

AT A BUDGET RETREAT OF THE BOARD OF SUPERVISORS OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON THE 21ST DAY OF JANUARY 2012, AT 8:00 A.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

A. CALL TO ORDER

B. ROLL CALL

Mary K. Jones, Chairman, Berkeley District
John J. McGlennon, Vice Chairman, Roberts District
James G. Kennedy, Stonehouse District
James O. Icenhour, Jr., Powhatan District

Robert C. Middaugh, County Administrator

C. ECONOMIC OVERVIEW

Mr. Middaugh stated that the agenda for the meeting is generally divided into two parts. The first consists of staff sharing information with the Board, and the second part is designed to give the Board the opportunity to provide feedback and guidance.

Mr. Middaugh stated the national economy continues to grow slowly and that the housing market is still an issue due primarily to the inability for consumers to get credit. He further stated that revenues are growing slowly and that the Board had done a good job of managing the County's finances during the difficult economy.

D. FINANCIAL OVERVIEW

Ms. Sue Mellen, Assistant Manager of Financial and Management Services, provided an update on the County's financial situation since the November work session. She said the building permit revenues and recordation taxes continue to perform as expected. Sales, meals, lodging, and Business, Professional, and Occupational License (BPOL) taxes are performing better than expected.

Mr. Kennedy asked what the increase in meals taxes was compared to inflation. He also asked if building permit revenues were the result of new construction or repairs, renovations, or minor improvements such as a deck. He further asked if the increase in BPOL was due to new businesses.

Ms. Mellen stated that staff had increased the estimated revenue for FY 13 by \$1.2 million based on the current trends.

Mr. Kennedy asked if staff was talking to County businesses about the economy.

Mr. Russ Seymour, Director of Economic Development, stated the Office of Economic Development was meeting with businesses and that the general feeling among businesses is that the economy is improving.

Ms. Jones asked if outside experts could present to the Board at its first budget work session.

Mr. Kennedy said he would especially like to hear from the real estate industry.

Ms. Mellen said staff is still projecting a 6 percent decrease in assessments.

Mr. Middaugh discussed that staff is projecting an accumulated savings of about \$7.4 million by the end of FY 12. Staff is generally reluctant to recommend that non-recurring revenues be used for operational expenses, but that the savings could be used for capital projects, capital maintenance projects, and debt service, or to assist the schools.

Mr. Middaugh then began a discussion of expenditures. He stated there is a significant gap for the school in FY 13 and that without additional local funds, the schools will have to make significant programmatic changes.

Mr. McGlennon noted that the gap is without any new expenditures and is primarily a result of mandated Virginia Retirement System (VRS) expenditures. He asked if staff anticipated the increased level of spending on VRS to be ongoing.

Mr. John McDonald, Manager of Financial and Management Services, responded that he does not think that the VRS issue can be solved in two years and expects the increased level of funding to continue longer. He said it is difficult to estimate because it will depend on many factors, including plan design and investment results.

Mr. Icenhour asked if the VRS increase proposed in the Governor's budget was different from what VRS recommended.

Ms. Mellen replied that it is less.

Mr. Middaugh noted it could change based on what budget is ultimately approved.

Mr. McDonald stated that there are several bills before the General Assembly pertaining to VRS, some of which allow localities to require that employees pay 5 percent into VRS.

Mr. Icenhour asked about County spending compared to school spending.

Mr. Middaugh responded that since FY 2008, school funding has remained flat while County spending has declined 9.5 percent.

Mr. Middaugh stated the County is facing many capital needs and that staff needs guidance on how to proceed. He mentioned the cafeterias at Hornsby and Berkeley Middle schools, the many HVAC issues in the schools, and that the County is still uncertain about mandates that the County may have to implement related to stormwater. He also clarified that the VRS increase for schools is \$4.4 million and is about \$1 million for the County.

E. OVERARCHING GOALS

Mr. Middaugh shared a list of overarching goals compiled by the staff. He asked the Board to let staff know if there was anything on the list they wanted to do more or less of.

Discussion ensued about the County's land preservation programs.

