A SPECIAL BUDGET WORK SESSION OF THE NEW KENT COUNTY BOARD OF SUPERVISORS WAS HELD ON THE 9TH DAY OF APRIL IN THE YEAR TWO THOUSAND NINE OF OUR LORD IN THE BOARDROOM OF THE COUNTY ADMINISTRATION BUILDING IN NEW KENT, VIRGINIA, AT 6:00 P.M.

IN RE: CALL TO ORDER

Chairman Davis called the meeting to order.

IN RE: ROLL CALL

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

All members were present.

IN RE: CLARIFICATION OF ITEMS QUESTIONED AT THE PRIOR BUDGET WORK SESSION

County Administrator John Budesky reviewed information on items that had been questioned at the previous budget work session.

The first item had to do with the new IT switches. It was explained that IT switches were the “backbone of the network” with each having 48 ports. A memo from IT Director Jonathan Stanger indicated that every computer and telephone needed its own port, and that one of the new switches would meet the additional needs in the Data Center, and the second would be used as backup in case of failure of one of the existing switches.

Mr. Budesky reported that the funds the Board wanted restored to Meals on Wheels for FY10 would be taken from the contingency fund. He also noted that it had been learned that James River Development Corporation had been bought by another entity and would no longer be soliciting locality contributions, and the funds that had been earmarked for that contribution for FY10 would be put into the contingency fund.

Regarding funding for the Heritage Library, he indicated that it had been confirmed that the rent assistance paid by New Kent was being reported to the State as part of the local match. He reported that the Library had provided an analysis that supported its claim that the County was underfunding based on the State’s per capita formula. He clarified that information did not change staff’s recommendation to the Board regarding the amount of suggested funding for FY10 as it was “not the year” to support any increase in Library funding.

Mr. Budesky noted that the deadline to advertise the fee changes and tax levies was fast approaching and reminded that once advertised, the Board could lower those amounts but could not increase them without re-advertising.

It was also reported that the Governor’s amendments to the early voting bill, about which the County had forwarded a letter of opposition, had been declared to be “non germane” by the Speaker of the House, and therefore there would be no additional costs to the County for that.

Mr. Davis referred to a recent newspaper article and wondered why Powhatan County had received more federal stimulus funding than New Kent. It was suggested that the information reported in the article was not accurate.

IN RE: UTITLITY BILLING

Public Utilities Director Larry Dame reviewed his analysis regarding the requested switch from quarterly to monthly billing.

He reported that his analysis reflected that the additional annual cost to the County, excluding labor, to switch to monthly billing would be around $13,200, which included the cost of postage and supplies for both the billing itself and the cut-off notices.

He indicated that the most notable benefit to switching to monthly billing was an expected two-thirds reduction in non-collection of final billings. He explained that the costs to collect these bills were often more than the revenue that was lost, and the unpaid bills mostly resulted from instances where a contractor would build a home with an irrigation system, and then later go out of business and not pay a bill covering four to five months of service. He reported that over the past two years, the County had lost almost $30,000 in unpaid final bills, although recent aggressive efforts had resulted in the collection of over $5,000. He indicated that about $8,000 of the uncollected bill were for residential customers.

He advised that another benefit of monthly bills pertained to early detection of water leaks. He explained that most customers didn't realize they had a leak until they received a bill showing larger than average consumption. He indicated that County ordinance provided for a leak adjustment policy whereby the customer was charged double the average bill and the County wrote off the rest. He projected that with monthly billing, leaks should be detected earlier and would resulted in a decrease in cost to both the customer and the County. He reported that over the past two years, there had been $7,224.05 in leak adjustments. He pointed out that would be another way to show the State that the County was serious in its water conservation efforts.

It was confirmed that customers were able to pay their utility bills online, with an added convenience charge.

Mr. Davis asked about a problem with builders not returning construction meters. Mr. Dame advised that he had been working on a program which he would bring to the Board at a later time. He confirmed that billings for construction meters were done monthly.

County Attorney Jeff Summers explained that when customers moved away from New Kent and left small bills unpaid, it was difficult to find an attorney to collect the accounts because of the small amounts involved. Mr. Sparks asked how many times that had happened in the past year. Mr. Summers responded that there had not been many, as the bulk of the unpaid bills dated back two to three years when there was another Utilities Director. He reported that there were six accounts that totaled over $1,000, and between 25 and 30 accounts that ranged between $200 and $300. He indicated that bills sent to forwarding addresses were being returned by the Post Office, and even if addresses were located, the accounts would be difficult to collect because of the small amounts.

