

**HALIFAX COUNTY BOARD OF SUPERVISORS
FINANCE COMMITTEE
County Administration Conference Room
1050 Mary Bethune Street
Halifax, Virginia
January 11, 2023 / 3:00 PM**

CALL TO ORDER

Committee Chairman Ricketts called the meeting to order at 3:05 p.m.

ATTENDANCE

Committee members attending were: Committee Chairman Ricketts; and Supervisor Roller

Committee member absent: Supervisor Brandon

Additional Board of Supervisor members attending: Chairman Short

Staff members attending were: Scott Simpson, County Administrator; Stephanie Jackson, Finance Director; Olivia Epps, Strategic Programs Coordinator; and, Charlene Hendricks, Executive Administrative Assistant.

BUSINESS ITEMS

a. FY2024 Budget Overview

Committee Chairman Ricketts welcomed Supervisor Roller as a member of the Finance Committee.

Mrs. Jackson said budget requests are due from all departments tomorrow. She commented budget requests have been slow coming in, but out of the few received, there has only been one that has been leveled with what they have in the current year. She stated the cost of office supplies, fuel, and everything we do has gone up. She said minimum wages went up another \$1.00 on January 1, 2023, so it is now \$12 per hour. She stated it impacts the Public Works Department mostly due to the collections sites which are manned. She noted there are no other minimum wage County employees; however, there are other part-time employees, but their salaries are slightly above minimum wage.

Mrs. Jackson stated while reviewing last year's budget, the cost of fuel had started to increase, so she has been tracking the cost of fuel. She noted diesel fuel has seen the largest increase and the Public Works Department has been impacted the most because they use diesel fuel to operate the big trucks.

Mrs. Jackson said the Board of Supervisors allocated a contingency of \$255,000 in the current budget for the cost of fuel and there are funds still available that can be transferred into various departments. She commented most of the vehicles in the Sheriff's Department use regular gasoline, but they have also been impacted by the increase in the cost of fuel. She anticipates an increase in the budget for the Sheriff's Department of approximately \$30,000 based on the year-to-date for expenditures. She stated the increase in the cost of fuel will continue to be factored into next year's budget as well.

Mrs. Jackson discussed the Supplemental Information document included in the meeting packet. She said according to the reassessments, 1 penny of the tax generates approximately \$404,500 for Real Estate, \$36,000 for Personal Property, and \$14,500 for Machinery and Tools. She reminded the Committee members that there is no way to determine how long the increases of assessments will last for Personal Property. She noted there was a shortage in the production of new vehicles, which drove the price of used vehicles up which is why the County saw an increase of approximately \$3.5 million for Personal Property tax revenue. She noted the Board of Supervisors reallocated some of those funds back to provide relief to the taxpayers and about \$1 million was retained to be used for capital/EMS.

Supervisor Roller asked how often are the Real Estate assessments done and Mrs. Jackson verified they are completed every other year and the County does the assessments in even-numbered years. She said there are reassessment funds in a line item that can be used for additional printing and binding and board of equalization costs. She noted that the line item is not in the current year's budget, but it will be included in next year's budget with the reassessment being handled then.

Mrs. Jackson said the largest expense in the budget other than personnel is the School System. She referred to the Virginia Department of Education (VDOE) for the Governor's projected payments which were released in December 2022 and noted in the current year the County is funding schools at the required local effort. She said based on the Governor's proposal, there is an increase of approximately \$872,000. She noted a meeting was held last week with the School System and carryover funds were discussed. She commented the full cost of operating the schools will need to be addressed eventually because it will be a huge impact on the County's operation and general fund.

Mrs. Jackson stated the School System will always be the largest part of the County's budget and going forward in 2024, there will most likely be a continued increase in personal property because of assessments. She said a long-term solution would need to be considered for a way to fund entities to make sure that we have something that's sustainable. She stated the County has approximately a \$55 million general fund budget; however, the part which is discretionary is minimal. She discussed necessities such as the cost of fuel and electric bills and how possible items could be cut or reduced to create efficiencies, but emphasized we are limited.

