

Botetourt County, Virginia Budget Summary

FY 2017

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, 2017 (FY17). 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 March 2016 with several meetings held throughout the process. The entire Board of Supervisors acting as the Budget Committee met a number of times as well. While the budget process did not take as long as the previous year's (FY16) due to several key issues, the budget adoption in May took longer than originally scheduled. The County's budget development process 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 FY17 Budget consists of two major funds: General 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 FY17). The Botetourt County FY17 Budget was adopted on May 24, 2016 by the Board of Supervisors and after much deliberation during the budget process included a \$.07 real estate tax increase (\$.72 to \$.79) and a 3% increase in the personal property tax rate (\$2.63 to \$ 2.71).

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 adopted strategic planning initiatives which gave consideration to a future 30+ year planning horizon. The process yielded strategic priorities listed below, with several of these items incorporated in both the FY16 and FY17 budgets.

- 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 17 are expected to be \$59,804,031 from local, state, and federal sources. When compared to FY16 Budget (\$55,861,766), total General Fund revenues are expected to increase by \$3,942,265 (7.1%). On an overall basis, local revenues comprise 80% of General Fund budgeted revenues, with State and Federal revenues representing 18% and 2%, respectively. This distribution of funding reflects a 1% increase in Local revenues, and a 1% decrease in State revenues when compared to the FY16 budget revenue distribution.

In reviewing by component, local revenues are budgeted to increase by \$4,163,000 (9.5%) when compared to the previous fiscal year. The revenue impact of a \$.07 Real Estate Tax increase is approximately \$ 2.4 million, with a revenue increase of approximately \$260,000 relating to the personal property tax increase. These two increases, combined with an enhancement to the Elderly and Disabled Tax Relief Program, resulted in a budgeted net revenue increase of \$2.6 million. The net tax increase accounts for 63% of the total revenue increase in Local Revenues. These tax rate increases impacted the categories General Property Taxes, Public Service Corporations, and Personal Property, which reflect an aggregate budgeted revenue growth of 2.5% (\$772k) in addition to the impact of the tax rate revenue increases. Other notable categorical budgeted revenue increases are as follows, with budgeted revenue increases of at least \$125,000 each:

Other Local Taxes	\$329,000	(7%)
Local Sales Taxes	\$230,000	(9%)
Machinery & Tools Taxes	\$126,000	(4%)
Other Revenues	\$126,000	(13%)

Budgeted increases in these categories are supported by strong results for FY16; the FY17 figures for these revenue areas reflect relatively small increments to FY16 actual revenues. With respect to general property taxes, the 2016 real estate reassessment produced an overall flat result, with no appreciable change in revenues. Other Local Taxes includes the impact of a State General Assembly-approved increase in the Transient Occupancy Tax from 5% to 7%. Revenues from this tax account for \$213,000 of the \$329,000 budgeted revenue increase in the Other Local Taxes category.

Continuing with the local revenue budget, the County's primary traffic exit from Interstate 81 (Exit 150) began reconstruction in FY16. It is anticipated that there will be a no significant loss of revenue during FY17, as 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.

When the impact of the tax increases (including Transient Occupancy Tax) is excluded, an increase of approximately \$1,350,000 (3%) is included in the Local Revenue budget.

State revenues budgeted for FY17 are expected to decrease (\$126,000, 1.2%) when compared to the previous fiscal year. This is primarily due to a method change in budgeting for Social Services activity. Rather than budgeting for cost of the entire Program, which includes State and Federal categorical support, the budget for the Program only includes those categories that the County is either wholly or partially responsible for. This serves to decrease budgeted expenditures, and in turn, yields a reduced revenue budget for State Welfare payments. The \$127,000 budgeted reduction in State Welfare payments accounts for the entire overall reduction in State revenues. An increase in State

Compensation Board reimbursements (due to a State approved 2% (December 1, 2016) salary increase for State and Constitutional Offices employees), along with an increase in Children's Services Act reimbursements are offset by a budgeted reduction (due to a non-recurring grant) in Emergency Services Grants. Of the state revenue, however, the State Compensation Board reimbursement is dependent on the state not having to reforecast revenue projections. It was determined in July 2016 that the state incurred a negative forecast variance of greater than 1%. Therefore, the state raises and any associated Compensation Board reimbursements have been deferred for an indeterminate time.