Mr. McDonald stated that the County currently has a balance of about \$6 million in the Purchase of Development Rights (PDR) and Greenspace accounts combined. The County also has the authority to borrow \$14 million, but the authority expires in December 2013. The County can ask the judge to extend the authority for two additional years until December 2015.

Mr. McGlennon stated he would like to see a program of encouragement developed in an effort to preserve more land. He asked if land preservation could be applied to the requirements of the Chesapeake Bay Preservation Act.

Mr. John Horne, Manager of General Services, said there still seems to be a disconnect between the State and Environmental Protection Agency (EPA) and that the County is still not certain what if any targets will need to be achieved.

Mr. Kennedy asked to be provided with the video from a previous Board discussion on stormwater.

Mr. McGlennon stated he thought it was possible that preserving land could help achieve multiple goals that are important to the County.

Ms. Jones stated that some citizens feel the County already owns too much property, and that she is hesitant to support an enhanced PDR/Greenspace program.

There was also discussion on workforce housing.

Mr. McGlennon asked to revisit the studies already conducted on this issue.

Ms. Jones said the solution to workforce housing should be market driven. She also noted the lack of rental housing in the County.

Mr. Kennedy asked how workforce housing is defined and what the population we are trying to help is. He asked when was the last time the County approved the construction of apartments.

Mr. Icenhour said he didn't feel the County should be interfering too much with the housing market, but he is frustrated with the private sector.

Mr. Middaugh stated the staff would develop strategies during FY 13 to address workforce housing and implementation would be no sooner than FY 14.

Mr. Middaugh noted that tourism is another overarching goal.

There was some discussion about the Ladies' Professional Golf Association (LPGA) tournament, what would be expected of the County, and what the return on investment was.

Ms. Jones said she was pleased with the efforts to support sports tourism.

Mr. Kennedy also said he wanted to continue to support sports tourism and that the County had made good strides in this area. He also said he had concerns about the County's investment with the Alliance.

At 9:40 a.m. the Board took a break.

At 9:55 a.m. Ms. Jones reconvened the Board.

Discussion continued on the goal of safety net services and homelessness.

Ms. Diana Hutchens, Manager of Community Services and Director of Social Services, said that County staff meets regularly with representatives of the faith community and nonprofit organizations in an effort to coordinate services. She said coordination is improving and cited the recent example of the implementation of the Homelessness Management Information System.

Mr. Kennedy stated that the other local governments need to pay their fair share. He said he wondered how much the economy was improving based on the number of citizens seeking safety net services.

Mr. Middaugh noted that one of the overarching goals is to address the growing retirement community.

Mr. Kennedy said it could be an industry with assisted living facilities and senior day care.

Mr. Icenhour said he would like to see programs that enable seniors to age in place.

Mr. Middaugh asked if the Board would support a position to seek and obtain grants.

Mr. Icenhour said he would be supportive as long as a positive return on investment could be demonstrated.

Mr. Kennedy asked how such a position would work with other staff members who write grants. He also asked that if such a position were created, could it partner with the schools.

Mr. Middaugh introduced the goal of blight.

Mr. Kennedy said he wants to see blight cleaned up and that he does not think the County is doing a good job on this issue.

Mr. Middaugh estimated that it would take about \$50,000 to \$75,000 in the FY 13 budget to address some of the more significant blight issues in the County.

Mr. McGlennon asked if the County could provide incentives for owners to rehabilitate their property.

Mr. John Carnifax, Director of Parks and Recreation, discussed the proposed changes in the Financial Aid Policy. The proposal is simpler than the current policy by reducing the number of eligibility tiers.

The Board expressed support for the proposed policy.

F. OPTIONS FOR ADDRESSING THE GAP

Mr. Middaugh stated the biggest issue is the schools and suggested that the Board provide some level of additional funding to the schools and ask the schools to reduce its expenditures by a certain amount. He stated that funding the VRS increase would be one option.

Mr. McDonald noted that under the existing contract, the City would provide approximately \$700,000 to the schools based on enrollment growth.