Mrs. Jackson said while working through the budget process and as the budget requests are received, she will look to the Finance Committee for guidance in determining priorities. She stated the Board of Supervisors will get a priority listing at the Regular Meeting in February where they can rank priorities and once those are returned, it can be used to help look at where additional funds can be requested and where those dollars can be spent or where reductions can be made to best meet those objectives to come up with a balanced budget.

Mrs. Jackson asked the Finance Committee members if they had any priorities they would like to share going into the FY2024 budget. She stated the Finance Committee dates have been set to be consistent with what was done last year. She said the Board of Supervisors will have a work session on February 6th, and at that time, all of the budget requests will be presented along with the estimated revenues. She noted the Finance Committee will reconvene on February 22nd to review how to balance those requests with the estimated revenues.

Mrs. Jackson stated on March 6th, a balanced budget will be presented to the full Board of Supervisors, and throughout the month of March continue to get information from the State, work through the Public Hearing and that part of the process, and then there will be another Finance Committee Meeting on March 30th before the Board of Supervisors Regular Meeting on April 3rd to set the tax rate for the County's biannual tax billing. She asked the Committee members if they have anything they would like to discuss as far as priorities and goals for the upcoming budget.

Committee Chairman Ricketts said once all of the budget requests are received along with the anticipated revenues, the Committee would have a better idea of what priorities and goals need to be discussed.

Supervisor Roller said there is a lot of concern about coverage for emergency medical service calls. He said he has attended some of the Emergency Service Committee Meetings and there have been discussions about the County exploring paid EMTs for those calls. He stated it is an issue that should be considered in the FY2024 budget.

Mr. Simpson said one of the new Committees for 2023 set up by Chairman Short is a Public Safety Committee. He stated the Public Safety Committee should begin meeting soon to discuss how to proceed. He said there are funds in reserve set aside from the Con-Edison donation and then there are funds available from the increase in personal property taxes. He noted there are enough funds to be utilized, which should carry us through part of the next budget year if needed. He commented it is hard to determine the exposure until we get deeper into the process, but anticipates it will be a large number.

Mrs. Jackson said funds are allocated in the budget for the Rescue Squad, North Halifax EMS, and Turbeville EMS, but advised the Committee member that she has not received any of those budget requests yet. She agreed with Mr. Simpson that it will be a large number. She emphasized the fire departments and EMS are having problems with answering calls and having coverage.

Chairman Short commented there have been discussions over the years about the difficulties with coverage for the fire departments and EMS calls, and it is imperative to get some type of plan in progress and determine possible avenues.

Mr. Simpson said surrounding Counties are having the same issues, so there are individuals that we can reach out to see how they are doing things to better determine what works and doesn't work. He stated the numbers range between \$2 million to \$3 million, which are huge numbers. He noted there may be some creative ways to do things by leaving some agencies private over volunteer, but the County would need to supply a certain amount of personnel to manage the day-to-day operation. He commented a good amount of money could be recouped from billing, but you have to be prepared because if you anticipate that you will get half the money back in billing, but then only actually get 30 percent back. He said we would have to err on the side of caution to ensure there are enough funds to operate.

Mr. Simpson said there is not enough information available to include anything in the FY2024 budget cycle. He noted it is easier knowing there is approximately \$1 million set aside in reserve funds to cover some of those expenses. He discussed some of the outside agencies, and emphasized Turbeville, North Halifax, and the Rescue Squad, are having problems with not having enough individuals available to run EMS. He commented it is a reality and the County is going to have to get involved at some point.

Mr. Simpson said a Public Safety Committee has been established with the members being 2 County staff members and 2 Board of Supervisors. He stated the goal is to determine what information needs to be gathered to establish a plan. He noted members from the rescue squad would need to be involved eventually.

