A BUDGET RETREAT AND JOINT MEETING WAS HELD BY THE NEW KENT COUNTY BOARD OF SUPERVISORS AND THE NEW KENT SCHOOL BOARD AT 9:00 A.M. ON THE 12TH DAY OF MARCH IN THE YEAR TWO THOUSAND TWENTY-ONE, AT 9900 CARRIAGE ROAD, PROVIDENCE FORGE, VIRGINIA.

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IN RE: CALL TO ORDER

Chairman Thomas W. Evelyn called the meeting to order.

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IN RE: ROLL CALL

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| Thomas W. Evelyn | Present |
| C. Thomas Tiller, Jr. | Present |
| Patricia A. Paige | Absent |
| Ron Stiers | Present |
| John N. Lockwood | Present |

All members with the exception of Ms. Paige were present.

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IN RE: SCHOOL BOARD CALL TO ORDER

School Board Chair Andrea M. Staskiel called the School Board meeting to order. Other members present included Wayne Meade, Kristin D. Swynford, and Sarah Grier Barber. Dr. Gail B. Hardinge participated virtually. School Superintendent Dr. Brian Nichols and Executive Director of Finance/Budget Haynie Morgheim were also present.

Mr. Evelyn thanked the School Board and staff for joining them for this meeting and noted it had been quite a year since the last budget retreat. Dr. Nichols agreed and thanked the Board for the opportunity to meet and discuss the School Board's budget. Copies of the School Board presentation were distributed.

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IN RE: NEW KENT COUNTY SCHOOL BOARD – COVID-19 UPDATE

Superintendent Dr. Brian Nichols noted they had sat at this table a year ago just before the onset of the pandemic. He had left that meeting to take pictures with a Kindergarten class and schools had shut down soon thereafter. He reported a lot of great work had happened in the midst of the pandemic which could not have happened without the partnership with New Kent County. He remained incredibly thankful for that partnership.

Dr. Nichols indicated he would like to share briefly on some of what had been happening during pandemic. He reported the FY22 budget had been developed giving consideration to a number of pandemic-related uncertainties and strategies including:

- Enrollment was one of the biggest uncertainties and the General Assembly was holding school divisions harmless in this regard. Kindergarten enrollment had been down 13% across the nation and New Kent had followed that trend. Some families had delayed enrollment since Kindergarten was not required. Many would be enrolling in the fall and it was uncertain if they would be enrolling as Kindergarten or first grade students.
- Two fiscal years of incomplete data due to COVID related expenditures and savings – With schools shutting down in March and the uncertainties of this year, the usual baseline information was not available for budget forecasting.
- Federal and state mandates continued to mount and bills currently on the Governor's desk would require that five days of in-person instruction be offered. While this was New Kent's plan for the Fall, the bill would also require the provision of a virtual

instruction option. One of the most concerning mandates involved transportation with bus capacities being limited to only one student per seat. A 77 passenger bus could transport only 24 students making this a highly inefficient transportation system.

- School baselines had been maintained for budgeting purposes. Current enrollment was down approximately 250 students with most of this being at the elementary level. High school enrollment had grown to 1,089 which was the division's largest high school enrollment. Kindergarten and first grade had been meeting in-person four days a week since November 9th and enrollment numbers were expected to bounce back.
- Maintaining the capability to pivot as needed had been a major focus. It had been necessary to shift often over the past year and the County had been a tremendous partner in supporting those shifts.
- Strategize use of federal funding to focus on long-term and capital investments.

Dr. Nichols provided an overview of COVID/Pandemic support for the 20-21 year including:

- County CARES funding plus additional funding for PPE (Personal Protective Equipment) totaling $814,126.61. Dr. Nichols reported the County had been a tremendous partner in this regard providing funding for PPE, sanitizer and approximately 300 MiFi devices.
- $214,439.27 in ESSER I Fund (Elementary and Secondary School Emergency Relief) as well as $77,508 in ESSER II funding would be used to support 2021 summer school. This was expected to be the largest summer school enrollment in history.
- CARES Set-Aside Grants including Special Education, Cleaning, Facilities, VISION/GEER (Governor's Emergency Education Relief) totaling $109,447.90. These funds had been received through competitive grant processes.
- CARES – School Funding totaling $579,933.

COVID/Pandemic Support available for 21-22 included ESSER II funding in the amount of $821,432.81. Total support for the two years was $2,539,379.59. These funds were being used for one-time investments rather than to offset the operating budget. Pictures of some of those investments such as converting a former art room/storage room into office space for five individuals, creating an enclosed office space in Transportation, furniture purchases, an additional vehicle, temperature scanners, PPE kits and plexiglass barriers were included.

School Nutrition Services had gone to work on obtaining waivers so they could continue feeding when schools had closed in March. 95,542 grab and go meals had been provided from March through August 2020 free of charge to all children birth through 18 years of age. 179,514 meals had been provided from September 2020 through February 2021. Free breakfast and lunch had also been provided for all in-person students which totaled 44,907 meals this year. Understanding it was impossible to know how the pandemic had impacted families, providing feeding programs would take that worry off the list of concerns. A waiver had been received for a summer feeding program for seven days a week for all children ages birth through 18 years of age through September 30, 2021. Delivery was also available for families not able to get to pick-up locations. Counties and school divisions had rallied together and New Kent County had taken over the responsibility for feeding Charles City children for two weeks when their cafeteria staff had experienced a COVID outbreak. Hanover had also been helpful as New Kent began returning to in-person learning.

COVID Vaccination Clinics were being hosted at New Kent High School. New Kent had been one of the first divisions in the state to offer staff an opportunity to be vaccinated. Four clinics had been held in partnership with the Chickahominy Health District (CHD), Fire-Rescue and the Sheriff's Office to provide vaccinations for staff and the community. Plans were to continue hosting weekly clinics for the community on Fridays at the High School.

Mr. Lockwood asked what percentage of teachers and staff had been vaccinated. Dr. Nichols reported well over 50% had been vaccinated and it was their goal to vaccinate at least 70%. They continued to partner with Fire-Rescue and the CHD to reach that goal. Ms. Swynford reported one of the benefits of fully vaccinating staff as quickly as possible was they would not be required to quarantine if there was an exposure. Dr. Nichols confirmed and reported over 250 staff had been quarantined because of exposures at some point this year. With vaccinations, that number was expected to drop dramatically.

Referencing earlier mentioned ESSER II Funds, he provided an overview of how these funds would be spent. FY21-22 expenditures totaling $392,443 would include Instructional Salaries and Benefits/FT Instructional Coaches totaling $145,262, HVAC Upgrades at NKMS totaling $169,673 and Summer of MORE (Meaningful Opportunities for Real World Engagement) 2021 totaling $77,508. FY22-23 expenditures totaling $428,990 would include Instructional Salaries and Benefits/FT Instructional Coaches totaling $148,990 and Summer of MORE 2022 totaling $280,000.

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IN RE: NEW KENT COUNTY SCHOOL BOARD - SUPERINTENDENT'S FY22 BUDGET

Dr. Nichols provided an overview of the Superintendent's proposed FY22 budget and noted the theme of his presentation was "Better Together". The FY20-21 budget had been $33,657,482 and the FY21-22 recommended budget was $34,946,602. He noted this budget did not take into account recommendations Mr. Hathaway had made at the Board of Supervisors' meeting on March 8th. Local revenue connected to textbooks and fees was expected to be down slightly (-2.7% or $5,980). State revenue which was reflective of the Governor's budget was expected to increase by 1.5% or $292,593. County revenue was shown to increase 7% or $1,002,507. This included new school operating funds as well as additional operating expenses for the district. Special notes included:

- An increase of $136,000 in state revenue for VPI (Virginia Preschool Initiative) – Plans were to add an additional VPI class.
- 3.1% increase for additional operating expenses totaling $450,000
- Operating expenses for Quinton Elementary School totaling $2,045,000 ($552,507 requested in FY22 with $1,492,493 remaining) – Details on how the $552,507 requested in FY22 would be allocated would be covered later in the presentation.
- The state budget included funding for a 5% salary increase for SOQ (Standards of Quality) funded positions. SOQ positions would include teachers, librarians, counselors, instructional assistants, principals and assistant principals. This would be the first year the state would prorate funding for divisions not able to provide this increase. They were working to find a way to get the full 5% for the SOQ positions even if it meant having to give a 3% increase to other staff. Mr. Evelyn asked what percentage of staff were in SOQ positions. Ms. Morgheim reported 67% of staff would be included. It was also noted the Local Composite Index would be a factor and state funding would only cover the minimum number of positions required to meet SOQs. Instructional assistants were cited as an example and it was noted New Kent employed more instructional assistants than the state said were required so any positions above the minimum requirement would not be covered. A 1% increase for all school employees would be $241,677 - a 5% increase would be $1,208,355.

