

Botetourt County, Virginia Budget Summary

FY 2016

INTRODUCTION

The information contained in this book is comprised of revenues, expenditures, and the Capital Improvement Plan (CIP) budgeted for Botetourt County for the fiscal year ending June 30, 2016 (FY16). Also included are highlights and graphics for several key areas. The detail presented herein focuses on County, non-School operations; Botetourt County Public Schools develops its own budget at the detailed level. This book serves to provide County-based information (with the exception of the inclusion of total revenues and total expenditures for the School unit) to both internal and external users of this data.

Budget Process

The annual budget process for the County begins in November and typically runs through April. The General Fund Budget Subcommittee began meeting in February 2015 and applied a two-year, high-level perspective to budget planning. Due to several significant issues, the FY16 budget process was extended to June. As has been the case in the past, developing a budget is an undertaking which requires input and participation from all departmental managers, including representation from the Constitutional officers. Several reiterations of the draft budget are developed as preliminary estimates and are fine-tuned with relevant data as it becomes available, including economic factors and feedback from federal and state agencies. The County's FY16 Budget consists of two major funds: General Fund and Debt Service Fund. **The County's Utility Fund operations were merged with the Western Virginia Water Authority's operations on July 1, 2015. Therefore, there is no budget for FY16 Utility Fund operations.**

The County Administrator has the task of presenting a draft version of the budget to the Budget Committee, which is composed of members of the Board of Supervisors. Work sessions are then utilized to refine the budget. The budget is then advertised for public hearing purposes. Following the public hearing, the Board of Supervisors considers further revisions and may hold additional work sessions as necessary (which was the case for FY16). The Botetourt County FY16 Budget was adopted on June 23, 2015 by the Board of Supervisors and included no tax increase.

This budget is the result of the combined efforts of departmental managers, representatives of constitutional offices, and other local agency managers in order to deliver a responsible draft budget for the County Administrator to review, to provide the Budget Committee with a sound document for its review, and to lead to eventual adoption by the Board of Supervisors.

Board of Supervisors – Strategic Planning

During FY15, the Botetourt County Board of Supervisors and key staff met offsite with a consultant for several work sessions in order to discuss and develop strategic planning initiatives. This process identified several strategic priorities and gave consideration to a future 30+ year planning horizon. The process yielded strategic priorities listed below, with several of these items already in their early phase:

- Thriving Business Environment
- The Gateway Center
- Botetourt Cool
- Lifelong Learning Excellence
- Responsible Governance
- Responsive Government
- Strategic Land Use
- Ample & Reliable Infrastructure and Facilities

REVENUES***General Fund***

The total General Fund revenues for FY 16 are expected to be \$55,861,766 from local, state, and federal sources. When compared to FY15 Budget (\$54,021,747), total General Fund revenues are expected to increase by \$1,840,019 (3.4%). On an overall basis, local revenues comprise 79% of General Fund budgeted revenues, with State and Federal revenues representing 19% and 2%, respectively. This distribution of funding reflects a 1% increase in Federal revenues and a 1% reduction in State revenues as compared to the FY15 budget revenue distribution. The FY15 budget revenue distribution includes \$87,500 in Fire & EMS grants originally shown as local revenues, which were reclassified as State revenues.

In reviewing by component, local revenues are budgeted to increase by \$1,546,000 (3.6%) when compared to the previous fiscal year. In a review of revenues by major category, there are four (4) categories that are expected to increase by approximately \$300,000 each:

General Property Taxes	\$338,000	(2%)
Personal Property Taxes	\$326,000	(7%)
Machinery & Tools Taxes	\$324,000	(11%)
Other Local Taxes	\$328,000	(5%)

Budgeted increases in these categories are supported by strong results for FY15; the FY16 figures for these revenue areas reflect relatively small increments to FY15 actual revenues. With respect to general property taxes, the next real estate reassessment cycle began in FY15, and the revenue impact will be realized in FY17. Other Local Taxes include Local Sales Taxes, which are budgeted to increase \$175,000, or 53% of the category's total dollar increase.

Continuing with the local revenue budget, the County's primary traffic exit from Interstate 81 (Exit 150) is being reconstructed beginning in FY16. It is anticipated that there will be a loss of revenue during the construction period. While not significant, the FY16 local revenue budget includes a factor for this loss of revenue; FY17 will most likely result in a larger negative impact vs. FY16. The construction plan does include measures to minimize loss of business activity. Upon completion, redevelopment of the exit and surrounding area should result in future economic and revenue opportunities.

