

VIRGINIA:

A FY 2019 Budget Work Session of the Lancaster County Board of Supervisors was held in the Administrative Building Board/Commission Meeting Room of said county on Tuesday, March 13, 2018.

Members Present: William R. Lee, Chair
Jason D. Bellows, Vice Chair
Jack D. Larson, Board Member
Ernest W. Palin, Jr., Board Member
Robert S. Westbrook, Board Member

Staff Present: Don G. Gill, Assistant County Administrator and
Planning/Land Use Director
Crystal Whay, Building/Land Use Assistant

Mr. Lee called the meeting to order at 5:30 p.m.

BUDGET CONSIDERATION

Mr. Lee asked Mr. Larson to help with the review of the proposed budget.

Mr. Larson stated that he had worked very closely with Mr. Gill and he had been very supportive. He stated that the budget before the Board members is in the same format as is customary every year. He stated that it was important to see how things are trending when comparing the budget years. He stated that, in any given year, there will be some surprises in the revenue area. He stated that all of the funding requests from both the administrators from the County and the non-government organizations have been included. He stated that Mr. Gill had double checked his work and had made some corrections.

Mr. Larson referred to the school budget and stated that there was a request in its budget for a three percent increase, plus a step increase for the teachers. He stated that a three percent increase has also been included on the County side where labor is involved. He stated that, in his opinion, the Board needed to talk about the three percent salary increase, not only for the County employees, but the school system as well, given the current financial situation. He stated that he wanted to emphasize that the County has a carry-over shortage of a million dollars that cannot go on indefinitely.

Mr. Larson stated that he recommended that they not spend a lot of time on some of the small fund administrators, where there is virtually no labor and limited

requirements, mostly in the area of office supplies and an increase has not been requested in a number of years. He stated that he has the actuals if the Board wants to know how these particular departments are performing in the current year. He stated that he thought the areas where the Board needs to take the hardest look are the departments that have gone up substantially in the last few years.

Dr. Westbrook stated that he thought the purpose of this meeting was to discuss policy and how the Board would approach the entire budget as well as the numbers.

Mr. Larson stated that may be a good starting point. He stated that it is also important to talk about what the County needs at the end of FY 18 and FY 19 in terms of a fund reserve.

Dr. Westbrook stated that he had shared some of the guidelines from the Government Finance Officers Association that had financial policy examples. He stated that he thought it would be worthy of the Board's time to talk about whether any of those examples might be something that Lancaster County would want to emulate. He stated that he particularly liked the City of Yellowknife's example. He stated that it was not a decision to be made tonight, but can be discussed more at a later meeting. He stated that he thought the Board would want to look at ways of saving money and have a policy to review all contracts on a regular basis. He stated that was one of the things that the City of Yellowknife does. He stated that he was talking about the contracts for fuel, woodyard, the auditors and any contracts that the County has with non-governmental organizations.

Mr. Larson stated that a review of the contracts was done approximately six years ago.

Dr. Westbrook stated that there are different entities that exist on land on which taxes are not paid. He stated that they needed to look into it and see if it is true. He stated that, if it is true and is an entity that the County funds, then maybe the tax revenue that the County would receive could be a credit towards whatever they might receive during the budget process.

Mr. Lee asked if Dr. Westbrook was talking about churches.

Dr. Westbrook replied no. He stated that he had been told that the Lancaster Community Library doesn't pay taxes on its property.

The Lancaster Community Librarian, Alice Cooper, stated that was correct because they are considered non-profit.

Dr. Westbrook stated that the fire departments do not pay taxes on their properties either, as far as he knows.

Mr. Lee asked if what Dr. Westbrook was saying was that there would be a reduction in whatever funding that is received by the amount of taxes that would have to be paid if the organization was for profit.

Dr. Westbrook stated that it was worthy of a discussion and he was not making proposals.

Dr. Westbrook referred to capital improvements that have been planned and not come to fruition, such as the renovations to the Annex Building for \$350,000. He stated that, depending on what happens with new schools, that money might not be necessary for that project.

Mr. Larson stated that capital improvements are funded by the capital improvement fund, which is sustained by borrowing.

