

# Botetourt County, Virginia Budget Summary

FY 2015

**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, 2015 (FY15). 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 runs through April. It 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 budget consists of three major funds: General Fund, Utility Fund, and Debt Service Fund.

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 FY15). The Botetourt County FY15 Budget was adopted on April 22, 2014 by the Board of Supervisors.

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 Vision Statement***

In terms of placing focus on planning for the future, the Board of Supervisors has adopted the following Vision Statement:

"We the elected Supervisors of Botetourt County envision a community where County residents are attaining higher educational and economic goals; are enjoying a quality of life marked by safety and security, environmental protection, quality business and residential development, and a variety of recreational and cultural opportunities; and are pleased with the value and cost of county government services".

The elements contained in this vision statement are bound together and form the foundation by which the Board incorporates the values of the past and the present in order to look toward the future in serving the citizens of Botetourt County.

**REVENUES*****General Fund***

The total General Fund revenues for FY 15 are expected to be \$54,021,747 from local, state, and federal sources. When compared to FY14 Budget (\$53,872,355), total General Fund revenues are expected to increase nominally by \$149,000 (0.3%). On an overall basis, local revenues comprise 78% of General Fund budgeted revenues, with State and Federal revenues representing 20% and 2%, respectively. This distribution of funding reflects no percentage change vs FY14 for all of these revenue components.

In reviewing by component, local revenues are budgeted to increase by \$238,000 (0.6%) when compared to the previous fiscal year. In a review of revenues by major category, the largest dollar increase (\$104,000, 7%) is reflected in Public Service Corporations revenue due to FY15 net real estate tax estimates vs. FY14 Budget. The next real estate reassessment cycle will begin in FY15, and the revenue impact will be realized in FY17.

Continuing with the local revenue budget, the County's primary traffic exit from Interstate 81 (Exit 150) is being reconstructed beginning in FY15. It is anticipated that there will be a loss of revenue during the construction period. The FY15 local revenue budget includes an estimated \$200,000 decrease. That decrease is realized in several revenue line items relating to reduced business activity at and around Exit 150. However, the exit and surrounding area is being redeveloped, which should result in future economic and revenue opportunities.

The largest categorical negative change in the local revenue budget is reflected in Machinery and Tools taxes, which reflects a reduction of \$183,000 (6%) when compared to the FY14 Budget. The decrease is primarily due to depreciation of existing investments. Although, there have been several business expansions in recent years that should have a major positive impact on the Machinery and Tools revenue in the near future. The only other categorical reduction in the FY15 local revenue budget is a relatively minor (\$5,000, 1.3%) in Revenues from the Use of Money and Property, which is due in part to extremely low interest rates.

While the economic recovery from the recent recession continues to drag, revenue items which represent a gauge for local business activity are seeing increases in their respective budgets despite the anticipated loss of revenue from the Exit 150 construction. Business Licenses, Hotel, Meals, and Local Sales Taxes all reflect revenue increases vs. their FY14 Budgets. Building Permits and their revenues are expected to increase as well.

State revenues budgeted for FY15 are expected to increase only slightly (\$36,000, 0.3%) when compared to the previous fiscal year. Non-Categorical Aid comprises 10% of the County's State revenues, with the largest item being Communications Sales Taxes (\$720,000). Shared Expenses represents 71% of total State revenues and includes Compensation Board reimbursements (\$4.3 million for Constitutional Office wage and fringe benefit reimbursements) and the PPTRA Block Grant (\$3.4 million). Other Categorical Aid represents 19% of total State revenues and includes welfare receipts, Comprehensive Services Act (CSA) reimbursements, Local Jail per diem payments, and Library Aid. Also included in Other Categorical Aid is Emergency Services Grants with an expected increase (\$87,500) due to a partial grant for an ambulance.

Federal revenues are expected to decrease \$125,000 (13%). This is due to the lack of confirmation that the Payments In Lieu of Taxes (PILT) funding will continue in FY15. This funding has been reinstated for FY14, but there has been no funding commitment for FY15.