Collectively, the above-mentioned categories comprise 85% of the total local revenue budgeted increase. The next largest categorical increase is reflected in Permits, Fees, and Licenses (\$56,000, 25%) which include building permits and storm water management fees. The only revenue category that was budgeted for a decrease was Penalties and Interest (\$15,000, 6%).

State revenues budgeted for FY16 are expected to increase (\$168,000, 1.6%) when compared to the previous fiscal year. The largest increase is in Categorical Aid, which includes Compensation Board reimbursements. The FY16 budget for these reimbursements includes approximately \$70,000 to reimburse for Constitutional department employees 2% wage increases (beginning 9/1/15) mandated by the State. One other State revenue area reflecting a notable increase is Fire & EMS Grants, as the budget includes \$132,000 for an SCBA (Self-contained breathing apparatus) grant.

Federal revenues are budgeted to increase \$126,000 (15%). This is due to budgeting \$150,000 for PILT (Payments In Lieu of Taxes) in FY16 despite no committed appropriation by the federal government. PILT was not budgeted in FY15 for the same reason, but FY15 PILT monies were finally appropriated in June 2015. Based on history, which shows these payments made to States/Counties since 1977, and strong cross-country lobbying support, the Board of Supervisors recommended including PILT monies in the FY16 budget.

In summary, due primarily to increases in local revenues, total FY16 revenues are projected to be \$55,861,766, representing a \$1.8 million (3.4%) overall increase.

EXPENDITURES

Budget Process for Operational Expenditures

The initial draft of the FY16 Budget submitted by department managers to Administration was approximately \$1.9 million (7%) greater than the final FY15 Original Budget. However, during the budget review process, managers worked with Administration to pare down the requested increase to \$975,000 over the previous fiscal year. In addition, Miscellaneous Organizations requested \$105,000 (37%) more than funded in FY15. This \$105,000 increase was pared down to \$22,000 with nearly half of the increase being a step increase in member support for the Roanoke Valley Convention & Visitors Bureau. Therefore, the overall increase in recommended administrative operational expenditures was \$998,000 (3.7%).

The next step is the Administrative Recommended stage and is prior to any consideration of add-on requests and employee compensation. At this point in the budget process, there were 9 departments/agencies showing decreases in their budgets, 5 with no increase, and 13 with a 3% or less increase. This budget planning provided the ability to provide departmental/agency increases of greater than 3% to 11 areas (excluding the addition of the Equalization Board budget), while keeping the overall requested increase at 3.7%.

As previously mentioned, the State approved a 2% raise effective 9/1/15 for State employees. This includes employees of Constitutional departments working for the County. County Administration proposed that the same 2% increase be applied to subject personnel in County departments as well. The gross impact of these raises is approximately \$250,000. In addition, \$100,000 in funding was recommended to address compensation in certain entry level positions and salary compression issues, with particular reference to Sheriff's department personnel. An additional \$10,000 was later added to the \$100,000 to provide for fringe benefit impact.

There were several Budget Committee meetings and discussions before and after the FY16 Advertised Budget. Prior to the advertising of the budget, the Committee reviewed the budget in depth. When comparing the Budget Committee's revisions to the Administrative Recommended version of the budget, there were the following material revisions:

- (1) Fire & EMS – Startup Costs – Medic Unit – In order to improve the alignment of EMS units and provide more efficient and rapid response, \$85,000 was added to the budget for startup costs for hiring and equipping a part-time Medic Unit (12 hours a day, 7 days per week). A federal SAFER (Staffing for Adequate Fire and Emergency Response) grant would provide for the substantial portion of wages and benefits for the first two years.

- (2) Hospital & Medical Costs – \$75,000 was added to this expense to provide for additional coverage of FY16 health claims, as the County is self-insured.
- (3) Fire & EMS – Patient Loading System – Two (2) units costing \$30,000 each were eliminated from the final budget.
- (4) CIP – Botetourt Sports Complex – \$198,000 that was requested for completing the construction of two additional ball diamonds and related equipment and furnishings was deferred to a future fiscal year.
- (5) CIP – Phone Equipment – \$621,404 was added as CIP for a County operations-wide V.O.I.P. (Voice over Internet Protocol) phone system and peripheral equipment/needs that will provide communication efficiencies for internal and external users while providing cost avoidance of maintaining several in-house systems. Funding for this installment purchase will be provided in the form of proceeds from a bank loan (see debt service).

