

**HENRY COUNTY BOARD OF SUPERVISORS
MINUTES**

April 7, 2020 – 5:00 p.m.

The Henry County Board of Supervisors met on April 7, 2020, at 5:00 p.m. in the Summerlin Meeting Room of the County Administration Building, King's Mountain Road, Collinsville, Virginia. The purpose of the meeting was to present the FY 2020-2021 County Budget. The following Board members were present: Chairman Jim Adams; Vice Chairman Debra Buchanan; Tommy Slaughter; Joe Bryant; Ryan Zehr; and David Martin.

Staff members present were Tim Hall, County Administrator; Darrell Jones, Director of Finance; George Lyle, County Attorney; Michelle Via, Director of Human Resources/Public Information Officer; and Jennifer Gregory, Administrative Assistant.

Kim Meeks of the Martinsville Bulletin and Charles Roark of Star News were present. Also present was Sheriff Lane Perry; and Ben Boone, Henry County Schools Director of Finance.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Mr. Adams gave the invocation and led the Pledge of Allegiance.

Chairman Adams called the meeting to order and welcomed everyone present.

ADDITIONAL APPROPRIATION RE: FIRE PROGRAMS GRANT – PUBLIC SAFETY

Mr. Hall said Public Safety Director Matt Tatum is asking the Board to appropriate grant funds in the amount of \$46,479 received from the Virginia Department of Fire Programs. The funds will be used for repairs and maintenance of the public safety burn building. The grant does not require a match.

On a motion by Mr. Zehr and seconded by Dr. Martin, the Board unanimously approved appropriating the grant of \$46,479.

PRESENTATION OF THE PROPOSED 2020-21 BUDGET

Mr. Hall gave an overview of the Fiscal Year 2020-2021 Proposed Operating Budget for the County of Henry. (Copy of presentation included in Board's file)

Mr. Hall said due to the coronavirus, budget prep work we had done through March 20 was no longer relevant, and we started over. Therefore the rest of the budget may look familiar to the Board. That is because it essentially is the same budget we are working under for FY '19-'20 with very few (but mostly mandated) exceptions. We are recommending essentially level funding for nearly every aspect of County operations for FY '20-21.

FY 2019-2020 Highlights

We had many significant highlights over the past 12 months, including:

- Lowest unemployment rate in over 20 years.
- CCAT opened and being used by Press Glass, and they are on schedule for production start of spring 2020.
- Section 6B of the Dick & Willie Trail opened.
- Blue Ridge Airport Expansion Project.
- Pilot project to install trash compactors at the Axton Convenience Center.
- Upgrades to Fieldale and Bassett in Small Town Collaborative.
- Housing and Child-Care Initiatives.
- Martinsville Southern Connector Project.
- Appalachian Power substation at CBC.
- Sales tax initiative on the November ballot for school construction.
- The Smith River Sports Complex's booked activities on 51 of the 52 weekends. The Harvest Foundation funded the refurbishing effort.
- Henry County was designated a "V3 Certified Company - Virginia Values Veterans" locality because of our dedication to and pursuit of military veterans for our County workforce.
- Significant progress was made on the adult detention facility. The hard work by Deputy County Administrator Dale Wagoner; County Engineer Tim Pace; County maintenance department staffer Nate Riddle; and the Sheriff's Office leadership team is impressive.

Economic Development Announcements:

- Eastman made an additional \$7.7 million investment to add more facilities in Henry County. The company also is growing its workforce by nearly 100 people a year.
- Teal Jones/Pine Products announced 67 new jobs and a \$21 million investment. Just as important, the existing Henry County facility was kept open and reinforced. Growth opportunities will abound for this company over the near future.

- DRP Performance announced 13 jobs and a \$1.1 million investment to grow its robust NASCAR and racing team supply business. Lennie Doughton and his DRP team are superstars in the NASCAR industry.
- Advanced Revert, a United Kingdom company that specializes in metal recycling, announced its first United States facility. The company will hire 30 people and invest \$5 million.

Proposed 2020-21 County Budget

The proposed 2020-2021 Henry County budget is \$157,204,902. This is an increase of 4.2% over the current fiscal year budget of \$150,808,768. More than half of this increase is within the school budget, and the majority of the rest is created by substantially rising costs under the Children's Services Act (CSA) and by increases in our self-insurance program.

We propose allocating \$18,925,432 in local money to the school system. This is level local funding from the current fiscal year and is roughly \$1.1 million less than the school system requested in its March 5, 2020 communication. Clearly, things have changed drastically since that request was made, and to fully fund this request at this time would be inconceivable. The overall proposed school budget is \$88,073,018. Even before the recent economic crisis, staff noted that the school system was to receive additional state funding of nearly \$3.5 million in each of the next two fiscal years. Clearly, any changes coming from the April 22 General Assembly veto session will have significant impacts on the school budget, and there may be further local adjustments required after that.

