

THE SEMI-ANNUAL MEETING BETWEEN THE NEW KENT COUNTY BOARD OF SUPERVISORS AND SENIOR STAFF WAS HELD ON THE 13<sup>TH</sup> DAY OF FEBRUARY IN THE YEAR TWO THOUSAND NINE OF OUR LORD AT FIRE STATION ONE IN PROVIDENCE FORGE, VIRGINIA, AT 12 NOON.

---

IN RE: CALL TO ORDER

Chairman Davis called the meeting to order.

---

IN RE: ROLL CALL

Thomas W. Evelyn	Present
David M. Sparks	Absent (Arrived at 12:13 p.m.)
James H. Burrell	Present
Stran L. Trout	Present
W. R. Davis, Jr.	Present

Mr. Burrell gave the blessing and Fire Chief Tommy Hicks was thanked for hosting the meeting and providing lunch. It was announced that Mr. Evelyn would have to leave the meeting early.

Staff present were County Administrator John Budesky, County Attorney Jeff Summers, Community Development Director George Homewood, Public Utilities Director Larry Dame, General Services Director James Tacosa, Parks & Recreation Manager Kim Turner, Assistant County Administrator Bill Whitley, Airport Director Bill Kelly, Sheriff F. W. Howard, Jr., IT Director Jonathan Stanger, Chief Deputy Treasurer Norma Holmes, Commissioner of Revenue Laura Ecimovic, Financial Services Director Mary Altemus, Assistant Financial Services Director Amy Stonebraker, Human Resources Specialist Darla Stanley, Fire Chief Tommy Hicks, and Deputy Clerk of the Board Connie Nalls.

---

IN RE: FY10 BUDGET

Mr. Budesky reported that currently the budget shortfall for the County was \$1.3 million, with a local shortfall for the Schools of about \$1.090 million (exclusive of the \$1.5 million State funding shortfall). He reminded that debt service had been moved from the School's budget into the County's, which affected being able to directly compare the numbers to those from years past. He commended the departments for their cooperation in finding additional savings and cuts within their budgets, and he reported that with their help and some proposed additional cuts recommended by the Budget Team, a recommended balanced FY10 budget had been developed that met the Board's goals of no tax increases or fee changes (except utility fees). He reported that the recommendation did include one change from past years' practice involving a one-cent set-aside for capital. He pointed out that those accumulated set-aside funds totaled about \$700,000 and had never been appropriated, and it was the Budget Team's recommendation that instead of adding to that fund, the \$152,000 which would normally be set aside for capital be paid into the general fund instead. He indicated that was a policy decision to be made by the Board if it decided to accept the recommendation. He reminded that the Board could restore the practice at any time in the future.

Mr. Sparks asked if the delay in the expansion of the Parham Landing wastewater treatment plant would permit an opportunity not to increase the utility fees. Mr. Budesky advised that to date only design work for the project had been approved. He explained that the funds for expansion were in hand and that the proposed reclaimed water line that was still

under consideration would require borrowing. He noted that should New Kent receive federal stimulus funds for the expansion project, then the County's costs would be reduced and that would likely affect the Pro Forma and the need for the 8% annual increases; however, he clarified that reducing the size of the Parham plant from 3 million gallons per day (3mgd) to two million gallons per day (2mgd) had not resulted in a change in the needed rate increases. He indicated that there was still a lot of work to be done on the projects and they would be brought back to the Board for further discussion in the future.

There was discussion among the Board members regarding the reclaimed water line and how it might be considered favorably for federal stimulus money. Mr. Budesky reminded that Congressman Bobby Scott had called an upcoming meeting of local officials to provide more information regarding the stimulus package. He indicated that he would like to obtain consensus on some potential projects prior to that meeting and suggested that three likely projects would be the reclaimed water line, expansion of the Parham plant, and renovation of the historic school for use as a library.

He indicated that the Budget Team was continuing to work on "Plans B and C" to address problems that might arise if the economy worsened, and reported that each department had been tasked to define its functions. He added that information would be included with the FY10 budget information and could help with decisions that might need to be made in the future. He reminded that as budgets were tightened, there would be decreasing funds in the future with which to cash-fund capital projects.

Mr. Budesky also pointed out that the Budget Team's recommendation included a 10% reduction in funding to agencies, except those agencies whose funding was based on population or other factors, and that it was likely that the Board members would be hearing from the agencies about those proposed reductions. Mr. Sparks suggested that the Board go through the list very carefully, noting that it would be his preference to give additional funding to Meals on Wheels.

Mr. Budesky advised that the Board would be receiving detailed information on all budget line items for future work sessions, but he asked for feedback on what additional information or focus any of the Board members might want.

Mr. Trout asked about funding from the State Compensation Board. Mr. Budesky explained that the Budget Team was projecting a 20% decrease in that funding but that the final figures would not be known until the General Assembly had completed its work.

Mr. Evelyn asked about Plans B and C. Mr. Budesky explained that staff had developed a long list of possible operation cuts, many of which had been based upon suggestions from the departments, and he shared some of those items with the Board. He admitted that many of the suggestions were things that created efficiencies but did not have specific "dollar amount" savings, such as cross-training of personnel. He indicated that the Budget Team had considered but decided against including furloughs, salary reductions, or passing on health insurance premium increases in its current recommendation. He indicated that they had also considered contracting out services but had decided that it was not in the County's best interest and was not included in the current recommendation.