The adjustments noted above were the only significant expenditure adjustments made subsequent to draft version of the FY16 Budget submitted by Administration. With respect to the Advertised Budget, there were no changes made after the advertised version, which thus became the final FY16 Budget.

General Fund

Total operational expenditures increased \$1.4 million (5.4%) vs. the FY15 Budget. Three major reasons for this increase are as follows:

- (1) Hospital and Medical Costs – After requesting insurance quotes from other health insurance companies, the County decided to remain with its current provider, MedCost. The coverage is self-funded in nature; relief for extraordinary claims is provided in the form of reinsurance at and above the \$100,000 amount per claim (previously \$75,000). The FY15 Budget included a 28% increase in program costs while the FY16 Budget provides for a 13% increase. High claims experience over the last two years has hampered the ability to secure a more favorable premium quote. The total increase in the Hospital & Medical portion of the FY16 Budget is \$284,000, significantly less than the \$490,000 increase provided for in the FY15 budget but still a significant increase. It is the intent of both the Board of Supervisors and Administration to continue to seek opportunities to reduce this cost in the future.
- (2) FY16 Raises for Employees - As previously mentioned, a 2% raise (effective 9/1/15) was included in the FY15 Budget at a gross cost of approximately \$250,000. Approximately \$70,000 is included in State Compensation Board reimbursements, which brings the net impact of the raises to \$180,000.
- (3) Compensation Adjustments - \$110,000 was provided for in the FY16 Budget for consideration of entry level salaries and salary compression inequities, with particular attention provided to Sheriff's department employees.

These three factors alone account for approximately \$644,000 (45%) of the \$1.4 million increase in total operational expenditures. The remaining 55% of the increase is spread across the major functional areas of the County as outlined below.

General Government Administration

This category increased \$285,000 (8%) vs. the FY15 Budget. Electoral/Registrar budget includes a \$168,000 increase, with \$150,000 designated for new mandated voting machines. Technology Services department costs increased \$93,000 due in part to the assumption of responsibility of maintenance service contract costs for technology-related equipment previously charged to other departments. Additional funds were also provided for expenses incurred as a result of additional technical training for staff. Also, as FY16 is year two of the two-year real estate reassessment process, included in the budget is \$11,000 for expenses relating to the Equalization Board review process.

Excluding the above areas, all other departments' budgets summed to a \$13,000 increase, including the increase in Hospital and Medical costs.

Judicial Administration

This category increased \$41,000 (3%) vs. the FY15 Budget. When the impact of the Hospital and Medical increases are excluded, the increase is \$18,000 (1%). The impact of the wage increase and related benefits accounts for nearly all of the remaining increase.

Public Safety

This category increased \$773,000 (5%) vs. the FY15 Budget. When the impact of wage and benefit increases are excluded, the increase is \$424,000 (3%). This increase is primarily due to 1) \$187,000 for capital outlay items for the Jail for intercom and video surveillance system upgrades, 2) \$132,000 provided for breathing apparatus equipment (funded by a grant), and 3) \$85,000 for startup costs for a new Medic Unit. These three items account for \$404,000 (95%) of the stated \$424,000 increase.

While not representing an overall increase due to capital outlay items included in the FY15 budget, the FY16 budget includes ambulance replacements (1 each) for volunteer and career staff utilization.

Public Works

This category increased \$99,000 (4%) vs. the FY15 Budget. When the impact of the wage & benefit increases are excluded, the increase is \$59,000 (3%). This increase is primarily reflected in the Solid Waste Management (refuse disposal, recycling costs) and Maintenance (utilities, repairs, contract costs).

Health and Welfare

This category decreased \$4,000 (0.26%) vs. the FY15 Budget. This decrease is directly related to a fringe benefit budgeted decrease in the Van Program department. Local Health Department support Comprehensive Services (now termed Children's Services) budgets remain virtually unchanged vs. FY15.