Mr. Kennedy suggested providing an additional \$2.9 million to the schools, estimating that with the additional City funding, this would result in a total increase of about \$4 million to the schools.

Mr. McGlennon noted that the City wants to implement a formula that smooths a spike in expenditures, and that long term such a formula benefits the County.

Mr. Icenhour said he wants to help the schools but he is not sure of an exact amount yet. He said that addressing the budget issue should be a cooperative effort with the schools and City.

The Board agreed that it is too early to make commitments.

Ms. Jones stated that the Board needs to be cautious given the uncertainty for years ahead.

Mr. Kennedy stated he was not interested in any revenue enhancements.

Mr. McGlennon asked if two budgets could be developed, one with a \$0.77 tax rate and one with a \$0.79 tax rate.

Mr. Icenhour said the Board needs a list of options and tradeoffs.

At 11:18 a.m., the Board took a break.

At 11:25 a.m., Ms. Jones reconvened the Board.

Mr. McGlennon said he was not opposed to incurring some debt for high priority projects, but it would have to be under the \$30 million in debt being retired.

Mr. Icenhour said if there are cuts, he would like to maintain funding to public safety. He said an across-the-board reduction may be necessary.

Mr. Middaugh stated that the County could save about \$1 million per year if solid waste collection and recycling were bundled, but that all County residents would have to participate.

Mr. McGlennon said he was not sure if there were any more reductions that could be made to the operating budget without reducing services to an unacceptable level.

There was a consensus of the Board to protect organizations that provide safety net services.

Mr. Kennedy stated that the other localities need to provide their fair share of funding to these agencies or difficult decisions would need to be made.

Mr. Middaugh stated that the Hampton Roads chief administrative officers were going to recommend an across-the-board reduction for regional organizations.

G. JAMES CITY SERVICE AUTHORITY

Mr. Larry Foster, General Manager of the James City Service Authority, introduced a proposal to set a public hearing for April 24 to consider a 15 percent increase in sewer fees. This proposal is prompted by a need for additional funds to pay for improvements required by a Virginia Department of Environmental Quality consent order. Under this proposal, a total of \$750,000 per year would be generated and the average customer would pay an additional \$7 per quarter.

Mr. Foster said that a total of \$3-4 million a year is needed to fund the improvements and that connection fees can fund part of that amount. However, an additional \$1.5-2 million in additional revenue is needed per year. Therefore, Mr. Foster projected that smaller incremental rate increases would likely be necessary in future years.

Mr. Foster said that there are three options: increase rates, increase connection fees, or issue bonds. Connection fees are already high compared to other localities and the uncertainty in the housing market made this a less than desirable option. He also said bonds would have to be repaid and he was concerned the debt would exist longer than the improvements.

Mr. Foster said that there had not been a sewer rate increase since 2007. There was some discussion that EPA expected rates to be equal to 1.5 percent of median household income, which would be about double the current rates.

Mr. Icenhour said that James City County would pay more even though the County has fewer problems than most other localities.

Mr. McGlennon expressed concern that sewer rates do not distinguish income levels. He asked if staff could look into the possibility of monthly billing.

Mr. Foster replied yes.

At 12:20 p.m. the Board took a break.

At 12:25 p.m., Ms. Jones reconvened the Board.

H. DISCUSSION OF JAMESTOWN DISTRICT SUPERVISOR SEAT

The Board agreed to interview all five candidates who applied for the seat and to interview Ms. Robin Bledsoe, who had expressed an interest but had been unable to turn her application in by the deadline. The Board agreed to conduct interviews on February 6 beginning at 4 p.m. Candidates will be asked why they want the position. There will be a total of four questions and interviews will be approximately 30 minutes each.

I. ADJOURNMENT to 4 p.m. on January 24, 2012.

At 12:46 p.m., Mr. McGlennon made a motion to adjourn until 4 p.m. on January 24.

On a roll call vote, the vote was AYE: Icenhour, McGlennon, Kennedy, Jones (4). NAY: (0).


Robert C. Middaugh
Clerk to the Board