Committee Chairman Ricketts said he recalled some information being discussed about a State study. Mr. Simpson said that is correct and he explained the County has the ability to apply for a grant with the Department of Fire Program to conduct an EMS analysis and a conclusion report will be provided. He stated Mecklenburg, Charlotte, and Pittsylvania Counties have already had an analysis done and they all received the same conclusion. He commented it takes approximately 6 months to get the report back, so in reality we could use the information they received and move forward.

Mr. Simpson stated the \$546,000 grant from the Tobacco Commission was successful and it will cover half of the soft cost for waterline going to VIR. He noted there is approximately \$4 million in funds from the State, but he said the cost for the waterline is going to be about \$8 million, which leaves a difference of about \$4 million. He commented discussions for participation are still taking place with Pittsylvania County and the City of Danville. He said there are a lot of benefits to different entities such as Halifax County would receive funds from taxes and the City of Danville would receive funds from hotel rooms. He anticipates the design of the waterline will take place in the next fiscal year and discussed several potential options for funding. He commented revenues from the solar facilities could be used to assist with a portion of the funding.

Mr. Simpson said the next big request from the IDA is going to be for assistance with a new shell building being constructed as soon as possible especially since the last shell building had a huge amount of activity. He stated the IDA could receive half of the money from the Tobacco Commission from a grant, which will need to be paid back once the building is sold, so basically it is a loan with no interest. He explained investing capital money into a new shell building with the IDA and then leasing it out will generate money to assist with operational funds. He discussed the solar siting agreements and stated he has a matrix detailing when those funds will potentially come and the funds could be used for capital projects.

Committee Chairman Ricketts asked if a portion of the funds for capital projects could be used for the IDA shell building project and Mr. Simpson verified some of those funds could be used towards the project.

Committee Chairman Ricketts wanted to know if a portion of the capital funds could be allocated to be used for green projects. Mr. Simpson said the answer is yes and he provided a detailed explanation and some of the benefits to the Committee members.

Chairman Short wanted to know if the School System receives more grant money than anticipated from the School Construction Assistance Program if it would redirect payment on

some of the existing loans. Mr. Simpson stated he did not believe it would because the \$105 million has already been borrowed and there is a payment stream that is going towards paying the loan. Mrs. Jackson said usually grant funds cannot be used to pay off existing loans. Mr. Simpson noted if there are funds left over at the end of the new high school project, it can be used to pay the interest portion of future debt payments.

Mr. Simpson said the IDA shell building, the waterline project for VIR, and consideration for EMS are the main items to discuss and determine how best to move forward.

Committee Chairman Ricketts asked if the waterline project at VIR could be considered a tourism project for Danville and Pittsylvania County. Mr. Simpson stated he thinks that would be fair based on some of the conversations which have already taken place regarding the project. He said they are willing to participate, but the process of figuring out each entity's level needs to be determined.

Mr. Simpson said State grants have been received, so the next step would be to apply for any Federal grants which are available in an effort to close the \$2 million gap. He discussed the local effort in funding the gap and certain levels of investment with the Committee members and noted there are a couple of different avenues to consider moving forward.

Chairman Short wanted to know about crossing over the State line and how it could potentially affect the water line project. Mr. Simpson said the Town of Milton has a limited water supply. He stated there will be a second phase of the project that would run a pipeline out of the backside of VIR down to the State line for them to tie to if needed. He noted he had a phone call with the Virginia Department of Health and they were going to communicate with their people counterparts in North Carolina to see how dire that situation is and if it is really something that needs to happen as part of the project. He commented the problem with it is there is no extra money for it.

Mrs. Jackson said compensation would be a large part of the FY2024 budget. She discussed the effects of inflation on departments and employees and noted that COLA would need to be reviewed. She stated compensation for salaries would need to continue to be competitive with other entities, surrounding Counties, and State employees.