Dr. Nichols provided an overview of FY22 expenditure adjustments. Increases in tuition for several regional programs were reported.

- Bridging Communities Technical Center - $19,237 – New Kent would have 75 students enrolled. The HVAC program had been discontinued two years ago, had been brought back this year as a half-time program and would be full-time next year. They were also considering the addition of a pharmacy technician program as another career pathway.

- Chesapeake Bay Governor's School - $1,500 – 12 students were enrolled.
- Maggie Walker Governor's School - $2,524
- There would be no increase for CODE RVA tuition.

Some of the expected increases in operating costs included:
- $20,000 for fuel
- $3,127 for transportation and parts
- $21,715 for custodial services – largely due to minimum wage adjustments
- $20,998 for technology software

It was also noted minimum wage adjustments would vary across scales. Healthcare rates were projected to increase approximately 3.5% and 5% had been budgeted. A firm figure would be known in April. A 2% increase had initially been budgeted for staff and they were striving to utilize state funding to provide for a 5% increase for SOQ positions.

Dr. Nichols drew attention to a teacher compensation slide comparing New Kent's salaries with those of neighboring localities. New Kent ranked 8 out of 9 on the bachelor's scale and 7 out of 9 on the master's scale and he noted their focus was on the master's scale. He reported Henrico County had announced they would be giving teachers a minimum 6.9% increase with some teachers receiving 11% to 17% depending on where they were on the pay scale. Chesterfield had announced they would be giving increases up to 11%. He stressed the importance of keeping pace with surrounding localities and noted this may not be the year where New Kent could move ahead. He noted that even though New Kent ranked low on the list, the gap separating New Kent from the next closest salary was small. He again noted the importance of maximizing the 5% for SOQ positions. He was not only concerned about teachers leaving New Kent for other localities but was also concerned teachers were leaving the profession. National statistics indicated approximately 27% of teachers were planning to leave the profession and many of them had made this decision as a result of the pandemic. New Kent was recruiting and hiring earlier but filling positions was becoming more and more of a challenge. New positions being recommended included:
- Additional Preschool Positions – in support of the VPI (Virginia Preschool Initiative)
- High School Counselor – addition in response to changes in SOQs
- Two High School Teachers – English and Special Education – in response to enrollment
- Middle School Teacher
- Central Office Support Position
- Lead ITRT (Instructional Technology Resource Teacher) Supplement
- Literacy and Math Coordinators

Referencing the FY22 request of $552,507 for Quinton Elementary School, Dr. Nichols noted these funds would be used to hire a planning principal, planning secretary, and ITRT, two elementary teachers, a PE teacher, a maintenance support position and a Special Education paraprofessional. Mr. Evelyn noted this averaged about $70,000 per position. Dr. Nichols reported compensation for a teacher with benefits was about $70,000 and 69% of the budget was instruction and 82.9% was salary and benefits. Advocating for a regionally competitive salary and benefits package while focusing on commitment to staff retention and workforce satisfaction would continue. He pointed out NKCPS operated without a designated contingency fund and noted this could not be done without the partnership with New Kent County. He further noted continued flexibility with COVID-19 federal funding would also be important. They would remain focused on providing a quality education for all students through the effective, efficient, and accountable use of resources.

Mr. Meade asked how federal funding for schools was distributed. Dr. Nichols reported federal funding always flowed through the Department of Education in Virginia. Mr. Meade suggested rural communities were slighted the most in funding situations such as the pandemic. Dr. Nichols agreed and noted low poverty was also a factor and if you were rural and low poverty, you were slighted twice. New Kent fell into this category and pre-pandemic, about 24% of New Kent students were receiving free or reduced lunch. Ms. Staskiel asked for the average percentage of free and reduced lunch in Virginia. Dr. Nichols reported it was just under 50% and noted New Kent was half that amount. Interim Financial Services Director Larry Clark noted a good example of this was the expected distribution in the most recent COVID aid legislation. Charles City with a much lower population was expected to receive $10 million while New Kent was expecting $4.3 million.

The School Board public hearing on the Superintendent's recommended budget was scheduled for April 12th with approval to follow on May 3rd. Dr. Nichols thanked County Administrator Rodney Hathaway and the Board for the partnership and noted there was nothing they could not do when they came together. He stated that thanks to the partnership, they had been able to move forward on a number of initiatives.

IN RE: NEW KENT COUNTY SCHOOL BOARD - ELEMENTARY SCHOOL CONSTRUCTION AND OTHER UPDATES

School Superintendent Dr. Brian Nichols stated the new school was another example of the excellent partnership between the County and NKCPS and they had been able to move forward with this project in the midst of a pandemic. Thanks to recent dry weather, the project had progressed and was still on track. Updates on the progress of the new school would be provided at every work session. Redistricting had been a year-long process and the School Board would be voting on this at their next meeting. He noted it had been a very good process and they were excited about opening in the fall of 2022.

Mr. Evelyn asked if there was any update on the Clerk of the Works position. Dr. Nichols reported Director of Maintenance Tim Pollock and Maintenance Department staff member Jerry Pegram as well as he were currently collectively serving as Clerk of the Works. The position was posted and they would continue working to fill it. He asked if anyone was aware of someone who may be interested, to please provide him with contact information.

Mr. Stiers noted Dr. Nichols had mentioned enrollment at the high school was at its highest and asked if there were any space concerns at this school. Dr. Nichols reported enrollment was 1,089 but the school's capacity was 1,600. Space at New Kent Middle School continued to be tight but a very large 8th grade class would be moving up and enrollment was expected to drop by approximately 50 as a result. The current 2nd grade was a large class and could present space concerns when they moved up to the middle school in a few years.

Mr. Meade asked Mr. Hathaway if he had any thoughts on a plan for the County based on the significant population increase over the past five years. He asked if he expected the population to continue to increase or to level off and noted it would impact the capacity of schools and how they moved forward as a County. Mr. Hathaway stated he felt the population would continue to increase and suggested it would increase at an accelerated pace. Recent reports indicated a 26.5% increase compared to 23% the previous year and 18% the year prior to that. Mr. Evelyn asked what percentage of this would be age-restricted. Mr. Hathaway noted a portion would be age-restricted and specifically noted approximately 200 more lots in Four Seasons and plans for additional sections.

Mr. Hathaway noted the School Board was requesting an additional $450,000 in funding from the County. He asked for the true number needed to get where they needed to be for the 5% salary increase. Dr. Nichols reported they would still be approximately $150,000 short even with the $450,000 in increased funding. They were working on their side to meet the 5% increase and he was hopeful there would be some savings on insurance rates.

Noting the earlier mention of funding uncertainty, Mr. Tiller asked when they would have good numbers. Dr. Nichols reported if they went for the 5% for SOQ positions, they would have that additional funding and they wanted to maximize what the state would fund. They believed enrollment would bounce back resulting in additional funding. They were pushing forward for five days in-person in the fall and were working on a virtual option.

Mr. Evelyn thanked School Board members for the opportunity to meet. He addressed Dr. Hardinge, noted he hoped she was well, thanked her for everything and noted it was good to see her virtually. There being no further comments, the School Board adjourned at 9:58 a.m. Mr. Evelyn called for a brief recess. The meeting reconvened at 10:10 a.m.

