

A SPECIAL MEETING (BUDGET RETREAT) WAS HELD BY THE NEW KENT COUNTY BOARD OF SUPERVISORS ON THE 22ND DAY OF NOVEMBER IN THE YEAR TWO THOUSAND THIRTEEN AT THE NEW KENT FORESTRY CONFERENCE CENTER IN PROVIDENCE FORGE, VIRGINIA, AT 10:00 A.M.

IN RE: CALL TO ORDER

Chairman Davis called the meeting to order.

IN RE: ROLL CALL

Thomas W. Evelyn	Present
C. Thomas Tiller, Jr.	Present
James H. Burrell	Present
Ron Stiers	Present
W. R. Davis, Jr.	Present

All members were present.

IN RE: CLOSED SESSION

Mr. Tiller moved to go into Closed Session pursuant to §2.2-3711A.1 of the Code of Virginia for discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or County employees involving assignment of a county employee. The members were polled:

Thomas W. Evelyn	Aye
C. Thomas Tiller, Jr.	Aye
James H. Burrell	Aye
Ron Stiers	Aye
W. R. Davis, Jr.	Aye

The motion carried. The Board went into closed session.

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

C. Thomas Tiller, Jr.	Aye
James H. Burrell	Aye
Ron Stiers	Aye
Thomas W. Evelyn	Aye
W. R. Davis, Jr.	Aye

The motion carried.

Mr. Tiller 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:

James H. Burrell	Aye
Ron Stiers	Aye
Thomas W. Evelyn	Aye
C. Thomas Tiller, Jr.	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: FY15 CAPITAL IMPROVEMENT PLAN (CIP) REQUESTS OVERVIEW

County Administrator Rodney Hathaway reported that CIP requests totaling \$12.2 million had been received for FY15, a figure that did not include the Schools' requests that he understood totaled \$5.7 million, which would bring the total requests to \$17.9 million. He advised that it was his plan to recommend funding requests totaling \$3.5 million for FY15.

He reviewed some of the "big ticket" requests that included

- Financial Software (new or upgrade) of \$1.1 million, which was proposed to be spread out over FY14 and FY15;
- Historic School renovation project of \$8.5 million of which \$5 million would be borrowed and \$3.5 million paid with cash on hand;
- Taxiway Rehabilitation project of \$1.4 million, most of which would be funded by federal and state dollars with a local match of \$29,167;
- Administration Building roof replacement project of \$95,000, a project he advised could not be delayed again
- Fire-Rescue apparatus replacement, including four engines and one heavy rescue truck totaling \$3.1 million, proposed to be leased over ten years
- 100-foot tower ladder truck for \$989,000, 95% of which would be grant-funded with the County's share at \$49,450
- Initial costs towards construction of fire stations in Bottoms Bridge and Farms of New Kent, totaling \$1 million (with replacement of Fire Station Three beginning in FY16)
- Public Safety radio system at a total cost of \$5.9 million, with a local share of \$4.3 million after anticipated state and federal grants
- Pine Fork Park development funding of \$287,500 to supplement the \$750,000 already on hand towards the project
- A new Animal Shelter at \$1.3 million
- Replacement vehicles for the Sheriff's Department at \$340,500

There were only a few FY15 CIP projects requested for the Public Utilities Department, the more notable being SCADA replacement for \$180,000 and the Route 249 Water Line Project, which would entail a borrowing of \$1.3 million.

He indicated that although the Schools had not formally submitted their CIP requests, it was his information that they would be asking for \$2.7 million for adding a wing to Watkins Elementary, another \$2.7 million for a wing at New Kent Elementary, and \$390,000 for school buses.

Mr. Burrell asked about a reconfiguration of the dais in the Boardroom. Mr. Hathaway explained that the cost of that project was not enough to qualify as a CIP project and would be handled out of the operating budget.

There was discussion regarding the current ambulance fleet. Fire Chief Rick Opett advised that New Kent Fire-Rescue had four of the older chassis models left, with three of the new models in service and one being built.

Board members asked for an update on the Burn Building project. Mr. Hathaway reported that it was moving forward – a grant had been awarded and New Kent was working with Henrico on a “swapping of land”.

There was discussion regarding whether or not the Schools were considering contracting out student transportation. Mr. Hathaway advised that it was his understanding that they were not but that he would follow up with the Superintendent on that issue.

Mr. Hathaway advised that he did not know why the current Animal Shelter was proposed to be replaced.

There was discussion regarding the funding request for a firearms range in FY16 and whether it could include a public component.