### ***Utility Fund***

FY15 Utility Fund total revenues from operations are anticipated to be \$3,390,504. This is a projected increase of \$238,000 (8%) when compared to the FY14 Budget. The increase is primarily due to a 10% increase in water and sewer rates, which became effective during the second half of FY14. As a standard practice, the County does not place a heavy reliance on water and sewer connection fees in the Utility Fund revenue budget unless there are specific known projects on the horizon. As a result, those projects that may develop would then yield a favorable budget variance.

## **EXPENDITURES**

### ***Budget Process for Operational Expenditures***

The initial draft of the FY15 Budget submitted by department managers to Administration was approximately \$2.8 million (11%) greater than the final FY14 Original Budget. However, during the budget review process, managers worked with Administration to pare down the requested increase to \$1.2 million over the previous fiscal year. In addition, Miscellaneous Organizations requested \$78,000 (28%) more than funded in FY14. This \$78,000 increase was virtually eliminated (\$866, 0.3% increase) in the draft budget version that was recommended to the Budget Committee.

Therefore, the overall increase in recommended administrative operational expenditures was \$1.2 million (4.6%). A portion of this increase is due to the need to budget for expenditures relating to the next real estate reassessment cycle, which is \$191,000 for the FY15 Budget.

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 10 with a 3% or less increase. This budget planning provided the ability to provide departmental/agency increases of greater than 2% to 15 areas while keeping the overall requested increase at 4% (excluding the addition of the Assessor budget).

There were several Budget Committee meetings and discussions before and after the FY15 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, the only significant adjustment was in the CIP. The General Fund CIP was reduced by \$220,000 from \$994,000 to \$774,000. The use of available FY14 Budget funding provided for FY15 budget funding revisions for Greenfield Park and Enterprise Software projects. There were several other departmental adjustments made with a nominal overall net impact.

Subsequent to the hearing for the Advertised Budget, the Budget Committee approved a small increase in Community Organizations support, which was fully offset by a departmental cost reduction. Therefore, with respect to the advertised budget, the final total FY15 Approved Budget reflected the total dollars that were included in the FY15 Advertised Budget.

**General Fund**

Total operational expenditures increased \$1.2 million (4.6%) vs. the FY14 Budget. Two major reasons for this increase are as follows:

(1) Hospital and Medical Costs - The County decided to investigate switching to a new healthcare provider because quoted costs from the incumbent insurance provider were significantly higher than the previous year. After reviewing quoted costs from other insurance providers, the County contracted with MedCost under a self-insured program. The costs of the new provider as compared to the previous year reflected a 28% increase. This increase, however, was a lesser increase than what the County would have incurred by not switching. For the General Fund, this equated to approximately \$490,000 in increased budget costs for FY15 spread across all departments having full-time personnel.

(2) Assessor Budget - As compared to FY14, these are new costs due to the first year of the real estate reassessment cycle. Approximately \$190,000 was budgeted for FY15, which will be followed by Assessor activity in FY16. Any unused portion of the \$190,000 in FY15 will be re-appropriated and added to the expense to be incurred in FY16.

These two factors alone account for approximately \$680,000 (57%) of the \$1.2 million increase in total operational expenditures. The remaining 43% of the increase is spread across the major functional areas of the County as outlined below.

**General Government Administration**

This category increased \$328,000 (10%) vs. the FY14 Budget. When the impact of the Assessor's budget and Hospital and Medical increases are excluded, the increase is \$65,000 (2%). In Deputy County Administration, there are budgeted funds for the hiring of a Human Resource Specialist, who will support all County and Constitutional departments. Also, Management Systems includes a \$47,000 increase in maintenance contract costs because some costs previously charged to other departments are now under the review and control of Management Systems.

Excluding Deputy County Administration and Management Systems departments, all other departments in this functional area combined reflect a 1% increase, including the increase in Hospital and Medical costs.

**Judicial Administration**

This category increased \$50,000 (4%) vs. the FY14 Budget. When the impact of the Hospital and Medical increases are excluded, the increase is \$21,000 (2%). Small dollar increases in each respective department account for the budget increase in this functional area.