Dr. Westbrook asked if the money for the Annex Building had already been borrowed.

Mr. Gill replied that the County borrowed \$7.2 million dollars in 2014 and about \$600,000 is left.

Mr. Bellows stated that he thought what was remaining was for public access and the renovations for the Annex Building.

Dr. Westbrook referred to his hand-out and stated that the City of Yellowknife addresses collection fees, which he thought was a good idea. He stated that he would also like to talk about the possibility of having a school reserve fund for the money that the schools turn back in. He stated that when he was on the School Board, he asked about it and was told that it would be illegal. He stated that he had since found out that it was not illegal.

Dr. Westbrook referred to the budget revenues and funds from the Commonwealth and the federal government and asked if any of those funds were considered “pass through” money.

Mr. Larson replied that the funds go straight to the schools.

Mr. Lee stated that Dr. Westbrook brings up some interesting ideas and that some thought would have to go into credits for uncollected taxes on non-profits.

Mr. Larson stated that he thought it was important to establish a proper fund balance amount. He stated that in doing that, it would give the Board guidance with budget decisions.

Mr. Lee stated that it was very important to know the fund balance's trends. He stated that he did not think it was good to use the fund balance to help cover the operating expenses.

Mr. Larson stated that was the trend right now.

Mr. Bellows asked Mr. Larson about his comment that the County was not collecting all of the revenue that it should.

Mr. Larson replied that some of the revenue that the County deals with is from grants. He stated that County funds are paid and then steps need to be taken for reimbursements. He stated that the County must be very vigilant when trying to get reimbursements. He stated that what he has noticed when putting the budget together this year is that the County has not been keeping up with obtaining the reimbursements and receiving what we are entitled to and some are significant. He stated that it is something that must be taken care of.

REVENUES

Mr. Larson referred to actuals for FY 17 for general property taxes and stated that the figure was \$13,474,507 and \$15,185,000 was projected for FY 19, which reflects last year's five cent tax increase. He referred to personal property taxes and stated that number was \$1,300,000 and may increase a little. He referred to the mobile home taxes at \$27,500 and stated that figure might be a little high, but is in the ballpark. He referred to machinery and tools and stated that, to date, \$8500 has been collected and he had rounded it down to \$8,000. He stated that merchants capital taxes were currently at \$111,000 and he did not expect that they would receive more than \$4,000 more. He stated that he had projected that they would reach around \$17,250,500 for total general property taxes.

Dr. Westbrook stated that one of his hand-outs was a summary from the Virginia Tax Rates book and it lists what all the counties charge for its taxes. He stated that he has included a spreadsheet that he did that compares Lancaster with its neighboring counties. He stated that it would be worth a discussion to look at our tax rates to see if there is anything to amend and look at it with fresh eyes, not to be unfair to anyone, but to be fair to ourselves. He stated that he was not saying to tax everything that is available, but it is worth a discussion.

Mr. Larson referred to the summary sheet and stated that the fund balance is projected to go down based on the current requirements. He stated that they need to look at reducing expenditures, in his opinion. He stated that such things as recordation fees, permit fees and license fees were down in the last few years.

Mr. Larson referred to the charges for services section and pointed out the ambulance and service fees of \$330,000 for FY 19 and stated that it was an optimistic number, but it is based on some of Chief McGregor's ideas and they are trying to get

more revenue that is due the County. He stated that with these kinds of fees, there is a significant amount of money that becomes uncollectable and he thought there were things that the County could do to get more of that money. He stated that currently the practice for these invoices is “soft billing”.

Dr. Westbrook recommended having a person that is responsible for the ambulance services collection.

Mr. Larson stated that the amount of calls have increased over the last few years, but the amount of revenue has remained virtually unchanged.

Mr. Lee asked if this was part of the conversation they had with Chief McGregor concerning a collection agency.

Mr. Larson replied yes, it would be a part of it.

Dr. Westbrook stated that he had spoken with Jerry Davis, Executive Director of the Northern Neck Planning District Commission, about the process of the billing going through that entity.

Mr. Lee stated that it was his understanding that Chief McGregor was going to look into obtaining a collection agency’s services for the ambulance billing.

