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 22ND DAY OF FEBRUARY IN THE YEAR TWO THOUSAND EIGHTEEN, AT 9900 CARRIAGE ROAD, PROVIDENCE FORGE, VIRGINIA.

IN RE: CALL TO ORDER

Chairman Thomas W. Evelyn called the meeting to order.

IN RE: ROLL CALL

Thomas W. Evelyn	Present
C. Thomas Tiller, Jr.	Present
Patricia A. Paige	Present
Ron Stiers	Present
W. R. Davis, Jr.	Present

IN RE: SCHOOL BOARD CALL TO ORDER

School Board Vice Chair Andrea Staskiel called the School Board meeting to order. Other School Board members present included Sarah Barber and Kristin Swynford. School Board Chair Dr. Gail Hardinge joined the meeting at 9:06 a.m. School Superintendent Dr. David Myers and Executive Director of Finance/Budget Haynie Morgheim were also present. Copies of the School Board presentation were distributed.

IN RE: NEW KENT COUNTY PUBLIC SCHOOLS (NKCPS) - SUPERINTENDENT'S FY18-19 RECOMMENDED BUDGET OVERVIEW

Dr. Myers began the presentation by providing an overview of school division highlights. He reported all schools were accredited and the division was now into the third year of successful implementation of one to one technology (Chromebooks). A new STEM program had been implemented at New Kent Middle School and students were being provided additional educational opportunities including more than 39 options in dual enrollment and industry certifications. Regional opportunities included a technical/STEM center, two governor's schools, an early college academy and a computer science school. He shared some statistics from the previous year including students being transported safely over 1,000,000 miles to and from school. This had included 374 athletic and field trips. 1,141 facility work orders and countless other tasks had also been completed. These work orders and tasks had included a middle school addition, upgraded lighting, improvements to the front office area at New Kent Elementary and a number of paving projects through the district. Students had been served 332,585 meals through the school nutrition program.

Dr. Myers noted general fund revenues would be the focus of today's discussion. He reported the division's $30,919,172 proposed budget had been based on 3,150 ADM (Average Daily Membership) and the division was requesting an additional $400,000 from the County. He provided an overview of expenditure adjustments for FY19. Increases totaling $44,548 in tuition rates for regional programs such as the Bridging Communities Technical Center, the Chesapeake Bay Governor's School, Maggie Walker Governor's School and Code RVA were noted. Additional increases totaling $129,084 for school baselines/ athletics, online student records, Special Education, support for coordinators and school resources, substitute administration and background testing and custodial services were also noted. Dr. Myers also provided an overview of salary adjustments totaling $406,223. Among these adjustments was a 2% step and wage adjustment for staff, additions and modifications for FY18, rate changes for VRS and HIC, a FICA adjustment and revisions to keep the stipend schedule in line with the teacher scale.

Mr. Davis asked if the level of state funding the division could expect had been set. Dr. Myers indicated state funding was still very much a moving target but he was hopeful the level of funding would be up a little over the previous year.

Dr. Myers drew attention to a slide comparing teacher salaries in New Kent to nine other neighboring localities. He pointed out that based on FY18 figures, New Kent salaries for teachers with a Bachelors degree and zero to 10 years of experience ranked at or near the lowest. Salaries for teachers with 20 to 30 years of experience were more competitive ranking six out of ten and seven out of nine respectively. (One locality had not provided a figure for 30 years of experience.) The FY18 starting teacher salary was $42,000 and the proposed FY19 starting teacher salary was $42,651. Dr. Myers also reported five new teacher positions totaling $338,543 would be needed to support growth and program needs. One additional Special Education paraprofessional and an additional lead teacher for high school Special Education would also be needed at a cost of $23,608. The cost of the new teacher positions had been budgeted based on Step 5 with a Masters degree.

Mr. Evelyn asked Dr. Myers if he believed all five of the new teachers would have a Masters degree. Dr. Myers indicated this level was based on an average. Ms. Morgheim noted the difference in salary between a Bachelors and Masters was only $2,986. Budgeting at a lower experience and education level would not make a significant change in the total. Mr. Evelyn suggested the $338,543 figure seemed high for five positions. Ms. Morgheim noted 25.8% of the compensation was benefits and did not include healthcare.