IN RE: ANNUAL FINANCIAL STATUS REPORT

Financial Advisor Ted Cole of Davenport & Company reviewed that as of June 30, 2013, the County's current tax-supported debt totaled \$57,613,476. He reported that at a 2.24% ratio for FY14, the County was well below its Debt-to-Assessed-Value (debt outstanding as of percentage of tax base) policy of 4.5%, and at 11.39% was just within its Debt-Service-versus-Expenditures (annual debt service payment as percentage of budget) policy of 12%. He advised that the Debt Service Decline figures more accurately reflected the affordability of taking on new debt, noting that there was only modest decline and “not a lot” of money being freed up.

He reviewed four of the larger CIP projects under consideration and how they could be funded. The first was the Historic School renovation, which was estimated to require a borrowing of \$5 - \$6 million to complete. The next was the public safety radio project (800 MHz system conversion) which was estimated to require \$4.3 million in future borrowing. The two remaining projects were Fire-Rescue apparatus and ambulance, estimated at \$3.5 million, and a new Animal Control facility estimated at \$1.3 million, both with funding options “to be determined”.

Mr. Davis asked if the County could sell its own bonds. Mr. Cole advised that it could and it had done that with the financing of the new high school, but it might not make sense with smaller bond amounts.

Mr. Cole reviewed the funding options that were available to the County, which included public markets, bank placement, Virginia Resources Authority, Virginia Public School Authority, and vendor financing (such as using Motorola to finance the new radio system),

as well as debt structuring options, and he advised there would need to be some direction from the Board relating to terms, amortization, interest-only period, and capitalized interest.

Following discussion regarding the Board's current financial policies, there was consensus that none of them should be changed.

IN RE: PUBLIC UTILITIES

Public Utilities Director Larry Dame reviewed the Public Utilities system.

He explained some of the problems being experienced at the wastewater treatment plant because the plant was only operating at 10% capacity because of low flows.

There was discussion regarding the possibility of treating wastewater from Roxbury Industrial Park in Charles City County, and whether that could be considered a regional undertaking that might qualify for grant funding. Mr. Dame advised that he would need to look carefully at what was being discharged from the businesses in that park since New Kent's plant was primarily designed as a residential system. The benefit to New Kent would be an increase in the customer base.

Regarding the Reclaimed Water System, he reported that because of ample precipitation, neither of the golf course customers had requested or received any reclaimed water in 2013, and Colonial Downs had received all of it. There was discussion regarding the possibility of the Viniterra Golf Course becoming a reclaimed water customer and Mr. Dame advised that he would look for grants to extend the line if and when Viniterra made a formal request.

Mr. Dame reported that it was anticipated that the Environmental Protection Agency (EPA) might lower the fluoride limits for groundwater from 4% to 2%, a limit that some of the County water systems might not meet. He explained that fluoride naturally occurred in groundwater and confirmed that private wells would not be subject to the limits.

He also spoke about the Reduction of Lead in Drinking Water Act adopted by Congress, amending a section of the Safe Drinking Water Act (SDWA). He explained that lead could leach from the brass fixtures used in many of the fittings of public water systems, and it was unclear as to whether retrofitting of existing systems would be required.

He reported that the Kentland Pump Station had been completed and was working, although it had taken longer than anticipated. He advised that the Route 249 Waterline Project was on track and should be under construction by the summer. He indicated that his department was looking at the ground storage tank at The Colonies and hoped to bid out the project for replacement or upgrade in the summer. He added that they were looking at updating the water systems in Whitehouse Farms and Sherwood Estate as well.

He confirmed that a sludge study had been completed and their engineering consultant would make a presentation to the Board in January.

He reported "good, frank discussions" with DEQ regarding alternate water sources. There was discussion involving purchasing water from other jurisdictions and Mr. Dame spoke about an anticipated amendment of water treatment rules that would change the responsibility to treat from the sending locality to the receiving locality.

There was discussion regarding efforts to require the paper mills in Virginia to use reclaimed water in order to reduce withdrawal of groundwater, which would ease the groundwater permitting process for localities and the impact on the aquifers. It was reported that reclaimed water could be piped through New Kent to the West Point paper mill from Hampton Roads Sanitation District facilities in Williamsburg and York County, but an exact route had not yet been set.

Mr. Dame spoke about the user fee structure and the Bottoms Bridge *ad valorem* tax, and other options that could be considered to increase revenue, which included narrowing the user rate categories, charging fees for irrigation meters, and increases in some of the other fees.