Dr. Westbrook stated that each county used to be responsible for its own collections, so they contracted with collection agencies, who were not local and charged between seven and nine percent. He stated that the majority of the money that is collected is Medicare, Medicaid and insurance. He stated that five counties joined together to form the Emergency Services Revenue Recovery Board and its charge for monies collected is five percent. He stated that they are a billing agency through the Planning District Commission and not a collection agency. He stated that, according to Mr. Davis, Westmoreland County actively goes after the past due invoices. He stated that their treasurer is charged with collecting the money. He stated that he has learned that some treasurers choose not to do the collecting. He stated that the soft billing can come about because a locality does not want to be perceived as being the “bad guy.”

Mr. Lee stated that Dr. Westbrook had made a good point because they don’t want to be perceived as trying to get money from someone who just doesn’t have it.

Dr. Westbrook asked Mr. Gill about the request of Northumberland County to subsidize some of the calls where Lancaster County responded in their county.

Mr. Gill replied that there were 64 calls in Northumberland County in 2017 in which Lancaster County paid staff responded to and Chief McGregor had stated that and an average cost per call in his letter to the Northumberland County Administrator. He stated that the letter did not ask for a specific dollar amount, but consideration of a contribution. He stated that Chief McGregor and he met with Luttrell Tadlock, the

Northumberland County Administrator concerning the issue and Mr. Tadlock stated that he would talk to his board members. He stated that, to date, they had not heard anything back from Northumberland.

Mr. Larson referred to the actual amount for FY 17 for ambulance fees and stated that \$297,286 had been collected. He stated that so far in FY 18, only \$157,000, as of the end of February, had been collected, so that number is way down.

Mr. Larson referred to revenue from the State Forestry Department that was approved in FY17 and asked Mr. Gill why they had not received anything from the last few years.

Mr. Gill stated that the \$20,000 was a one-time payment from a timber cut in the Chilton State Forest.

Mr. Larson stated that was not something to count on every year.

Mr. Larson referred to the Categorical Aid (Shared Expenses) section and stated that the County has not received the numbers for this section yet, so what is in next year's column are estimates. He stated that those numbers are based on the state budget, which has not been finalized yet.

Mr. Larson referred to the Victim Witness Grant under Categorical Aid and stated that if the reimbursement is requested, this position is totally covered by the state. He stated that Mr. Gill has gone back and requested these funds for FY 17. He stated that the same is true for FY 18. He stated that because of Mr. Gill's efforts, these monies should be received like they should have been.

Mr. Lee stated that the work needs to be done to receive these grant reimbursements.

Mr. Larson referred to the Comprehensive Services Act under Other Categorical Aid and stated that this number can vary wildly. He stated that he has seen that number go from \$200,000 annually to \$900,000 annually.

Mr. Lee stated that when looking at the total general fund revenue, it is really just projections.

Mr. Larson agreed and stated that one can try to use some methodology and look for trends.

Mr. Lee stated that there is no big money to gain that they might be able to count on.

Mr. Larson referred to the School Operating Fund-Fund 251 and stated that they have not received a detailed school budget yet. He stated that they have a bottom line number, but that is all.

Mr. Bellows stated that they usually know the numbers by now because when the General Assembly adjourns, they normally have a completed budget.

Mr. Lee stated that he had a conversation with Delegate Margaret Ransone recently and she stated that the rumor was not true about the General Assembly not having the budget ready until June. He stated that there will be a special session scheduled in April.

EXPENDITURES

Mr. Larson stated that one of the things the Board had discussed was making some of their own decisions ahead of time on some of the expenditures. He stated that they could get all of the fund administrators and other representatives to present their requests, but he thought it might be better to do it on an exception basis and not bring everyone in. He stated that they have already asked all of the non-governmental entities to furnish information on what they are doing on their own for fund raising.

Mr. Lee suggested reviewing the government requests tonight and setting a date for the non-government requests to be heard later.

Mr. Larson asked if the Board wanted to make a decision now or at a later time concerning the three percent pay increase.