Parks, Recreation, and Cultural

This category increased \$126,000 (4%) vs. the FY15 Budget. When the impact of wage and benefit increases are excluded, the increase is \$63,000 (2%). This increase is primarily due to 1) a replacement truck for Parks & Recreation, 2) increases in utilities, agricultural and operating supplies for Sports Complex operations, 3) a \$10,000 increase in Books & Subscriptions and a \$4,000 increase in utilities expense for the Library department budget, and 4) a small increase in marketing/program costs for Tourism. A portion of the Sports Complex's utilities increase is due to new water & sewer costs to be billed by Western Virginia Water Authority (rather than previously absorbed internally) and agricultural and other supplies necessary as a result of maintaining the two new fields in their pre-completion state.

Community Development

This category includes Environmental Management and the Cooperative Extension. As compared to the FY15 Budget, these combined FY16 budgeted expenditures are \$7,000 (8%) less due to the elimination of a previously budgeted jointly funded position that has not received State support at this time for Cooperative Extension.

Non-Departmental

The County's Wellness Program costs and Revenue Refunds comprise the expenditures in this category. The FY16 Budget for these two items is the same as in the FY14 Budget.

Contingency Planning

As has been the case beginning in FY11, a \$100,000 contingency line is included in the FY16 Budget. This line may or may not be utilized but is available should extraordinary-type expenditures be required that were not anticipated or foreseen at the time of development of the budget.

Miscellaneous and Outside Organizations

FY16 funding for Miscellaneous and Outside Organizations increased \$22,000 (8%) vs FY15 Budget funding. \$10,000 represents a step increase in support to the Roanoke Valley Convention & Visitors Bureau. \$6,000 is reflected in funding (formula driven) for the Planning District Commission and Roanoke Regional Partnership. \$3,000 in total is for funding for two organizations that were previously funded in the past but had not received recent funding, and \$2,686 is for support for the Roanoke Valley Transportation Planning Organization.

Debt Service Fund

Debt Service Fund expenditures are expected to decrease by \$513,000 (12%) as a County general obligation refunding bond (originated in 1998) was completed in FY15. Other debt service pay downs result in an aggregate \$178,000 decrease for existing debt. One addition to debt service is for the installment purchase of telephone equipment. This obligation will be paid off over five years, with total annual payments of \$124,281 beginning in FY16.

CAPITAL IMPROVEMENTS PLAN (CIP)

The Board of Supervisors develops a five-year CIP to project the capital needs of the County government. Year 1 of the CIP budget is included in the FY16 Budget; future-year figures are estimates utilized for planning purposes only.

The FY16 CIP Budget totals \$1,098,404, which is \$324,000 (42%) more than the FY15 CIP Budget. The FY16 CIP Budget is heavily invested in Technology Services, as approximately \$800,000 (73%) of the CIP Budget is accounted for in this category. This category includes 1) \$621,404 for the installment purchase of a new County-wide integrated phone system and related equipment/services that is being financed by loan proceeds and will be paid off in even annual installments over five years. Also, \$100,000 is included in the Technology Services CIP Budget for the continuing implementation of a new enterprise software ERP system. In addition, unspent FY15 CIP funds for this project will be re-appropriated in FY16.

Other notable CIP budgeted expenditures are included in Community & Economic Development:

1) \$100,000 for Industrial Site Infrastructure (same as FY15) in Community and Economic Development, and 2) \$100,000 provided as a construction cost matching contribution to a YMCA facility in Botetourt County (at Daleville Town Center). The County's total contribution would be \$2,500,000, (matching the contribution of a major benefactor) over ten (10) years. County funding of this project is dependent on the receipt of additional pledged funds required to complete the construction of the facility.

Detailed information pertaining to the FY16 CIP items can be found in Section 4 of this book.

TRANSFERS***School Funding***

County contribution to School operations included in the FY16 Budget is \$22,849,282, which reflects an increase of \$300,000 (1%) vs. FY15 Budget contribution to the School. The additional funding was provided to address compensation needs brought about by the State's granting of a 1.5% raise to certain State employees, including some School employees. The \$300,000 in funding was to provide for raises for all School employees. County Board of Supervisors approved the School budget on April 28, 2015.

Social Services

The FY16 Budget for Social Services totals \$1,707,664, which represents a small (\$13,000, 0.8%) increase over the FY15 Budget. Social Services personnel will also receive a 2% raise effective 9/1/15.