Federal revenues are budgeted to decrease \$95,000 (10%). This is due to the previously mentioned method change in budgeting for Social Services Program expenditures, which serves to reduce the Federal Welfare revenue payments. This results in a \$97,000 budgeted reduction in Federal Welfare payments. FY17 PILT (Payment in Lieu of Taxes) monies are budgeted to increase \$2,000. These are the only two federal revenue sources budgeted for the County. PILT funds were not appropriated in the FY17 Federal budget, but based on recent history these revenues have been budgeted by the County.

In summary, due primarily to increases in local revenues, total FY17 revenues are projected to be \$59,804,031, representing a \$3.9 million (7.1%) overall increase.

EXPENDITURES

Budget Process for Operational Expenditures

The initial draft of the FY17 Budget submitted by department managers to Administration was approximately \$1.7 million (6%) greater than the final FY16 Original Budget. However, during the budget review process, managers worked with Administration to pare down the requested increase to \$856,000 (3%) over the previous fiscal year. In addition, Miscellaneous Organizations requested \$153,000 (50%) more than funded in FY16. This \$105,000 increase was pared down to \$97,000 with \$73,000 of the increase provided as member support for the Roanoke Valley Convention & Visitors Bureau (Virginia's Blue Ridge). The increase to Virginia's Blue Ridge is directly related to the increase in the Transient Occupancy Tax revenues as a result of the rate increase. Therefore, the overall increase in recommended administrative operational expenditures was \$953,000 (3.4%).

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 11 departments/agencies showing decreases in their budgets, 7 with no increase, and 5 with a 3% or less increase. This budget planning provided the ability to provide departmental/agency increases of greater than 3% to 19 areas, while keeping the overall requested increase at 3.1%.

As previously mentioned, the State approved a 2% raise effective 12/1/16 for State employees, pending state revenues remaining on track. 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, with an effective date of 7/1/16 originally considered for both County and Constitutional employees. The gross impact of these raises at 7/1 is approximately \$300,000. In addition, \$75,000 in funding was recommended to address compensation / salary compression issues. An additional \$15,000 is included in Sheriff's Departments as phase 2 of addressing salary compression issues; phase 1 was addressed in the FY16 Budget. The State is also addressing compression issues by increases in January 2017 based on years of service, also pending state revenues.

The Administration-recommended budget reflected a \$903,000 use of fund balance to balance the budget. That was before any consideration of an increase in the annual contribution to the Schools and before any consideration of raises and other key budget issues. These main other issues were as follows:

- (1) Requested Personnel Additions - Fire & EMS had requested 24x7 staffing in Troutville, which would have included eight (8) additional persons, along with startup costs. The Sheriff requested one additional deputy and one administrative position. Also, personnel additions were requested by department managers in Technology Services, Community Development, and Parks & Recreation (part-time). These items totaled approximately \$800,000 in wage and benefit costs. Startup Costs for the 8 person Fire & EMS crew was estimated at \$70,000.
- (2) CIP – Botetourt Sports Complex – \$198,000 that was requested for completing the construction of two additional ball diamonds and related equipment. An additional \$63,000 would be required should enhancements be included in order to bring the additional ball fields up to current standards at the Sports Complex. Approximately \$28,000 in additional operating costs would need to be budgeted for a full year of operations, with \$19,000 in concessions revenue to serve as a partial offset to these costs.

The School Division's FY17 Budget as presented at their March 24, 2016 public hearing included a request for \$1.9 million in additional funding from the County. This would address compensation corrections on a step basis, personnel additions, bus replacements, and an increase in benefit and transportation costs. When combined with a deficit position in funding the County administrative recommended budget, and potentially giving consideration to costs not included at this stage for County raises and key budget issues, it was apparent that, while there may be opportunities to reduce certain costs in the presented draft budget, there was also the need to consider a real estate tax increase and a personal property tax increase in order to balance the budget without the use of fund balance.

