AGENDA ITEM NO. H-1a

AT A BUDGET RETREAT OF THE BOARD OF SUPERVISORS OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON THE 25TH DAY OF JANUARY 2014, AT 8:30 A.M. IN THE COUNTY GOVERNMENT CENTER WORK SESSION ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

ADOPTED

MAR 11 2014

Board of Supervisors
James City County, VA

A. CALL TO ORDER

B. ROLL CALL

Mary K. Jones, Chairman, Berkeley District
Michael J. Hipple, Vice Chairman, Powhatan District
James G. Kennedy, Stonehouse District
Kevin D. Onizuk, Jamestown District
John J. McGlennon, Roberts District

M. Douglas Powell, Acting County Administrator

C. PRESENTATION BY COUNTY'S FINANCIAL ADVISOR – Davenport

Ms. Jones introduced Mr. Courtney Rogers, Senior Vice President, Davenport & Company, LLC.

Mr. Rogers addressed the Board giving a presentation on the County's overall financial position. Mr. Rogers stated that interest rates are still very attractive. While they have risen within the past year, they are still very good and there is a margin to refinance some of the outstanding 2005 and 2006 bonds. He stated that this will be discussed with staff and brought back to the Board in the future. Mr. Rogers continued that the bonds that were issued in 2005 have a ten year call date and cannot be paid off early.

Mr. Rogers continued to examine conservative budgeting. He showed a balance sheet containing the last six years of expenditures versus revenues. He stated that revenues have started to rebound after the 2008 financial crisis. He also stated that expenditures did decrease after the 2008 financial crisis; however, expenditures have risen with those funds being addressed to capital investment projects.

Mr. Rogers then addressed the overall credit rating of the County. He explained the details of how Moody's has updated their rating information when it comes to General Obligation bonds. He continued to explain that the County, in 2013, had a higher than projected revenue stream and less expenditures than projected. He explained that this is something that the bond raters look at and is positive for the County.

Mr. Rogers continued to address the actual rating of the County stating that the County has an AAA bond rating with both Standard & Poor's and Fitch. The County currently has a rating of AA1 with Moody's which is just below the top rating of AAA. He stated that the last time the County was reviewed for their bond rating by Moody's was in 2012 with a positive outlook meaning that the likelihood of the County's bond rating being raised or staying the same within two years was high.

Mr. Rogers addressed the strengths and weaknesses of the County as they are viewed by Moody's and the changes that Moody's has very recently implemented for their bond rating criteria.

Mr. Rogers then addressed the property tax rate of the County in comparison with the other counties within the Commonwealth that have an AAA bond rating. He stated that the current property tax rate is below average of the other AAA bond rated counties. He stated as well that the County is competitive in their tax rate in comparison to neighboring jurisdictions.

Mr. Rogers then addressed the Unassigned General Fund balances. He stated that the balance of the Unassigned General Fund has risen since 2011.

Mr. Rogers then discussed the total value of property in the County. He stated that because the 2008 economic crisis did not affect the overall total value of property in the County that the County was able to leave the property tax rates the same throughout the recovery from the 2008 financial crisis.

Mr. Rogers then addressed the County's current debt. He stated that three quarters of the current debt is in the form of bonds that were taken out in 2005 and 2006 for schools. He then showed that the remainder of the County's debt was used for capital improvement projects such as the E911 project.

Mr. Rogers then stated that the County's current debt will be paid in full within 20 years and that 70 percent of the County's current debt will be paid off within 10 years. He also stated that the amount that will be paid out by the County for debt service will drop by about $4 million in three years.

Mr. Rogers demonstrated the ratio between debt service and revenue and that the County is well within the rate set by the Board of Supervisors. Mr. Rogers showed that the ratio is also comparable to the other counties with an AAA bond rating.

The final area that Mr. Rogers addressed in his presentation was the ratio between debt and personal income. He stated that the rate has dropped significantly since portions of the principle debt have been paid down.

Mr. Jones asked for questions from the Board members.

Mr. McGlennon asked about the refinancing of debt.

Mr. Rogers stated that 23 million dollars from the 2005 bonds would be available to be refinanced.

Mr. Rose stated that the population of the County is one of the issues considered by Moody's Rating Agency when giving the County an AAA bond rating is. He stated that Moody's likes to see a population of 100,000 before giving an AAA bond rating.