General Fund Balance

In order to balance the FY16 Budget, the net impact of revenues and expenditures required a \$1,300,957 Use of Unassigned Fund Balance. The FY15 Budget required a combination of Assigned and Unassigned Fund Balance totaling \$2,191,115 to balance the budget.

CONCLUSION

The FY16 Budget presented in this book is the culmination of months of planning, analysis, and compromise and represents the Board of Supervisor's vision for the coming year. As a result of the strategic planning process undertaken by the Board of Supervisors during FY15, this budget also includes the foundations for realizing the 2040 Vision adopted in December 2014. The Board of Supervisors and Administration are committed to the goals of the 2040 Vision and seek to make it a reality.

Continuing to implementing the vision will not be without its challenges. During FY16, for example, the County will complete its first property reassessment since the recent economic downturn, which will impact financial planning and projections for years. Furthermore, the County has deferred CIP projects and maintenance during the lean years in order to direct operational funding to critical service areas. Lastly, the County has relied on transfers from the General Fund Balance to sustain the superior levels of effective and efficient service that the citizens, visitors, and businesses of Botetourt have come to expect.

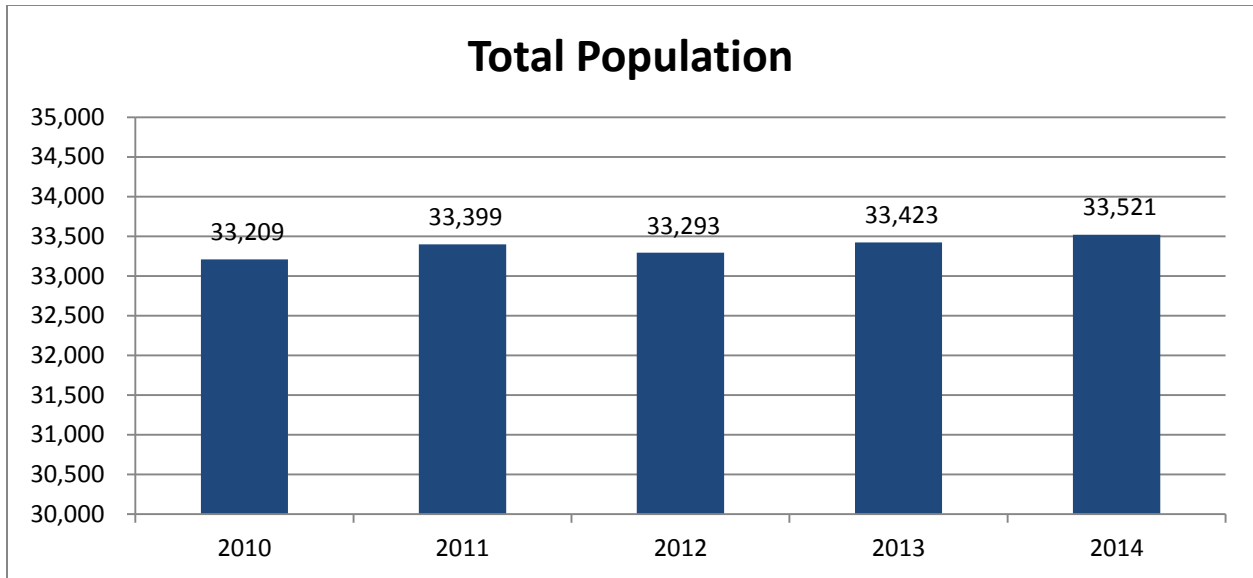
Despite those challenges, opportunities also abound; our future is bright. The Gateway Center project at I-81's Exit 150 will improve access to the crossroads of the County and provide opportunities for new development. Continued investment in software and technology infrastructure will allow the County to realize operational efficiencies unheard of in the past decade. An increased focus on economic development initiatives will help businesses thrive and increase revenues for County operations. Enhancing public safety operations remains a key component of ensuring a high quality of life in the County. When these opportunities are coupled with the forward-thinking leadership of the Board of Supervisors and County Administration, the future's challenges will fade. The FY16 Budget is simply the first step.