Dr. Myers reported the division was currently in the process of determining healthcare rates. He noted the plan year ran from October 1 to September 30 so there wasn't much data on which to base estimates for next year. He indicated the division was projecting minimal increases for employees, was tentatively budgeting a 3% increase for premiums and a 1.4% increase for additional participation in the plan.

Dr. Myers reviewed a list of additional funding considerations. He indicated additional teachers would be needed to handle the growth and pointed out there were currently 960 students at the high school with three guidance counselors and 800 at the middle school with two guidance counselors. He reported these counselors were spending much time with testing and a Testing Coordinator to be shared between the two schools would help with some of this work load. Other considerations included the need for an additional Assistant Principal to be split at the elementary level, a central office support position to manage health and employee benefits, a continued focus on various pay scales to recruit and retain highly qualified staff and minimizing healthcare increases for employees.

The impact of the new elementary school on operating expenses was discussed. Dr. Myers reported $1.5 million would be needed to fund positions in a new elementary school. An additional $.5 million would be needed for utilities, materials, equipment, building services, financial services and technology. Three additional school buses would need to be added to the FY21 CIP request to meet the estimated route requirements of the new school.

Mr. Davis asked at what percent of capacity school buses were currently filled. Dr. Myers indicated this was a figure he didn't know but noted route time was a significant concern. He also reported the division had been purchasing larger buses to reduce the number of buses needed and suggested these buses were fuller than they had been in the past.

Mr. Evelyn asked how much of the healthcare costs the division was covering. Ms. Morgheim indicated approximately 90% was covered for an "employee only" plan. This percentage would go down significantly for a family plan. She indicated the division was using current healthcare participation levels to budget for the next year.

Mr. Stiers asked if the division had given any further consideration to outsourcing transportation. Dr. Myers indicated he had not been directed by the School Board to give this any additional consideration. He suggested there was a reason almost no other school division in Virginia was outsourcing transportation and that he was personally uncomfortable with it. He suggested outsourcing transportation was much different than outsourcing custodial services and it was a "high stakes gamble". Mr. Stiers indicated he was suggesting the buses be outsourced and not the drivers and, referencing a presentation at a School Board meeting several years ago, suggested $250,000 could be saved. He suggested the buses, fuel, scheduling and maintenance could be outsourced. Dr. Myers pointed out this was all operations and this was the part that scared him. He reported New Kent was the only school division in the area without bus driver openings. He also reported transportation salaries were the only area where New Kent salaries were competitive with surrounding localities and noted New Kent was near the top of the scale.

Mr. Evelyn asked Dr. Myers if he was aware that the County was recommending an additional $300,000 be budgeted for schools and not $400,000 as they had requested. Dr. Myers indicated he was aware. Mr. Evelyn asked how this would impact the School Board budget. Dr. Myers indicated the School Board didn't want to cut their budget any further but was prepared to do so if necessary. He began sharing a list of items including one of the five teacher positions that would be cut from the budget if they were not fully funded. Mr. Evelyn questioned why the total cost of items to be cut was more than $100,000. Ms. Morgheim reported the School Board was still trying to determine where additional cuts could be made to balance their budget to the $400,000 requested level.

Ms. Swynford reported frequently receiving feedback from parents asking questions such as why certain foreign languages were not offered, why more counselors were not hired, etc. Dr. Hardinge also noted New Kent County Public Schools were changing and some of the changes had "crept up" on her. She indicated that both elementary schools were reporting enrollments close to 800 and suggested these numbers were way above what was considered appropriate. She also indicated that New Kent had once been the training ground for new teachers looking to get a few years of experience. She reported that was no longer the case and more and more new hires were teachers with more experience. She suggested a teacher shortage across the country continued to make recruiting difficult and the Human Resources staff were working seven days a week during peak hiring time. She closed by suggesting "… we need to be mindful of the changes" and indicated if the County funded only $300,000 of the $400,000 request, the School Board would make cuts. She added, "They will be cuts. This is not a padded budget."