Committee Chairman Ricketts stated the Board of Supervisors recently approved an employee salary survey. He asked when would the results from the survey be available. Mrs. Jackson said the survey should be completed in March 2023 and a placeholder could be implemented for items resulting from the survey. She discussed the last 3 budget cycles and noted compensation adjustments have recently been made for 911 Dispatchers, Deputy Sheriffs, and Public Works Collection Drivers.

Mrs. Jackson said the health insurance renewals will be received in March 2023. She stated the rate for VRS is current through 2024 and there will be no adjustment until next year. Committee Chairman Ricketts wanted to know the current rate for VRS. Mrs. Jackson verified 8.54 percent is the current rate for VRS and the rate for FICA is 7.65 percent.

Supervisor Roller said the Committee members have discussed expenses in detail. He asked how revenues come in, how are they compared to previous years, and how projected income is determined. Mrs. Jackson said projected income is determined by several different things including information received from the State for funds to be applied to certain items. She stated each year the Commissioner of Revenue provides a book for real estate and personal

property assessments and updates are done to include the most recent data. She said the collection rate is reviewed and compared to previous years to ensure proper amounts are being received. She also discussed in detail the collection of real estate taxes, personal property taxes, mobile home taxes, and lodging and meals taxes.

Mrs. Jackson said there has always been a much higher collection rate percentage on real estate compared to personal property. She stated certain personal property items are less collectible than others. She explained, historically, mobile homes have been at a lower collection rate than say motor vehicles, boats, airplanes, business property, and other categories. She noted due to the Covid pandemic, some things were impacted more than others noting that collected data would return to a more historical trend now that places have reopened, and people are traveling and eating out. There was additional discussion about revenues from solar projects and the Blue Ridge Rock Festival (BRRF) and how those revenues could help with some of the upcoming expenses.

Mr. Simpson stated he received information from sales and ticket numbers for the BRRF and the numbers indicate approximately \$500,000 in new monies from lodging, meals, and sales tax. He commented it is hard to determine when the sales tax is remitted because it comes in a little bit at a time since it is reported on a monthly basis. Mrs. Jackson asked if the BRRF has committed to returning to the County next year. Mr. Simpson said they have already begun selling tickets, but there is no signed agreement with VIR yet. He noted they are working through the process of a long-term agreement instead of just one year and the possibility of the event taking place 2 to 3 times per year, which will affect incoming revenues as well.

Mr. Simpson said the Committee could take a look at the solar project spreadsheet at the next meeting. He stated the next couple of year's numbers are not huge, but once we get two more fiscal years, there should be a significant difference in new money.

b. Other Items as Necessary

Mrs. Jackson said an RFP is issued every three years for our auditing and consulting services. She noted the County has received one response from Robinson, Farmer, Cox Associates, who is our current provider. She stated she would like to see the Finance Committee consider voting on accepting their proposal and recommending it to the full Board of Supervisors at the Regular Meeting on February 6th.

Committee Chairman Ricketts asked if there are any additional details that can be added to the request. Mrs. Jackson said they will provide a cost proposal and typically they will also provide a cost for the audit as well as the cost allocation plan. She noted the information is compiled with a small escalator for each of the three years and stated the County pays \$43,000 for the audit and approximately \$10,000 for the cost allocation plan. She said once those details are provided, she will have those available and it will get built into the budget for FY2024, FY2025, and FY2026.

Mr. Simpson stated the RFP would need to be awarded to Robinson, Farmer, Cox Associates to begin negotiations on their agreement. He said the agreement could then be discussed during the budget process.

Motion made by Supervisor Roller, seconded by Committee Chairman Ricketts, to recommend to the Board of Supervisors to accept the proposal from Robinson, Farmer, Cox Associates for auditing and consulting services. Motion passed unanimously 2-0.