**Public Safety**

This category increased \$722,000 (5%) vs. the FY14 Budget. When the impact of the Hospital and Medical increases are excluded, the increase is \$415,000 (3%). This increase is primarily due to 1) fire apparatus budgeted to be purchased in Volunteer Fire and Rescue department, and 2) an ambulance purchase budgeted for Fire and Emergency Medical Services (formerly titled Emergency Services).

The Juvenile Detention Center area includes a \$30,000 (55%) increase compared to the FY14 Budget, but this increase reflects a reduction when compared to FY14 actual expenditures.

The Sheriff's departmental accounts (Sheriff, Dispatch, Correction and Detention, and Animal Control), which account for 64% of the total cost in this category, reflect flat costs vs FY14 Budget when the impact of health care costs are excluded.

### **Public Works**

This category increased \$84,000 (5%) vs. the FY14 Budget. When the impact of the Hospital and Medical increases are excluded, the increase is \$56,000 (3%). This increase is primarily reflected in the Solid Waste Management department with increased costs for recycling, treatment costs, and repairs.

### **Health and Welfare**

This category decreased \$96,000 (6%) vs. the FY14 Budget. This decrease is directly related to a \$100,000 budgeted decrease in Professional Services for the Comprehensive Services department. Those decreased services include mandated services provided for at-risk youths. This functional category also includes support for the Local Health Department and Van Program.

### **Parks, Recreation, and Cultural**

This category increased \$96,000 (6%) vs. the FY14 Budget. When the impact of the Hospital and Medical increases are excluded, the increase is \$44,000 (4%). This increase is primarily due to capital outlay purchases previously deferred and an increase in Tourism/Marketing program costs. Tourism/Marketing spending is subsidized to a sizeable extent with grants and partnership cost sharing.

### **Community Development**

This category includes Environmental Management and the Cooperative Extension. As compared to the FY14 Budget, these combined FY15 budgeted expenditures are \$4,000 (4%) less due to a reduction in support to Mountain Castles Soil and Water Conservation District.

### **Non-Departmental**

The County's Wellness Program costs and Revenue Refunds comprise the expenditures in this category. The FY15 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 FY15 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**

FY15 funding for Miscellaneous and Outside Organizations increased \$5,573 (2%) vs FY14 Budget funding. The increase is reflected in funding (formula driven) for the Planning District Commission and support for the Botetourt County Chamber of Commerce.

***Utility Fund***

Operational expenditures for FY15 are expected to increase \$38,000 (2%). Approximately \$18,000 of this increase is reflected in Hospital and Medical costs. The balance of the increase is reflected in the Water and Sewer costs due to an increase in sewage treatment cost rates.

Utility Fund debt service expense is budgeted to increase by approximately \$28,000 (3%) as debt service for Phase 1 of the Tinker Creek Interceptor project will begin its first full year of principal and interest payments.

***Debt Service Fund***

Debt Service Fund expenditures are expected to decrease by \$43,000 (1%) as the County and the School Division continue to pay off existing debt. This reduction is net of \$37,000 in annual debt service for the Buchanan fire truck. This fire truck debt is planned to be fully subsidized by an annual receipt from the Town of Buchanan, per agreement.

**CAPITAL IMPROVEMENTS PLAN (CIP)*****General Fund***

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 FY15 Budget; future-year figures are estimates utilized for planning purposes only.

The FY15 CIP Budget totals \$774,000, which is \$365,000 (32%) less than the FY14 CIP Budget. The FY15 CIP Budget is heavily invested in Management Information Systems because the County plans to migrate to a new Enterprise Software system. Of the total CIP Budget, \$460,000 (59%) is solely for this project, which will also require funding in FY16.

Other notable CIP budgeted expenditures are \$100,000 for Industrial Site Infrastructure (same as FY14) in Community Development, and \$95,000 in Parks and Recreation for the multi-year project of developing two additional ball fields at the Botetourt Sports Complex.

Detailed information pertaining to the FY15 CIP items can be found in Section 4 of this book.

***Utility Fund***

FY15 Capital project costs of \$485,000 represent a \$1.2 million (71%) decrease when compared to the FY14 CIP Budget, which included \$1.2 million for development of new wells for existing customers and development of new water sources for future capacity purposes. The comparable project in FY15 includes \$250,000 in funding for continuation of water source development.