There being no further questions or comments, the School Board adjourned their meeting at 9:50 a.m. The Boards thanked each other for the opportunity to meet. Mr. Evelyn called for a recess. The meeting reconvened at 10:07 a.m.

IN RE: JANUARY 1, 2018 REASSESSMENTS

Commissioner of Revenue Laura Ecimovic had provided copies of the 2018 Reassessment Report as of January 1, 2018. The report indicated the 2018 assessment estimated fair market value of all real estate, taxable and exempt, was $3,420,067,040. The taxable value increase of 8.81% included new construction and new parcels and a 6.45% increase was reported for existing properties. Ms. Ecimovic drew attention to page 12 of her report which provided a summary of reassessment totals for equalization. She noted the 2017 taxable value had been $2,593,496,718 and the 2018 reassessment taxable value was listed as $2,994,876,040. She pointed out there were several deductions to be taken from the 2018 taxable value before an equalization calculation could be performed. Deductions totaling $234,179,767 for City of Newport News exemptions, AFD (Agricultural and Forestal District) exemptions, new parcels, new construction and elderly/disabled/veteran exemptions would bring the total for equalization to $2,760,696,273. Ms. Ecimovic reported veterans made up almost half of the elderly/disabled/veteran exemptions. Mr. Evelyn asked for the requirements for veteran exemptions. Ms. Ecimovic indicated a veteran wishing to qualify for this exemption was required to provide Veterans' Administration certification indicating they were disabled and their disability was 100% service related. Veterans providing this certification would be 100% exempt from real estate taxes. (Other criteria such as acreage limits are also considered.) Mr. Evelyn asked if there were any provisions under which elderly could also receive a 100% exemption. Ms. Ecimovic indicated approximately 30% of the elderly and disabled who applied for tax relief received a 100% exemption. She pointed out these exemptions were determined on a sliding scale and were based on what the individual owned. She suggested not many localities were giving 100% exemptions for all elderly or disabled and noted that some larger jurisdictions may be doing this. She offered to direct her staff to look into this if the Board wished her to do so. Returning to the page 12 overview, Ms. Ecimovic noted the percentage of change between the 2017 taxable value and the 2018 taxable value less exemptions was 6.45% which indicated an equalized tax rate of $0.78 per $100 of assessed value.

Ms. Ecimovic expressed concerns regarding the verbiage used in a recent Charles City New Kent Chronicle article which had suggested New Kent would maintain the tax rate at $0.83. She suggested it should be made clear that the proposed budget was not maintaining and in fact was based on a five cent tax increase. She suggested the article had been "a bit deceitful". Mr. Hathaway reported the Chronicle had been contacted and the online version of the article had been revised. A correction would be published in the paper's next edition. Ms. Ecimovic suggested the article "scared me" and indicated she wanted to be sure the Board was aware of how it looked. She again noted the verbiage had indicated New Kent would maintain the $0.83 tax rate which was actually a five cent increase and would have to be advertised as such. Mr. Evelyn indicated the Board wanted to be transparent in all of its business. He also reported that it had been made very clear in the County Administrator's initial budget presentation that the budget was based on a five cent tax increase.

Ms. Ecimovic returned to her report on reassessments. She indicated her office had received 116 appeals by the February 16th deadline. She reported she had been expecting more and this was approximately a third of what had been received in 2016. Mr. Stiers asked if she had received any appeals from individuals who felt their assessments had dropped too much. Ms. Ecimovic reported there had been a few appeals from individuals who were concerned that their values had dropped. She noted the Brickshire community was the only New Kent neighborhood which seemed to be lagging in recovery from the economic downturn. She reported she had held a meeting with residents of the community to discuss the reassessments prior to the notices being mailed. She indicated most neighborhoods were performing very well and there had been a resurgence in sales of preowned homes. She suggested that New Kent currently had a housing shortage with more buyers than sellers.