Mr. Jones asks about the Hampton Roads Transportation Organization being granted bond authority and would the affect the County's bond rating in any way.

Mr. Rogers states that he does not believe that the Hampton Roads Transportation Organization receiving bond authority would affect the County in as much as the credit rating of the County's bonds.

D. OUTSIDE ORGANIZATIONS PRESENTATIONS

1. Local Banking Industry Representative

Mr. Marshall Warner, Executive Vice President, Chesapeake Bank, addressed the Board giving a presentation on the Local Banking Industry in the community. He stated that throughout Williamsburg, there are 14 commercial banks, five credit unions, and several mortgage companies, which is a good thing for the citizens of our community. He stated that the local banks are well positioned and have plenty of money to lend. He stated that on the business side, loan demand is moderate. He stated that most of the commercial growth and development in New Town over the last six years was financed through local banks. He stated that the biggest issue for local banks is the federal regulations imposed on them by the Dodd-Frank Wall Street Reform and Consumer Protection Act (commonly referred to as Dodd-Frank). He stated that the local banks are treated the same as national banks, like J.P. Morgan Chase or CitiCorp, in regards to these federal regulations. He stated that these federal regulations only hurt the consumer. He stated that the local banks are trying to find ways to make things work for the local consumer as best they can.

Ms. Jones asked if any of the Board members had questions for Mr. Warner.

Mr. Kennedy stated that one of things he hears quite often is that banks have money to lend, but that they just cannot lend it. He asked if Mr. Warner thought those regulations might loosen up anytime soon, or if there is anything that the County can do.

Mr. Warner stated that it is not his intention to hide behind the regulations, but they are required to see proven cash flows, 20-30% down payments on projects, so it has been rather restrictive from a regulatory perspective. He stated that the local bankers try to do everything they can. He stated that the local banks are required to show the ability to repay the loans to the examiners.

Mr. Onizuk stated that he sees the same issues in his business. An underwriter can no longer say that a deal looks good, he must prove in writing that the deal is good and can be repaid.

Mr. Warner stated that unfortunately this is all part of the Dodd-Frank Regulations which came from Washington. He stated that most citizens have not paid much attention to the impacts these regulations have on the local consumer, and they only hurt the consumer. He stated that the local bankers know the community, know the borrowers, know the value of the property, and that is helping in some way, and they are doing their best to overcome the regulatory restrictions.

Mr. Hipple asked how the future looks for the community and how strong the community is.

Mr. Warner stated the future is not as good for the small businessman, the entrepreneur, as it is for the Fortune 500 Company. He stated that he is optimistic on the economy.

Mr. McGlennon asked if there have been any improvements or declines in the various business sectors.

Mr. Warner stated that the retail industry is doing well and is supported by their corporations. He stated that some hotels are struggling, but that depends on to whom you talk. He stated that timeshares are doing very well. Some restaurants are struggling and some are doing quite well. The construction industry was hit the hardest during the recession, but those companies that have survived are doing quite well.

Mr. Onizuk stated that it was mentioned earlier that more small businesses are self-funding now due to the regulations on lending. He asked how that is affecting the growth of small businesses, and is it affecting the small business community, here, as a whole.

Mr. Warner stated that self-funding slows their business growth. He stated that everyone is more cautious, which is not necessarily bad.

Ms. Jones thanked Mr. Warner for joining the Board for the discussion this morning.

Mr. Warner requested to stay with the Board for the presentation by the Local Real Estate Industry Representative.

The Board nodded their agreement.

2. Local Real Estate Industry Representative

Mr. Andrew Nelson, President, Williamsburg Area Association of Realtors, addressed the Board giving a presentation on the local real estate industry in the community. He stated that the real estate market is cautiously optimistic. There has been a steady increase in home sales over the last three years, especially in the condo/townhome market. He stated that new construction has begun to come back into the community.

Mr. McGlennon asked how much of the rise in the condo/townhome segment of the market is part of the new construction increase?

Mr. Nelson stated that Kingsmill is quite strong, Braemar Creek, and Villages of Norge, as well as resale of condo/townhomes. He stated that there seems to be a trend to downsize from the single-family detached style home back down to the more manageable condo/townhome style home.