Mr. Davis asked if a new homeowner would have liability for an unpaid bill from a prior owner. Mr. Summers advised that they would be responsible only if they knew about it, but if the builder did not disclose the fact, then there would be no liability on the new owner.

Mr. Davis asked how many water-only customers the County had, noting that those bills would be so small that customers would likely prefer to pay them quarterly rather than monthly. Mr. Dame reported that there were about 1,200 water-only customers and around 700 water and sewer customers. He added that he would not recommend one billing method for water-only customers and a different one for water/sewer customers.

Mr. Dame also clarified that based upon a per household average water use of 5,000 gallons, the average monthly bill would be around $25.00 for a water-only customer and $61.81 for a water/sewer customer.

Mr. Burrell commented that he felt customers would rather have a smaller monthly bill than a larger one every quarter.

Mr. Sparks expressed his concern about the increased cost to citizens to have to pay a monthly bill rather than a quarterly one. He indicated that his neighbors did not like the idea of monthly billing because of the increased cost and inconvenience, and although he appreciated the information, Mr. Dame had not convinced him of the benefits of the change.

Mr. Evelyn stated that he had not heard any complaints about water bills from his constituents and felt that if the current process wasn't "broken" then there was no reason to "fix" it. Mr. Summers advised that it was "broken" from the County's point of view because of the unpaid bills. Mr. Sparks commented that he felt that was a "bold statement" and asked what percentage of bills were unpaid. Mr. Summers conceded that he did not have that information. Mr. Sparks expressed that no one had ever complained to him that the billing process was "broken".

Mr. Dame advised that an average of 30 disconnect notices were mailed out in each billing cycle and normally the bills were paid when those notices were received, unless the customer had moved. Mr. Sparks asked how many defaults there were in the past two years as a percentage of the total revenue. Mr. Dame did not have that information.

Mr. Trout noted that there was usually no loss unless the customer walked away.

Mr. Dame admitted that 30 disconnect notices out of 1,900 customers was a small percentage, and he felt that 90% of the utility system customers paid on time; however, he continued to believe that a customer would have an easier time paying a smaller monthly bill than a larger quarterly bill, especially if it included irrigation charges.

Mr. Sparks asked what "wouldn't get done" if staff had to spend time to do the monthly billing. Mr. Dame indicated that he did not think that other work would suffer. Mr. Sparks asked if, when the economy turned around and the number of customers increased, Mr. Dame anticipated the need for additional staff to do the monthly billing. Mr. Dame responded that he did not anticipate that, based on his experience, additional customers did not significantly add to the billing process and he did not expect to need additional staff. He explained that all meters could be read by one staff person in a four-hour period, and it was not necessary to ride up and down every road to obtain the readings.

Mr. Trout asked what, besides the final unpaid bills and earlier detection of leaks, were the other advantages of monthly billing. Mr. Dame advised that it would result in "more steady revenue" and he would also be able to see trends sooner and easier which would help him to better project revenue and determine rates. He indicated that there was no current problem with cash flow.

Board members thanked Mr. Dame for his recommendation but were in agreement not to change to monthly billing in the upcoming fiscal year.

IN RE: DEBT PAY-OFF

In follow-up to discussions from the last budget work session, Mr. Budesky distributed a new analysis developed by Financial Advisor Ted Cole. He reviewed that the County had about $2.7 million in the Fund Balance from which staff had recommended that $1.9 million be used to pay off debt. He related that Mr. Cole had determined that if the County paid off a portion of the loan with RBC, as had been mentioned by Mr. Sparks at the previous meeting, then the remainder of the loan would be re-amortized. Mr. Cole's suggestion was to either pay off all of the RBC loan or $1.9 million on the loan with C&F Bank. It was reported that the County would get more cash up front by paying off the RBC loan but would have more total cost savings resulting from a partial pay-off to C&F. Mr. Budesky reminded that the County could pay off the total amount due C&F but he cautioned the Board against using all of its cash. He again explained that the reason for the pay-off should be the determining factor as to which loan would be paid. He indicated that, in either case, he would suggest that the debt service savings be put into the Fund Balance, and from there the Board could allocate it as it wished.

It was confirmed that the loan with C&F was the only one that did not have a prepayment penalty.

Mr. Evelyn asked how those debt service savings would be used in future years. Mr. Budesky indicated that would be up to the Board, but he continued to recommend that the Board not allocate those funds at the present time.