Ms. Ecimovic drew attention to page 13 of her report which provided a summary of the average change in value in residential neighborhoods. Most neighborhoods had experienced increases in values. She suggested there were very few five to fifteen acre lots for sale and that most sales were either large acreage or small subdivision sales. Mr. Davis drew attention to the Brickhouse Lane neighborhood and noted it appeared to have experienced the greatest increase in value and asked what had been the cause. Ms. Ecimovic reported the increase was based on actual sales as well as the fact that some of the properties had not been "linked" (assessed) for waterfront values. She noted that at one time the eastern end of the County had performed negatively when compared to the western end but this was not the case anymore. Mr. Davis suggested many of the homes in the Brickhouse Lane neighborhood were older homes which had been renovated. Ms. Ecimovic agreed and noted that in many cases the properties were being purchased for the water and not the home. She added that, "in general, people are surprised about the sales."

Mr. Tiller reported he had been contacted by a constituent who was not pleased with the reassessment notice he had received. This individual had suggested that he appealed to the Commissioner of Revenue every time and each time the value was lowered. Two years later, the value would climb up again and he'd be back for another appeal. Ms. Ecimovic noted that not everyone who appealed to her office received a lower assessment. She did note there were "frequent flyers" who would appeal every year and in some cases these were situations where the subject property did not "fit the model." She cited a 2,000 square foot home with two bedrooms as an example of a property that would not fit the CAMA (Computer Assisted Mass Appraisal) model. She indicated the CAMA model was used for equity but there were exceptions and manual adjustments were necessary in those cases. She indicated permanent adjustments were made whenever possible. She suggested there was probably something about the constituent's property that would make it never work with the model.

Mr. Davis asked how New Kent's reassessment compared with surrounding counties. Ms. Ecimovic noted that surrounding counties were not on the same reassessment schedule but suggested New Kent's growth was much higher than surrounding localities.

Mr. Stiers asked if the appeals process was almost over. Ms. Ecimovic indicated her staff was just getting started and was in the process of scheduling appointments with property owners. She noted that once all appeals were heard, determination letters which would provide information on appealing to the Board of Equalization would be sent. The Board of Equalization would take over at that point. Mr. Stiers reported the Brickshire community would know in about a week if the golf course would remain a golf course or be planted with trees. He asked Ms. Ecimovic how the status of the golf course would impact property values. Ms. Ecimovic indicated there may be some impact to the golf lots but noted she didn't believe it would have much impact. She suggested there were two types of people in this community; those who had invested because of the golf and those who had invested because it was a nice place to raise a family. Mr. Stiers reported that "the rumor on the street" was that property values would plummet 30% if the golf course ceased operation. Ms. Ecimovic indicated that although it was hard to say how this would impact values, she disagreed with the 30% rumor.

IN RE: PUBLIC UTILITIES – FY19 CIP/UTILITY OUTLOOK

Director of Public Utilities Larry Dame provided an overview of the Public Utilities CIP (Capital Improvement Project) list. He suggested this should be called "The Year of the Wells" and reported that projects to sandblast and repaint water storage tanks at Quinton Park and Minitree Glen were currently in the works. Proposed projects to be funded in FY18-19 included:

- Replacing Storage Tanks and Foundations at Sherwood Estates and Whitehouse Farms - $300,000 – Mr. Dame indicated these tanks and foundations were almost forty years old and were in need of replacement.
- Sherwood Estates Backup Well - $250,000 – Mr. Dame reminded everyone that there had been a well collapse in Whitehouse Farms a number of years ago which had resulted in the County hauling water to residents for approximately 30 days. He noted the existing Sherwood Estates well was almost forty years old and a backup well was needed to avoid a similar situation.
- Parham Landing Well Pump and Motors Replacement - $105,000 – Mr. Dame noted existing well pumps and motors were twenty years old. Scheduling their timely replacement would avoid the extra expense of an emergency replacement. One had been replaced this year and another would be replaced next year.
- Water System Interconnections - Mr. Dame noted a number of communities had been connected in recent years and Public Utilities would continue to push interconnectivity. He suggested the cost to refurbish the Brickshire tanks would be approximately one half million dollars. He also noted there were six booster pumps on this system which were also expensive to maintain. Mr. Davis asked how many private water systems were currently in operation in the County. Mr. Dame suggested there were four or five and noted DEQ (Department of Environmental Quality) regulations would make it more difficult for these private water systems to continue to obtain permits. Mr. Davis asked if these private systems required the same permits as the public system. Mr. Dame indicated they did.