Therefore, the Budget Sub Committee developed many scenarios, which considered timing in terms of raises for County and Constitutional departments, personnel additions, and the level of School funding. As a balancing measure, various real estate tax rates were considered, along with a personal property tax rate increase. These efforts and meetings with the Board of Supervisors as the Budget Committee as a whole culminated in an advertised budget which included:

- 1) A real estate tax rate of \$.81.
- 2) A personal property tax rate increase that would increase revenues \$260,000.
- 3) A Road Deputy position and a new Fire & EMS 24x7 equivalent crew of six.
- 4) A 2% wage increase for County and Constitutional employees effective 7/1/16.
- 5) An increase of \$1.5 million in funding for the Schools.
- 6) A County CIP totaling \$2,076,000 which addressed County Infrastructure and Economic Development program funding, among other funded initiatives.

After receiving comments from the public at the April 26, 2016 budget hearing, further meetings were held, with discussion involving various scenarios. At the May 24, 2016 budget adoption meeting, the FY17 Budget was approved, with the following aspects:

- 1) A real estate tax rate of \$.79, with a \$75,000 targeted enhancement to Elderly & Disabled Tax Relief.
- 2) A personal property tax rate of \$2.71, with an associated revenue increase of \$260,000.
- 3) Inclusion of the Road Deputy and Fire & EMS 24X7 crew.
- 4) A 2% wage increase for County and Constitutional employees effective 9/1/16.
- 5) An increase of \$1.35 million in funding for the Schools.

Budget Summary - Narrative

FY 2017

- 6) A County CIP totaling \$1,493,000, with lesser funding for infrastructure and economic development.

General Fund

Total operational expenditures compared to FY16 Budget figures increased \$748,000 (2.5%) vs. the FY16 Budget. Major reasons for this net increase are as follows:

- (1) Personnel Additions & Associated Costs – A road deputy, the Fire & EMS Crew, and a Part-Time Parks & Recreation position were included in the adopted FY17 Budget. This added to approximately \$ 485,000 in wages, benefits and associated costs.
- (2) FY16 Raises for Employees - As previously mentioned, a 2% raise (effective 9/1/16) was included in the FY17 Budget at a gross cost of approximately \$250,000. Approximately \$44,000 is included in State Compensation Board reimbursements in revenues, which brings the net impact of the raises to \$206,000, pending state revenues remaining stable.
- (3) Fringe Benefits – Budgeted Hospital & Medical Costs increased \$318,000 excluding the impact reflected in (1) above. Alternatively, a reduction in the rate paid to Virginia Retirement System by the County for employer portion of contributions resulted in reduced retirement costs of approximately \$200,000.

These three factors alone account for approximately \$853,000 in costs increases, with budgeted costs in other areas (such as Assessor costs, which did not recur in FY17) representing a net budgeted decrease. A review of the FY17 Budget from a major functional areas perspective follows.

General Government Administration

This category decreased \$186,000 (5%) vs. the FY16 Budget. Electoral/Registrar budget for FY16 included \$150,000 for new mandated voting machines, which was a non-recurring cost. Assessor and Board of Equalization expenses incurred in FY16 also will not recur due to the completion of the real estate reassessment process. Technology Services Department's budget increased \$113,000 (14%) due primarily to increases in capital outlay projects and professional services expenses. Deputy County Administrator costs decreased \$ 83,000 (20%), as Economic Development costs have been reclassified to the Community Development functional area.

Excluding the above areas, all other departments' budgets summed to a \$73,000 increase. As with all functional areas, raises and fringe benefit changes will be part of the cost impact vs. the previous budget year.

Judicial Administration

This category increased \$19,000 (1%) vs. the FY16 Budget. This small increase can be attributed to raises and fringe benefit cost increase.

Public Safety

This category increased \$446,000 (3%) vs. the FY16 Budget. This increase is primarily due to the addition of a) a Fire & EMS crew for Troutville, and b) costs associated with the addition of a road deputy. Volunteer Fire & Rescue FY17 budget costs were \$320,000 less than budgeted in FY16 due to the non-

recurrence of an ambulance and matching funds for a grant for breathing apparatus. The increase in Fire & EMS was \$457,000, with the decrease in Volunteer Fire & Rescue offsetting cost increases for all other Public Safety departments.

The FY17 budget includes one ambulance for career staff utilization.