Details of the FY15 Utility Fund CIP budget are included in Section 4 of this book.

**TRANSFERS*****School Funding***

County contribution to School operations included in the FY15 Budget is \$22,549,282, which reflects an increase of \$814,000 (4%) vs. FY14 Budget contribution to the School. The additional funding attempts to offset decreases in the School's detailed expenditure budget of \$161,000 and in the School Component revenue budget of \$975,000.

***General Fund Balance***

The net impact of FY15 Budget revenues and expenditures includes a \$992,671 Use of Prior Year Assigned Fund Balance, funding that was established for future use with the adoption of the FY13 Budget. In addition, in order to balance the budget, \$1,198,444 of Unassigned Fund Balance is being utilized. These funds are available due in large part to FY13 actual vs. budget results.

***Utility Capacity Fund***

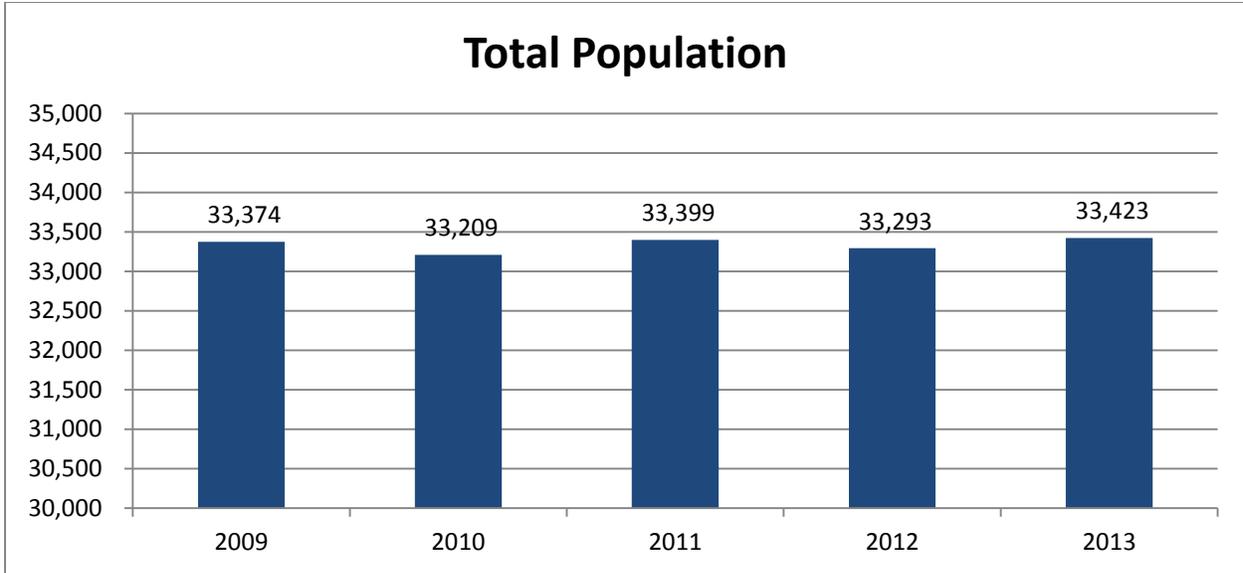
With respect to the net impact of Utility Fund revenues, less operating, debt service, and capital project expenditures, a total of \$198,490 is budgeted as available for transfer to the Utility Capacity Fund since budgeted revenues exceed budgeted expenditures.