County Administrator Rodney Hathaway reported that Mr. Tiller and he had received a request regarding the private water system requirements currently contained in County Code. A 2016 ordinance amendment had changed the private water system requirement from twenty to eight lots and a property owner was asking the Board to consider reversing this amendment. He indicated this was something he would like to discuss more fully at the next work session. Mr. Dame indicated he would recommend that the County not agree to take in any private systems which could not be connected directly to public utilities. He also noted that some thought water systems were "money makers" but they were not. Mr. Hathaway noted County Code required that private systems be built to County standards but did not require that the County accept them for connection to public utilities.

Mr. Dame provided an overview of the future outlook for Public Utilities. He began by providing an update on the Pamunkey River project. He indicated they were moving forward with purchasing property at the Northbury Farm site. He reported a draft permit had been received from DEQ. The County had responded with issues and was expecting a response soon. He noted a VMRC (Virginia Marine Resources Commission) permit was also needed and he suggested $75,000 may be needed for fish mitigation in order to obtain this permit. He reported James City County had recently made a similar payment for a VMRC permit. He also reported a Corps of Engineers permit would be needed and there were concerns regarding the presence of Atlantic Sturgeon in the Pamunkey which may mean a coffer dam could be necessary.

Mr. Dame noted that funding for sludge facilities at the Parham Landing plant had been pulled from the CIP for now. He indicated he didn't feel there was sufficient benefit to warrant the cost and Public Utilities would continue hauling sludge to a treatment facility. He also noted there were no proposed rate increases. He reported the rate study was still in the works and he had hoped to have something to present at this meeting. He reported citizens were asking for the minimum usage to be lowered and for irrigation meter rates.

Mr. Dame provided an update on the Bottoms Bridge district and the ad valorem tax. He noted there were approximately forty lots remaining in Patriots Landing and once they were connected, Public Utilities would run out of connection fees to support debt service. He reported the ad valorem tax was generating approximately $280,000 annually. He pointed out that County Ordinance indicated that if connection fees were not able to fund the debt service, the ad valorem tax must. He suggested this would become an issue after the next fiscal year. Mr. Hathaway reported the Bottoms Bridge notes would not be paid off until 2034 and additional connections were needed. He reported Patriots Landing residents were pushing to have the County put tax dollars toward the debt service. Finance Director Mary Altemus indicated there were currently two loans totaling $12,600,000 for Bottoms Bridge. Ted Cole with County Financial Advisors Davenport & Company indicated 70% of the Public Utilities debt service was for Bottoms Bridge loans.

Mr. Dame reported development in the Farms of New Kent (FONK) was moving along specifically at Four Seasons and Viniterra. Connection fees in this development had been prepaid and he noted the movement now would produce sustainable user fee money. Mr. Evelyn noted the FONK developer wanted to add more lots and asked Mr. Dame if additional lot connections should be prepaid. Mr. Dame indicated he did not recommend connection fees be prepaid for new lots. He suggested it would be better if connection fees were paid as they came on line. Mr. Davis asked how Public Utilities would track prepaid lots and non-prepaid lots. Mr. Dame suggested they could be identified by map.

Mr. Dame reported on a recent sewer backup on Tyshire Terrace in Brickshire. Tops had been removed from several manholes and firewood, sticks and other debris had been stuffed into the openings. There was evidence of ATV activity in the area and it appeared someone had actually gone down into the manholes to place some of the debris. Mr. Dame reported Public Utilities staff had spent twelve hours on this and there had been a reportable overflow into a nearby stream. He indicated he hoped the DEQ would see that this was something beyond the County's control. He noted noxious fumes and the lack of oxygen made it extremely dangerous for anyone to enter a manhole and his department was moving forward with the installation of tamper proof manholes at a cost of $500 each.

Mr. Davis asked for an update on the WestRock wet yard which would use reclaimed water. Mr. Dame reported testing on the facility had been completed in January and WestRock had hoped to be open by February 1st.