There was discussion about perceptions that the next budget year would be even tighter. It was confirmed that school debt service would be recurring but there would not be any new school debt service after FY10.

Mr. Sparks stated that he would support the recommendation to pay off $1.9 million of the C&F loan and put the savings into the Fund Balance, adding that any time the County could eliminate debt it should do so and that the County was not earning interest on its cash to cover that difference. Mr. Budesky pointed out Mr. Cole's analysis that the County would have to earn 4.15% in interest for it to make sense not to pay off the debt.

Mr. Trout expressed his concern that something might come up where the County would need the cash and would have to borrow it. Mr. Budesky stated that the County would have a fair amount of cash left, noting that even though the County had a policy of retaining 15% of its budget in the Fund Balance, that did not mean that those funds couldn't be used in an emergency. Mr. Trout repeated that was his concern and, although he wasn't thinking of "anything special", it was always good to have cash available.

Mr. Budesky stated that the Board would not need to put the debt service savings into the Fund Balance on an annual basis, and that after FY10, it would become part of the annual revenues.

Mr. Davis advised that he felt that the County should pay off the RBC loan because it would be “gone and off the books”, would no longer encumber the historic school property, and would provide the “biggest bang for the buck” as far as cash flow.

Mr. Trout asked, if the County needed money for something, whether the historic school property could be used as collateral. Mr. Budesky said that it could because it still had substantial value, but reminded that the County had other property that could be used for collateral as well. Mr. Summers added that the value of the historic school was not in the building but in the parcel. Mr. Davis stated that he thought the RBC loan also covered the primary school gymnasium and it would make sense to pay off the loan.

There was discussion regarding the pending deed for the historic school property. Mr. Summers advised that the survey had been done. Mr. Sparks asked if it would be best to wait until the property was deeded from the School Board to the County before paying off the loan. Staff advised that it was the County’s debt regardless and, as a practical matter, if the Board did not pay off the RBC loan and needed to free up the school property, then it could ask the bank to accept a substitution of collateral. Mr. Summers advised that the Board could decide at this meeting that it wanted to pay off the RBC loan and, by the time that was done, it was likely that the deed would have been signed.

Mr. Trout noted that by paying $1.9 million on the C&F loan, the annual debt service payments would drop from $214,000 to $65,000. He added that he would like some more time to study the options to see which one made the most sense.

Mr. Budesky indicated that a decision would not be needed until Monday, April 13, as it would not affect the FY10 budget or the advertising.

Mr. Evelyn stated that he would also like more time to review the information.

Financial Services Director Mary Altemus reminded that the Financial Advisor had indicated that pay off of the RBC loan would provide “the most bang for the buck” but was not the most cost advantageous or economically advisable.

Mr. Sparks commented that from a total cost perspective, he agreed with Mr. Davis that paying off the RBC loan might be prudent because of the collateral. Mr. Davis added that it would also free up some borrowing capacity if it were needed. Mr. Budesky agreed that although the County had no plans to borrow up money, an early pay off would free up some borrowing capacity and this was just an option to retire some debt early.

Mr. Burrell stated that he agreed with Mr. Davis.

Mr. Trout pointed out that after the first couple of years, the annual debt service savings from paying off the RBC loan would be only around $123,000. Mr. Budesky emphasized that was why determination of the Board’s intent was so important – if it wanted cash flow, pay off RBC but if it wanted total overall savings, then a partial pay off to C&F should be the choice.

Mr. Sparks asked if RBC had agreed to waive the prepayment penalty. Mr. Budesky indicated that he could not say if that had been determined but it would be best not to ask that question until it was decided if that the RBC loan was the one that would be paid off.

Mr. Trout again spoke of his concerns about where the debt service savings would be spent, and that, in the long term, paying off the RBC loan would only generate $123,000 in annual cash flow.

Mr. Burrell indicated he was ready to make a decision, and then moved that the County pay off the entire balance of the loan with RBC. He accepted an amendment to his motion to let the Financial Advisor negotiate with the lender on waiving the prepayment penalty. The members were polled:

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

The motion carried.

Mr. Davis commented that the County needed to be prudent with the money it would be saving and would likely need those funds to help balance next year's budget. Mr. Budesky explained that the savings would show up in the Fund Balance in FY10 and be available to the Board to allocate as it chose. Ms. Altemus corrected that the funds should be put into contingency rather than the Fund Balance.