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IN RE: SHERIFF'S OFFICE BUDGET PRESENTATION

Mr. Evelyn thanked Captain Joey McLaughlin and Chief Deputy Lee Bailey for joining the meeting. He reported Mr. Hathaway and he had asked them to come and provide more details on the Sheriff's Office budget request for salaries. Captain McLaughlin reported salary compression was an issue and they currently had four officers that were in communications with other jurisdictions such as Chesterfield and Henrico as well as the Virginia State Police. These officers could make $8,000 to $10,000 more by transferring to one of these localities. He stated starting salaries in New Kent had been competitive at one time but were now one of the lowest in the area. He noted they wanted to retain the people they currently had and reported they had some proposals and possible solutions to offer. He noted retention was an issue and he believed New Kent would become a revolving door if salaries were not addressed. The cost of hiring, training and outfitting a new patrol deputy with equipment was currently $100,000. Many current employees were invested in New Kent and wanted to remain here but he was concerned the monetary impact would motivate them to go elsewhere. He noted New Kent was a friendly county where citizens actually waived to deputies and suggested if we could get closer to surrounding locality salaries, it could be an incentive to stay. More financial stability would be important for recruitment and retention.

Chief Deputy Bailey reported starting salaries had been competitive but neighboring localities had announced significant salary increases for FY22. He specifically noted Chesterfield, Hanover, Henrico and Goochland. New Kent had paid for seven of the last ten recruits to go through the academy and the training process was approximately a year before they became a filled position. They currently had one deputy who had been with New Kent approximately a year and a half who was considering leaving. He noted the Sheriff's Office proposed budget included new positions and there was still a need for those positions but they felt that with the salary adjustments in the region, the money would be better utilized for salaries to help keep current positions filled. He expressed concerns over the possible loss of four to six patrol deputies when salaries increased in neighboring localities and noted most of these would be individuals who had gone through the academy at the County's expense. Vehicles and equipment could be reused and assigned to new officers put bullet proof vests at $1,000 each were fitted for each officer.

Captain McLaughlin noted compression was also a major concern. Some officers with several years of service were making only a few hundred dollars more than a new deputy. There was no scale to adjust pay based on tenure. A scale would give an employee the ability to see what future salary they could expect and would make a huge impact on families. He expressed his appreciation to the Board for allowing them to come and share their concerns and noted he was looking forward to what they could work on in the future.

Interim Financial Services Director Larry Clark asked if there were any jurisdictions that may have taken a regional approach to salaries rather than competing with one another. Captain McLaughlin reported Chesterfield had done an independent study but he was not aware of any regional plan. He noted New Kent had been one of the strongest in regard to salaries and he would like to see us get back to that. Chief Deputy Bailey reported Chesterfield had hired a firm to conduct a study and a comparison to surrounding localities as well as Northern Virginia had been included. The objective had been to put their salaries in a position where they would be the "premier go to county" and be able to pull recruits from localities including Northern Virginia. Henrico County had jumped in and had said they would be second to none and in their case, they would not only be addressing law enforcement salaries but all positions. Another issue was many of New Kent's deputies had gone through training in Hanover's academy and Hanover staff had frequently commented about the caliber of our recruits. If New Kent recruits took positions with Hanover, they would have higher starting salaries and would know their salaries for years to come. Goochland was similar in population size to New Kent and law enforcement staffing and they were falling in line with other jurisdictions with plans for higher salaries.

Captain McLaughlin thanked the Board for their time and again noted he was looking forward to working with them.

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IN RE: FIRE-RESCUE BUDGET PRESENTATION

Fire Chief Rick Opett noted he would be reiterating some of the information Captain McLaughlin and Chief Deputy Bailey had shared in the previous discussion. Fire-Rescue had put in a request for regional parity in salaries and was proposing a phased approach to address compression. They had submitted a two-year plan to County Administrator Rodney Hathaway and the Budget Review Committee. Phase I involved a salary adjustment for retention purposes and would involve 47 positions at a cost of $239,076. No Chiefs or officers were included. Phase II would address compression for all 52 positions.

He noted competition from neighboring localities was also an issue for Fire-Rescue. New Kent would hire, train and pre-certify a recruit and then they would be pulled away by a neighboring locality. Eight had been lost in the last three years. He felt if proposed salaries in neighboring localities were approved, more would be lost. He reported King William County had recently announced a starting salary of $42,000 which was $3,000 to $4,000 higher than New Kent. He reported starting salaries in several other Virginia localities including Orange County at $48,000, the City of Richmond at $46,000 and Louisa County at $42,000. 70% of New Kent's staff of 47 were paid under $15.00 per hour. Six were slightly over due to ALS (Advanced Life Support) incentives and eight were receiving officer pay. He noted they would be in a major crisis if minimum wage was increased to $15.00 per hour. The cost to recruit one firefighter was $12,950 and training was six months to a year.

Average salaries in Goochland, King William and Chesterfield had been considered to arrive at the cost of Phase I increases. With the starting salary increased to $43,000, increases would be between $4,000 and $5,000 per firefighter. Phase II to address compression would be discussed in more detail for FY23. A handout comparing Henrico County's current starting salaries with its new starting salaries as well as with the starting salaries for Chesterfield, Hanover and the City of Richmond was distributed. Henrico's new firefighter salary would be $51,913, Chesterfield - $46,503, Hanover - $45,153 and the City of Richmond - $44,000. $39,000 was the starting salary in New Kent.

Chief Opett introduced Dean Lewis who had been with New Kent for over twelve years and turned the floor over to him. Mr. Lewis was the current Union President and he had come to emphasize what Chief Opett had shared with the Board. He reported New Kent had some of the most devoted and selfless personnel who wanted to see the department grow and succeed. Retention was the primary concern especially with neighboring localities constantly raising salaries. Starting salaries and compression were also major concerns and there were some firefighters who had been with New Kent for twelve years and were not making much more than the starting salary of a new recruit. He reported listening to fellow firefighters sharing their personal hardships and the issues they were facing was disheartening. He suggested firefighters were in a "financial epidemic" and without an increase in salaries, many of them may no longer be able to continue working for New Kent. Losing a firefighter was losing an investment, experience and a position on the force providing services for residents. Firefighters were currently working a 168 hour pay cycle over a three-week period and many were supplementing their income with overtime and part-time jobs. Some were spending more and more time away from their families working two to three jobs to make ends meet. Examples of what he was hearing included:

> *"I work two part-time jobs in order to supplement my income."*
> *"I have to work 200 plus hours a pay cycle in order to support my family."*
> *"I am considering moving back home in order to have time off to spend time with my family."*
> *"My mortgage and normal bills alone nearly absorb my New Kent salary."*
> *"I'd be living pay check to pay check without a part-time job."*
> *"I've had to make lifestyle changes in order to reduce hours at work and improve my home life."*
> *"I'd like to live and work here permanently however I cannot afford to live in New Kent."*
> *"I want to start a family but I fear there is no long-term future here for me."*

He feared if nothing was done to address the needs of the firefighters, they would continue to lose vital assets to the department and the County's citizens. He noted Chief Opett had reported a neighboring department would soon implement a starting salary of $52,000 and most other departments were planning to offer the same or more. This was the minimum salary with no experience and an employee could expect this to increase with time which would eliminate compression. He reported the Union would continue to work with Chief Opett to address these salary concerns.

Mr. Evelyn thanked Chief Opett and Mr. Lewis for the information they had shared.

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IN RE: COMMISSIONER OF REVENUE – TAX REVENUE UPDATE

Commissioner of Revenue Laura Ecimovic introduced Business License Commissioner Shannon Micali. Ms. Micali distributed a handout comparing 2021 estimated real estate figures as of December 2, 2020 with updates as of March 3, 2021. Ms. Ecimovic reported an increase in construction had resulted in the numbers coming in later than usual and the last quarter of information had not been included when figures had been provided in December. December estimates had suggested FY22 real estate tax revenue would be $25,768,110.07. After additional calculations, that number was now estimated to be $26,344,791.40, an increase of $576,681.33. She reviewed the list of updates and noted areas eligible for exemptions included City of Newport News, Agricultural and Forestal Program and elderly/disabled/veterans. Supplemental real estate assessments had been up for several years and that trend was expected to continue. Although the last two years of supplements had been well over $300,000, a conservative $252,800 had been included in the calculations. She noted there were several large projects in the works that would impact FY22 supplements. She also reported staff members were working hard to stay on top of the updates and noted COVID had worked in their favor in this regard. Those working from home were able to be more productive without the usual office interruptions.