The Sheriff's Office requested nearly \$2 million in additional funding, both for startup and operational costs and personnel associated with the construction of the new adult detention center. These needs, particularly the tasks associated with the new jail, are essential. Included were the hiring and training more than 100 new personnel, establishing the managerial staff, and training them for enhanced correctional opportunities. However, the money to fully implement these updates simply is not available as we write this narrative. Again, as we wander our way out of the haze over the next six months, we hope to readdress these issues.

The budget includes no raises for County employees, for all the reasons we have already mentioned. It is the administrative staff's hope that we can address this issue at some point during the year, most likely with a stipend to all employees. This would be paid from the County's share of the school system carryover, per our agreement with the school system. We think it is prudent to hold onto that funding for now, just in case the world goes even more haywire than it already has.

Our self-insured health-care costs have jumped more than 12% over a year ago, primarily because of numerous large claims. If that increase is annualized over the five years of our self-insurance policy, it is fairly reasonable. However, the past two years

have seen significant increases in claims and costs. We also are seeing a 16% increase in our payments into the Virginia Retirement System; most of the increases in the cost centers later in this report are specifically these two areas.

We recommend the County continue to pay 100% of the single-subscriber insurance, and for the first time, we recommend subsidizing those employees with various levels of family coverage. Each employee with that additional coverage is paying for that extra coverage, but this year's increases are so large that the administrative staff felt we needed to help ease that pressure on the employee. Anyone with the family coverage still will pay more than he or she is paying right now; the proposed subsidy would help ease, but not erase, that burden.

Other Noteworthy Revenue/Expense Items

As already stated, we are essentially holding the line on the total budget at this point. However, there are some shifts within some areas that should be pointed out.

- Our fund balance increased nearly \$7 million and sits at \$41,550,200. Our unassigned fund balance (our real "savings account") jumped more than \$5 million to \$27,797,559.
- Sales tax revenue is projected to increase 6.9% over the previous year. However, this bump is attributable to the online sales tax revenue that the Commonwealth began to capture in FY 2020. We are sure this will level off moving forward.
- We anticipate our food and beverage tax being level with current year, but we anticipate a 14.7% decline in our lodging tax.
- Revenue from fines and forfeitures has cratered. We budgeted \$175,000 for current year and we won't hit it. We budgeted \$136,000 for FY '20-'21.
- Our costs associated with the Children's Services Act (CSA) will nearly **double**, to an estimated \$2,050,201. We also will face the task of filling CSA cost overruns in the current budget. These costs are rising unabated, because of increases in foster care cases, service provider fees, and other issues. We are told that our costs are better than those of numerous surrounding localities, but that doesn't make us feel better.
- Budgeted legal fees are up significantly due to the County's defense against the City's reversion attempt.
- The Assessor's cost center is up 12.8% for expected expenses during the reassessment process.
- The General Registrar cost center is up 7.7% to address several new voting initiatives instituted by the General Assembly. Every enhanced voting opportunity is good, but each one comes with a cost for the locality.
- Expenses in the Commonwealth's Attorney's office are up 17.1% from the FY '19-'20 budget, but they essentially capture changes that were made after last

year's budget was approved. These changes involve mandates from the Commonwealth to adjust staffing in the office.

- The County has paid a fee to the Public Service Authority for fire hydrant maintenance for as long as anyone can remember. That payment will not be made this year, to allow the County budget to have some air and some flexibility moving forward.
- Included in the Parks and Recreation budget is \$75,000 to cover upfront costs associated with the 2021 Henry County Fair.
- Gateway Streetscape's Board of Directors voted to dissolve that organization effective June 30. We have absorbed that into a new cost center called Community Beautification.
- We recommend an increase to the pay rate for our hourly public safety employees. Revenue from the increased call volume can cover this increase.
- The Philpott Marina continues to cover its operational costs and a little more. The addition of the 16 slips approved during the current budget will bring in even more visitors and more revenue.

Outside Agency Recommendations

In the current year, we funded 29 outside agencies. Among them was Gateway Streetscape, which goes away June 30. Henry County will absorb those duties specifically within the County.

Fourteen agencies that received funding last year asked for increased support in FY '20-'21. Those requested increases totaled roughly \$169,000. Each requested funding bump could be justified, but there simply is not enough money to go down that road this year, particularly in light of the uncertain health and economic path we are walking.

Therefore staff recommends that only one current recipient, the ANCHOR Commission, receive its requested increase from \$66,192 in current funding to \$81,566 in this proposed budget. Ricky Walker, Director of Operations at ANCHOR, indicated in his application that ANCHOR began 24/7 operations in January and needs the extra funding to continue this effort.

"Being open 24/7 allows ANCHOR to provide the stable, secure environment and the services we provide, in a more consistent manner," Walker wrote. "The youth we serve may not be able to return to their home environment on the weekends for many reasons (i.e., discord in the home, parents in jail, no other family, etc.). Until now, the only other option was for them to go to secure detention at W. W. Moore on the weekends. In 2019, we had one young man who was in W.W. Moore for 60 days because he had no place else to go on weekends."

