Virginia:
AT A CONTINUED MEETING of the Nelson County Board of Supervisors at 2:00 p.m. in the Old Board of Supervisors Room located on the fourth floor of the Nelson County Courthouse, in Lovingston, Virginia.

Present:	J. David Parr, West District Supervisor - Chair
	Ernie Q. Reed, Central District Supervisor, Vice Chair
	Jesse N. Rutherford, East District Supervisor
	Dr. Jessica Ligon, South District Supervisor
	Candice W. McGarry, County Administrator
	Linda K Staton, Director of Finance and Human Resources
	Amanda B. Spivey, Administrative Assistant/Deputy Clerk
Absent:	Thomas D. Harvey, North District Supervisor

I. CALL TO ORDER

Mr. Parr called the continued meeting to order at 2:05 pm, four (4) Supervisors present and Mr. Harvey being absent.

II. FY25 BUDGET WORK SESSION

A. Staff Updates

Ms. McGarry noted that there were not a lot of updates from the last budget work session. She reported that the current balance in the Recurring Contingency was $552,289 and the Non-Recurring Contingency balance was $662,994.

B. Other Fund Budgets

1. VPA/Social Services

Ms. McGarry reviewed the VPA/Social Services position. She reported that in further discussions with Social Services, they were perfectly fine if the Board wanted to pull that position out for now because they may have some vacancy savings that could cover it by year end. She noted that if they wanted to leave the position in, they could do that as well. Mr. Reed asked if the Board were to pull the money for the position, Social Services would still be able to fill the position and then come to the Board for funds when needed. Ms. McGarry noted that they had already made the hire and the position was already in place, but it was sort of shown as new position in the Social Services budget submittal. She explained that it was really a position that they had on their books, that was approved by the State for some time, but they had not had the staffing to be able to fill the position until now. She indicated that Social Services had filled the position and they were using vacancy savings from the current year to cover the position now through the end of their fiscal year, which was May 31st. She explained that the amount they had put in, was for a full year with that position for next year. She noted that they had an option on whether to fund or not. She indicated that would affect the Recurring Contingency. She noted that they would put the County portion of that position in Recurring Contingency and they would reduce the State reimbursement for that position on the Revenue side. Mr. Reed asked how much that was. Ms. Staton reported that the County's portion was just over $60,000 and the state's portion was just under $20,000.

Mr. Parr asked for the Board's opinion. Dr. Ligon asked what would happen if the Board said no. Ms. McGarry explained that Social Services would fund the position from the start of the year, and if there were any vacancies throughout the year, they would use those funds to cover it. She noted that if they got to the end of the year and they did not have enough to cover that position through the fiscal year, they would come back to the Board and ask for more local funding. She indicated that they put the funding request in on the front end to avoid having to return to ask for more money later. She commented that Social Services did not seem too concerned about having to come back. Ms. Staton noted that in the last few years, Social Services had quite a bit of turnover, so their vacancy savings tended to flux.

The Board was in consensus to not fund the additional requested funds for the Social Services position. Ms. McGarry reported that they would gain back $60,149 to Recurring Contingency.