She provided an overview of Public Service Corporation revenue (utilities) and reported over one million was expected to be collected. She reported final personal property numbers were currently not available. The County's shift from permanent decals had eliminated the need for individuals to come into the office to register their vehicles and COVID along with the inability to get to the DMV had also slowed down personal property calculations. It had been necessary to hand check over 6,000 vehicles in the DMV records before the list could be sent to NADA (National Automobile Dealers Association). Preliminary data had been received and she had not had an opportunity to fully review the information. She suggested the increase was significant and noted she was not comfortable with sharing the information at this time. She stated personal property numbers had been increasing exponentially each year and in addition to this trend, used vehicle values were up due to the slowed production of new vehicles caused by COVID. She suggested it would be several weeks before she would be ready to report final personal property estimates. Mr. Evelyn asked if the increase in personal property revenue would be in addition to the $576,681.33 increase reported earlier in the meeting. Ms. Ecimovic confirmed the increase in personal property would be in addition to the increase previously reported for real estate.

Ms. Ecimovic reported a new exemption program for disabled veterans would be implemented this year. Qualifying veterans would be given a 100% exemption for one vehicle and there were currently 170 veterans who had previously been certified for real estate purposes. She noted disabled veteran requests for real estate exemption were also expanding. It was difficult to estimate the reduction in revenue resulting from this program but she had used the 170 known disabled veterans receiving real estate exemption as the starting point and had added 80 additional veterans. Based on this, the estimated net loss would be approximately $190,000 and she suggested this would be a growing issue.

Ms. Ecimovic reported business licensing was up over $1 million. She noted it had been a hard year for some businesses but many had come through and every category had outperformed the 2019 figures. Mr. Evelyn asked if business were required to show funds received from the PPP (Paycheck Protection Program) in their gross receipts. Ms. Ecimovic reported the state and federal governments were not treating PPP funds as income and at this point, the guidance was to not count this as gross receipts. In spite of COVID, many businesses had reinvented themselves and had been very successful.

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IN RE: COMMISSIONER OF REVENUE – STAFF COMPENSATION

An information sheet comparing salaries of several positions in the Commissioner of the Revenue's office with other New Kent positions as well as similar positions in other localities was distributed. Commissioner of Revenue Laura Ecimovic reported she had been asking for the salary compression issue in her department to be addressed for six years. She had worked in this office for a number of years prior to being elected Commissioner and at that time there had been only two employees in addition to the Commissioner. The office had taken on the responsibility of real estate assessment in 2010 and DMV had been added five years ago. Two individuals were dedicated primarily to DMV functions and assisted with other duties as needed. Her department had not been given any additional positions other than when they had taken on additional responsibilities. One individual was responsible for all of the personal property and working remotely had been good for them. She also reported the only thing in her department that had gone down statistically had been DMV and that was because they had been closed for two months and customers were now seen by appointment only. Her biggest issue was workload and she reminded everyone of the constant growth in the County and suggested if every department shared their workload changes, they would find she was not alone. She reported that based on state staffing standards, her department was currently eight people short of what was necessary to accomplish the work. She suggested the revenue office was not the place to short people and reported that every one of her staff members was generating the income necessary to provide for all other County departments. She reported her department was currently administering over 20 taxes. She had asked for a new position for several years and had talked about salary compression for a number of years but nothing had been done. She had lost a very good employee and it took two to five years to train an employee to understand Virginia tax law. Employees in her department were starting at 30-some thousand dollars a year depending on what they brought to the position. The Assistant County Assessor in Goochland was making $61,405 while New Kent's Assistant was making $48,000 and she had requested a $5,000 increase for this position. Her employees were very dedicated and wanted to stay in New Kent but she had lost a very dedicated employee to a position in Richmond where they could make $15,000 more and have less responsibilities. She suggested the County lost income when her department lost experience. The County had been talking about conducting a salary study but this had not happened and the ability to give merit increases had been taken away in 2007. It was frustrating to her staff to see other departments receiving increases while her department received no relief. She asked the Board to consider what she had been requesting although she understood her requests had already been cut from the FY22 proposed budget. She also reminded the Board that a percentage raise would be a small increase for her lowest paid employees while those higher on the scale would fare much better. She noted this would create a larger divide between the lowest and highest paid employees which was made worse by the absence of merit increases and unstable cost of living increases. She entertained questions.

Mr. Stiers noted the Commissioner had asked for eight people and asked if she understood she could not get that. Ms. Ecimovic noted she had not asked for eight people; her request had been for one. The reference to eight people had been to report state staffing guidelines indicated she was short eight people. Ms. Stiers asked for the bottom line needs of her department. Ms. Ecimovic noted she needed an additional position to help with all the programs they administered and she needed monetary relief for current staff. Mr. Stiers suggested if the state said New Kent needed eight more positions and Ms. Ecimovic could make it work with one, perhaps she should teach the state how this could be done. She noted she wasn't sure what she would do with eight people and added she could keep them busy but she didn't have space for eight additional people. She reported some staff were currently working in closets. She thanked the Board for taking action to take care of the HVAC in the Administration Building and noted it would make a big difference in the office.

Mr. Evelyn thanked Ms. Ecimovic for the update and noted the Board would take her concerns into consideration. She again thanked the Board for the opportunity to speak and reminded them that her department was making money for the County.

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IN RE: PUBLIC UTILITIES - CORONAVIRUS (COVID-19) UPDATE

Public Utilities Director Larry Dame reported the department had received a little over $10,000 to assist residents with delinquent utility bills. Letters had been sent to all delinquent customers advising them that assistance was available and urging them to take advantage of the opportunity. Almost $5,000 in requests had been received and plans were to begin applying payments to delinquent accounts by the end of the month.

IN RE: PUBLIC UTILITIES – FY22 BUDGET/UTILITY RATES DISCUSSION

Director of Public Utilities Larry Dame and Assistant Director Mike Lang reviewed the proposed FY22 budget. Mr. Dame reported no rate increases were proposed for the fifth consecutive year due to growth in the system. He understood it was the Board's goal to reduce rates and a 1% reduction was proposed. A 1% reduction had also been implemented in FY21 and he stated he did not know if Public Utilities would be able to continue this trend into the future. There were several "big ticket" items in the budget including sludge hauling at almost $400,000 ($88,000 more than the previous year) and the design of sludge facilities at $1.3 million. Sludge hauling costs had increased nearly 30% in one year largely due to growth. He reported Parham Landing Wastewater Treatment Plant funding could change as a result of the upcoming jail contract renewal. The current contract was based on a percentage costs and it was uncertain if this practice would continue or if billing would be based on metered usage. The proposed budget also included a two-cent decrease in the Bottoms Bridge ad valorem tax. It was also noted that aging equipment would also require upgrades or replacement soon.

Mr. Dame provided an overview of the Public Utilities CIP (Capital Improvement Project) list. Projects included:

- Construction of the water interconnect between the Farms of New Kent and the Kentland PUD – All of the pipe had been laid, the line was in service and storage tanks had been removed. Upgrades at the Colonial Downs well would be completed soon.
- Tank Replacements at Sherwood (40 accounts) and Whitehouse Farms (55 accounts) – The Sherwood tank would be increased from 10,000 to 15,000 gallons and the Whitehouse Farms tank from 15,000 to 20,000 gallons. A second well to serve as a backup at Sherwood had been completed.
- Pre-Treatment Ordinance protecting the wastewater treatment plant from damage caused by the dumping of certain waste into the system. Preliminary code amendment work was complete and the information would be forwarded to the County Attorney for review.
- Design of Sludge Facilities - $1.3 million for facility design at the Parham Landing Treatment Plant – Sludge disposal regulations were becoming more restrictive and it was increasingly more difficult/costly to dispose of the County's sludge. This facility would allow New Kent to dry sludge which could then to hauled to landfills closer to the County.
- Route 106 Water/Sewer Extensions – Design work was almost complete and the project was expected to be out for bid by July 1st.
- Mitigation for Surface Water Withdrawal Permit – $25,000 per year for three years for a herring study in Kimages Creek (James River).
- Land Acquisition – Surface water intake site. The survey was complete and a meeting had been scheduled with the landowner. An appraisal would be ordered once several items were worked out with the landowner.
- Colonies Site Upgrade – Both wells (almost 50 years old) would need to be replaced at a cost of $100,000 each. The first well replacement was awaiting contract signatures. Design work would be done in the upcoming year for other needed upgrades.
- AWIA (America's Water Infrastructure Act) Risk & Resiliency Assessment – This was a requirement of the 2018 federal act and was almost complete.
- Vehicle Replacement – Public Utilities vehicles had well over 100,000 miles and some had become costly to maintain.