Mr. Nelson stated that the price point stage of the market is starting to rise again as well. He stated that from the real estate aspect, contracts are being written at certain price points, but once the appraisal comes back, those contracts have to be scaled back. He stated that the appraisers are working off historical data, rather than looking at a rising market. He stated that this is holding back the market somewhat.

Mr. McGlennon stated that the papers reported several weeks ago that the Hampton Roads region saw a slight decline in home prices recently, but his understanding is that those figures did not include Williamsburg.

Mr. Nelson agreed. Williamsburg has been consistently higher in that regard due to a large number of retirees coming down here from up north, as well as an increase in military personnel choosing to move here and commute farther down the Peninsula.

Mr. Nelson showed figures that indicate that the number of days on the market for homes is dropping which is indicative of a rising housing market.

Mr. Onizuk asked from the Association's point of view, what would be a healthy number of days on the market.

Mr. Nelson stated if the County got down to a 90-day market with around a six-month supply on the market, that it would be a good balance. He stated if it got down much more below that, then we would return to the days of multiple offers, which is not as stable. He stated that in this area, if property is priced right and marketed right, it will sell. He stated that as we heard from the bankers, Dodd-Frank impacts the mortgage lending as well, and no one sure what impact that will have on the market in the coming year. He stated that it is a cautious market.

Mr. Nelson stated that when looking at the number of listings statistics, those numbers have remained relatively flat over the last three years which has actually helped to get rid of the excess inventory. He stated that the price points have remained relatively flat as well. He stated that most of the activity is occurring in the price ranges up to the $500,000 point. The higher priced properties are still somewhat problematic.

Mr. Onizuk stated that the lower range home prices seem to have a longer time on the market as well. He stated that affordable housing is a consistent problem in our community, so what would be the reason that the lower priced homes are staying on the market for longer periods of time. He asked if these lower priced homes are distressed.

Mr. Nelson stated that because of the current state of the market, and because of historically low interest rates, people on lower incomes have actually been able to afford property in the next higher price point range. In regard to distressed homes, he stated that this area has not seen those types of issues like other parts of the State and throughout the country. He stated that the first-time home buyers are still struggling because of coming up with the amount of money regulations require for the down payment. He stated that as the bankers mentioned, the regulations are tying the hands of the lenders which makes it difficult for the lower income and first-time home buyer to get qualified for lending. It should be also noted that the homes in the sub-$200,000 range are not necessarily turn-key ready, and many people do not want to have to deal with a home that is not turn-key ready.

Mr. Warner asked Mr. Nelson if he might speak to the issue of qualification that was brought up.

Mr. Nelson nodded his agreement.

Mr. Warner stated that Freddie-Mac and Fannie-Mae are the two governmental agencies that provide the 15- and 30-year fixed rate mortgages. Those mortgages are not held in the portfolio of the bank, it is serviced by the bank, but it is sold on the secondary market. These new regulations have gotten tougher to get people qualified for these mortgages because they require more money down, good credit history, and low debt to income ratio which cannot be more than 43% now. On the other side, the small local banks still do mortgages on their own portfolios, because they believe it is a good credit risk, and are willing to do so.

Mr. Nelson agreed that the local real estate industry encourages the relationship with the local banks.

Mr. Nelson stated that there are roughly 420 lots still available in the community for single-family homes. He stated most of those are located in Ford's Colony, Kingsmill, and Stonehouse. He stated that in terms of integrating affordable housing, there needs to be a more firm policy of integrating different types of homes on what is still available.

Mr. Kennedy stated that in discussions with other realtors, he has heard that the large-scale builders are coming into housing communities and buying most of the lots. He stated that these large-scale builders can build homes bigger, for less cost, which is driving down the value of the existing homes in the neighborhoods. He stated that home values have risen, but they have not come back to where they were before and so people are stuck being upside down on their homes.

Mr. Nelson stated that the large-scale builders have the buying power and are moving into the community. They already own approximately 80% of the buildable lots that have already been approved through the County.

Mr. Kennedy stated that the other important issue is service-sector housing. He stated that there are a lot of people that work here in the community, but cannot afford to live here. He stated that he doesn't believe that single-family homes are the answer, but apartments are in dire need in the community. He asked if the realtors are seeing this as well.