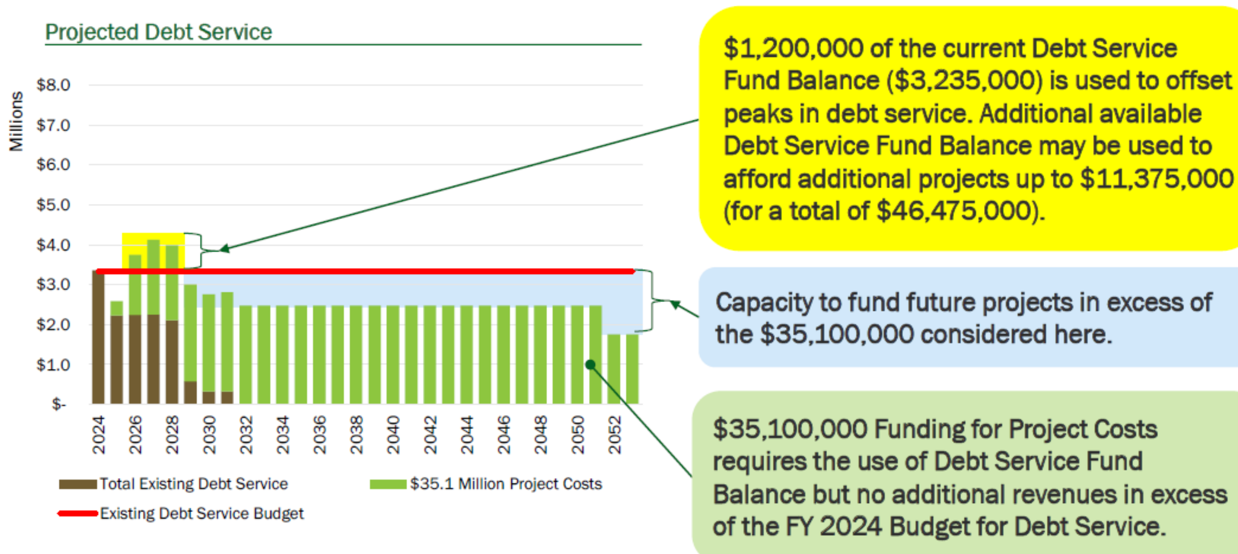
2. Debt Service

Ms. McGarry provided a new Debt Capacity/Affordability Scenario to the Board from Davenport.

Dr. Ligon asked what pots of money were invested at what rates. Ms. McGarry noted that the majority of the County's funds were invested at five and a half (5.5) percent interest rate.

Ms. McGarry explained that staff had asked Davenport to provide a debt service scenario where they only had the $35.1 million in projects that the Board had made some commitment to. She indicated that this included the Larkin land purchase for $2.6 million, the Social Services building at $10 million, and the High School renovation project at $22.5 million. She reported that this resulted in a Recurring Debt Service of $2,480,000. She indicated that amount could be fully funded by the existing budget for Debt Service and the balance currently held in the Debt Service Reserve.

Ms. McGarry indicated that they were able to fund all $35.1 million of the projects that were currently in progress with the FY24 Budget for Debt Service of $3,325,284 and approximately $1.2 million of the fund balance currently held in the Debt Service Fund. She noted that assuming all $3,235,000 of the Debt Service Fund balance at fiscal year-end 2023 was available for the County's capital plan, an additional $11,350,000 of projects could be funded without the need for additional dedicated revenues. She indicated that without any additional revenue, they could go up to $46,475,000 in debt capacity.



Ms. McGarry indicated that with the $46 million scenario, they would continue to do the $3.3 million transfer each year, all the way through 2053. She explained that they would utilize Debt Service Reserve through 2031, but they would keep putting in same amount to continue to build up a reserve over time with transferring $69,000 more than what was needed to pay the debt. She noted that they were using the Debt Service Reserve but they were also building up some for future use. She indicated that the scenario would allow them to cover the $35.1 million already programmed, and provided a cushion of about $11 million in Debt Service that they could take on without any additional funds. Mr. Rutherford noted a lot of debt was retiring in 2028. Ms. McGarry noted that the two (2) scenarios represented two (2) philosophical approaches to Debt Service (the $35.1 million option or the $46 million option). She explained that the $46 million scenario was a proactive approach that allowed for planning and saving for some future Debt Capacity down the road. She indicated that the Board would not necessarily have to make a commitment with which philosophy to go with. She reiterated that the $46 million option allowed for the Board to put in a constant amount. She noted that they were paying off the debt and a lot of it up front and then using the reserve that had been built up, and then it would allow them to put in a little extra money over time to create a little more capacity as the current debt comes off.