Mr. Simpson said for the last couple of years, the Virginia Department of Health (VDH) has asked to carry forward any unused funds. He stated last year the Board of Supervisors allowed them to carry forward approximately \$20,000 to be used towards shingles vaccines. He noted the previous year they were allowed to carry forward funds with no designations. He explained there is a year-end settlement of \$14,287, and they are requesting to carry funds forward in that amount to purchase Hepatitis A vaccines due to the uptick in cases in the community, as well as to provide shingles vaccines for the community as needed.

Mr. Simpson stated the VDH has a second request for the current FY2023 budget. He said they had a reduction of State funds and the matching amount from the County is reduced by \$9,461. He noted if the County is not required to match its budget in full, it could reduce matching money by \$9,461. He stated the VDH have requested that the County allow them to retain that excess match to be used for those same purposes, which would give them a total amount of approximately \$24,000 to put towards vaccines for Hepatitis A and shingles.

Committee Chairman Ricketts asked if a line item is normally in the VDH's budget for vaccines. Mr. Simpson said he is not sure if there is a line item specifically for vaccines. Mrs. Jackson stated the County does not receive details for their budget. Committee Chairman Ricketts said it is unclear if they are running out of money for the vaccines or if they are requesting the funds in order to move money around somewhere else. Committee Chairman Ricketts said he is in agreement with their request of \$14,287, but he would like to see the matching funds returned back to the County to be allocated to their match for next year.

Mrs. Jackson said their request each year is normally \$249,199, but they requested \$240,000 for FY2024. She noted they reduced their request by \$9,461. Mr. Simpson asked if they are paid quarterly and Mrs. Jackson said that is correct. There was some additional discussion about expenditures and overages in previous years.

Supervisor Roller asked what is the reason for the reduction in State funds. Mr. Simpson said he was informed there is a change in the information technology (IT) costs to them so they need less money from localities. He stated the State does its own IT so there is some internal change in how VITA bills all of the different State agencies, which means they are getting less money from the State to cover their IT costs resulting in less money being required from the County to match State money.

Motion made by Supervisor Roller, seconded by Committee Chairman Ricketts, to approve the request from the Virginia Department of Health for \$14,287 in surplus FY2022 funds to be allocated to purchase Hepatitis A and Shingles vaccines. Motion carried 2-0 unanimously.

Mr. Simpson said the last item the Board of Supervisors referred to the Finance Committee is the discussion about the local governing body to maintain or increase the percentage of local revenues for the school grant. He stated there was some discussion last week during the meeting with the School System. He read a portion of the guidelines and noted the Board of Supervisors has already borrowed \$105 million so a commitment has already been made for that payment stream for those bonds. He said local revenues will be maintained and dedicated to public education throughout the duration of the 30 year financing. He stated he could write a short narrative in a letter or memorandum on behalf of the Board of Supervisors noting the funds have already been borrowed and a commitment for the payments has been made and include the date of the closing.

Motion made by Supervisor Roller, seconded by Committee Chairman Ricketts, to authorize the County Administrator to submit a factual memorandum on behalf of the Board of Supervisors to verify a commitment and payment stream has already been established for the borrowing of \$105 million for the high school project. Motion passed 2-0 unanimously.

Mr. Simpson commented he is looking forward to the upcoming budget process. He noted there will be some challenges, but they can be worked through.

Committee Chairman Ricketts said he is looking forward to reviewing data in the solar project spreadsheet. He asked if the spreadsheet would include the tax assessments and Mr. Simpson verified the tax assessments would be included. Mr. Simpson said the three categories listed will include revenue share for machinery and tools, real estate, and the schedule for siting agreement payments. He explained to the Committee members that some of the early projects had voluntary waivers and payment agreements and how they need to be tracked.

Committee Chairman Ricketts asked if there were any other questions or comments. Hearing no further comments, the meeting adjourned.

ADJOURN

Motion made by Supervisor Roller, seconded by Committee Chairman Ricketts, to adjourn the meeting.

The meeting adjourned at 4:25 p.m.