Dr. Westbrook stated that he would like to make a statement before that decision is made. He stated that according to the Bureau of Labor statistics, the inflation rate over the past fifteen years averages out to be 2.06 percent. He stated that the reason he looked into that information was because he wanted to compare it with the County's percent rate of spending. He stated that the County's rate of spending is significantly higher than 2.06 percent. He stated that salaries are the biggest part of most organizations and he thought it would be helpful to look at what we have done and what we ought to do. He referred to an automatic three percent raise for just showing up and stated that he was in business for forty years and he didn't get an automatic raise. He stated that if he had tried to do that, he would not have been in business for forty years. He stated that he thought it was worth a public discussion of what ought to be done for the people that work for us and for the worthy entities that we give money to before we start applying the specifics. He stated that the County has a tradition of giving and at this point we are in a financial bind. He stated that we know what's coming and have known since 2012 that we need to do something about our schools. He stated that the two most important responsibilities of government is public safety and education. He stated that he was hopeful that we can lay the framework before we fill in the blanks.

Mr. Lee referred to the proposed pay raises and stated that saying they would give a three percent increase across the board is not what he had in mind because there was a group of people that have already received a raise last fall above and beyond the initial raise that all staff received in July. He stated that, in his opinion, that group should not be eligible for another raise this year.

Mr. Bellows asked if the three percent raise was contained in the two million dollar shortfall.

Mr. Larson stated that last year there was a two million dollar shortfall between projected revenues and expenditures. He stated that he spoke as a private citizen at that time and urged the Board to go after expenditures, but that wasn't done. He stated that the taxes for real estate were increased by five cents, but it would have taken eight cents to actually make the two equal. He stated that roughly one penny gets us \$257,000.

Mr. Bellows stated that should be compared with the actuals that came in and if he was reading the budget summary correctly, it says we are going to spend about \$637,000 more than we are going to take in.

Mr. Larson stated that is the way it is looking right now.

Mr. Bellows stated that if they backed out some of the added things such as the \$500,000 to the schools, then our budget from last year versus what we projected would be basically even. He stated that the tax increase covered it and it wasn't a two million dollar shortfall. He stated that it ended up being far less than that.

Mr. Larson stated that the year is not over yet, but would grant that they have done better. He stated that it may not be a million dollar shortfall, but the problem is that there are fund administrators, the schools being one of them, that are asking for over and above what was requested in FY 18.

Dr. Westbrook stated that as a policy, he would hope that they could start addressing those entities in which they give money, but are not required to do so. He stated that regardless of what the schools are going to look like, they know they have that expense coming down the road. He stated that, in his opinion, they have a moral and ethical responsibility to do the very best we can for our children and the County. He stated that it is hard to sell that to the public because there are many worthy organizations.

Mr. Larson stated that if we can't pay our bills now, how are we going to pay bills that will be considerably larger in the future.

Dr. Westbrook asked why the Board would not adopt a policy, in which those entities that we don't have to fund, either by state statute or agreement, be put on notice that no more than a certain percentage will be given this year of what we did last year and

the following year, it will be reduced again. He stated that will give those organizations time to make other arrangements. He stated that we need to grow this County.

Mr. Larson stated that he agreed, but referred to education and stated that the County pays for items in that budget that it is not mandated to do.

Dr. Westbrook stated that he would like to see a general statement about what our intentions will be regarding everybody that comes to us for money.

Mr. Palin stated that he did not think they were at a place to make such a statement. He stated that might be something to discuss later in the year to help prepare for next year.

Dr. Westbrook stated that it was best to have the framework in place. He stated that if you go through the budget and make assumptions about what has always been done, then it's too late.

Mr. Larson stated that a policy could say to those non-governmental entities and fund administrators that are not mandated, that there is no money coming unless they can justify their request.

Dr. Westbrook asked if he was saying no money or just the same as last year.

Mr. Larson replied that he was saying no money, unless it can be justified.

Mr. Bellows asked what the criteria would be for the justifications.

Mr. Larson replied if they fell within public safety, such as the volunteer fire departments, they should be funded at the level necessary for them to do the job. He stated that the fire departments are probably the best value the County gets. He stated that they are a good example of a non-governmental entity that the County should fund.