It was reported that the current *ad valorem* tax of 10 cents per \$100 value brought in \$120,000 per year. The Board was updated on those properties that had not yet connected. Mr. Dame advised that Patriots Landing was "coming along well" and generating connection fees but that development was projected to reach build-out in 2018, at which time that revenue stream would disappear unless another development came about.

IN RE: WATER AND SEWER PRO FORMA

Mr. Cole reviewed the water and sewer system *pro forma*.

He reported that the Public Utilities enterprise fund was meeting and exceeding its debt service coverage ratio requirement and minimum cash reserve levels, as well as continuing to operate with no General Fund support. He identified variables over which the County had some control that included connection fees, availability fees, user rates, and Bottoms Bridge *ad valorem* tax rate, and those that the County had little control, which included system growth, actual connections, system use, and regulatory requirements.

He provided scenarios based on a combination of *ad valorem* rate adjustments of no increase, 5-cent, 10-cent and 15-cent increases and user rate increases of 4%, 6% and 8%. He explained that 68% of the 2004 utility bond was for the Bottoms Bridge infrastructure and the scenario that involved a 15-cent increase and 6% rate increase would bring in sufficient funds to meet that percentage.

He noted that the Utility fund had a current unrestricted cash balance of \$7.1 million, and suggested the Board might consider setting aside some of that for future interconnections or alternate water source costs.

There was discussion regarding using the rivers as a water source. Mr. Dame explained that the only river that could be used for that would be the Pamunkey, since Newport News owned the water in the Chickahominy, and that a reverse osmosis water treatment plant would be required but would create a dilemma as to where to put the discharge.

IN RE: ASSESSMENT OUTLOOK

Commissioner of the Revenue Laura Ecimovic provided an overview of the 2014 General Reassessment. She reported that 2013 sales had somewhat stabilized but foreclosure-related sales were still negatively influencing market conditions. She indicated that new construction constituted 41.7% of residential home sales, compared to an historical rate of 22%. She explained how that trend was significant when paired with the fact that median home sales prices of new construction were almost back to 2008 levels, when the existing

home sales median continued to decline and most of the inventory in New Kent was existing homes.

She indicated that any equalization of the tax rate would be based on the 2013 Land Book total, which would not include any 2013 new construction. She confirmed that new construction supplements had been higher than usual due to commercial activity and it was her recommendation that 2012 supplement levels be used as a base for any anticipated growth projections since they were more reflective of average supplement totals.

She summarized that, based on all measurements of assessment using current values, it appeared that the outlook for the 2014 General Reassessment was that values would be flat, with a potential of 3% variance. She reminded that equalization would not be necessary if the change in value was not more than 1%.

She reported that Personal Property values were "holding steady" but she would not have current figures until NADA released its values in January.

She advised that Reassessment Notices would be mailed out the first week of January and that the Land Book would be printed before the first of the year.

IN RE: ECONOMIC DEVELOPMENT ACTIVITY AND OUTLOOK

Mr. Hathaway updated the Board on economic activity in New Kent.

He advised that New Kent was one of three sites being considered for a prospect identified as "Project Twister". He explained that the project manager was interested in property on Route 106 and was expected to make a decision within 30 days and start construction no later than the second quarter of 2014. He indicated that the project would be built by a third party who would lease the building to the prospect on a 15-year lease. He reported that the prospect seemed comfortable with New Kent and, since proximity to the Port was important, New Kent had an advantage since it was the closest of the three sites under consideration. He confirmed that the identity of the proposed business had not yet been disclosed, but information provided projected \$600,000 in revenue to New Kent the first three years, and \$450,000 annually thereafter.

He confirmed that one of the local wineries was for sale and that the potential buyer, who had several successful businesses in Richmond, was interested in adding a restaurant. He indicated that there might be a name change and the introduction of a more expensive wine. He warned that the 25-cent per-bottle proffer might be an issue and that the new owner might request to open up the Planned Unit Development.

He indicated that Waffle House was considering a location on Route 60 and Dollar General was looking at property at the intersection of Routes 155 and 249.

He advised that Shell Oil was looking at property on Route 106 beside the Visitors Center for a travel center that would not have any pumps for trucks. He explained that access would be a hurdle for them and they might ask the County for a 50-foot easement behind Visitors Center.

He reported that a company that made wine barrels had visited sites in New Kent, as well as sites in other localities.

He also indicated that the Economic Development Authority was working with the New Kent Chamber of Commerce to participate in the MODEX 2014 Supply Chain Expo in Atlanta in March 2014.

