

At the budget workshop meeting of the Giles County Board of Supervisors on Thursday, February 18, 2010, at 3:00 PM in the Giles County Administration Building, 315 North Main Street, Pearisburg, the following were present:

Barbara Hobbs	Chairman (Central District)
Eric Gentry	Vice Chairman (Eastern District)
Howard Spencer	Western District
Richard McCoy	At-Large Supervisor
Paul "Chappy" Baker	At-Large Supervisor
Chris McKlarney	County Administrator
Rhonda Tickle	Finance Director
Susan Kidd	Board Secretary

Ms. Hobbs called the meeting to order. Mr. McKlarney reported that after he and Ms. Tickle prepared a draft of the budget last week and then received information that there was an additional \$970,000 in cuts to the schools and a \$200,000 increase in the regional jail costs. The current per diem at the jail is \$27.81 and they propose to increase to \$35-37. Mr. Gentry asked if that was to pay for construction. Mr. McKlarney said he was sure some was, but could not be certain why the big increase. The state is proposing to pay a lower per diem for state prisoners housed at the regional jail and that may be part of it. Mr. Gentry said they have also hired a lot of new personnel based on the increased number of beds in the new portion of the facility. Ms. Hobbs said when the jail was overfull and there were fewer personnel, the per diem was not reduced. Mr. McKlarney said the per diem used to be one of the lowest in the state, but now it is somewhere in the middle. The board members asked about alternatives to using the jail. Mr. McKlarney said there were 44 people in the Day Report program now that could have been in the jail – that is about the only alternative available. There was discussion about the state prisoners that the county has to continue to pay for. That adds up to a considerable amount and the state per diem has never been used to reduce the county portion.

Mr. Spencer said he still felt if someone has the funds available, they should have to pay for their bill. Mr. McKlarney said there are some programs they do have to pay for, and there are fees associated with day report. However, a lot of those go unpaid because these people have nothing and it's hard to get something from nothing. Discussion followed that the county's fees to the regional jail have doubled in the past six years. Mr. McCoy remarked that at some point in the near future the county would be spending more local money on jails than on schools. It seems there are no real alternatives other than what the county is already doing. Mr. McKlarney said the \$1 million amount listed for the jail in the budget also includes the funds to operate the day report program. Board members noted that at some point they may have to push for the state to pick up the per diem for their own prisoners that are at the regional jail, or take them to state facilities.

Offsetting Revenues

Mr. McKlarney explained that this information shows what the county is receiving from the state for each department and what the costs are to operate those departments. Ms. Tickle explained that for Constitutional Officers, this shows strictly Compensation Board reimbursement for that office. Mr. Gentry asked if the amount for ambulance transport was sufficient. Mr. McKlarney said that was the number they felt would be safe to include since the service is going out to bid shortly. Mr. Spencer asked if any negotiations had proceeded with the people who are providing service for Montgomery. Mr. McKlarney said they would be able to bid on the proposal if it is advertised. He hopes to bring an RFP for the board to review at the March 3rd meeting. Mr. McCoy asked about state funds for resource officers. Ms. Tickle said that is all local money – the school pays for them.

Mr. McKlarney said that Castle Rock this year will spend only what they make. If that means no fertilizing and only cutting grass once a week, then that's what will happen. He said he could not imagine that the county would subsidize Castle Rock in this budget year. Mr. McKlarney said the mowing was dropped out of the maintenance budget and half the costs of cleaning have been dropped so far. The plan is for personnel to clean their own offices. He has spoken to administration personnel and they are okay with this. If Constitutional Officers and others want to have the cleaning service, then they would have to find money for it inside their budgets. Mr. McCoy asked if the county received federal money for the gypsy moth program. Mr. McKlarney

said there is some funding, but no one knows if it would be available this year. Ms. Tickle said she did not include it and if revenue is received for it, then she would do a supplement.

Mr. McKlarney said he budgeted real estate taxes on what was actually collected this fiscal year. There is no cushion in any of these revenue lines. It may be hard to collect as much as this year, but the budgeted amount is exactly the same. Machinery/tools and real estate increased a bit last year, but the budget amount was left the same. Mr. McKlarney said he normally budgeted 1-2% lower so there was a possibility of missing on those. Surprisingly, sales tax was up this year but it would be hard to imagine that trend will continue. The transient occupancy tax is budgeted at \$75,000 and all future tourism events will come out of that line. All county money for river clean up, roadside clean up, marketing materials, visitor brochures, and other related items will come from this revenue source. That tax was increased last year and all funds have to be spent on tourism related items. A meals tax bill has passed the House and has moved over to the Senate. If it passes, the county could put it in and there would be a bit of revenue there. There is really no way to know how much that would generate in the county.