Mr. Nelson stated yes. He stated that it is something that needs to be looked at from a planning stage. He stated that there is an opportunity for the local bankers, the custom builders, and the real estate industry to sit down and work together.

Mr. Powell stated that in regard to Mr. Kennedy's question of the large-scale builders affecting resale values of current homeowners, staff has looked in to five different neighborhoods and has been unable to conclude that that is the case.

Mr. Onizuk asked why the County is anticipating a decrease in assessment values, when the market shows increase in home prices.

Mr. Powell stated that staff can address that question more fully, but there is a lag between the rise in the housing market and the County's property assessments.

Ms. Jones thanked Mr. Nelson for joining the Board's discussions today and for the information provided.

Ms. Jones recessed the Board for a 5 minute break at 10:08 a.m.

Ms. Jones reconvened the Board at 10:15 a.m.

3. Local Chamber and Tourism Alliance Representative

Mr. Bob Singley, President, Greater Williamsburg Chamber and Tourism Alliance, Ms. Karen Riordian, President and CEO, and Mr. Bob Harris, Vice President of Tourism, joined the Board and gave a presentation on the local business and tourism industry in the community.

Mr. Singley stated that in a survey of Chamber member businesses, the top three concerns included economic growth, transportation, and tourism. The survey did indicate more optimism for increases in revenues for the coming year. He clarified though that an increase in revenue does not necessarily correlate to an increase in profits. He stated that many industries, especially restaurants and retail, are subject to inflation that cannot be passed on to the consumer. He stated that local businesses do anticipate higher operating costs due to the higher costs of health benefits for employees and higher costs for raw materials. He echoed the statements of Mr. Warner, stating most small businesses intend to use cash flow to self-fund capital expenditures instead of seeking out financing. He stated that some small business owners also do not have the records and financial statements to meet the regulations required to receive bank financing. He stated that there is reserve optimism within the members of the Chamber for the coming year.

Mr. Singley stated that in response to some of the questions posed earlier regarding work-force and multi-family housing, that there are development projects in the works for the area. He stated that several multi-family dwelling developments will be coming online over the next year or two which equates to roughly 1,000 units available at the market rate.

Mr. Singley stated that in regards to retail operations in the area that the Williamsburg area is overbuilt in retail in comparison to per-capita and there is beginning to be a move toward consolidating retailers. He stated that James City County is benefitting from this consolidation. He stated that many retailers that were in the Williamsburg Marketplace off Mooretown Road are moving or have already moved into Settlers Market off Monticello Avenue. He stated that retailers that were slated to go into the Marquis Marketplace have chosen to go to Settlers Market instead. He stated that ground zero for retail operations in this area is Monticello Avenue and Route 199. He stated that the Marquis Marketplace does have Sam's Club coming in as the area's first wholesale club store. He stated that Costco has looked at coming into the area for several years now; he believes that will eventually happen in the western end of the County. He stated that Prime Outlets has been a substantial success for this area and is consistently in the top sales per square foot in the country.

Mr. Singley stated that the hotel industry peaked at roughly 10,800 units in the late 1990s, and currently there are roughly 8,500 units in the area. He stated that the timeshare industry is growing exponentially. He stated that 61% of the available rooms in James City County are timeshares and 39% are hotels. He stated that timeshares are continuing to grow in this marketplace.

Mr. Singley stated that the commercial market is strong, but there will be centers that have been out positioned, like Williamsburg Crossing, as traffic patterns have changed and residential developments have been built.

Ms. Jones asked if any members had any questions.

Mr. Kennedy stated that the Chamber and Tourism Alliance is scheduled for a Work Session with the Board in March to discuss tourism, so he will reserve his questions until then. Mr. Kennedy did ask if membership in the Alliance is increasing or decreasing.

Mr. Singley stated that membership numbers are increasing. He stated that it has been stagnant over the last few years, but it has begun to increase again as the economy has begun to recover.

Mr. McGlennon asked for indications on the effect of outlet shopping centers being built in Ashland, Virginia, outside of Richmond, and also one was just announced to be built in the Norfolk area.