Public Works

This category increased \$81,000 (4%) vs. the FY16 Budget. For the General Services Department, funding for one position was transferred to Community Development. Both the Waste Management and Maintenance Departments increased approximately \$85,000 each, as budget funds for these departments were added to properly account for certain expenses that have been legitimately running in excess of budget in recent years. These expenses include recycling costs (Waste Management) and repairs and contract costs (Maintenance). Capital outlay costs for each area were increased to account for operational and upkeep projects.

Health and Welfare

This category increased \$60,000 (7%) vs. the FY16 Budget. This increase is directly related to the providing of mandated youth services under the Children's Services Act. Approximately 64% of these costs are reimbursed by the State back to the County.

Parks, Recreation, and Cultural

This category increased \$186,000 (7%) vs. the FY16 Budget. Approximately \$80,000 of the increase is in wages and benefits for these departments (Parks & Recreation, Sports Complex, and Libraries), with \$77,000 of the increase is for operating expenditures, such as repairs, maintenance contracts. \$54,000 of the increase in operating expenditures is for telecommunication costs regarding necessary upgrades for remote fiber connectivity (Sports Complex and Libraries). Finally, \$29,000 of the increase in this functional area is due to capital outlay projects for replacing roofs at various sports field locations and replacement of worn backstop netting at the Sports Complex.

Community Development

This category now includes Economic Development, which in prior years was included in General Government Administration and is now a separate department in this group. The Community Development functional area's budget increased \$377,000 (53%) vs the FY16 Budget. Approximately \$200,000 of this increase relates to Economic Development, as this new department has been provided with resources (professional services, marketing, capital outlay funding) to impact these efforts in the County. While this \$200,000 is shown here as an addition, approximately one-half of the increase is reflected in a decrease of like expenses in General Government Administration. The Community Development Department shows a \$124,000 (32%) increase in its budget due to a) an FY16 part-time position which was converted to full-time status, and b) a new position (Code Enforcement Officer) for which funds were transferred from Public Works. Tourism Department's budget increased \$49,000 due to a) employee turnover of a position which did not previously require health plan coverage, and b) an increase in Professional Services regarding marketing support efforts.

Non-Departmental

The County's Wellness Program costs and Revenue Refunds comprise the expenditures in this category. The FY17 Budget for these two items is the same as in the FY16 Budget.

Contingency Planning

As has been the case beginning in FY11, a contingency line is included in the FY17 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. A \$157,217 figure is budgeted for contingencies.

Miscellaneous and Outside Organizations

FY17 funding for Miscellaneous and Outside Organizations increased \$100,000 (33%) vs the FY16 Budget funding. A total of \$73,000 represents an increase in support to the Roanoke Valley Convention & Visitors Bureau (Virginia's Blue Ridge). \$14,000 is reflected in funding for the Roanoke Valley Greenway Commission, as the County became a member July 1, 2016. An additional \$3,500 was provided to Botetourt Resource Center, and the County is providing \$5,000 to Dabney S. Lancaster Community College for its Promise Program.

Debt Service Fund

Debt Service Fund expenditures are expected to decrease by \$530,000 (14%) as a 1995 Virginia Public School Authority debt service obligation for financing middle school projects has been completely paid off. This debt service expense was \$508,000 in FY16. Other existing debt service will reduce by \$22,000.

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 FY17 Budget; future-year figures are estimates utilized for planning purposes only. Detailed information pertaining to the FY17 CIP items can be found in Section 4 of this book.

The FY17 CIP Budget totals \$1,493,000, which is \$395,000 (36%) more than the FY16 CIP Budget. The FY17 CIP Budget is heavily invested in Technology Services, as \$499,000 (33%) of the CIP Budget is accounted for in this category. This category includes \$400,000 for new tax software. In FY16, \$621,404 was included in this area 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, \$350,000 is included for the County's Economic Development Program funding, and \$142,000 for County Infrastructure Improvements. Also \$100,000 is provided for as support funds for potential construction of a YMCA in Daleville; these funds will not be provided should this project not progress in FY17. Finally, \$20,000 has been provided in the CIP budget for a program / facility study for the County library system.

TRANSFERS***School Funding***

County contribution to School operations included in the FY17 Budget is \$24,199,282, which reflects an increase of \$1,350,000 (6%) vs. FY16 Budget contribution to the School. The additional funding was provided to address compensation correction needs which will also take into account the State's granting of a 2% raise to certain State employees, including some School employees. The County Board of Supervisors approved the School budget on May 6, 2016.