Expenditures

Mr. McKlarney said the budget for the **Board of Supervisors** was up by the amount that audit services increased. That is an increase to meet the new standards required by the state – another unfunded mandate. Mr. McKlarney noted that the agreement with the Health Department to share office space has worked out very well – the Health Department employees have stepped up and are handling things very well.

Administration's reduction is from some of the salary amount being moved into the Day Reporting budget. The rental payment on Health Department was paid last year, but so far has not been requested this year. It will remain in the budget, but may not have to be expended. Mr. Gentry said he was asked about the county moving offices to the Fleeman Building. Ms. Hobbs said the best reason for moving the Registrar is for the convenience of people who need to visit that office. Mr. McKlarney agreed and said the county has never really met the requirements for that office. The county is trying to consolidate offices and get out of this (administration) building entirely.

Mr. McKlarney noted that the amount the board would pay for health insurance is set at \$450. He noted that payment by the insurance company of actual claims is down significantly. They reduced \$100,000 the first year of the **Wellness Program**, \$125,000 in the second year, and \$110,000 last year. Some of that has to be attributed to the Wellness Program. Ms. Tickle said that program costs about \$1,750 per pay period. The overall cost is about \$50,000.

Mr. McKlarney noted the big increase in **VRS** is in all budgets. It amounted to over \$180,000 overall for the county. One alternative to that is to go back to charging employees for some portion of their retirement. There is legislation in the General Assembly now that would allow that.

Mr. McKlarney said the **Constitutional Officers** have not seen this budget yet. The Commissioner's budget shows a reduction because she is short one employee. The cuts that may be implemented are not in this version that is being reviewed. This draft is \$2.3 million short, so all of those things are open for discussion.

Mr. Spencer said when towns make an arrest and send someone to the regional jail, that fee gets charged to the county. If it is speeding or something local, the towns collect the fines. Ms. Hobbs said the towns collect the fines and the county gets the bill – that's the way it has been.

Ms. Hobbs noted this budget does not show anything being cut. She asked if the best way to do this would be to look at this and then go back and do a straight percentage cut on all departments. Mr. McKlarney said that could be done. There have been some suggestions made on where cuts could be made without a lot of damage to departments. It would hurt but they are things the county could live with. The Sheriff has already come in and set down with Mr. McKlarney and Ms. Tickle to see where his budget was coming in. Ms. Tickle suggested some areas he might be able to save money and he was agreeable to the cuts. There does seem to be some relief from the General Assembly and Governor on the cuts to deputies. That will add some back for salaries.

Ms. Hobbs asked if land use was only validated in reassessment years. Mr. McKlarney said the majority of it would be, but if someone purchases property and requires it during the other years, it has to be handled. Ms. Hobbs said if the board does a straight percentage cut to everyone, then department heads would have to set down with their people. In most of these budgets, people and salaries are all that is left. They are going to have to decide if everyone takes a day off or gets less money. Mr. McKlarney said it would be difficult to do a percentage cut. For instance, Ms. Chambers' budget is already less because she is down one person and probably does not plan to hire anyone back. Also, if you apply a percentage cut across the board to GIS or Public Works, there would be no way to keep those employees. With Constitutional Officers that is where the funding is being lost, so it may be better to do a straight percentage with them. However, with some departments if you do that there will not be enough left to even pay the salaries.

Mr. Gentry asked how much was available in the Constitutional Officers' budgets to do a cut on. Ms. Tickle said right now the only state funding for Constitutional Officers is the officer's salary only for Commissioner and Treasurer. Mr. Gentry said then everything other than the officer's salary line is available for cuts. Ms. Tickle said on the county portion of non-constitutional offices, they have already made deep cuts. She directed the board members to look at the percent of change column. Those are items that have already been cut and that includes increasing VRS – the cuts have been made over and above that increase. It would be difficult to cut those any deeper.