Mr. Singley stated that in his opinion there will be some competition with the outlet center being built in Ashland. He stated that a lot of people drive down from Richmond to shop at the Prime Outlets, and they would no longer need to make that drive. As for the tourists that visit this area, when it rains they are either going to the movie theater in New Town or going to Prime Outlets to shop. The competition in Richmond and Norfolk will depend on the type of tenants that those centers are able to bring in and what synergy they are able to create. He stated that Prime Outlets has the perfect mix of tenants that will be hard to replicate.

Ms. Jones thanked the representatives of the Alliance for their presentation and stated that the Board looks forward to meeting with them in March to discuss tourism in the area.

4. Local Williamsburg Hotel/Motel Association Representative

Mr. Ron Kirkland, Executive Director, Williamsburg Hotel/Motel Association, addressed the Board giving a presentation on the local hotel/motel industry in the community. He stated that hotels are able to thrive, invest in capital projects, hire more staff, when their occupancy levels are 58% or above. He stated that based on the statistics for 2013, only one hotel in the greater Williamsburg area is operating over 50% occupancy. He stated that six hotels are operating under 40% occupancy, and the fact that they are even still in business is a testament to the people running them. He stated that historically, hotels have had high occupancy levels in June, July, and August, but over the last few years those numbers have fallen. He stated that the most important thing for the hotels is to reestablish the core summer travel season. He stated that for the hotels in James City County to remain solvent, they need to get back to operating at 50% occupancy. He stated that a consistent effort needs to be made to reestablish overnight stays during the summer months. Statistically, across the country, travel is up during the summer months, but it has been declining in James City County.

Ms. Jones asked if any Board members had any questions.

Mr. Hipple asked if the timeshares are affecting the occupancy levels of the area hotels.

Mr. Kirkland stated yes. When timeshares have vacancies or delinquencies, they turn to the rental market to rent out those units/suites by the night to recoup some of their losses. He stated that if the timeshares were selling more of their inventory, then they would not be renting them which would keep them from competing with the hotels for renting a room for an overnight stay. He stated that the transient guest in a hotel is out eating in the restaurants, shopping in the outlet mall, and visiting attractions. People who stay in timeshares are cooking in their units, swimming in the pool, and not actively spending as many dollars in the area. He stated that there is lodging available for every price point, but the area is not getting the lower and middle income bracket visitors.

It was stated that the attractions, Jamestown, Colonial Williamsburg, and Busch Gardens are not bringing in the tourists like they did years ago. It is a downhill spiral from there. When ticket sales at the attractions are down, that affects the timeshares and how they do business, which in turn affects the hotels in the area. The other thing to consider as well is that 55% of the hotels in James City County are big box hotels which have conference space, and if the occupancy levels are that low, then conferences are not being brought into the area as well. Conference space and ability is the one area where timeshares cannot compete with hotels, they just do not have the facilities.

Mr. Onizuk stated that suites and timeshares are becoming a trend because they are more attractive to families. He asked how does the Board help to reach the target, middle income traveler and the conferences and bring them back into James City County.

Mr. Kirkland stated that the destination marketing tools in this area are WADMC and the Chamber and Tourism Alliance. He stated that at some point the destination marketing is going to have to reach beyond the regional/state traveler, the ones that have already been here and do not see the point in returning. There needs to be a focus on the middle-income traveler as well. He stated that in regard to conferences, perhaps the EDA could promote the County with their corporate clients. He stated that another possibility is sports marketing and bringing in sports tournaments.

Ms. Jones stated that the summer months are seeing sports tournaments and sports tourism here in the area, and those travelers are bringing their families and staying in the community. She agreed that there should be a refocused effort on bringing in business or educational conferences as the area has a lot to offer even outside of the conference facilities.

Mr. McGlennon stated that in promoting sports tourism, the County has been insisting that the organizers list James City County lodging as the preferred lodging area for the events. He stated that in regard to conferences, it is important to recognize that the business conference industry dramatically declined as a result of the economy. He stated that some of the conference facilities in the area are beginning to reinvest in their conference facilities which would suggest that they believe the business conference industry is going to come back. He also stated that some of the hotel properties have not invested in their properties, and one must recognize that the hotel must be an attractive place for people to want to stay.