**INQUIRIES**

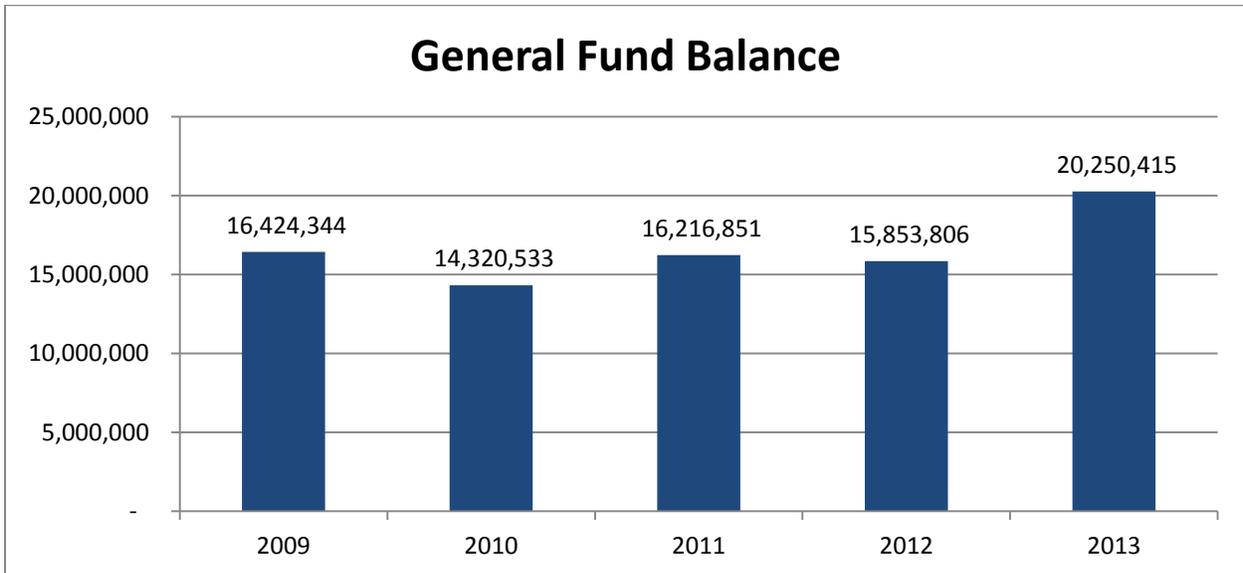
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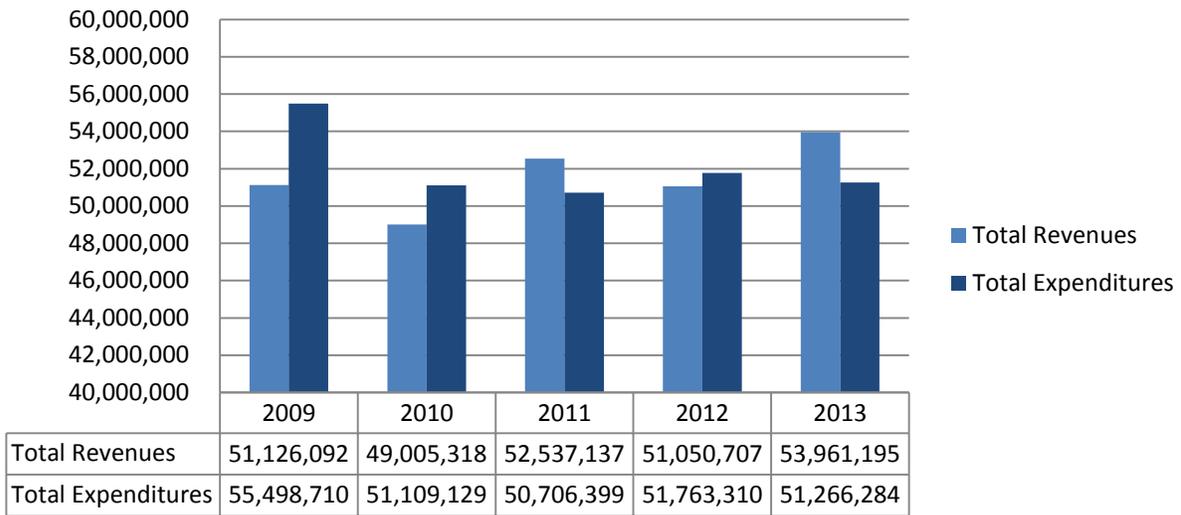