Social Services

The FY17 Budget for Social Services totals \$1,407,084, which represents a \$301,000 (18%) decrease. This is due to a change in budgeting methods, as the budget only provides for those Social Services initiatives that the County is accountable for, rather than the entire Program, which includes State and Federal programs that are not supported by the County. Social Services personnel will also receive a 2% raise effective 9/1/16.

General Fund Balance

In order to balance the FY17 Budget and meet the County's service requirements, tax increases for real estate (\$.07) and personal property (\$.08) were included in this budget. Therefore, this budget does not require any use of existing fund balance for the first time since FY13.

CONCLUSION

The FY17 Budget presented in this book is the culmination of months of planning, analysis, and compromise and represents the priorities of the Board of Supervisors for the coming year. While the process culminated in a balanced budget, tax increases were necessary in order to prevent balancing the budget with the use of fund balance.

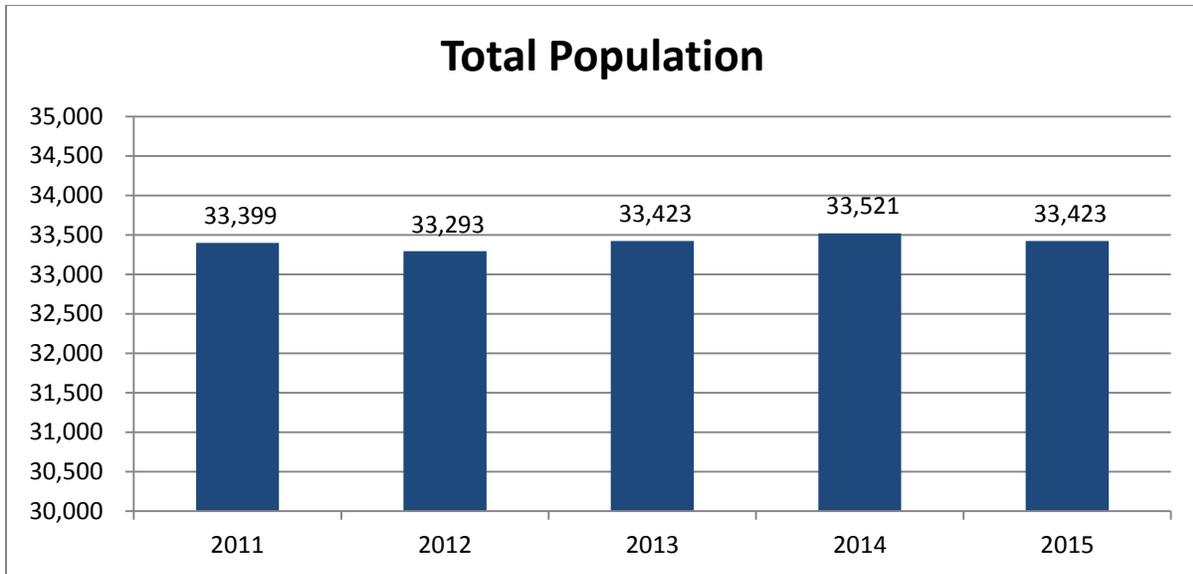
The strategic planning process undertaken by the Board of Supervisors during FY15 is being utilized in this budget, as economic development and comprehensive planning efforts will continue forward in FY17. Tourism is being directly linked to economic development efforts. Recent 2016 announcements of an incoming manufacturer (Eldor Corporation) and a craft brewery (Ballast Point) in Greenfield, and the Community College System consolidating administrative functions in a Shared Service Center in Daleville have created ongoing momentum. In addition, existing business expansions continue a trend in the County that began after the recent recession. The AEP Transmission Improvement project and the APEX Wind Farm project (subject to State approval) represent revenue growth opportunities in the near future.

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. This project is advancing, as there will be economic development opportunities that will hopefully extend growth in nearby County towns and locations.