Mr. Parr asked if there was graph showing the $57 million in projects. Ms. McGarry noted they had it but it was not provided again today. Mr. Parr asked if there was a list of projects that they had earmarked for the $57 million. Ms. McGarry explained that at some point, there had been some thoughts on that. She noted that there was about $19 million that was unallocated. Ms. McGarry noted that they had budgeted $3.9 million and the new scenarios had $3.3 million, so that would free up the $610,000 going forward. Mr. Rutherford noted as the scenario showed, the $610,000 would not have to be utilized and could be added back into to Recurring Revenue. Ms. McGarry confirmed and noted that would bring the Recurring Revenue up to around $1.2 million. Mr. Parr noted that in doing that, they would be giving up the capacity of about $10 million in projects. Ms. McGarry noted that they would be reducing the ability from $57 million to about $46.5 million. Mr. Reed noted that they would have the option of adding funds to the Debt Service Reserve. Ms. McGarry confirmed that they could adjust if they determined that a specific amount was needed for a project. Mr. Rutherford noted that they had a lot of debt retiring in the next several years. Mr. Parr noted that the retiring debt had been accounted for in each of the scenarios presented.

Mr. Reed noted they had the ability to increase payments to debt service later on, if they had additional capital needs. He thought they should wait to make a decision until they discussed item 3 – School Division Operating & School Nurse. Mr. Parr commented that he was worried that they had been working towards a plan for four years and now they were looking at scrapping it and take away what they had worked towards. He noted that they had paid Davenport a lot of money to help make these plans. Mr. Rutherford noted that they would need a lot of the debt capacity to help with school needs. Mr. Parr commented that a long time ago, they had discussed providing the School Division with $20 million to use however they wanted, and now they had a $24 million High School renovation where they probably would not see much change other than floor and wall tiles, as far was visible changes. He noted that he was not commented on whether it was needed or not, he was just saying that they had thrown out that $20 million figure thinking they were being generous. Mr. Parr and Mr. Rutherford estimated that the Schools probably had another $20 million to $30 million more of wish items.

Ms. McGarry noted the County should probably also do a facility study on their own buildings to determine where they are and what kind of maintenance plan they needed to think about for their facilities as well. She commented that as far as she could recall, that had not been done, and there was no maintenance plan in place. She noted that the County's Director of Public Works, Jim Allen, wanted to get a plan in place. Mr. Reed commented that he felt the charts provided at the last meeting helped layout the plan for the $57 million with different scenarios for when they contributed the $610,000 to Debt Service. He noted that there were other ways to generate revenue that they were not considering in the current year. He commented that they were dealing with recurring deficit to the Schools from the State that would happen this year and next year. Mr. Reed suggested that it would make sense to have a short-term plan for the next two (2) years to deal with the change to the composite index. He noted that they had already decided not to increase revenues through Real Estate Tax for this year, but it would continue to be an option in the future, and there were other possible revenue streams to consider in the future. He suggested to look at the School funding before making a decision on Debt Service so that they could try to do the best they could for the Schools.

Ms. McGarry indicated that it was important to note the recurring expenses that the County would have in the future. She noted that they would have the full jail renovation debt service most likely starting in 2026, which was estimated to cost $382,000 in debt service. She reported that 2029 was the slated target date for the end of capacity at the regional landfill, unless something else were to take place. She noted that they would potentially need to decide what to do with trash at that point, and that could involve additional hauling costs depending on how far away the landfill may be. Ms. McGarry reiterated that the County would need to be mindful of those things as they move forward. Mr. Reed noted that given the composite index scenario, there were some trends that were not in their favor going forward and they would become more challenging. He commented that in order to do the things they were talking about; they would have to determine an equitable revenue stream going forward. He noted that the composite index did reflect actual real estate values and sales which put Nelson County above everyone else. He commented that given of the trends, it would continue and if it started to get worse, they would be really compromised going forward.

Ms. McGarry indicated that as the County's Debt Service Reserve went down, then they would have less interest earnings related to that because that would decrease the overall fund balance.