Mr. McCoy said another issue with that would be having to pay unemployment. Ms. Tickle said payment would run from \$54 to \$378 per week. Based on 26 weeks the average is about \$10,000 for a salaried person of \$35/40,000. Mr. McCoy commented that would still save about \$25,000 plus benefits. He said if the state is only going to pay for the elected official's salary, he just did not see how the county can pay the rest of the salaries in those offices. Mr. Gentry asked if they thought that cut would be permanent. Mr. McKlarney said the governor cut it and he did not see that being restored. The argument is about how much work those offices actually do for the state. Mr. McKlarney said there is a bill that would allow counties to do away with Commissioner and Treasurer's offices and consolidate those services into a Financial Department. There are currently about 10 employees between both of those offices.

Mr. McKlarney said he had hoped the board would be able to look through the budget and the proposed cuts at this meeting. However, all of that has changed with the information that schools now face an additional cut. Something they can do though is look at the number of people who could possibly retire in June. One thing the board does control is paying insurance for 30 year employees until they are 65. If that benefit was to go away in the future, then a lot of people would probably make a decision to retire. He suggested any changes to that benefit be done with a year's notice so people would have time to consider their options.

Mr. McKlarney said the county's portion of the shortage has not changed. The only change has been the \$200,000 increase in the cost to the regional jail. The issue is that on the **school board** side there has been another cut of \$1 million. That really gets back to the boards both sitting down and seeing exactly what that means and figure out what the county/school can live with and meet the Standards of Quality. Then they need to see what the school board's plan is and how much the county can cut off their side to help meet their demands. He said he was going with the assumption that education was going to be the top priority and that would dictate what the supervisors do. Ms. Hobbs asked if this was going to force consolidation. Mr. McKlarney said he could not answer that; he did not know. He said Dr. Arbogast has a pretty good plan laid out; most through attrition if people chose to retire. Now they have to deal with another \$1 million though.

Mr. Gentry asked how much the cost was for the 30 year insurance. Mr. McKlarney said it was not as much the cost of the program as an incentive for people to retire. There is no way to know who would make that decision. In that case though, they would have to start cutting people. There are other things that can be done – incentives for retirement, etc. Mr. McKlarney said he felt they had a good plan coming into this meeting today on a way to make those cuts. That is all off the table now with the new deficit of \$1.2 million. The school system is meeting now to try to figure out what to do. They are working under the assumption they are coming to this board asking for no new money. Mr. McKlarney said he did not think they could do that now and still meet the state standards. They simply could not keep enough people based on the budget they have right now.

Mr. McKlarney said he felt any cuts now are going to have to be a team effort. If education is the priority, then the county just needs to maintain the essential function of county government at a very basic level. Ms. Hobbs said she supported education, but if they pour everything they have into education and leave nothing for economic development and other things, then the county would be in the same boat in five years. Mr. McKlarney said he felt they would be in this situation for at least four years.

Mr. McCoy asked if the school was looking at personnel because they could not get \$2.3 million by attrition. The board understands that. Mr. McKlarney said the county and schools have made \$500,000 in salary reductions in the past year and that doesn't include the energy and fuel savings which are over \$75,000. He said he was really at a loss where else to cut. Mr. McCoy said the county has been cutting and he felt it would be a mistake for them to pick up and fund all the positions where the Constitutional Officers are losing money. He said he would hate to see them lose people, but it would be a mistake to even think about doing that. The board just needs to say what they can fund and the Constitutional Officers will have to figure out a way to get the job done. It is ultimately their responsibility to do that.

Mr. Gentry said he had not heard anything on the table about taxes. He asked if they were working on the assumption there would be no increases. Ms. Hobbs said she would not vote to raise taxes. Mr. Gentry said that was his assumption but had not heard it discussed. Mr. McKlarney said the approach needed to be to determine where the school system is right now. They have only had that information less than a week and were ready to cut the \$1.6 million mainly through attrition. This has all changed and they don't know where they are going to get this latest amount from. Ms. Hobbs asked if Constitutional Officers would receive the one-time 3% bonus the governor talked about. Ms. Tickle said they would not be eligible and neither would teachers. Mr. McKlarney said after the school looks at things and based on what they decide, the board will have to decide what to do. This has to be a team effort. He said it was true that for years the school board did play games and hide money, but they are no longer doing that. There is no hidden money out there.