Mr. Kennedy stated that the Chamber and Alliance will be having a Work Session with the Board in March to specifically discuss tourism, perhaps the Hotel Association and Restaurant Association should be involved as well. He stated that he shares the concern about fair representation with the marketing dollars. He stated that we are looking at a fragmented market, where you can go online and find five or six different websites which are basically the same, there is no consolidation of information. He stated that hotels and restaurants are dealing with economic hardships, and banks are not loaning money to hotels and restaurants for capital investments. He questioned if the Board wants or should involve the EDA and any bonding authority to help with the upgrade of properties. We as a governmental body has limitations on what we can do, and limited dollars, but the questions need to be raised as to how to better utilize those dollars and what the expectations are.

Ms. Jones stated that she agrees with Mr. Kennedy that the Hotel Association should join in the discussion with the Chamber and Alliance at the Work Session. She stated that they have raised some very interesting questions, and this will allow the Board time to communicate those questions back to the Chamber and Alliance for discussion at the Work Session.

Ms. Jones thanked Mr. Kirkland for joining the Board for the discussion today and for the information provided.

E. COUNTY FINANCIAL UPDATE

Ms. Sue Mellen, Assistant Director of Financial and Management Services, addressed the Board giving a presentation on the County's current financial state. She stated that the County did have more revenue than expenses in 2013. The County also received funds returned from the Williamsburg-James City County Schools that were not used.

Ms. Mellen then showed where the County is expected to increase its revenue this year such as sales tax, property tax from new development, and rooms tax.

Mr. McGlennon asked if the increase in sales tax is in relation to Amazon starting to collect sales tax on James City County residents. Ms. Mellen confirmed this information but states it is only an estimate at this time because the taxes are just starting.

Ms. Mellen then continued on to show that Financial and Management Services is anticipating a 2 percent decrease in property value assessment in the Fiscal Year 2015.

Ms. Mellen continued on to show some of the different revenue streams that the County receives from personal property tax, recordation tax, and building permit revenue, and lodging taxes.

Mr. McGlennon asked if the increase in lodging taxes has anything to do with the timeshare industry.

Ms. Mellen confirmed that in fact it does more than likely have to with the timeshare industry.

Mr. Kennedy asked about Business, Professional, and Occupational License (BPOL) revenue and if there is no change due to lack of growth or lack of collection.

Ms. Mellen stated that the information that Mr. Kennedy is requesting would have to come from the Commissioner of the Revenue's office and that she would contact that office.

Ms. Jones asked what the County's population is currently.

Ms. Mellen states that current population is 68,800.

F. SPENDING PRIORITIES

1. <u>Schools</u>

Mr. John McDonald, Director of Financial and Management Services, addressed the Board giving a presentation on the budget outlook of the Williamsburg-James City County Schools (WJCC). He stated that the school board budget is based on five factors only two of those come from the County, operating budget and the capital improvement budget. The amount for capital improvement has been reduced greatly this year due to a reduction in improvements that were needed last year. He stated that based on the distribution of funds from State and local funds the City of Williamsburg and James City County residents pay about the same amount per child; however, the County is the major source of funding for the WJCC Schools. He stated that state funds only account for money in the operating budget not in the capital budget. He stated that the BOS has no line item authority over the School Board's budget as defined by State Code.

Mr. McDonald stated that there are about 11,000 students in the school system currently. That is an increase of about 200 students from the County this year and the projections are for about 200 additional students per year.

Mr. McDonald that in the FY 2015 budget it is anticipated that the school system will have to pay additional 2million dollars toward the teachers' VRS contributions. Mr. McDonald showed a projected budget for FY 2015 but stated to expect an increase in a funding request for FY 2015.

Ms. Jones asked what the figure is that is spent per student in the County.

Mr. McDonald stated that $11,519 is spent per student in the County.

Ms. Jones then asked about the comparison of cost per student from WJCC Schools and York County School Division.

Mr. McDonald stated that the cost per student is less in York County but that it is based on the salaries of the teachers and the fact that the WJCC Schools run a pre-kindergarten program as well.

Mr. Kennedy asked about the funding of a new middle school in the coming years.

Mr. McDonald stated that at this time the WJCC Schools are still several years out from a new school. That no sight has been selected or design planned at this point. The WJCC Schools also stated that the new middle school would need to accommodate 950 students where James Blair is only capable of accommodating 600 students.