INQUIRIES

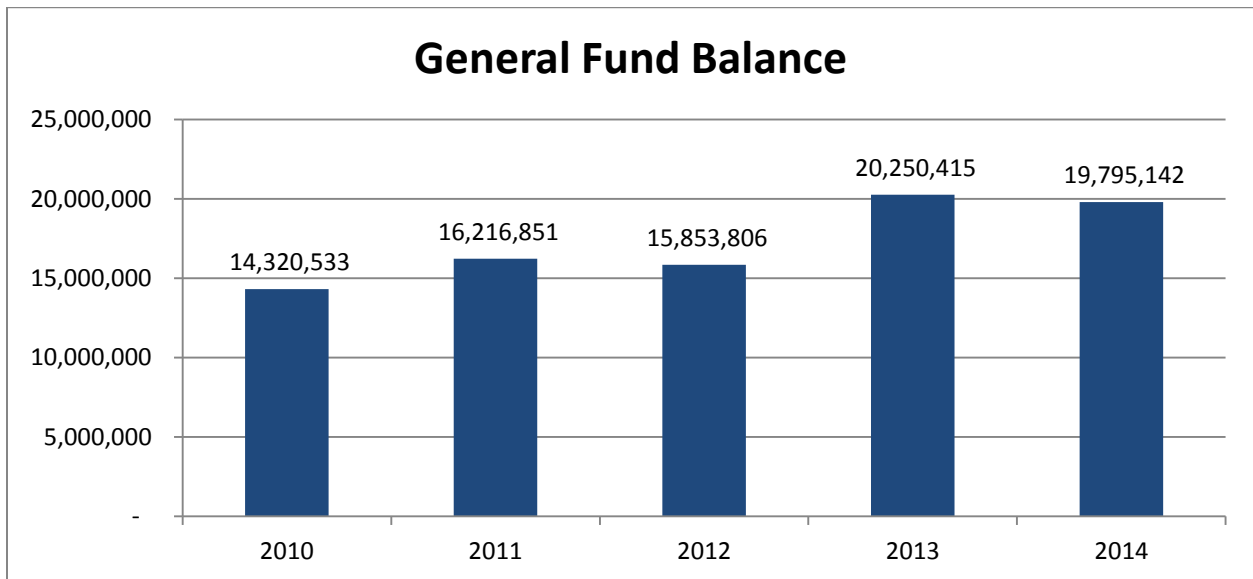
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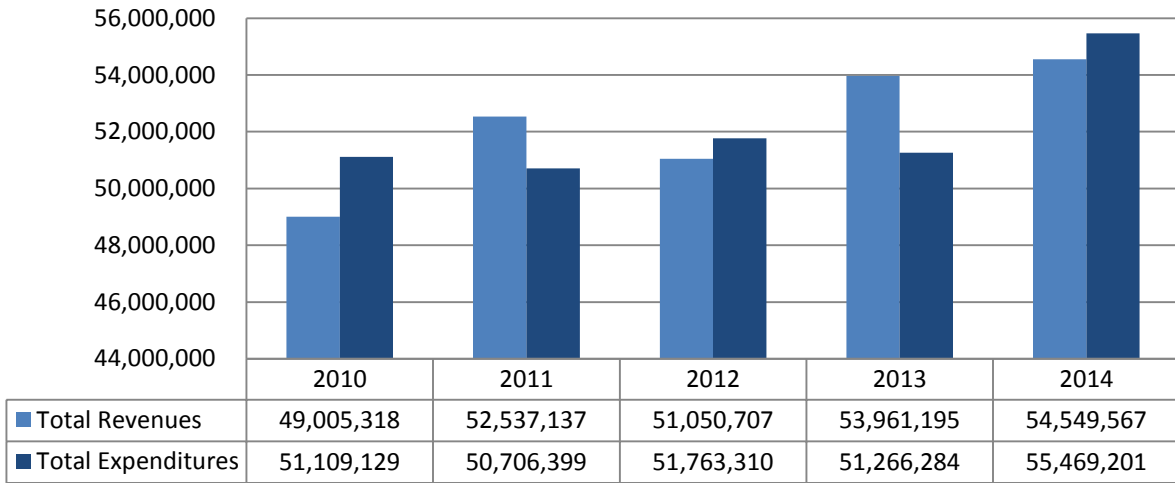