Mr. Dame provided an overview of the future outlook for Public Utilities. He began by reporting all permits for the Pamunkey River Withdrawal project had been obtained. As previously reported utilities growth had been good and there were no proposed rate increases. Expanding on the growth, he reported the following:

- Over $1 million had been collected in connection fees (not including Bottoms Bridge).
- There had already been 131 new connections this year compared to 135 for the entire previous year. Projections for 2021 had been 84.
- Section 2 Phase 1 in the Farms of New Kent Land Bay 4 (The Arbors) with 30 units was almost built out – 10 homes had been started in Phase 2 and the developer had authorized engineers to begin the design work for Section 3 with 195 units.
- Farms of New Kent Land Bay 5 Section 2 with 195 units was under construction - clearing had begun in Section 3 with 212 townhome units – construction of the club house would begin this spring – Section 4 with 168 units was currently under review.
- Section 2 had also opened in Viniterra with the completion of Pump Station 1 and The Cottages at Viniterra with 135 units was currently under construction. Sewer for half of this had been installed and water installation would begin the following week. Home construction was expected to begin in July.
- Dispatch Station was moving toward buildout and the developer wished to add an additional 147 lots.
- Section 2 had opened in Rochambeau Estates and there were only two lots remaining in Section 1.
- Utilities were complete in the Oaks Section 5 (the final section). 15 homes had been connected and a number of homes were currently under construction.
- Patriots Landing was nearly complete with only one lot remaining.
- Twelve units had been completed in the Cumberland Townhomes at Patriots Landing – four units were under construction - eight more units planned.
- He also noted work in progress in Rock Creek Villas with Shurm Homes.
- Kentland PUD – Bel Green was nearly complete with construction in progress on four lots and only five lots remaining.
- 34 homes had been connected this year in Brickshire and a number of homes were currently under construction.

Mr. Dame reported there were several "looming" projects including:

- The possible upgrade of Brickshire pump stations. He had recently met with the developer regarding plans to extend development through the end of Kentland Trail. Plans were to build an additional 243 homes and sewer would be a big issue. The Kentland No. 5 station was overtaxed due to poor design and an undersized force main and a plan addressing additional sewer needs would need to be in place prior to any further development. The cost of this had not been included in the budget proposal and it may be necessary to bring this back to the Board. He was hopeful the developer would agree to rebuild station 5 to handle the increased flow.
- The last water system interconnection would be on Route 249 from Airport Road to the new school. This would be the longest section and would serve as a backup for Bottoms Bridge. Once complete, the County would have a fully unified system.

Revisiting the proposed Bottoms Bridge Service District tax cut, Mr. Dame reminded the Board that any loss of revenue would need to be made up elsewhere. He also noted that per the Service District Code, homeowners did not pay availability fees which saved each home $5,000 and $2,129,690 in availability fees had been waived in lieu of the ad valorem tax. Commercial construction was doing well and was contributing significantly to revenue. He reported there were two small Bottoms Bridge Service District water and sewer budgets and he was proposing they be eliminated and funding moved to the County's water and sewer budgets. Interim Finance Director Larry Clark agreed this would be a good move.

Mr. Dame reported Wastewater Treatment Plant nutrient credits were good and a payment of $150,000 could be realized in FY22. The DEQ was considering dropping nutrient amounts with the recently adopted Watershed Implementation Plan (WIP III) to be implemented in

2025 with the County's permit renewal. The proposed new standards could be met but at an additional cost. He entertained questions.

Mr. Evelyn asked how many years remained on the shad study (associated with plans for surface water withdrawal)? Mr. Dame reported the last payment had been made in February and noted study results indicated the fish were returning to spawn.

Mr. Stiers asked for the timeframe of the additional homes at the end of Kentland Trail. Mr. Dame reported the developer understood this project could not move forward until the sewer issue was addressed. Options had been discussed but no plans were in place.

Mr. Dame reminded Board members that many New Kent developments were nearing completion. He specifically noted the dwindling number of lots in Brickshire and Patriots Landing with only one lot remaining. He noted the only area seeing significant grown now was the Farms of New Kent. Rochambeau Estates was almost built out, The Oaks would be built out by year's end and many of the other smaller subdivisions were nearing completion. He noted the number of available lots was somewhat of a concern for next year.

IN RE: PUBLIC UTILITIES PRO-FORMA FINANCIAL ANALYSIS

Davenport & Company Analyst Ben Wilson distributed copies of the Utility Pro-Forma Financial Analysis. Davenport & Company Senior Vice President Ted Cole noted this presentation would mirror much of what Public Utilities Director Larry Dame had reported. He drew attention to page four in the analysis which included the most recent CIP projects list for 2022 through 2026. He noted it was important to keep an eye on the out years in order to plan financially for significant future projects. Total project costs for the five year period were approximately $30,000,000 and some of the projects could be cash-funded while others would require taking on some additional debt. He drew attention to $8.8 million in proposed debt in 2023 which was largely the solids stabilization, dewatering and disposal project for the wastewater treatment plant. This was a two-year project with a cost of $1.3 million in 2022 and $7.5 million in 2023. Mr. Evelyn questioned when the waterline from the Pamunkey would come into the projections. Mr. Dame noted that project was beyond current projections. Mr. Lang reported they were currently working on land acquisition and easements for this project. Mr. Cole drew attention to the water system interconnections with $16.6 million in costs spread over 2023 to 2026. Mr. Lang and Mr. Dame reported this would be the final connection from Airport Road to the new school.

Mr. Cole drew attention to the Audited 2020 column and Preliminary Budget FY22 column on the second page of the report. This model included earlier mentioned reductions of two cents to the Bottoms Bridge ad valorem tax rate and a 1% reduction in overall rates. FY20 Operating Revenue at $4.38 million had been slightly down from the $4.46 approved budget and Operating Expenses at $3.2 million had been down from the $3.5 approved budget. There had been a significant increase in Non-Operating Revenues such as connections and availability fees which had been budgeted at just over $1 million. Actual revenue had been $2.1 million, a 53% increase. This overage had resulted in an even stronger debt service coverage ratio of almost three times the expected minimum 1.5 times. Debt coverage without the Non-Operating Revenues had been 1.7 times in 2020. The tailing off of connection and availability fees had been an ongoing concern and it was good to see the budget was becoming more self-supporting without those fees. The system had great cash flow, there were no problems with cash reserves and a 2% growth rate and no rate changes were assumed. This page also took into consideration that availability and connection fees would be tailing off and that $8.8 million in debt with $675,000 in annual debt service would be issued in 2023. He noted if the CIP information held as presented, the growth projections were reasonable and the connection and availability fee projections were accurate, the debt coverage ratio could drop below the 1.5 times requirement.

Mr. Evelyn asked how much revenue was generated by each penny of Bottoms Bridge ad valorem tax. Interim Finance Director Larry Clark reported each cent was generating $23,775. Mr. Cole noted the Bottoms Bridge debt service was segregated from other Public Utilities debt and in FY20 had generated a positive cash flow of $148,000. This had not always been the case and projections through 2027 indicated an increasing deficit. Other part of the utility system had and would have to continue supplementing Bottoms Bridge in the deficit years. Approximately $1.8 million had been supplemented over the years.