IN RE: DAVENPORT & COMPANY - UTILITY PRO-FORMA PRESENTATION

Mr. Ted Cole with Davenport & Company distributed copies of the utility pro-forma which included projections through FY24. He pointed out that one of the goals of the Public Utility fund had been to insulate the County general fund from the need to support the utility fund. Public Utilities had achieved this goal for the past eleven years and revenues had consistently outperformed the budget. 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 noted a minimum debt service coverage ratio of 1.15 was required and the FY17 ratio had been 2.81. The FY17 unrestricted cash balance had been $6.9 million dollars and the total cash balance had been $9 million dollars at the close of the year. Capital projects totaling $11,279,494 were also being proposed for completion through 2023.

Mr. Cole reviewed Bottoms Bridge Analysis information. Projections through 2024 assumed a two percent growth and suggested non-operating revenue would begin to trail off in FY20. FY17 revenue from the Bottoms Bridge ad valorem tax and connection fees had been

$884,946 while debt service had been $708,073. Noting a surplus of $176,873 in FY17, projections suggested surpluses would continue through FY19 but by FY20 there would no longer be any revenue from connection fees and a deficit of $410,945 was projected.

Mr. Cole also provided information suggesting a series of rate increases would be necessary beginning in FY21. He suggested the proposed increases were "fairly modest" and noted removal of the sludge project mentioned earlier by Mr. Dame had reduced some of the pressure. Mr. Cole noted the remainder of the pro-forma packet contained information on three possible cases to address future rate increases as necessary. He noted that no rate increases were currently proposed for FY19. Case 1 recommended no increases in FY19 and FY20, a .3% increase in FY21, a 1.38% increase in FY22, a .53% increase in FY23 and a 6.10% increase in FY24. Case 2 recommended an annual increase of 1.19% from FY19 through FY24. Case 3 recommended no increase in FY19 and an annual increase of 1.47% from FY20 through F24. Mr. Evelyn suggested he would be more concerned if the need for an increase was closer but noted the funding "always seems to work out."

IN RE: DAVENPORT & COMPANY – COUNTY FINANCIAL OVERVIEW

Ted Cole with Davenport & Company distributed copies of discussion materials and began by providing an overview of the County's existing tax supported debt. The Existing Tax Supported Debt Profile indicated an outstanding debt amount of $55,185,826 as of June 30, 2017 with $40,107,647 of this being for school projects. A table depicting the ten-year payout for the total debt indicated the total principal and interest would equal $67,930,879. Mr. Cole noted the ten-year payout ratio measured the amount of principal to be retired in the next ten years and New Kent's ratio was currently 84.3%. He noted County financial policy established a minimum ten-year payout ratio for all tax supported debt of 50%. He also noted County financial policy set a maximum Debt to Assessed Value level of 4.5% and a maximum Debt Service to Expenditures level of 12%. The County was in compliance with all three policies. Mr. Cole also reviewed a Debt Affordability Analysis for the existing debt.

Mr. Cole provided a brief overview of proposed capital projects including:

- A New Elementary School – The estimated cost was $28 million in Fall 2018.
- Pine Fork Park – The estimated cost was $4.3 million of which $3 million would be debt funded in Fall 2018.
- Historic School Renovation – The estimated cost was $3.5 million in Spring 2020.

Mr. Cole noted two of the three projects would generate additional operating costs to be funded in addition to the debt service. Those projects and associated operating costs included:

- A New Elementary School – Additional operating costs were estimated to be $2,000,000 annually beginning in FY22.
- Pine Fork Park – Additional operating costs were estimated to be $150,000 annually beginning in FY21.

School and County projects totaled $34,500,000 and Mr. Cole noted the discussion materials also included five possible funding cases for consideration. Cases 1 through 4 included both level debt service and structured debt service amortization options and Case 5 assumed a structured debt service amortization. Cases 1 and 2 included only the new elementary school totaling $28,000,000. Cases 3 and 4 included all three projects totaling $34,500,000. Cases 1 and 3 were based on a 20-year amortization term, Cases 2 and 4 were based on a 25-year term and Case 5 was based on a 15-year term. Mr. Cole provided an overview of each of the cases and noted the interest rate was better on the 20-year loan options than the 25-year options. He also pointed out that while the 25-year option would have less tax impact, interest payments would increase by $4,000,000 over the life of the debt. Case 5 offered a shorter term and lower interest rate. He also pointed out that the addition of operating costs would increase the tax impact. Mr. Cole pointed out the models assumed a FY19 budget with a $0.05 tax rate increase and he noted that all models would be out of compliance with the County's debt service to expenditure ratio policy. Mr. Cole suggested FY22 would be the next year a tax increase would be needed.