Ms. McGarry reviewed Davenport's $35.1 million scenario, which she noted just paid for the $35.1 million in projects that the Board had already committed to. She commented that it was set up so that whatever they decided to do after that, they would pay for as they went. She noted that they would use all of the Debt Service Reserve through 2028, and then at that point, they would just be paying for the $35.1 million, and not building any capacity for the future. She indicated that Column C in blue were the revenues not required for the fund, so those would be funds that would come back into the budget for use.

FYE 6/30	(A) Beginning Debt Service Reserve	(B) Debt Service Budget	(C) Revenues Not Required to Fund $35,100,000 of Projects	(D) (B+C) Total Revenues	(E) Existing Debt Service	(F) Projected Debt Service	(G) (E+F) Total Existing & Projected Debt Service	(H) (D-G) Surplus (Shortfall)	(I) (A+H) Ending Debt Service Reserve
2023									
2024	3,237,412	3,325,284	0	3,325,284	3,357,550	0	3,357,550	(32,266)	3,205,146
2025	3,205,146	3,325,284	(518,822)	2,806,462	2,226,052	356,825	2,582,877	223,585	3,428,731
2026	3,428,731	3,325,284	(518,822)	2,806,462	2,242,797	1,503,763	3,746,560	(940,098)	2,488,633
2027	2,488,633	3,325,284	(518,822)	2,806,462	2,251,946	1,870,298	4,122,244	(1,315,782)	1,172,851
2028	**1,172,851**	**3,325,284**	**(518,822)**	**2,806,462**	**2,109,015**	**1,870,298**	**3,979,313**	**(1,172,851)**	**0**
2029	0	3,325,284	(324,999)	3,000,285	577,859	2,422,425	3,000,285	0	0
2030	0	3,325,284	(572,937)	2,752,347	329,922	2,422,425	2,752,347	0	0
2031	0	3,325,284	(522,320)	2,802,964	325,000	2,477,964	2,802,964	0	0
2032	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2033	**0**	**3,325,284**	**(847,320)**	**2,477,964**	**0**	**2,477,964**	**2,477,964**	**0**	**0**
2034	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2035	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2036	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2037	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2038	**0**	**3,325,284**	**(847,320)**	**2,477,964**	**0**	**2,477,964**	**2,477,964**	**0**	**0**
2039	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2040	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2041	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2042	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2043	**0**	**3,325,284**	**(847,320)**	**2,477,964**	**0**	**2,477,964**	**2,477,964**	**0**	**0**
2044	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2045	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2046	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2047	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2048	**0**	**3,325,284**	**(847,320)**	**2,477,964**	**0**	**2,477,964**	**2,477,964**	**0**	**0**
2049	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2050	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2051	0	3,325,284	(847,320)	2,477,964	0	2,477,964	2,477,964	0	0
2052	0	3,325,284	(1,570,680)	1,754,604	0	1,754,604	1,754,604	0	0
2053	**0**	**3,325,284**	**(1,570,680)**	**1,754,604**	**0**	**1,754,604**	**1,754,604**	**0**	**0**

Dr. Ligon asked what the rules were on talking to Davenport and whether the Board members could give them a call, or if working staff was the mode of communication. Ms. McGarry commented that she could check, she noted that they had not had that question before. Mr. Rutherford suggested that Dr. Ligon could Davenport with her questions and looping everyone in on those communications. Ms. McGarry noted that there were multiple scenarios that could be run with the model, but the two (2) that they had just reviewed were the ones specifically discussed after their last meeting. She commented on the two (2) models and the philosophies behind the them, noting that it was up to the Board as to whether they wanted to make a decision on them. She noted that it did appear that if the Board chose not to maintain the $57 million capacity, they would not need the $610,000 for the Debt Service Reserve. She indicated that if they chose to maintain the $57 million, then they would have to put in the $610,000, or some variation of it. Mr. Reed noted that scenarios still existed to keep the $57 million capacity if they chose to not add the $610,000 this year. Dr. Ligon noted to Mr. Reed that she understood he wanted to give the Schools as much funding as possible, she commented that with how things were going, there would be a year when the Schools were crying. She asked if that was going to be this year, or after the next assessment. Mr. Reed commented that they could give them the $610,000 and they could still be crying because that amount did not touch what was really needed. He noted that the County had more financial abilities to go towards the Schools if they chose to utilize them. He commented that the tradeoff was what they wanted to do in the future, and what they were going to have recurring, and now. He noted that once they took revenues off the table, they did not have much to work with, and the big losers were the biggest ticket item, and that was the Schools. He commented that they did not say no when the Sheriff came and requested things, and they did not say to Fire and Rescue or other critical things in the County. He referenced the school presentation given by Dr. Hester noting that she had done a great job explaining what would potentially be cut, based on the funding shortage. Ms. McGarry, Mr. Parr and Mr. Reed noted that the budget dilemma information provided options to be considered if the Schools had to reduce their budget. Ms. McGarry noted County could afford to do things, but it did require setting priorities. Mr. Parr suggested that the Board circle back to discuss Debt Service after reviewing the School budget.