Mr. Tiller noted Mr. Stiers had been requesting reductions in water rates since he had become a Supervisor and the Board had voted to reduce rates by 1% the previous year. He noted it had been said over and over that the number of users and connection fees needed to increase. The number of users was constantly increasing and he did not understand why more could not be done to reduce the ad valorem tax. He suggested reducing the rate by two cents the previous year and another two cents this year was a slow way to do away with the tax when one cent was only valued at $23,000. He suggested the need for more users had been discussed for nine years and now that they had them, the ad valorem and rates were not reducing fast enough. He suggested the ad valorem tax be completely eliminated. Mr. Dame suggested the ad valorem tax probably could be eliminated but noted one of the reasons the financials looked as good as they did was that rates had been kept even. They had been able to drop rates by 1% the previous year due to growth but he reminded the Board that the number of lots to be connected was dropping and would continue to trail off. He stated he didn't want to eliminate the ad valorem or cut rates and then have to come back with a big rate increase to make up shortfalls. Mr. Evelyn also noted increasing regulations were constantly adding to the cost of providing water and sewer service. Mr. Dame agreed. He noted if the ad valorem tax was totally eliminated, that would be $261,000 that would not be in the budget going forward and it would have to be made up by other means. He noted he was considering the viability of the system five years from now and indicated he would rather do a gradual decrease. Mr. Lockwood noted expenses would continue to increase while revenue from connection fees would trail off. Mr. Dame agreed and stated the system was at a good point now. Mr. Tiller indicated he realized the reduction could not all be taken at one time. Mr. Dame reminded the Board that the Bottoms Bridge Ordinance stated that the ad valorem tax and connection fees were to cover the debt. Mr. Tiller suggested this also included user fees. Mr. Dame noted that was not the case. Although it had been necessary to supplement the debt service with user fees, the Code indicated only the ad valorem tax and connection fees should to be used. Mr. Evelyn asked how much debt remained on Bottoms Bridge. Mr. Clark indicated the balance was approximately $11 million. Mr. Cole noted he was not saying the ad valorem and user fees could not be reduced but noted with future CIP projects requiring borrowing of $8.8 million in FY23 and $12.7 million in FY26, rate increases would be necessary. Mr. Tiller suggested it would be nice if the ad valorem could be reduced by five cents and stated it should be reduced at least three cents down to ten cents. He stated he felt the County should be working at a faster rate to eliminate the ad valorem and to lower user rates.

County Administrator Rodney Hathaway asked for guidance in regard to rates. Mr. Tiller suggested starting with five cents and if that was too much to work down from there. Mr. Evelyn suggested three to five cents. Mr. Stiers suggested the same should be done with water rates. Mr. Hathaway reminded the Board that there were a number of big capital projects in the Public Utilities CIP and in that context, reducing those rates caused him some concern. Mr. Cole suggested it would not be a problem in FY22 or FY23 but what would happen beyond then would be a concern. Mr. Tiller asked what a 1% reduction in water rates would mean to the average home owner. Mr. Dame indicated they would save approximately $6 per year. He again noted the financials were at a good place now but added it would be easier for citizens to accept small rate increases rather than a big increase. Mr. Hathaway indicated he would go back and look at the budget again. He also noted a 1% rate reduction would have a $40,000 cumulative impact on revenue.

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IN RE: COUNTY GENERAL FUND DEBT ANALYSIS

Davenport & Company Analyst Ben Wilson distributed copies of the General Fund discussion materials. Davenport & Company Senior Vice President Ted Cole reviewed the existing tax-supported debt profile and noted there had been significant borrowing the previous year for the construction of the new school. He reminded everyone that the County had been preparing for the new school debt by establishing a school set aside fund several years ago. He reported the information did not include any debt associated with Public Utilities. Outstanding debt as of June 30, 2020 was reported as $65,562,690. This included $51,004,140 in school projects and $14,558,550 in County projects. Payments would step up from $6.3 million in FY21 to $7.6 million in FY22, remain level for a number of years and drop significantly in FY30. All debt would be paid off by 2041.

Mr. Cole noted the County had adopted the following three debt policies/ratios many years ago:

- <u>10-Year Payout Ratio</u> – This was an indicator of how quickly the County would be amortizing its debt over the next ten years. The County was almost at 78.2% while the policy required 50%.
- <u>Debt to Assessed Value</u> – This was a measure of the outstanding debt as a percentage of the County's tax base. The percentage should not be greater than 4.5% and the County's rate was currently just under 2.2%.
- <u>Debt Service to Expenditures</u> – This was a ratio of debt service expenditures as a percentage of the total governmental fund expenditures. The percentage should not exceed 12% and the County's rate was currently 10% and would move up to 11.6% in FY22. Mr. Cole noted this was the ratio where New Kent was the closest to non-compliance but also noted this percentage would gradually decline starting in 2023.

Mr. Cole reported they had been asked to provide a capital funding analysis for three projects including:

- County Administration Building HVAC Replacement - $811,000
- County Courthouse HVAC Replacement - $1,000,000
- Construction of a new Post Office - $900,000

The analysis contemplated a late summer 2021 borrowing and two scenarios including 10-year and 15-year amortizations at 3.5% and 4% respectively had been reviewed. Mr. Cole noted these proposed rates were a little higher than what was expected to be seen in the market. The analysis also included two sources of funds that could be used to pay the debt service related to these projects. One of those sources was a meals tax increase of 2% which County Administrator Rodney Hathaway had included in his proposed FY22 budget. County staff had estimated this meals tax increase would generate annual revenue of approximately $598,880 and possible implementation dates of July 1, 2021 and January 1, 2022 were both considered. In regard to the Post Office project, New Kent was planning to construct the building and lease it to the United States Postal Serve (USPS) for ten years at an annual rate of $60,000 beginning in January 1, 2022. Though the USPS was expected to remain in the building well beyond the initial lease term of ten years, the analysis assumed the County would not continue receiving lease payments beyond the initial term.

Mr. Cole reviewed summaries of both Scenario 1 with a 10-year amortization and Scenario 2 with a 15-year amortization. In all cases, the County would still be in compliance with the debt policies/ratios. He also noted that in all cases projected revenue (meals tax and USPS lease) would consistently out pace proposed debt service and there would actually be a surplus. Mr. Lockwood asked why the model assumed no USPS lease payments beyond the initial ten-year term. Mr. Cole noted the USPS lease was a ten-year lease but there was a real expectation that the lease would continue well beyond the initial term. Mr. Hathaway agreed and noted the USPS could not enter a lease agreement for a period longer than ten years. He suggested the lease could run fifty or more years. Mr. Evelyn asked if the lease included rate adjustments for inflation. Mr. Hathaway reported the terms of the lease would remain constant for the initial ten years and could be renegotiated at renewal. Mr. Evelyn noted the lease would generate $600,000 while the cost of the building would be $900,000. Mr. Cole agreed and noted extending the lease beyond the initial ten-year term would close this gap. Mr. Hathaway also noted the idea of increasing the meals tax was to begin setting aside funding for future capital projects. A new middle school had been mentioned by the School Board and he felt it was time to start setting aside funds for that. He also reported recent news regarding stimulus funding suggested it could possibly be used to help fund these projects and the County was waiting on the final guidelines. New Kent was anticipating receiving $4.3 million with a December 2024 expenditure deadline. Mr. Lockwood asked if this funding could be used for ventilation projects. Mr. Hathaway indicated they believed ventilation projects would be included but again noted they were waiting for final guidelines. Mr. Lockwood asked if the funding could be used for schools. Mr. Hathaway noted the schools had used CARES funding for some of their HVAC projects. Mr. Evelyn asked how much additional stimulus funding the schools were expecting to received. Mr. Hathaway noted the School Board had been asked that question earlier in the day and they had not given an answer. Mr. Evelyn noted the School Board still had some unspent funding from previous stimulus payments. Mr. Hathaway agreed and noted the schools had been given a longer period of time in which to spend their funding.