Source: Weldon Cooper Center for Public Service



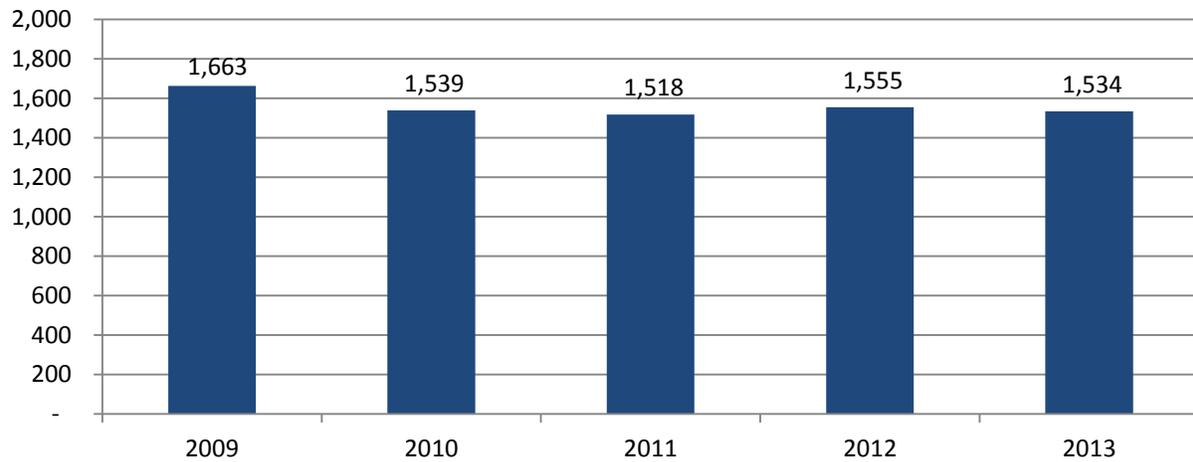
Source: County financial statements

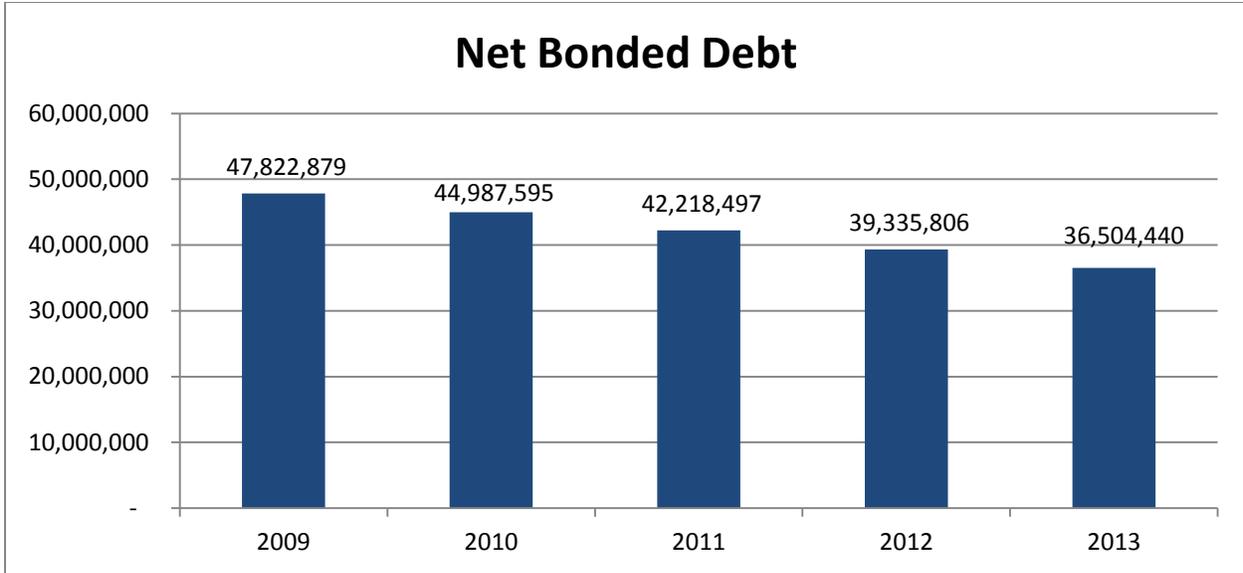
### Revenues versus Expenditures



Source: County financial statements

### Total Expenditures Per Capita





Source: County financial statements