Mr. Kennedy then asked about the debt service to build and open a new middle school.

Mr. McDonald stated that he did not have those figures with him that the present 2005 bond debt service was combined between opening new schools and improvements not broken down for specific items.

Mr. Kennedy asked about the City of Williamsburg's share of the WJCC School Board budget growing on pace with their increased enrolment and need for new facilities.

Mr. McDonald stated that the portion of the WJCC Schools budget paid by the city has been growing for the last four or five years.

Mr. Kennedy asked if the figure that he had been informed of $44 million for the new middle school was accurate.

Mr. McDonald stated that the estimate is $35 to $40 million.

Mr. Kennedy asked about a new elementary school.

Mr. McDonald stated that there is discussion about a new elementary school in the west of the County or incremental increases to existing schools.

Mr. Kennedy asked about Stonehouse donating land for a new elementary school.

Mr. McDonald said he wasn't certain of that information that it would be brought up at a future meeting with the school board. He also stated that in the next five-year plan that there would be a plan to add a fourth high school as well.

Ms. Jones asked about expanding the middle schools.

Mr. McDonald said that it isn't just a matter of student capacity but also core services such as cafeteria space.

Mr. Hipple stated that he would like to see combined sites of elementary, middle, and high Schools on one single piece of land.

Mr. Kennedy stated that he feels that the County should start looking at acquiring land early for the future use of schools.

Ms. Jones stated that there needs to be discussion about future school sites in accordance with the current comprehensive plan.

Mr. Kennedy stated that we need a projection of when the new school, or schools, needs to be available to be online and what they will do to current maximum debt capacity.

Mr. McDonald stated that the middle school is the more immediate need.

Mr. Hipple asked about opening James Blair again.

Ms. Jones stated that there would be new requirements for the school.

Mr. McGlennon stated that it would cost about the same amount to renovate James Blair with technology upgrades and size expansions as to build a new middle school.

Ms. Jones then stated that she thinks this is a conversation that needs to be continued with the school board.

2. Stormwater

Ms. Fran Geissler, Director of Stormwater Division, and Mr. John Horne, Director of General Services, addressed the Board giving a presentation on the current issues facing the Stormwater Division. Ms. Geissler stated that there are new requirements for Total Maximum Daily Load (TMDL) of stormwater runoff into community streams. Because of the new requirements Stormwater Division is requesting to hire an additional part-time employee. She stated that there are new training requirements for County personnel for stormwater runoff. She also spoke about the new requirements under the MS4 permit for stormwater. She stated that upgrades are needed at the County's ten fueling sites as well as the counties convenience centers by the end of June 2017. She also spoke about the new plan that the State has required that the County develop by June 2015.

Mr. Powell stated that a figure has not be assigned to the cost that will be required to come into compliance with the new requirements but it will be cost several million dollars and requests some guidance from the board as far as how this is going to be funded whether through general fund or other avenues.

Mr. Hipple stated that he would like to see a plan to partner with other water conservation groups to complete the requirements.

Ms. Jones stated that she would like to see stormwater funded through general fund sources rather than generating new fees. She continued to ask about pending legislating regarding stormwater.

Ms. Geissler stated that pending legislation does not apply to MS4 permit holders.

Mr. Onizuk stated that no matter where specifically the money for this project comes from that it still ultimately comes from citizens and he would like to see it funded from within the general fund and not from a new revenue creation activity.

Mr. McGlennon stated that if a fee were created it would push the cost of the new stormwater requirements onto those businesses and individuals who create stormwater runoff and away from the entirety of the County.

Mr. Kennedy stated that if a stormwater fee was created it would not be a tax and would apply to tax exempt organizations in the County as well. He stated that he would like to see the funds provided from general fund sources but there are a lot of issues that are going to require funding from the general fund and that the Boards needs to look at what programs are essential and required of the County.

Ms. Jones stated that she did not want to see new fees that citizens already have enough financial burdens on them without additional fees from the County.

Mr. Onizuk said he supports the idea from Mr. Hipple of exploring the options of working together with other localities to develop stormwater plans and resources together that may generate cost savings for everyone involved.