Dr. Westbrook stated that he agreed. He asked why would the Board not consider weaning some organizations off over a period of time, instead of cutting them off at year one.

Mr. Larson stated that his earlier statement about not funding anything was his way of playing devil's advocate. He stated that the best way was to just go through the budget and take each request one at a time and make a decision. He stated that one size is not going to fit all.

Dr. Westbrook stated that they did not want to be perceived as playing favorites.

Mr. Lee stated that they needed to review each request on its own merit and let them know that everyone may be getting less.

Dr. Westbrook suggested talking about policies as early as July or August for next year.

Mr. Bellows stated that he thought it should be an evolving policy process.

Mr. Lee stated that they need to have these open conversations because they are considering things with long term impacts. He stated that there are some tough decisions to be made. He stated that some of these non-governmental entities count on the County's contributions for their operating expenses.

Mr. Palin stated that some of these organizations depend on the County funds because it helps convince others to contribute as well if the County thinks it is a worthwhile effort. He stated that some of them have matching grants.

Mr. Lee stated that the Lancaster Community Library had that grant situation last year, so the County increased its contribution to them.

Dr. Westbrook stated that from 2004 until 2018, there had been an increase in total expenditures of 6.34 percent a year. He stated that a two percent increase in salaries would keep everybody at the same point, but if insurance costs increase, then adjustments would need to be made. He stated that instead of the three percent increase, he suggested considering two percent. He stated that, in his opinion, someone should not get more money just because they show up.

Mr. Palin stated that sometimes merit pay for certain individuals can be biased, so he would be cautious about that.

Mr. Bellows stated that Mr. Parker is the department head for the schools and he has asked for a three percent raise for his staff and it should be up to every other department head to request an increase for their staff if they deem it necessary.

Mr. Gill stated that if the school's proposed budget is approved with a three percent pay increase and the County employees get something less than that, it can be extremely hard for the County employees to digest. He stated that most of the County employees have been employed here for at least ten years and it's difficult to dismiss the loyalty of those employees and let them know that they will not be getting the same increase as the school employees. He stated that, to be fair, he thought the increases should be across the board, unless it is determined that the ones that received extra raises last fall should not be eligible for another increase.

Mr. Bellows suggested looking at benefits, such as increasing the insurance contribution, as a way to help employees.

Mr. Larson stated that they needed to compensate people on the basis of retaining the good people and getting rid of the "deadwood" when it's there and that means having

a good combination of salaries and benefits. He stated that the benefits package that the County offers is one of the real attractions of coming to work for the County.

Mr. Lee stated that, as far as raises are concerned, he likes the cost of living adjustment idea. He stated that he understood Mr. Gill's point as well about employees receiving different amounts of increases.

Dr. Westbrook stated that sometimes a raise can get wiped out by an increase in insurance premiums.

Mr. Bellows stated that it might be better to increase the County's contribution to the insurance costs and help with the employees' exposure to rising rates.

Mr. Gill stated that the schools have Optima insurance and the county employees have The Local Choice, which is a state run program. He stated that with The Local Choice, employees are in a much larger pool when it comes to claims.

Dr. Westbrook stated that it seemed to him that the school employees had a choice of what insurance they wanted.

Mr. Gill stated that the county employees also had Optima a few years ago, but in the second or third year, there was a fifty-nine percent increase in premiums, so the County started shopping around for another carrier. He stated that The Local Choice was decided upon and he had not seen any other carrier come close to the savings offered through The Local Choice.

Mr. Larson referred to the expenditures portion of the budget and stated that the first item was for the Board of Supervisors. He stated that he had been watching this item for eight years and the education and conferences account has been budgeted for \$4,000 and every year more than that amount has been spent. He stated that they needed to decide to either stay within the \$4,000 range or raise it.

Mr. Bellows stated that they needed to look at the trends of this account just like they do for every other line item.

Mr. Larson stated that, as of the last of February, \$5,405 had already been spent in this category.

Dr. Westbrook stated that the difference this year is that there are two new board members. He stated that he is attending a certification course within the week and there are more courses to take. He stated that he wanted to learn all he could about his position on the board.