EXECUTIVE SESSION

Mr. McCoy moved to go into Executive Session as permitted by Virginia Code 2.2-3711(A)(1), personnel (job assignments of specific employees). Second by Mr. Gentry. Approved unanimously (5-0). Voting YES: Ms. Hobbs, Mr. Baker, Mr. Spencer, Mr. Gentry, Mr. McCoy.

Mr. McCoy moved to certify that in the closed session just concluded, the Board discussed nothing except the matters specifically identified in the motion to convene and lawfully permitted to be discussed under the provisions of the Virginia Freedom of Information Act cited in that motion. Second by Mr. Gentry. Approved unanimously by roll call vote – Voting YES: Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker, Mr. McCoy.

BUDGET

Mr. Gentry asked about mowing and cleaning contracts – county as well as schools. Mr. McKlarney said they were looking at it, but he was not sure there were enough people in the day report system to do the school's mowing. Ms. Hobbs said they need to be careful about putting those people in the school to work. Mr. Gentry said there should not be an issue with having them on mowers outside after hours. Ms. Hobbs asked how they would be supervised. Mr. Gentry said he understood the concern, but he felt they needed to look at all possibilities.

Mr. McKlarney advised the board that some cuts have been made to the proposed budget. He needs them to see if they can live with that. The Constitutional Officers budgets (except the Sheriff) have not been cut yet. The board needs to look through that. He does not feel there is any money there for anything. There is no contingency, no special events, no lunches, -- nothing extra in there.

Mr. McCoy said for some of the positions that the Compensation Board has partially funded and the county had to pick up part or all of the benefits, they were told if funding ever became an issue they would be cut. They should know this is coming. The Sheriff added on positions contingent on getting grant money and should understand the same thing. If the funding isn't there, the county cannot fund them. The benefits are not really

the issue – the Compensation Board cut all the funding so maybe the positions will have to go. Mr. Spencer said he felt the Sheriff should have a working relationship with the town officers. They should all be working together to get things done more efficiently. Mr. McCoy said there is also a source of revenue the county does not use – that is the reassessments. The county pays for it and the towns get the information free. It does not have to be provided free to them. They need to start paying a portion of that. Board members noted there are a lot of other things provided to towns – for instance, dispatchers work for all the towns as well as the county. Towns do not pay anything on that either. Ms. Hobbs said the board could keep the recreation money. It used to be \$10,000 per district. Mr. Spencer said it has dropped to \$8,000 and the board has done that for over 10 years. He did not think anything would be wrong saying the county just cannot do that anymore.

Mr. McKlarney said there was not a penny extra in this budget. There is no capital that is not fully funded. Ms. Tickle said the \$2.3 million may be even higher because they do not have Social Services budget yet. This reflects Social Services exact budget from last year with the VRS changes. Mr. McCoy asked if they were obligated to cut anything. Mr. McKlarney said the state would cut them. There is local funding for matching funds, but it is state mandated for the most part.

Ms. Hobbs said they need to find out what the school is going to do. Then they need to go back and look at things. If it comes down to Constitutional Officers, the board needs to give them a figure and let them decide what to do with it. They can decide whether it is a person or some from each employee. She asked that since the Compensation Board was no longer funding anything other than the officers, do they still have the ability to set salary ranges for the deputies. Ms. Tickle said they are still funding positions on the Sheriff's side. Ms. Hobbs asked about the other offices – they are not funding any positions in the Clerk, Commissioner, Treasurer, or Commonwealth Attorney's offices. Ms. Hobbs asked how they could set the salary range when they are not reimbursing those positions. Ms. Tickle said that the Comp Board designated salaries for Constitutional Officer's deputies are much lower than what they are currently getting paid. The subsidy the county has been paying over all these years – part of that is the difference in salaries between what the Comp Board allows and what the employee is actually being paid. There were some years that local Constitutional Officers and their staff got a raise but the state did not reimburse that raise.