IN RE: FY19 PROPOSED BUDGET REVIEW

County Administrator Rodney Hathaway noted a great deal of information on the FY19 proposed budget had been shared at the February 12th meeting. He reported budget adoption was scheduled for May 14th and the Board would need to set a tax rate to be advertised for public hearing in the next two weeks. The tax rate change and fee change public hearing was scheduled for April 9th.

Mr. Hathaway provided a brief review of the FY19 proposed budget information previously shared on February 12th. He reminded everyone that this proposed budget was based on a $0.05 tax rate increase. He noted that $3.2 million in new revenue was projected for FY19. The additional 1.9 million in real estate tax was based on a $0.05 tax rate increase. He also suggested the $621,000 projected increase in personal property tax revenue was due to the improving economy. He noted that although a citizen had recently addressed the Board regarding personal property tax rates, New Kent rates were in line with surrounding localities and he was recommending no changes. He suggested individuals were purchasing more luxury items such as campers, RVs and boats. He reported Mr. Stiers had requested information regarding the County's current personal property tax rates. He distributed a summary report indicating there were over thirty classes of personal property generating approximately $8.3 million in revenue. He reviewed recommendations for how the new FY19 revenue should be allocated. Allocations included in the recommendations were:

- 3 additional pennies to School Set Aside totaling $941,920.
- $300,000 to School Operating ($400,000 had been requested).
- 8 new positions including 6 in Fire-Rescue, 1 in the Office of the Commissioner of Revenue and 1 in Environmental. (Departments had requested 34 new positions.)
- Salary adjustments totaling $163,306 for full-time deputies and dispatchers.
- $192,960 to cover a 13% increase in health insurance rates. Rather than give employee raises, the recommendation was for the County to cover the health insurance increase and pass no premium increases on to employees. Mr. Hathaway also reported Anthem had informed the County that copayments for ER visits and hospital stays would increase. He noted the County was exploring the possibility of offering a HMO option.
- $122,562 to cover an estimated 8.27 to 9.95% increase in VRS rates.
- Annual debt service of $211,083 on $3 million in new debt for Pine Fork Park. Mr. Hathaway noted Phase 1 of the Park development was estimated to cost $2.5 million and would include storm water management. Mr. Stiers asked if this price included a pool. Parks and Recreation Director Kim Turner was present and indicated a pool was not included in this cost. She suggested if a pool were to be built, it would be within the field house and she noted there was no design for the field house at this point.

Mr. Hathaway reported the County included funding for a number of outside agencies within its annual budget. He distributed a report listing all agencies who had made a request and recommendations for funding each. He drew attention to several on the list including Richmond Regional Tourism (RRT) (fka Metro Richmond Convention & Visitors Bureau) and noted they had requested an additional $10,000. He indicated he was recommending this increase and suggested that with the possibility of Colonial Downs reopening, RRT could play a key role. Henrico Area Mental Health had requested an additional $25,000 and the recommendation was to hold funding at the FY18 level. Mr. Stiers pointed out the report indicated Ride Finders had requested $500 and no funding was recommended. He asked for clarification. Mr. Hathaway indicated the proposed use of these funds had not been made clear and therefore he was recommending no funding. The report indicated a total of $931,093 was recommended for outside agencies.

Mr. Hathaway noted a list of major CIP projects had been included in his full budget presentation to the Board and asked if there were any questions regarding those projects. Ms. Paige indicated she had questions regarding Pine Fork Park. She asked how much it would cost to build the field house. Mr. Hathaway and Ms. Turner both indicated the cost of the field house would depend on what facilities would be included. She asked if the field house would be a large community center and if operational costs of the field house were included in the suggested $150,000 operating costs for Pine Fork Park. Mr. Hathaway indicated the field house would require additional debt and operational funding.