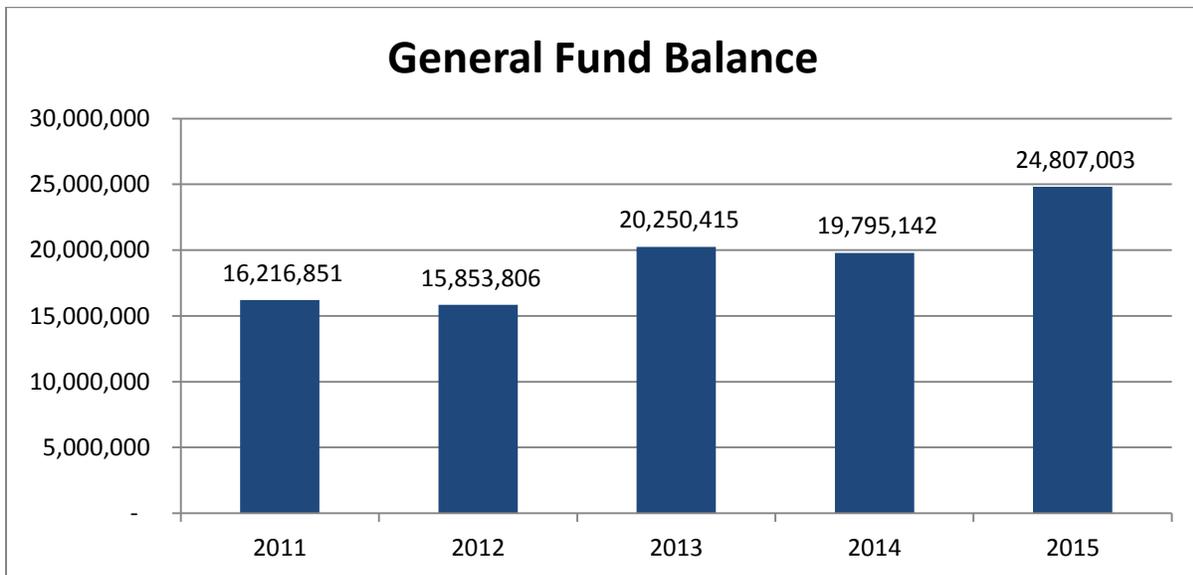
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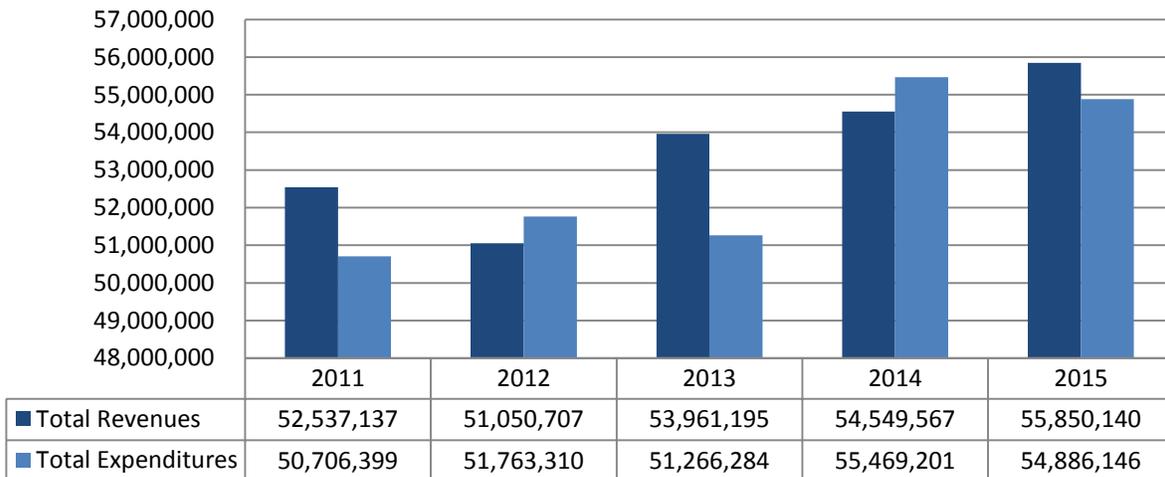
Source: Weldon Cooper Center for Public Service