Source: Weldon Cooper Center for Public Service



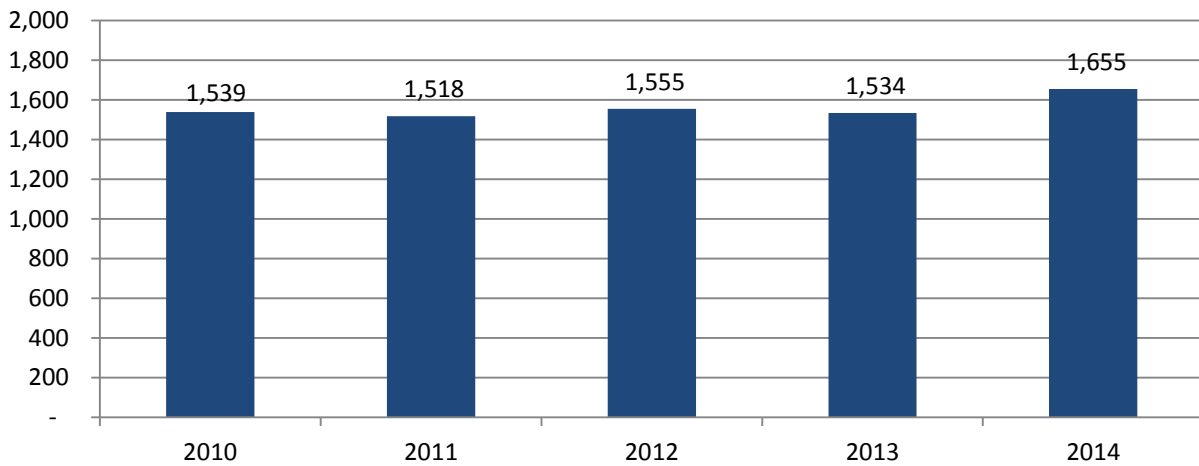
Source: County financial statements

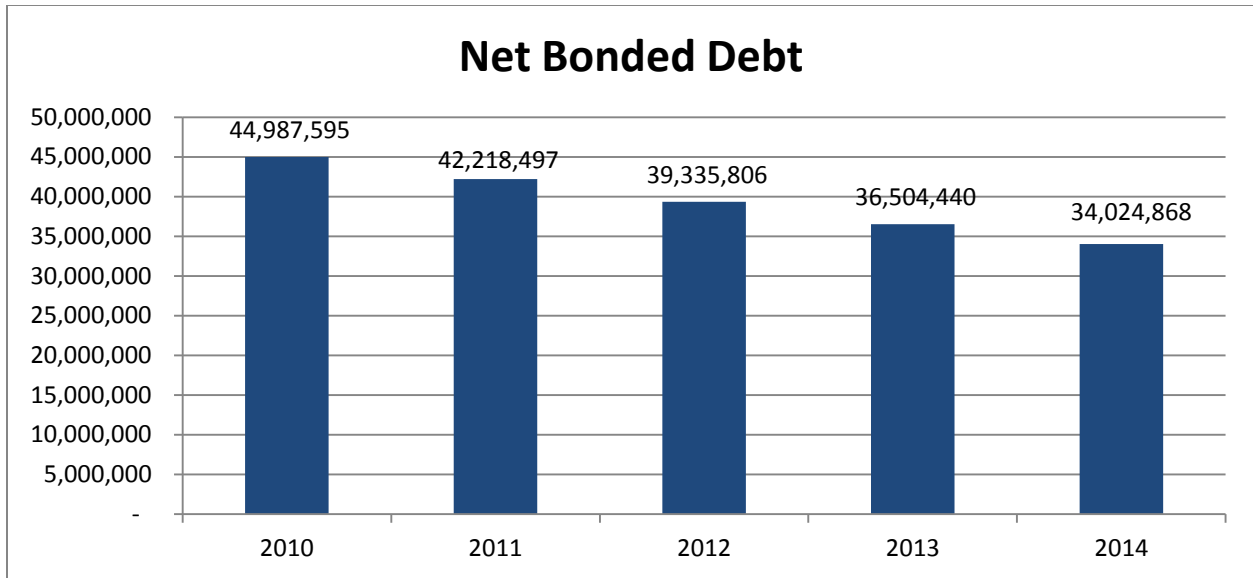
Revenues versus Expenditures



Source: County financial statements

Total Expenditures Per Capita





Source: County financial statements