Mr. Stiers noted the CIP list included $250,000 for a firearms range. He asked where this range would be constructed. Mr. Hathaway indicated no specific location had been determined. He suggested there were several options and noted the old camp facility near the jail was a possibility. Mr. Stiers reminded everyone that New Kent land owner John Poindexter had given the County several acres near the Route 618 trash transfer site which he thought should be considered as an option. He asked if the firearms range would be only for Sheriff's Office use. Mr. Hathaway indicated this was a good question and noted he believed the Sheriff would prefer that it be only for Sheriff's Office use. Mr. Stiers suggested New Kent citizens needed a shooting range. Mr. Evelyn noted a shooting range was present at Conservation Park in Charles City County and suggested the two Counties could possibly team up. Mr. Hathaway noted he could speak with the Sheriff regarding this.

Mr. Evelyn noted $398,251 was listed for the purchase of Self Contained Breathing Apparatus (SCBA). He suggested this request had been on the previous year's list and had been pushed back a year. Fire Chief Opett reported Fire-Rescue had not received a grant for this the previous year and although they had applied for a grant again this year, he did not believe they would receive an award. Mr. Evelyn asked how many SCBAs would be purchased if funds were available. Chief Opett indicated 78 units would be purchased.

Mr. Stiers and Mr. Evelyn both indicated they had some concerns with a $0.05 tax rate increase. Mr. Tiller suggested Mr. Cole had indicated a $0.06 increase would be needed to fund the new school. He suggested this could be spread over three years. Mr. Hathaway noted he was not a fan of the structured financing options Mr. Cole had presented and that an additional $0.07 would be needed to cover the operational costs of the new school. Ms. Paige asked if it would be better to increase by $0.02 annually for several years. Mr. Hathaway indicated he didn't like to increase taxes and was hopeful that most of the additional $0.07 needed would be absorbed through growth. Ms. Paige indicated she didn't want to wait and then need a $0.15 tax increase. She asked what the Board would remove from the budget if they were not on board with the $0.05 increase. Mr. Davis suggested some of the items in the budget could be put off until later. He suggested that residents in his district would question where the tax increase would be spent and would suggest that it would be for something at the other end of the County. He suggested construction of the school could be delayed one year but noted that if they chose to do that it would be an election year. He asked Board members what they thought the repercussions would be. Ms. Paige again asked if Board members thought it would be better to increase a little each year. Mr. Davis indicated he felt small increases would be better. Mr. Hathaway suggested Board members would receive the same number of calls from constituents if they increased the rate by $0.03 or by $0.05. Mr. Davis indicated he had no problem with spending new money on new things. In response to Ms. Paige's question about several small increases vs. one larger increase, Mr. Hathaway indicated he "would rather rip the band aid off and go with the $0.05 increase." Mr. Evelyn noted County Attorney Bill Hefty had indicated the Board could advertise a higher tax rate and then vote to set a lower rate. Mr. Davis suggested there had been an increase of $2.5 million in revenue growth for the current year and he believed the same could be expected for the next year. He noted the County did need to plan for a new school. He recommended that the financing of a new school not be stretched out beyond 20 years because by that time the County would be considering building another school. Mr. Hefty recommended the Board move forward with advertising an $0.83 rate. He noted the Board was in control and they could set a lower rate if they wished. The general consensus was to further discuss setting the real estate tax rate at the next work session (February 28, 2018).

IN RE: OTHER BUSINESS

Mr. Tiller reported on a recent conversation with Karah Gunther VCU Executive Director of Government Relations regarding the freestanding emergency room facility in New Kent County. He indicated it was his understanding that Senator Tommy Norment may not be in support of legislation regarding this facility and suggested Board members should reach out to him. Mr. Davis suggested a letter from the Board be sent to Senator Norment. County Attorney Bill Hefty reported that Ms. Gunther was a lobbyist and he would see her at the General Assembly the follow day. He indicated he would discuss this matter with her then.

IN RE: ADJOURNMENT

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

C. Thomas Tiller, Jr.	Aye
Patricia A. Paige	Aye
Ron Stiers	Aye
W. R. Davis, Jr.	Aye
Thomas W. Evelyn	Aye

The motion carried.

The meeting was adjourned at 1:46 p.m.