Source: County financial statements

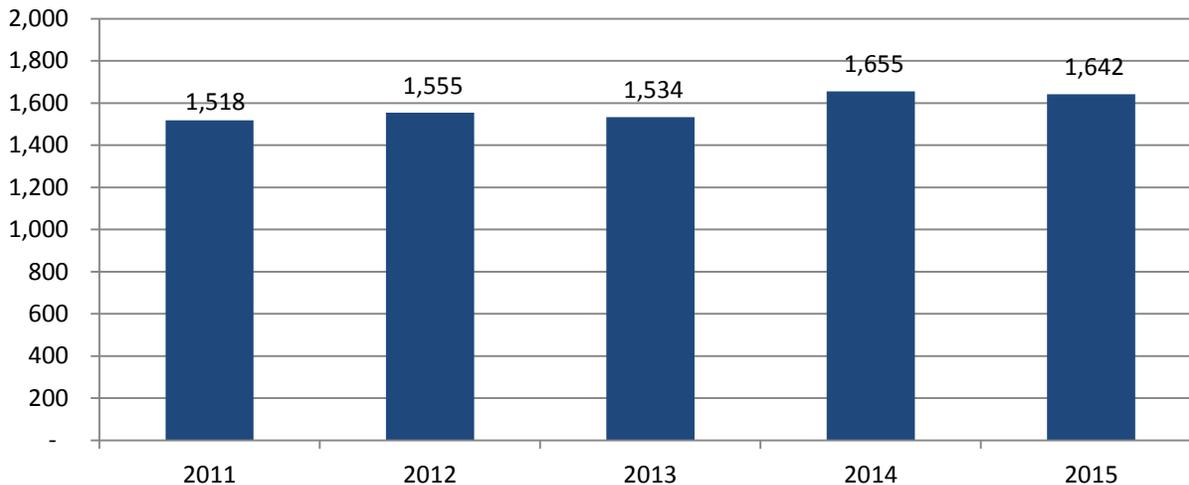
Note: FY2015 fund balance includes an Enterprise Fund transfer of approximately \$3 million relating to the sale of the County’s water and sewer operations to Western Virginia Water Authority.

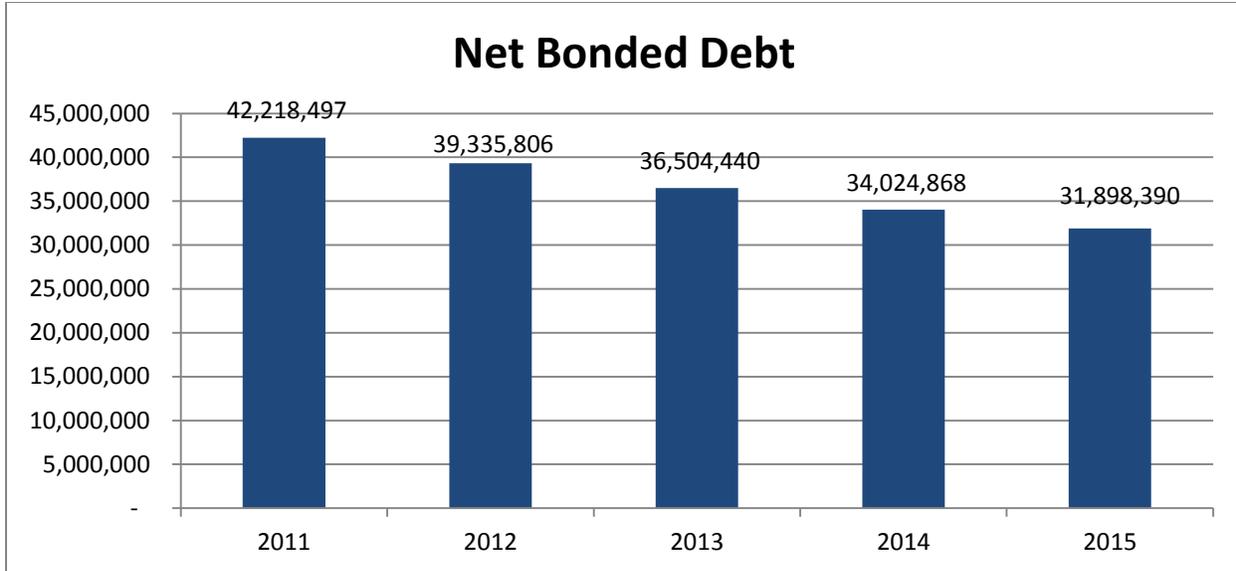
Revenues versus Expenditures



Source: County financial statements

Total Expenditures Per Capita





Source: County financial statements