Mr. McCoy said if the Comp Board is only funding the officer's salary, then all the employees in those offices should become county employees at that point in time and need to adhere to the county policies and everything else. Mr. McKlarney said he did not think so until the constitution changes or legislation is passed. Mr. McCoy said he understood that but the board could tell elected officials that if the board is going to fund this, they have to abide by the county rules. They could agree to that. Ms. Tickle said she thought most had adopted the county policy. Mr. McCoy said they may have, but they do not follow it. Ms. Hobbs said sometimes they pick and choose what they want out of it. Mr. Gentry asked what they meant specifically. Mr. McCoy said hours of work, compensation, and days off for a few things – closing for weather is another. Ms. Hobbs asked if the salaries of the people working in the Clerk, Treasurer, and Commissioner's offices was comparable to what people working in other offices (Extension, Administration, Health Department, etc.) Mr. McKlarney said they were a few thousand dollars difference, but felt generally administrative positions were within \$5,000 one direction or another. Ms. Tickle said the only reason the Treasurer's office is different because of the supplement of salaries with DMV, PSA, and twice a year tax collection funds. Ms. Hobbs asked if the treasurer was paying his current employees more instead of hiring additional people. Ms. Tickle said each person in the Treasurer's office gets a DMV supplement, PSA supplement, and twice a year tax supplement to every paycheck. The amount varies.

Mr. McKlarney said a 5% across the board payroll decrease, along with the other recommendations made, and that would get the budget where it needs to be. That is just one alternative. They are looking at everything. The school board is looking at four 10-hour days for schools and offices. John Ross has looked into this and it could represent a 10-15% overall saving in energy – close to \$100,000 not counting buses, food, etc. That amount would be in energy alone. They estimate 10% because the building would still have to have some heat on the days they were closed. It would have to include not opening for any reason on the "down" days. Ms. Hobbs asked if it would save money to close Castle Rock three months out of the year. Mr. McKlarney said it would. Ms. Tickle said a 5% across the board pay cut would save \$1,189,000. Mr. McKlarney said that was just one option. Mr. Gentry asked if that is easier for the schools than cutting services. Mr. McKlarney said it would not be easier, but it would not affect the kids. He cautioned that this would only solve the problem with the cut

they heard about this week. There is still \$1.6 million to cut in the school system. Mr. Spencer said that could work out to even more because it changes FICA and other benefits too. Ms. Hobbs said she did not think they could cut some of those salaries. It may not be legal to cut the Constitutional Officer's salaries. Mr. McKlarney said they could cut 5% out of the local portion. Mr. McCoy said he didn't see how it wouldn't be legal to cut the county portion – they can't cut the portion reimbursed by the Comp Board, but that is not the whole salary. Mr. McKlarney said this would apply to all personnel – full and part time. Greenbrier contracts would be cut also. Ms. Hobbs said she thought they need to hear from the schools before making any moves. Mr. McKlarney agreed.

Ms. Tickle said the schools have made changes and cuts to allow them to fund the \$1.6 million cut. They still have another \$600,000 to deal with. She said there is money there that is federal and has to be spent specifically for special education or Title I – they have no choice in that. Ms. Hobbs asked if they have people coming out of the regular budget that could fit into some of those categories. Ms. Tickle said they have already done a lot of that.

The message right now is the county has just received \$200,000 in increased costs and the school another \$1 million in cuts, and education is top priority. The board really cannot make a lot of decisions until they know what the schools can do. Ms. Hobbs said laying off people should be a last resort. If some cuts can be made through attrition, then there can be an overall salary reduction and keep programs and people in place. More people may decide to retire if there is a 5% pay cut; that would lower their average for retirement. Mr. Gentry said they need to seriously look at the 30 year retiree benefit for 2011-12. Mr. McCoy said he agreed and would hate to lay off anyone. However, if the county is heavy somewhere then there is no better time to adjust the workforce where it needs to be. Ms. Hobbs said it was hard for the board to judge if some department is heavy. She said she hated to cut people – some of whom are living paycheck to paycheck. However, a cut is easier to live with than unemployment. The board said if there is a cut it needs to include ALL employees. Mr. McCoy said after they finish cutting everything in the budget, maybe that number would drop to 2-3%. Mr. McKlarney said if the General Assembly allows the change to a finance department, there could be considerable savings.

Mr. Spencer asked if they would think about increasing the rent at the old incubator building. There have not been any increases there for some time. He is also planning to reduce the size of his office space. Mr. McKlarney will discuss that with the IDA.

Mr. McCoy said Newport Community Action group has asked if the county knows of anyone who could use that building. It is a huge building and they really do not have enough to keep it going now. The board was not aware of any group interested.

No further business was introduced. Ms. Hobbs recessed the meeting until 6:30 PM in the General District Courtroom.

APPROVED:

Chairperson

ATTEST:

Clerk