Mr. Davis again asked if the County should wait to pay off the loan until the deed was completed. Mr. Summers assured the Board that the deed would be taken care of, and the pay-off would likely not take place until after July 1. Mr. Budesky corrected that information, stating that the pay-off was not coming out of the FY10 budget but out of the current Fund Balance, and if the Board so directed, it could be paid off immediately.

Mr. Trout repeated his concern about the future and maybe it would be best to wait until next fiscal year to do the pay-off. He also stated that the Board needed to make sure that it received the deed to the property.

Assistant Financial Advisor Amy Stonebraker asked for Board action to appropriate the funds for the pay-off. Mr. Burrell then moved to appropriate from the Fund Balance the sum of $1,988,764.82 plus accrued interest to pay off the loan with RBC. The members were polled:

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

The motion carried.

Mr. Budesky advised that he would follow up with Mr. Cole and provide the Board with an update on the transaction.

IN RE: STAFFING AND GENERAL FUND

Mr. Budesky advised that there remained three areas to discuss before the public hearing, which was staffing/benefits, the General Fund and school funding. He offered to entertain specific questions or to go through the individual budget line items. He noted that there had been no changes to Revenues since the Board last met with the School Board.

Regarding the department budgets, he pointed out that line items had been decreased by at least 6%, and those reductions together with some other cost-savings measures had balanced out the $1.3 million shortfall in the County's budget. He reported a slight increase in building permits and that inspectors were averaging about ten inspections per day instead of fifteen.

Mr. Davis asked if the new format of the Weekly Reader made it easier for staff. Mr. Budesky reported that staff was still getting used to the new format but there had been positive feedback.

Mr. Sparks asked about training funds. Mr. Budesky explained that all training and education funds had been moved from the individual department budgets into a training contingency and requests for those funds had to be approved by both the department director and himself, and had to provide some benefit to the County or relate to a certification process in order to be approved. It was confirmed that same procedure would continue next year and it was reported that there was a significant amount of unused training and education funds because staff was being more conscientious with their requests.

Mr. Budesky reviewed that the FY10 budget did have six position reductions (later corrected to five) that had been accomplished through vacancies. He reminded that Rodney Hathaway was being moved out of the Planning Director position into Economic Development, which left two vacancies in the Community Development Department. He spoke about the Building Development Department, where there might be some reductions or transfers if workload did not soon pick up. He stated that it was hoped that the Business Incentives Program would help out with that, and although it was a "nice carrot", no one had yet signed any commitments and he did not feel the success of the program could be measured until after January 1, 2010. He did report a request from Chesterfield County asking for a copy of the incentives policy.

Mr. Budesky confirmed that the funding for the vacant positions, except for the Planning Manager position, would be maintained in the Contingency Fund, and could be pulled out to reinstate the positions if needed. It was reported that the positions that had been reduced were accounting assistant, building inspector, custodian, planning technician, and planning manager.

The Board members took a short break and then resumed their meeting.

IN RE: BUSINESS LICENSES

Mr. Trout brought up a suggestion from the Commissioner of the Revenue regarding one-day business licenses. Mr. Budesky advised that staff had not received any analysis or proposal from the Commissioner, although she had mentioned it in conversation. Mr. Trout explained that it was his information that it would allow a single event vendors license for a for-profit company, and was being used by some of the other localities. Staff advised that it was too late for such a proposal to be included in the FY10 budget but that the Board always had the option to hold a public hearing at a later date should the Commissioner make a formal proposal.

IN RE: VEHICLE DECALS

There was a brief discussion regarding vehicle decals. Mr. Budesky indicated that staff was working on a proposal to bring to the Board regarding the elimination of annual vehicle decals and that no matter what the proposal was, it would be cash revenue neutral. He suggested that the Board could continue to charge the decal fee, or could increase the personal property tax rate to make up the difference in revenue. He admitted that there were advantages and disadvantages to either option and staff was wrestling with which method would be the best. He indicated that this decision would not have to be a part of the budget process, and could be made as late as July in order to be effective for 2009. He reported that information received to date projected a 20% annual reduction in revenues collected after the first year.

Mr. Burrell expressed his concern regarding identification of County residents at the refuse and recycling convenience centers, and a return to the problems that the County had with non-residents dumping their trash there prior to the time that decals were instituted.

Mr. Budesky advised that staff was not yet ready to discuss the issue with the Board but was working on an analysis so the Board could made a decision. It was clarified that any change to the ordinance would require a public hearing. Mr. Trout pointed out that the County could keep the fee, and then decide whether a decal would go with it. He added that one of the problems was that people paid their personal property taxes on cars for the current year and purchased decals for the following year.