Mr. Hathaway again noted he would like the Board to consider increasing the meals tax to the maximum of 6% and setting aside the additional 2% for capital projects. If the Board agreed to move forward with the increase, there would be an outreach to inform the impacted businesses. Mr. Stiers stated he could not support a 2% increase in meals tax. He pointed out a 6% sales tax as well as a 4% meals tax was currently being charged. He suggested the increase would hurt restaurants, would discourage eating out and wait staff would be impacted because diners would not tip as well. He stated that just because New Kent had the ability to charge an extra 2% didn’t mean they should. Mr. Hathaway again noted it was not being proposed just because the County had the ability. It would be a way to fund future capital projects while trying to avoid future increases on the County real estate tax rate. He noted many of those who would be impacted by the meals tax increase would not be New Kent residents. He added that he personally liked this option as an alternative to a real estate tax increase. Mr. Stiers again stated he didn’t support it. He added that it would be great if zones could be established along the I-64 corridor where the higher rate could be charged but reported he had been told zones would be illegal. Mr. Hathaway reported the Capital Fund Balance was currently $1.67 million which did not include the required $1 million reserve. Pending projects for the next couple of years totaled a little over $3 million. The Courthouse HVAC project had been budgeted at a little over $1 million but he believed $1.5 million was a more accurate estimate. He reported Judge Bondurant had said courts would not be closed and the court schedule would not be adjusted. This would require that the work be performed on nights and weekends and he suggested this would drive the price up an additional 40%. In regard to the 2% meals tax increase, Mr. Lockwood noted the increase would be only $2 on a $100 check and that would not stop him from going out to eat or cause him to short the wait staff’s tip. He noted the Board needed to find a way to pay for these projects and none of them would get done without the necessary revenue. Mr. Hathaway noted the County also had the authority to charge a cigarette tax but that had not been pursued. The General Assembly had just given counties the authority to charge a cigarette tax last year but there was legislation currently aimed at stripping that authority. The decision had been to wait for the results of the current legislation before considering implementing a cigarette tax. The meals tax increase had been proposed because there were more projects than available capital funds. He believed the stimulus funding would be a huge help and could possibly lessen the need for a meals tax increase. He reminded the Board that implementing a 2% increase in meals tax would generate approximately $600,000 annually to set aside for future capital projects. He also reminded the Board that set aside funding had been used to help fund the new school project and by having the set aside, the County had moved forward with a $35 million project by borrowing $22 million. Mr. Tiller asked how much of the current tax rate was going to the set aside fund. Mr. Hathaway noted there was no more set aside fund and reported seven cents of the tax rate had been going to the set aside. Mr. Tiller asked where the seven cents would now be budgeted. Mr. Hathaway reported the seven cents would now be transferred to debt service and school operations.

Mr. Evelyn called for a recess at 12:15 p.m. The meeting reconvened at 12:45 p.m.

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IN RE: SALARY STUDY DISCUSSION

Referencing earlier presentations from several departments on the need for increased salaries, Mr. Evelyn asked how much it would cost to conduct a salary study for the entire County. County Administrator Rodney Hathaway reported the Human Resources Department had requested a salary study in their budget for $85,000 but this request had not been included in budget recommendations. He suggested the total cost would be approximately $100,000 and although the need for a salary study was recognized, it would not be cheap. He reminded the Board that if a salary study was conducted, the County would need to be prepared to address the findings. Mr. Evelyn suggested the Sheriff's Office presentation had been very compelling and recommended they be included on the work session agenda to provide more details. Mr. Hathaway noted New Kent maintained a low tax rate and pointed out that Charles City and Goochland were the only localities in the Richmond area with lower rates. Chesterfield's rate was $.95. Henrico's was $.89 and The City of Richmond's was $1.25 and they were proposing tax increases in the upcoming budget. Mr. Evelyn stated New Kent had a very good staff now and he felt compensation should be looked into. Mr. Hathaway suggested he believed there would be other options with the numbers presented earlier by the Commissioner of the Revenue. He suggested there would be significantly more revenue and the Commissioner had indicated final numbers would be available in a couple of weeks. He noted the proposed FY22 Budget was a flat budget and there was no additional funding. The annual contingency per policy had to be at least $300,000 and typically there was a little more that could be budgeted for this. That was not the case this year and the minimum $300,000 was being recommended. Mr. Evelyn suggested the additional revenue should give more flexibility in the budget. Mr. Hathaway agreed but noted everything he had heard in earlier presentations would not be cheap. The School Board had asked for an additional $450,000 but he suggested that figure could go up to $600,000 to $700,000. The Sheriff's Office request would cost about $506,000 and the Fire-Rescue request would cost about $237,000.

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IN RE: COUNTY ADMINISTRATORS FY22 PROPOSED BUDGET REVIEW

County Administrator Rodney Hathaway provided an overview of budget recommendations for FY22. He encouraged Board Members to let him know if there were any concerns. He reported new FY22 revenue was projected at $2,758,199. The recommendation was that the new revenue be allocated as follows:

- $1.3 million to fund personnel actions and adjustments. A handout of all personnel requests and proposed positions for FY22 had been distributed. Mr. Hathaway stated he felt it was important for Board members to see what departments had requested. The summary contained 52 requests totaling approximately $2.4 million.
- He reminded the Board that after reductions had been made to the FY21 budget due to COVID, he had stated they would not have everything needed for the new school and he would be coming back to the Board in FY22 for an increase. There had been enough growth in revenue that a tax increase would not be necessary but he noted it would be necessary to absorb $190,000 of additional funding to cover all costs for the new school.
- The set aside funded by a 2% meals tax increase was included in the recommended budget and would generate $591,880 for future capital projects and debt service.
- Emergency Communication Systems totaling $202,635. The warranty had expired and an annual maintenance contract would begin in FY22.
- School Operating Transfer totaling $150,000 – Mr. Hathaway was proposing $150,000 while the School Board was requesting $450,000. He suggested additional funding for schools could be considered with the additional funding the Commissioner of the Revenue had reported. Mr. Evelyn noted the School Board had also requested over $500,000 for operations at the new school. Mr. Hathaway reported this funding was built into the Quinton Elementary Operating budget recommendation. Mr. Evelyn expressed concerns regarding funding in FY22 when the school would not be operating until FY23. Mr. Tiller agreed and suggested the funding may not be used as specified. Mr. Hathaway agreed and noted he could see the need for some positions such as a principal and some administrative staff to be filled this fiscal year. Mr. Stiers stated the School Board extended contracts in June for employment in September and suggested these positions would not need to be filled a year in advance of the school opening.
- Road-Side Litter Pick-up Contract totaling $75,000.
- Fire Department totaling $51,512 – This included additional operating costs such as utility services and the instant alerting system for Station 5.
- Inmate Housing totaling $48,000 - The cost for inmate confinement continued to rise. The increased funding was necessary due to a per diem increase as well as an expected increase in the number of days inmates were confined.
- Bay Transit totaling $46,662 – Bay Transit had reduced the FY21 $60,000 annual collection due from New Kent by using one-time CARES Act funding. This funding was not expected to be available in FY22 and the County would pay the full $60,000. It was also noted Bay Transit was currently providing ride services free of charge.
- Registrar totaling $34,238 – This included $21,600 in office annual rental, $4,500 in voting machine maintenance and the balance for utility services at the rental property.
- Sheriff – Mr. Hathaway noted he had been recommending thee new Sheriff's Office deputy positions but after hearing the earlier Sheriff's Office presentation, did not believe the department would be moving forward with that request. The $195,000 originally requested for the positions would now be directed to addressing salary concerns. The Board would need to decide if the $26,055 recommended for supplies, training and uniforms for the three new positions should also be used for salaries.
- Non-Major Capital Procurements including a plotter for the GIS Department, phones, a dump trailer and a bush hog totaling $20,160.
- Other New Increases – Individual department budgets with a modest increase of $32,690 had remained almost flat. Mr. Hathaway noted the Board had heard from several department regarding increased work load and expressed his appreciation to the departments for always trying to find ways to be more efficient.

Mr. Hathaway noted many of these expenditures were for commitments the County had already made and there wasn't much flexibility. He noted there was generally much more flexibility with personnel actions. He suggested his recommendations would be adjusted based on the Commissioner of the Revenue's report. He reported that one area he had hoped to fund had been the Building Official's department but he had unfortunately not been able to initially find money in the budget. He noted the Building department was very busy and he believed they needed at least one additional building inspector. He stated they had requested two building inspectors and he would now be able to recommend the addition of one position. He noted the new elementary school as well as several large economic development projects that were in the works would only add to the work load.