Mr. Larson stated that it was not different because there are either two or three board members every few years that could be changed.

Dr. Westbrook stated that maybe the amount needed to be increased on that item.

Mr. Bellows referred to a line item under the Board of Supervisors and asked what the contingency funds were.

Mr. Gill replied that he would find out that information.

Mr. Larson referred to medical insurance under County Administration and asked why that number had decreased.

Mr. Gill replied that he would look into that as well.

Mr. Larson asked about the real estate assessor's contract amount.

Mr. Gill replied that the contract stated that it was not to exceed \$212,000. He stated that they will be working the entire calendar year of 2018 and bill every thirty days. He suggested splitting the total into two equal amounts, one spent in FY 18 and the other in FY 19.

Mr. Larson referred to the Commissioner of the Revenue's budget and stated that there is no single fund administrator that does a better job of administering their funds. He stated that they are an example of an efficient organization.

Mr. Larson referred to the Treasurer's budget and stated that department is very efficient as well.

Mr. Larson referred to the Information Technology section and asked Mr. Gill why the contracted services line item had decreased.

Mr. Gill replied that he would ask Glenn Rowe. He stated that the AS400 system was recently upgraded as part of the Capital Improvement Plan and with that upgrade there were several years of maintenance included, so that may explain the decrease.

Mr. Larson stated that Mr. Rowe has always been straight forward and frugal with his department.

Mr. Larson referred to the Electoral Board section and stated that the biggest increase is for EDP equipment.

Mr. Bellows asked if that was for new election equipment.

Mr. Gill replied yes.

Dr. Westbrook stated that it was his understanding that we supplement the state for the Electoral Board's department.

Mr. Larson stated that was correct.

Mr. Gill stated that this was a good time to point out that in the left hand corner of each page of the budget, there is a section title that corresponds with tabs in the back of the book. He stated those tabs in the back identify the supporting documentation for each section.

Mr. Larson referred to the Registrar section and stated that Mrs. Jett was asking for a \$15,000 increase in her salary.

Mr. Lee stated that the Board may get some calls from the Electoral Board on this issue.

Mr. Larson referred to the Circuit Court section and stated that the contribution to the judge's office was increased because the judge asked for it.

Mr. Larson referred to the Court Appointed Special Advocates section and stated that contribution started approximately seven years ago, given on a quarterly basis.

Mr. Lee stated that he would like to know how many children are served with that program. He stated that they need to be asked to do a presentation on their request.

Mr. Larson referred to the Victim Witness Assistance section and stated that it showed a very large salary increase for that position. He stated that, provided the County asks for the reimbursement, it is basically one hundred percent paid for by grants.

Mr. Gill stated that the paperwork had been completed.

Mr. Larson referred to the Sheriff's Department section and stated that, in his opinion, a lot of discussion needs to be done. He stated that Mr. Lee and he had a discussion with Sheriff McCranie recently. He stated that one of the issues was the number of bailiffs that must now be provided for the courts.

Mr. Lee stated that this was a good stopping point. He stated that he would like to have the non-governmental organizations in next week.

Mr. Bellows suggested Tuesday, March 20th.

Mr. Gill stated that the school board is going to want the Board of Supervisors to hold a public hearing sooner than later on their budget. He stated that, last year, the school board budget public hearing was held on April 20th and it was adopted on April 27th. He stated that, last year, the schools sought some general consensus on the instructional category, so that they could offer teacher contracts early. He stated that consensus was given on March 30th last year.

Mr. Larson asked if the detailed budget from the schools had been received.

Mr. Gill replied no.

Mr. Lee stated that they also needed to nail down the pay increase issue next week.

There was further discussion about increasing the insurance benefit versus pay raises and what would be fair.

ADJOURNMENT

Motion was made by Mr. Bellows to adjourn the meeting until Tuesday, March 20, 2018 at 5:30 p.m.

VOTE:	William R. Lee	Aye
	Jason D. Bellows	Aye
	Jack D. Larson	Aye
	Ernest W. Palin, Jr.	Aye
	Robert S. Westbrook	Aye