Board members asked what was being communicated from the schools. Mr. Budesky indicated that schools had indicated that 20 teachers may have to be laid off. He reminded that it was a policy decision of the Board as to whether it wanted to further cut County operations in order to give the schools more funding, and that if that was what the Board wanted, then staff could develop another recommendation. He pointed out that the Board

would be meeting with the School Board on March 2 and that the schools were aware of what was happening. He noted that other localities were in similar positions.

Board members thanked staff and the Budget Team for meeting the goals that had been set. It was noted that New Kent was in better shape than many of the other localities in that it had good reserves and was not having to borrow money for operations. Several Board members expressed their concern that future budgets were of more concern as economic conditions worsened, and they encouraged staff to continue to suggest ways to save money and cut costs.

Mr. Budesky reminded that it was an ongoing process and that Plans B and C contained items that could be implemented at any time in the future as conditions developed. He reported that a revenue shortfall in the FY09 budget had just that day resulted in effecting cuts in various line items in order to compensate and he was confident that the current year's problems had been solved. He reminded that the County was in a strong financial condition and had a healthy contingency fund and a fund balance. He indicated that there was some good news in that both personal property tax collections and real estate tax collections were tracking ahead of budget projections.

Board members agreed that staff was on the right track and that the fund balances should be reserved to bridge any shortages in the future.

There was discussion regarding the debt service and it was reported that about 86.8% was related to school projects.

There was more discussion regarding the federal stimulus package. Board members seemed in agreement with the three projects recommended as candidates for the stimulus program.

There was more discussion regarding the proposed reclaimed water line. Mr. Dame clarified that two million gallons of reclaimed water could be stored at the Chickahominy plant. He admitted that in the beginning, they would not be able to produce as much as the potential customers would need, but that as the system grew, it would be producing more reclaimed water than was needed by the golf courses and Colonial Downs. He indicated that if there was no demand for the reclaimed water, then it would be discharged to the Pamunkey River. He reported that there had been interest expressed by the golf course under construction at New Kent Vineyards. Mr. Budesky added that the reclaimed water line would also provide some advantages for economic development in the Route 33 corridor. Mr. Burrell pointed out that the project would put the County in better stead with the Department of Environmental Quality (DEQ) regarding groundwater withdrawal permits. Mr. Evelyn indicated that he wanted to see more "numbers" before he would agree that the reclaimed water project should be the first priority on New Kent's stimulus project list. After further discussion, there was consensus that the expansion of the Parham plant should be first, the reclaimed water line project second, and the renovation of the historic school third, although it was recognized that the funds may be allocated by category.

Mr. Trout commented that he felt that the reclaimed water line had an environmental advantage. The Board was reminded that DEQ had warned that after 2012 groundwater could not be used by anyone for irrigation. Mr. Budesky indicated that the reclaimed water project may "feel right" but a lot more work needed to be done and he wanted to make sure that the Board was comfortable with the three projects that had been recommended for funding through the stimulus package. There was also discussion about projects being "shovel ready" and what that meant.

Mr. Evelyn left the meeting at 1:15 p.m.

Mr. Burrell predicted that the County may have to move quickly to present projects for consideration.

Mr. Homewood advised that regarding transportation, there were two parts, the first being projects that could be obligated within 90 days and the second those that could be obligated within 365 days. He did not know if those two criteria would be applied to other categories or not.

Mr. Trout pointed out that all of the engineering work had been done for the Mt. Pleasant Road project; Mr. Homewood stated that the problem was that neither Mt. Pleasant nor South Waterside Drive were major collectors and were therefore totally ineligible for federal dollars. He indicated that he thought all of the stimulus money would be 100% with no local matches required.

There was discussion as to whether design-build projects would be considered, or if a second set of hangars at the airport could qualify. Mr. Kelly indicated that airport funding was under a different program and that currently no CIP projects would be eligible – only engineering, planning and design work, but that those would be 100% funded with no local match. He indicated that would rule out a hangar project, but the proposed program would cover rehabilitation of the ramp and taxi way – pavement that was 20 years old. He added that funding for New Kent came through the Washington Area District Office which had a policy that airports that had used federal funding for revenue-generating projects (like the hangar project) would not be eligible for district funding for three years; however, he stated that was not a nationwide policy and it might not be applied to stimulus funding.

Mr. Budesky stated that it was his understanding that the stimulus money for utility projects might be interest-free loans rather than grants. Mr. Whitley advised that no one knew yet, adding that there had been a lot of speculation but that it made little sense for the funding to come out as loans rather than grants. He also talked about the problems that might be encountered in trying to follow procurement rules, as it normally took more than 90 days for the bidding process, but admitted that there could be some changes in State regulations.

Mr. Budesky pointed out that the Public Private Education Act (PPEA) had worked well in New Kent. Mr. Summers commented that if they used the federal definition of “obligated” as “under contract”, then PPEA would work great.

Mr. Kelly indicated that PPEA projects were not eligible for airport grant funding.

There was a question regarding new stormwater regulations. Mr. Homewood reported that the proposed bill had been delayed and that there did not appear to be much in the way of new initiatives that would be tasked to localities. He added that the problem was that the State was reneging on its obligations to pay for certain things, such as additional retirement for law enforcement and health care benefits.

The Board discussed the upcoming joint meeting with the School Board.

Mr. Budesky advised that he would keep the Board updated as developments occurred. He also advised that some formatting changes had been made to the proposed Personnel Policies Manual that was on their work session agenda.

---

IN RE:           ADJOURNMENT

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

Thomas W. Evelyn	Absent
David M. Sparks	Aye
James H. Burrell	Aye
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye

The motion carried.

The meeting was adjourned at 1:30 p.m.