Funding for ANCHOR Commission is proportional – i.e., the City of Martinsville also helps pay for ANCHOR’s operations. County staff recommends our increase for ANCHOR be contingent upon the City of Martinsville’s increased participation.

The second recommended change to our outside agency list is to fund the Smith River Sports Complex with a \$16,000 supplement for one year. The Sports Complex generates about 54% of its operating revenue through field rentals and concessions and gets about 46% of its funding through a three-year grant with the Harvest Foundation.

However, the latest Harvest grant includes a reduction in operational funding to SRSC over the three-year period. Beginning July 1, 2020, SRSC will get a \$40,000 reduction in funding from Harvest, dropping from \$200,000 to \$160,000. For FY 21-22, the funding will drop to \$120,000 and after that go to zero.

Staff recommends the County provide \$16,000 in County funds on the condition that the City of Martinsville provides \$8,000, and the SRSC staff and Board create \$16,000 in revenue increases or expense decreases to fill in that \$40,000 gap. County staff understands that the City Manager plans to include the City’s share of funding in his proposed FY 20-21 budget.

The bigger question is what happens to the SRSC moving forward. That is a discussion for another day, but this recommended funding plan for FY ‘20-‘21 would at least buy some time to have that discussion.

Proposed Capital Improvement Projects

Two items will be purchased out of current-year unspent money. The first is the Sheriff’s Office purchase of eight replacement patrol cars at a total cost of \$301,600. The second is Public Safety’s purchase of air packs at a cost of \$144,000.

Seventeen CIP items are itemized later in this budget document for consideration in FY ‘20-‘21. However, staff recommends a freeze on any CIP items in this proposed budget until January 1, 2021. That will give staff ample time to see where our finances and expenses are after six months.

On The Horizon

When the pandemic ends, and we all come out of our homes and blink at the light, we will encounter a new level of uncertainty. We know the following issues will be on the to-do list already, and this list will grow with other issues moving forward.

As you already know, many departments are understaffed and underpaid. Our teachers need more money; our public safety workers need more money; our sheriff’s deputies need more money; you name the department, and its staff members need more money. It should make all of us mad that many of the “essential” workers in the County and in the community, the ones who had to work and put themselves at risk during the pandemic, are among our lowest-paid workers in the area.

This probably applies to the Board of Supervisors as well. The salaries for Board members are defined by the Code of Virginia and are based on the population of the locality. No one on the current administrative staff was around the last time the Board's salary was increased; however, your pay was decreased in the early 2000s as part of a money-saving effort by the County. If the Board wants to pursue an increase, it can only be done in an odd-numbered year and cannot take effect until January 1 of the next year. Staff will follow the Board's lead on this issue.

Again, with the uncertainty lying before us, all of this is subject to change. While we have new taxing opportunities at our disposal, it would be ludicrous to impose any changes without full consideration of the citizens' ability to pay.

However, through the new tax avenues opened by the General Assembly, to the reassessment process, to the old-fashioned raising of the taxes we already have, the opportunities will be there. While staff is not recommending an increase of any sort this year, FY '21-'22 could – and most likely must - be different. A measured approach is needed, but ultimately we will need additional revenue to come close on meeting our needs.

Census 2020 is with us, and the results will have a gigantic impact on Henry County. Does our population continue to dwindle or does it stabilize? Does it shift north and east, to Hampton Roads and Northern Virginia, or do we see a gentle influx? Do we see growth in the region, with our neighbors Pittsylvania County, Patrick County, Franklin County? Even a population center as robust as the Roanoke Valley is likely to see fewer residents than before. We need to do the best we can do to ensure that each person in Henry County is counted. If that doesn't happen, we will see more negative fiscal impacts.

We need to continue our work toward our staff succession plan. We have 31 employees who can retire within the next five years, and we had nine retire this year with a combined 206 years of experience. Those numbers don't take into account the turnover within the Sheriff's Office.

This is the Board of Supervisors' budget now. Your ability to predict the future is the same as staff's, so we probably should just write this whole thing in pencil. But we will work together as we walk through this minefield.

The hard numbers are important. Just as important is our attitude. We must set the expectation that we all are in this together, and it will take all of us to get back to whatever "normal" looks like in the next 6-12 months.

No one knows where this community will be at that point, and that's why we are conservatively projecting our path forward. But, at some point, we will be out of this quagmire. We must be ready for that day.

Mr. Hall said the public will be allowed to email comments or call with remarks on the budget and they will be read and placed in the minutes. Mr. Hall requested that the

Board review the budget and will answer any questions at a budget work session at a later date to be determined.

Following the presentation, Mr. Zehr moved that the Board adjust the budget calendar and postpone the April 9 work session until after April 22, postpone the April 20 Public Hearing to a later date to be determined, adopt the budget on May 26, and appropriate the budget on June 23 seconded by Dr. Martin, and unanimously carried.

There being no further business to discuss, Mr. Bryant moved to adjourn at 5:27 p.m., seconded by Mr. Slaughter and unanimously carried.