3. School Division Operating & School Nurse

Ms. McGarry noted that the pots of money they were dealing with currently had to do with both of their contingencies and whatever was decided with the Debt Service capacity. Mr. Reed noted there were required contributing factors that the School was required to have in their budget and they had to do. Ms. Staton noted that the Schools were in a somewhat similar situation as the County, in regards to the three (3) percent raise. She explained that the three (3) percent raises were offset for the County by revenues coming in from the Compensation Board for Comp Board only employees. She commented that it was difficult to say that only the Comp Board people who worked for the County would get raises. Ms. Staton noted that the Schools were in the situation where the SOQ (Standards of Quality) said that they would provide three (3) percent for the SOQ positions. She indicated that was why there was a difference in cost versus income.

Ms. McGarry reported that the Schools would have to provide 1.5 percent for each year of the biennium to be able to draw any state funding for a raise, otherwise they would not get any state money for that. Mr. Reed commented that the some of the reasons for the change to the County's composition index made the County look flush. He noted it was an illusion, given the scenario in the Schools. He asked if they looked at those indicators as trends, what would happen to real property, adjusted gross income and retails sales in the future. Mr. Reed noted the Budget Dilemma presentation considered what the Schools would cut, given the scenarios.

Mr. Rutherford noted that in the last few years, the Board had made a huge effort in seeing something that was a big deal for the School System that had not been done in a long time, which was bridging some of the steps in the pay scale. He commented that he thought the School Board's ambition of being in top quarter of pay was a good one for teachers and very respectable. He noted that in looking at the staff numbers and who they were competing with, they were probably not going to beat Albemarle/Charlottesville because their cost of living was so high. He commented that if they were beating their neighbors like Appomattox, Amherst and others in terms of the pay scale, they should be able to get a large part of the cream of the crop. He said that he thought that the Board had helped support the Schools in getting to that point. Mr. Reed commented that they were still a long way away. He suggested that they consider what the Sheriff would do if he had the same discrepancy with people who were long term.

Dr. Ligon noted that as someone in workforce, it was not always about money, it was about pride, enjoying the people you work with, and leaving at the end of the day knowing you did a good job. She commented that when talking to teachers, they did not love the School Board or Dr. Hester, and the schools were out of control. She said that it seemed like they got one report from the teachers and then an entirely different report from the School Division. Mr. Reed commented that he thought Dr. Ligon was wrong. Dr. Ligon commented that it was not about money all the time, but it was helpful. Mr. Parr noted he lived in that world every day and Dr. Ligon was not far off in her comments.