IN RE: FY14 REVENUES & EXPENDITURES AND FY15 BUDGET CHALLENGES,
 PROCESS, CALENDAR AND PRIORITIES

Mr. Hathaway reviewed that the Board had adopted a “bare bones” FY14 budget that totaled \$60,336,964 (excluding utilities) that had included a real estate tax rate of 85 cents. He recounted that departmental expenditure requests had exceeded estimated revenues by \$1.7 million, which included a School Board deficit of \$1.4 million, a figure that did not include new personnel requests of \$1.3 million or the need for a new elementary school. He reminded that the \$1.4 million School deficit was a result of increased enrollment, mandated staffing levels, and state/federal revenue reductions.

He reviewed that 81% of FY14 General Fund revenue sources came from general property and local taxes. There was discussion regarding the Machinery & Tools tax, and it was explained that tax only affected manufacturing uses and although there was only a small amount of revenue currently, it was best to keep it in place for the future.

FY14 meals tax revenue was projected at \$639,822 and local sales and use tax at \$1,185,718.

He indicated that the FY14 budget had included a 2% cost of living adjustment (COLA) for employees, some new positions, and a 12.1% insurance increase. He advised that an additional \$800,000 was given to the Schools and he anticipated another large increase being requested by the Schools for FY15.

He reviewed some of the major General Fund expenditures that included a Reserve for Contingency of \$300,134 and Confinement of Inmates/Juveniles of \$958,800.

He noted that debt service for FY14 was \$5,285,842, and debt service on the Historic School borrowing was \$465,085. He reported that the local funding for the Airport was \$34,188, 75% of which was debt service on a loan that would be paid off in 2017.

Budget challenges identified for FY15 included Education funding, as it was anticipated that both State and Federal funding “would take another hit” with the expected change in the funding formula. He reminded that the Debt Service Fund would disappear after 2016 at which time the County would need to find another \$300,000 per year for debt service. He projected a 3% increase in Virginia Retirement System (VRS) payments as well as a 1% increase in health insurance premiums. He spoke about continuing unfunded mandates on both the Schools and County Government, and flat revenues anticipated from the FY15 General Reassessment. He added that it was not his plan to recommend an increase in the tax rates but he did not think that the rates would be able to be lowered either. He reviewed the history of COLA and merit raises for both County and School employees and reported that Social Security’s COLA for FY14 was 1.4%, but remarked that it was too early to consider raises.

He noted that there was a “healthy” FY13 ending fund balance of \$14,622,841, and it was projected that there would be \$6,294,000 available for the FY15 CIP, with \$3.5 million to be allocated to projects.

He provided principal and interest figures on borrowing various amounts at a rate of 3.5% for 20 years, and how that translated to pennies on the tax rate, based upon one penny equaling \$232,122.

Mr. Hathaway reviewed the proposed FY15 budget calendar and asked that the Board members share with him any priorities that they would like for staff to look at. He indicated that the new stormwater positions would not be advertised until it was cleared with the Board.

Board members indicated that they still wanted to meet with the School Board and would like to schedule a meeting with senior staff.

There was discussion regarding the Visitors Center and whether it could be repurposed, and staff was asked to check with the Farms of New Kent regarding outstanding proffers.

IN RE: OPERATIONAL MEDICAL DIRECTOR

Before the Board for consideration was a request to approve an agreement with a new Operational Medical Director (OMD).

Fire Chief Rick Opett reported that no qualifying proposals responses had been received in response to two separate Requests for Proposals issued for an OMD. He indicated that he had subsequently met with Dr. Marc Kramer who had experience and a strong background, serving as OMD for the Richmond Ambulance Authority, some volunteer agencies, and at the NASCAR track. He reported that Dr. Kramer was willing to serve as OMD for New Kent Fire-Rescue for an amount that was \$10,000 less than the County's current OMD, whose contract expired at the end of November 2013. He advised that if the Board approved the agreement, Dr. Kramer would begin on December 1.

Mr. Tiller moved to approve the Agreement for Services as Operational Medical Director between New Kent Fire-Rescue Department and Marc Stephen Kramer, M.D. The members were polled:

Ron Stiers	Aye
Thomas W. Evelyn	Aye
C. Thomas Tiller, Jr.	Aye
James H. Burrell	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: ADJOURNMENT

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

Thomas W. Evelyn	Aye
C. Thomas Tiller, Jr.	Aye
James H. Burrell	Aye
Ron Stiers	Aye
W. R. Davis, Jr.	Aye

The motion carried. The meeting was adjourned at 1:49 p.m.