversion to M365 platform, additional Adobe subscriptions, add voicemail to text capabilities, and updated security costs.
- Sheriff (\$10,000): Academy now charging for classes that in the past were at no cost.
- CSA (\$1,000,000 net of related revenue increase): Primarily due to dramatic foster care increase and the associated array of services. Also, an increase in congregate care which is driven by private day school placements.
- EMS (\$10,000): With higher calls and more units in service, the amount of disposable supplies have increased.
- Maintenance (\$33,000): Increases in heating oil, electricity, and landscaping.
- Treasurer (\$28,650): Increases in printing services due to more parcels and population as well as use of DMV stops for collections.

There are also \$191,895 in voluntary reductions reflected in the budget that will not impact current services:

- E911 (\$58,800) – Discontinue maintenance contract with Vision due to new CAD/RMS system with SOMA. Also, reductions in computer hardware/software and Regional Radio Board is absorbing generator maintenance costs.
- Tourism (\$21,200) – Rebranding rollout is complete and decreases in postage, conferences, and phone expenses.
- Sheriff (\$91,895) – Several line items offered as reductions although not all permanent (i.e. gasoline).
- Treasurer (\$20,000) – Existing software maintenance being replaced with Tyler/MUNIS

***Budget Challenge Going Forward:*** It continues to be a challenge each year to fund life cycle replacement and maintenance costs of equipment. The fleet replacement program needs examined to arrive at a more consistent formula for public safety and non-public safety vehicles.

CSA expenses is of great concern. The influx of opioids in the community is literally tearing families apart. The figure noted above is based on the recent trend and projected FY20 end of year. It is hoped that at some point, it will reach a plateau of citizens needing these services, but it hasn't been reached yet over the last few years.

- **New Initiatives:** General Fund Departments requested funds for new initiatives above the current operating expenses. Some of these increases include:
  - \$6,000 (Parks & Rec): Removal of silt from pond in the Venhorst Drive Park and insurance for park.
  - \$15,000 (Parks & Rec): Supplies and uniforms if Forest/Boonsboro/New London regional sports coordinator position approved.
  - \$15,950 (Registrar): Postage and supplies expense for new voter information from decennial redistricting process.
  - \$15,000 (Econ Development): Adding a digital advertising campaign for sites and available buildings.
  - \$70,000 (Tourism): Enhanced advertising services to reach new audiences, particularly using TV outlets and new magazines.
  - \$5,000 (Building Official): I-Pads and wireless contracts for real time inspections uploads to Energov system.
  - \$4,000 (Code Enforcement): I-Pads and wireless contracts for real time inspections uploads to Energov system.

- \$28,000 (GIS): Moving from paying per license to an enterprise agreement with ESRI. The vast majority of this increase is due to the GIS seats and capabilities associated with the SOMA CAD/RMS system.
  - \$40,000 (DSS): Funds for a contractor to handle foster care home recruitment and VISTA worker.
  - \$244,422 (DSS): 5 new vehicles to replace old vehicles and for the newly requested employees.
- **Schools:** At the date of this document, County staff has not received their official budget request.
  - **Capital Program:**  
The FY21 General Fund Capital includes projects totaling \$9,576,668, an increase of \$216,819 over the FY20 Capital Budget, but this includes a transfer of \$2.1 million from the general fund (FY20 was \$1.9 million). Funding categories for the requested Capital projects included in FY21 are:
    - Operating Revenue: \$5,500,341
    - New Growth - schools: \$1,000,000
    - Fund balance: \$2,786,327
    - User Fees: \$290,000

***Budget Challenge Going Forward:***

The amount coming from general fund operating revenue is not realistic per all the challenges mentioned above. Therefore, will need to re-examine projects and rebalance with potentially more monies coming from fund balance.

- **Overall Fund Balance:**  
At the end of FY19, a total of \$23,735,885 million of Fund Balance was available for appropriation in the General Fund.

## **Other Funds**

- **Nursing Home:**  
Major change is in the limited use of agency and travel nurses. The FY21 only contemplates budgeting \$60,000 for these services. This is down from spending \$1.27 million in FY19. The FY21 budget does not ask for any CIP improvements as there is still a need to complete those budgeted in both FY19 and FY20. Due to paying premium expenses on travel and agency nurses in years past, the annual State payment will be reduced from \$1 million to \$800,000. The goal is to get this back to its normal level for FY22 by primarily using existing allocated staff positions.

- Solid Waste (Solid Waste Collection and Landfill Fund):

This fund is transforming from a landfill operation to a transfer station. This transition will occur mid-budget year so the budget reflects operating a landfill for 5 months and then the transfer station for the remaining 7 months.. However, staff will still need to maintain a certain level of base services, inspections, and maintenance on the yet to be closed cell. There are two major sources of concern surrounding revenues. First, the transfer station tipping fee rate must be increased from its current rate of 41 cents per ton. Per our agreements with haulers and disposal sites, the transfer station needs at least 48 cents to cover these costs. However, this does not take into account additional overhead expenses realized at the transfer facility. Therefore, discussing a rate of at least 51 cents is recommended. Second, the enterprise fund is short nearly 14,000 tons per year from the Town of Bedford. Historically, the Town has disposed of its commercial waste in the landfill. Now, this tonnage is being hauled by Bays to the Pittsylvania County landfill. This equates to approximately \$590,000 in lost revenue. Therefore, based on the above revenue shortfall and description of how the dual operations will function, a transfer is needed from general fund balance or the landfill closure account fund balance to the solid waste fund of \$1.5 - \$1.75 million to offset an operating deficit. This amount is still being examined by staff, hence the range provided.

*Budget Challenge Going Forward:*

- Whether to continue to operate as an “enterprise fund”? 70% of all revenue is from the General Fund. With an impending specific subsidy, this is impacting the rest of county government service delivery.
- If there is a desire to keep it as an enterprise fund, then consider a rate study to examine how to establish a household solid waste fee.
- Whether to keep the Part B permit for another cell? Cost of engineering fees to obtain permit is \$350,000. Recommend to not spend these funds at the present time, but rather pursue the partial closure of the landfill.
- Examine other service delivery options not yet discussed or defined.

## **FY21 Summary**

The increase in total revenue equates to \$3.8 million. Half of the discretionary revenue will go to the school system, leaving approximately \$2.8 million to fund new expenditures related to county operations. The requested Big Rocks, which consist of unfunded mandates, new initiatives, increases to maintain current services (less reductions offered), and increases in transfers to other funds equates to approximately \$8.4 million. The FY21 budget proposes using approximately \$5.0 million of fund balance to fully fund the increase in transfer to the Solid Waste fund and partially fund the increase in transfer to the CIP fund, leaving new expenditures of approximately \$3.4 million that need to be funded from operating revenues. Therefore, significant reductions in the budget requests must be made in order to maintain revenues at their current level and not negatively impact fund balance. Additional revenue options may need to be explored to maintain existing government services offered to and enjoyed by the citizens. In conclusion, the Big Rocks areas of focus are: unfunded mandates, health insurance vs. pay increases, CSA expenses, solid waste fund subsidy, and re-examine CIP project requests.