3. Capital Improvement Projects

Mr. John McDonald, Director of Financial and Management Services, addressed the Board giving a presentation on the current capital improvement projects. He stated that the current five-year capital improvement plan is currently exceeds $74 million for the next five years. That this includes the building of a new middle school, stormwater requirements, a new General Services operations building, and improvements to Jamestown High School.

Mr. McDonald stated that the current plan for FY 2015 is for the improvement and maintenances for existing projects as well as for the new stormwater requirements

Mr. Onizuk asked what is needed at Jamestown Beach.

Mr. McDonald stated that there are infrastructure requirements such as electrical, water and sewer.

Mr. Hipple stated that he would like to see a consolidation of County facilities into fewer sites.

Mr. Kennedy stated he would like to see what the costs are for stormwater, VRS payments, debt service, etc. yearly so that the board has an idea of what the Board has to work with out of the General Fund.

4. Tax Rate Advertisement

Mr. Doug Powell, Acting County Administrator, addressed the Board regarding the current tax rate in the County. He explained that the Board has the option of tax rate advertising. He stated the Board can lower the advertised rate but not raise it without re-advertising.

Ms. Jones asked that the current budget be based on the current tax rate.

Mr. Hipple asked what a one cent change in the tax rate would cost the average tax payer.

Mr. McDonald explained that on a 300,000 dollar home the cost would be approximately 30 dollars.

Mr. Kennedy stated that he would like to see what cost savings could be done as well as other revenue streams for the County. He also would like to see if there are other public private ventures available.

G. BOARD DISCUSSION/GUIDANCE

Mr. Powell stated that no decisions have to be made today, but staff wanted to give the Board the opportunity to direct staff on tax rate advertising. He stated that if there is any other guidance that the Board has in regards to other matters on the agenda, please let him know.

Ms. Mellen stated that the tax rate advertising requirements are a little different than the budget advertising requirements. Tax rate advertising must go out 30 days ahead of time, and must be separate from the budget public hearing.

Ms. Jones stated that she would prefer that the Board keep the current tax rate.

Mr. Onizuk asked if the Board can advertise for an increase in the rate, but not necessarily make the change to the tax rate. He asked what staff recommends.

Ms. Mellen stated that it depends on what the Board wants to do in regard to the tax rate. She stated that advertising would give the Board more flexibility. She stated that this coming Friday is the deadline for departmental budget requests, so staff will have more of an idea of what is needed. She stated that staff could advertise for a higher rate, but the Board could still direct staff to develop the budget based on the current tax rate. She stated that it would allow staff to show what the increased rate would pay for in the current budget.

Mr. Powell stated that staff can come back to the Board after the departmental budgets have come in and give the Board a better idea of the requirements of the budget before deciding on whether or not to advertise a tax rate increase.

Ms. Jones reiterated that she would like the budget worked around the existing tax rate.

Mr. Hipple clarified that by adding one cent to the tax rate that it would equate to adding $1 million to the coffers.

Mr. McDonald stated correct.

Mr. Powell stated that as tax assessments are going down, taxpayers would actually probably break even if the rate was increased by one cent.

Mr. Kennedy reiterated his desire to see the County look in to what possible public-private ventures are available, perhaps at Jamestown Beach. He stated that he would like to see things broken down into what is an absolute need now, what are future needs, and what are some possible things the County wants to do. He stated that the Board needs to stay cognizant of the changes to healthcare and VRS as well.

Ms. Jones stated that she is interested to see what changes will come to the healthcare component for employees based on the Affordable Care Act. She stated that she has also asked for a list of all the memberships that the County is a part of and paying dues for, so that the Board is aware of them as well as the public. Ms. Jones asked when the Board would be meeting with the schools.

Mr. Powell stated that the meeting with the schools is between the release of the school budget proposal but prior to the adoption of the school budget by the School Board.

Ms. Jones stated there are three Budget Work Sessions scheduled and the Board can always add one more if necessary.

H. ADJOURNMENT – 4 p.m. on January 28, 2014, for the Work Session

Mr. Hipple made a motion to adjourn.

On a roll call vote, the vote was: AYE: Mr. Kennedy, Mr. Hipple, Mr. McGlennon, Mr. Onizuk, Ms. Jones, (5). NAY: (0).

At 1:31 p.m., Ms. Jones adjourned the Board.

M. Douglas Powell
Clerk to the Board

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