Expanding on proposed personnel actions totaling $1,288,918, Mr. Hathaway noted the following recommendations:

- A 3.5% Cost of Living Adjustment (COLA) for all employees totaling $462,535. County employees had not received a COLA in FY21 and the Social Security Administrations Cost of Living calculator had been used to arrive at this percentage. A 3% increase had initially been considered but after Chesterfield and Henrico had announced 4% increases, a decision had been made to recommend 3.5%. Mr. Stiers indicated he thought employees had received a 5% COLA in FY21. Mr. Hathaway noted that had not been the case but employees had received a one-time bonus in FY21. He also reported first responders had received an increase of $2 per hour for hazardous duty using CARES funding for a limited period of time. Mr. Evelyn also noted the bonus did not help employees with the Virginia Retirement System. Mr. Hathaway confirmed a bonus did not increase VRS. Mr. Evelyn reported Ms. Paige had asked him to make her thoughts on the COLA known. She wanted a flat salary increase for all employees rather than a COLA. Mr. Hathaway reported he had also spoken with Ms. Paige and believed she was okay with the $462,535 amount for raises but wanted employees to receive equal raises rather than a percentage. Mr. Lockwood suggested perhaps a baseline could be set for a minimum increase such as $20 a week. Mr. Hathaway indicated he could go back and look at that and suggested different amounts may want to be considered for part time and full time employees. He also noted this would not help with compression. Mr. Stiers also noted equal raises for all would result in employees who may have been with the County for only a year receiving the same increase as those who had been employed for fifteen years. Mr. Hathaway indicated he would run the numbers and bring back options. He also noted merit increase had been discontinued prior to him becoming County Administrator. He also noted the Munis system included an evaluation program which the County was not currently using. He expressed concerns about connecting raises to performance and the County's ability to pay.
- Mr. Hathaway noted he had mentioned $195,000 for three new Sheriff's Office positions but the earlier presentation from Sheriff's Office staff had indicated they would prefer to use this funding in some other fashion.
- Three new communications officers approved in FY21 totaling $158,913. These positions had not been budgeted in FY21 and would be picked up in FY22.
- A 3.5% Employee Health Insurance Renewal increase totaling $128,814 – A decrease or level rates had been expected. He recommended the County absorb the increase and not pass it on to employees. He distributed a health plan rate sheet and reviewed several of the options. He noted New Kent was doing very well with the employee plan which was currently $50 per month but when comparing costs for couples and families with state and Henrico County plans, New Kent was significantly higher.
- Two departments most impacted by the increasing minimum wage would be Parks and Recreation and Voter Registration. The rate would increase to $9.50 on May 1st and then $11 on January 1, 2022. Fire Chief Rick Opett had also reported the increasing minimum wage would impact his staff as the rate increased to $13 and $14 an hour.

Mr. Tiller asked if the proposed 3.5% COLA would be enough to bring employees on the lower end of the pay scale in line with the increasing minimum wage. He suggested giving employees a flat dollar increase would address the need for additional increases as the minimum wage increased. Mr. Hathaway reported a flat dollar increase would result in full time employees receiving between $800 and $850 and a plan to address part time employees would also need to be considered. Mr. Evelyn suggested a flat dollar increase would not be fair to employees who had worked to elevate themselves through education and training and it would not be helpful with VRS. Mr. Clark shared information from a year when employees had received a flat dollar increase of $736 and noted some had received .0001% while other had received 14%. He noted this would exacerbate compression concerns. Mr. Lockwood again suggested consideration be given to a $20/week baseline increase for those on the lower end of the scale.

- Information Technology Deputy Director position totaling $48,567 – This position had been funded for only six months in FY21 and needed full funding in FY22.
- Registrar increase totaling $19,134 – The General Assembly had passed legislation requiring pay parity between the Voter Registrar and the County Treasurer.
- Fire – Three ALS (Advanced Life Support) incentives of $5,000 each totaling $18,582 with benefits.
- Parks and Recreation – Maintenance Supervisor Salary Increase of $10,000 totaling $11,843 with benefits. This position had been advertised for four months with limited response and it was believed the increased salary would draw more qualified candidates.
- Financial Services – Salary Adjustment of $7,500 for the Financial Services Director totaling $9,061 with benefits to bring this position more in line with the market.
- Environmental – Promotion of an Environmental Inspector to a Senior Environmental Inspector - $5,000 increase to base totaling $6,078 with benefits.
- Victim Witness – Salary adjustment of $5,000 totaling $6,012 with benefits. This was a grant funded position. This position served both Charles City and New Kent and Charles City was also being asked to increase the salary by $5,000. This position had not received a salary increase in a number of years.
- Building Inspections – Salary adjustment of $3,222 for the front counter position totaling $3,874 with benefits.
- Environmental – Promotion – Salary Adjustment of $3,000 for the front counter position totaling $3,608 with benefits.
- Human Resources – Salary Adjustment of $2,000 for the Human Resources Director totaling $2,417 with benefits to bring this position more in line with the market.
- A $168,602 increase in Other Funds was also noted and included COLA for Social Services and Public Utilities, Insurance, Staff Turnover, Pay Plan Adj and On-Call.

Mr. Stiers asked if employees receiving promotions or salary adjustments would also receive the 3.5% COLA. Mr. Hathaway indicated they would. Mr. Stiers asked about the proposed Public Relations Specialist Position noted on the list. Mr. Hathaway noted he had skipped this position in error and reported he was proposing the creations of this position. He felt this was an area where the County needed an individual who could focus the majority of their time on public outreach. This person would be responsible for the County's social media postings, establish a social media policy, maintain the County website and respond to FOIA requests. An existing employee had been performing most of these tasks and plans were to promote that individual and then fill an administrative assistant position.

Mr. Hathaway asked if there were any questions or any other areas the Board would like staff to review. Considering the additional money reported by the Commissioner of the Revenue and the deficit between what had been requested by schools and what was being proposed, he asked if that was an area where the Board would be comfortable with staff working to get closer to their request. Mr. Evelyn suggested the Board should wait until more was known about the relief funding schools would receive. Mr. Hathaway reminded the Board this funding would be one-time funding and the $450,000 requested was for ongoing operating expenses for which CARES Act funding could not be used. Mr. Evelyn noted the School Board wanted to be able to give a 5% across the board increase to employees. After further discussion, Mr. Evelyn stated he would be comfortable with considering an additional $100,000. Mr. Stiers noted the Board would know what funding the School Board would be receiving prior to adopting the budget and suggested the Board should wait to see what they received. Mr. Lockwood noted the one-time money they would receive would be used in other areas. Mr. Hathaway also reported the County had been pressing the School Board to find areas in their budget where one-time money could be used. There was a great deal of discussion regarding how the one-time CARES Act funding could and could not be used. It was noted much was still unknown at the time.

Mr. Hathaway indicated he would work with Fire-Rescue and the Sheriff's Office to get more information for presentation at the next work session. Mr. Stiers stated that after listening to presentations from Fire-Rescue, the Sheriff's Office and the Commissioner of Revenue, he felt their requests were sincere needs. Mr. Hathaway agreed but cautioned the Board that they had listened to only three departments and he felt the need was much bigger. He thanked the Board for their comments and noted there was still work to be done. Mr. Stiers expressed appreciation to staff for all of the effort that had gone into the budget.

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IN RE: WEEKLY UPDATE – PINE FORK PARK – FARMS OF NEW KENT

County Administrator Rodney Hathaway noted he was not sure how much time he would have when he returned to the office but stated he would be sending an update on Pine Fork Park. He reported these updates would be provided bi-weekly. Mr. Evelyn suggested the report could wait until Monday. Board members concurred. Mr. Hathaway also noted he had sent Board members an email the previous day regarding Preston Hollow Capital's revised request for Farms of New Kent bond financing. He believed Preston Hollow had heard the Board loud and clear and reported they were now planning to refinance the existing debt without changing how assessments were being handled. This process would still require public noticing, the CDA (Community Development Authority) would also be involved and the Board would need to take some action to allow them to move forward.

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IN RE: ANNOUNCEMENT OF UPCOMING MEETINGS/ADJOURNMENT

Mr. Evelyn announced the next regularly scheduled meeting of the Board of Supervisors would be held at 6:00 p.m. on Monday, April 12, 2021, and the next work session at 9:00 a.m. on Wednesday, March 24, 2021, both in the Courtroom of the Historic Courthouse (School Board Office).

Mr. Tiller moved to adjourn the meeting. The members were polled:

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| C. Thomas Tiller, Jr. | Aye |
| Patricia A. Paige | Absent |
| Ron Stiers | Aye |
| John N. Lockwood | Aye |
| Thomas W. Evelyn | Aye |

The motion carried.

The meeting was adjourned at 1:52 p.m.