Mr. Parr asked where they were on the agenda and whether it was time to come up with a number. Ms. McGarry commented that she thought that was where they were at. Dr. Ligon asked Ms. McGarry what number she was comfortable with. Ms. McGarry noted that was tough. Mr. Parr noted that personally, as much as he did not like adjusting the plans that they had been working on for four (4) years with the $57 million debt capacity, he would not have too much heartburn with adjusting to $46 million and allocating the $610,000 to the School Division. He commented that he knew the ask was a lot more, but as a Board, that fell in line with what they had done historically. He noted that would still preserve their Recurring Contingency. He expressed some concern with how low they were getting with Recurring Contingency. He asked what the Recurring Contingency would be. Ms. McGarry reported that $612,438 would be the Recurring Contingency, she noted that was without putting the $610,000 back into Recurring Contingency. She indicated that the Non-Recurring Contingency would be $662,964. She indicated that in looking at those two (2) pots of money, she would retain the Recurring money, because if they needed to, they could spend it on non-recurring things and it would still come back next year. She noted that retaining some Non-Recurring funds would be helpful. Mr. Rutherford noted that they still did not have the Governor's budget. Ms. McGarry agreed that they did not have the Governor's budget, but she did not think they could wait. She commented that she thought the goal was to get the Schools a number and then go to public hearing. She noted that they could make adjustments after the public hearing, based on the Governor's budget and any other information they may get between now and then. She indicated that she did feel empathetic about the LCI change since that was out of their control, but she had found that throughout the years, when provided with less funding than anticipated, the Schools did seem to make it work. Mr. Parr commented that they had never closed the school system from a budget standpoint. Ms. Staton noted what the County allowed for the School System in the budget, did not dictate to them how they would spend it. She indicated that the Nursing Program was the only piece that they plugged in directly.

Mr. Reed noted Mr. Parr's proposal for the Schools and asked what would they get. Ms. Staton noted it would be an additional $610,000 at this point. Ms. McGarry noted that was on top of the $18,544,772 in current funding. Mr. Rutherford asked about the cost of the three (3) percent raise. Ms. McGarry reported that was a cost of $675,000, which was offset by the state reimbursement of $143,155 for a net cost of $531,845. Ms. Staton indicated that the total school funding to include the $610,000, was $19,154,772. Mr. Rutherford estimated that in three (3) years, local government had increased its coffers to bridge the gap in state funding by more than $3 million, if $610,000 was the number for this year. Ms. McGarry noted that the previous year was an additional $1.5 million. Mr. Rutherford noted that the year before that was $1.2 million. He commented that this would put them at about $3.3 million in new money over the last three (3) years. He suggested leaving the $610,000 for the Schools as a placeholder until they had the public hear. The Board was in agreement to advertise the budget with an additional $610,000 to go to the Schools. Ms. McGarry reported that the public hearing would take place on June 4th at 7 p.m. with the vote on the budget to take place at the June 11th regular meeting during the afternoon session.

Ms. McGarry noted that the $610,000 was out so the transfer to Debt Service would remain at $3.3 million for the $46 million capacity. She noted the transfer to Debt Service would still keep all options open for debt capacity in future.

Mr. Parr asked about the School Nurse fund. Ms. Staton noted that it was still in the budget on a separate line, so they did not need to do anything different with that.

III. ADJOURNMENT

Mr. Rutherford asked if they were looking to have a Board retreat. Ms. McGarry noted that they were looking at having one sometime between August and November.

Dr. Ligon asked if the School Board would keep the Board up to date on the MACAA situation. Ms. McGarry noted that she thought they would. Dr. Ligon asked about the MACAA funding. Mr. Reed and Mr. Rutherford noted that could be adjusted later on.

Ms. McGarry noted that the most recent borrowing amounts were in the Debt Service scenarios, but they were not in the budget yet. She noted that they were waiting to get to closing to see what the exact amounts were. She noted that they would be included in the budget for next year so that they would not have to have a public hearing to amend the budget since it would be over the threshold. She indicated that the threshold was one (1) percent of the expenditure budget. She noted that the threshold amount was usually around $700,000, so they could only amend the budget up to that amount before they had to have a public hearing.

At 3:03 p.m., Mr. Rutherford motion at to adjourn and Mr. Reed seconded the motion. There being no further discussion, Supervisors approved the motion by vote of acclamation and the meeting adjourned.