IN RE: SCHOOL FUNDING/SCHOOL RESOURCE OFFICERS

Mr. Burrell moved that the Board fund the schools at the amount recommended in the County Administrator's proposed FY10 budget, but he later withdrew his motion to allow further discussion.

Mr. Budesky explained that the School Board had identified possible cuts in funding for the School Resource Officers (SROs) as a way to help close its budget shortfall. It was explained that the SROs were budgeted for through the Sheriff's Office and then the school system refunded the County for 10.5 months of their salaries from its budget. Staff reviewed that the SRO positions originally were funded with a grant and when the grant ended, the County picked up the funding and the positions had never been an issue.

Mr. Budesky advised that when the Boards met jointly in March, the School Board did not share what specific positions were included in their cuts, but it was later learned that one-half of one of the SRO positions was among those that were on the list. Since that time, it had been inferred that the remaining one-half position was being considered for elimination as well in the School Board's continuing efforts to close its funding gap.

The Board extensively discussed options to address this issue in order to keep the two SRO positions. In the end, there was consensus not to change the recommended funding amount for the school system, but have the County fully fund from debt service savings the two SRO positions in the Sheriff's budget and not require that the school system reimburse for the positions. That would allow the School Board to use those funds in other areas to help close their funding gap, and the positions would remain to provide for the security and safety of the students. This would require transferring funds from contingency to the Sheriff's budget for FY10. It was also reported that the Sheriff's Office was trying to obtain a grant to help pay for these positions.

Mr. Budesky indicated that he would communicate that change to the School Board.

There was discussion regarding equity in the treatment of County and school system employees. Mr. Davis complained about the constant steep increases in health insurance premiums for school system employees, and how he did felt that if the School Board kept absorbing those increases instead of passing them on to the employees, it was equivalent to giving raises. Mr. Budesky explained that both the County and the School Board had to submit allocation information to the health insurance carriers early in the process and a change in how the premiums were allocated might adversely affect the premiums. He indicated that County staff would continue to work with school staff to reach some kind of equity in pay raises and benefits between the two sets of employees, to include consideration of some other health insurance options.

Board members expressed their concerns with school issues, including low graduation rates, decreasing test scores, poor enrollment projections, and failure to deal with ever-increasing health insurance rates.

There was discussion regarding some of the positions that the School Board was considering for elimination if it did not receive more local funding. Some of the Board members expressed their frustration at not being able to understand the School Board's budget and how exactly the students would be affected by the cuts, as well as concerns for the para-professionals. The Board was again reminded that it could not control how the School Board spent its funding.

IN RE: MEETING SCHEDULE, PART 1

Mr. Budesky reviewed the proposed advertising as well as the budget schedule.

Mr. Davis suggested a town hall meeting on the budget. There were concerns expressed by some of the members and, after discussion, Board members consented to hold a town hall meeting on Tuesday, May 5, 2009, between 6 p.m. and 8 p.m.

IN RE: CLOSED SESSION

Mr. Trout moved to go into Closed Session for consultation with legal counsel pursuant to Section 2.2-3711A.7 of the Code of Virginia involving actual or probable litigation. The members were polled:

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

The motion carried. The Board went into closed session.

Mr. Davis moved to return to open session. The members were polled:

Thomas W. Evelyn	Aye
David M. Sparks	Aye
James H. Burrell	Aye
Stran L. Trout	Aye

W. R. Davis, Jr.	Aye

The motion carried.

Mr. Evelyn made the following certification:

Whereas, the New Kent County Board of Supervisors has convened in a closed session on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed session was conducted in conformity with Virginia law;

Now there be it resolved that the Board hereby certifies that to the best of each member's knowledge (i) only public business matters lawfully exempted from open session requirements by Virginia law were discussed in closed session to which this certification resolution applies and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Board.

The Chairman inquired whether there was any member who believed that there was a departure from the motion. Hearing none, the members were polled on the certification:

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

The motion carried.

IN RE: MEETING SCHEDULE, PART 2

Board members complained to the Chairman that they should have been informed ahead of time that he wanted to schedule a town hall meeting. Mr. Davis assured them that he felt that most of the questions would be about the budget. Mr. Budesky commented that he felt a lot of the concerns would be about the eliminated positions within the school system.

After discussion it was agreed that the budget work session scheduled for 4 p.m. on April 13 was not needed and would be cancelled.

IN RE: ADJOURNMENT

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

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

The motion carried.

The meeting was adjourned at 9:10 p.m.