



King William County
Est. 1702

Board of Supervisors

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TO: King William County Board of Supervisors
FROM: K. Charles Griffin, County Administrator
Amanda L. Six, Director of Financial Services
RE: County Administrator's Recommended Operating and Capital Budget FY 2017
DATE: February 22, 2016

INTRODUCTION

I am pleased to present the County Administrator's Recommended Budget for Fiscal Year 2017. The total General Fund budget for FY 2017 is \$23,025,560, a \$47,597 or 0.21%% decrease over the FY 2016 base adopted budget. The General Fund is the primary fund for most County operations. The budget document also includes recommendations for the following operating funds: Social Services, Regional Animal Shelter, EMS Billing, Parks and Recreation Programs, Water, Sewer, Debt Service and Special Revenues.

This document includes recommendations for the County's capital budget for FY 2017, along with a recommended Capital Improvements Plan for FY 2018–FY 2021. The capital budget continues to address long-deferred major maintenance, equipment, and technology needs.

Presentation of the County Administrator's Recommended Budget represents the start of Board of Supervisor's annual budget review process. The staff and I have prepared a responsible spending plan for FY 2017. In the weeks ahead, conditions may change somewhat as details emerge from the General Assembly session, as health insurance renewals are finalized, or as other factors warrant. Staff will keep the Board informed of developments that may impact the budget throughout the review process.

OVERVIEW OF BUDGET RECOMMENDATIONS

The Recommended Budget reflects a relatively flat operational budget compared to the prior fiscal year. The changes included in the FY 2017 recommended budget were carefully balanced between items that are necessary to provide adequate services to a growing community and pressures to reduce costs and ease the tax burden on residents. Major changes include:

- Due to an additional \$167,000 in estimated revenue gained through the land use revalidation process; the recommended tax rate for initial consideration is \$0.93 per one hundred in assessed valuation
- Due to a reduction in the employer rate to the Virginia Retirement System, it is recommended that funding be reinvested in our dedicated workforce by providing a 2% cost of living adjustment
- Essentially level funding to the King William County Public School system with a transfer of \$10,590,250. This is a decrease of \$64,390 over the prior year which is equal to the amount the debt service attributed to natural pay down schedules.
- Implementation of a pay per call funding structure to our Volunteer Fire and Rescue Partners
- Transfer to the Capital Fund of \$275,000 in order to cash fund vehicle purchases and maintenance items

MAJOR OPERATING EXPENDITURE HIGHLIGHTS

King William County Public Schools

Funding for Schools represents 45% of the General Fund for FY 2017. The recommended transfer for County Schools is \$10,590,250, a \$64,390 decrease over the prior year. The recommended transfer fully meets the request operational request of the School Board which totals \$8,382,060 of the transfer. The reduction was taking off the portion of funding allocated to debt services payments. The amount that is recommended for debt service in FY 2017 is \$2,208,190.

The King William County school system is a critical service provided to our citizens. Major expenditure increases for County Schools are due to pay scale adjustments and hiring additional teachers.

The King William County Public Schools have benefited from additional State funding which arose from a change in the Local Composite Index. The County's Local Composite Index for 2017—2018 is 0.3120; down from 0.3375 in 2015—2016.

Debt Service

The total transfer to the Debt Service Fund from the General Fund in FY 2017 is \$790,160. The Water Utility Fund is projected to be self-funded in FY 2017 and is recommended to transfer \$100,355 to cover utility debt. The Sewer Utility Fund is recommended to transfer

\$100,355 of which \$96,955 is supported by the General Fund. The remaining debt service \$2,208,190 will be transferred from the School Operating Fund. Funding for the schools transfer is provided by the General Fund. The total recommended appropriation for the FY 2017 Debt Service Fund is \$3,199,060.

Employee Compensation and Benefits

Cost of Living Adjustment – The FY 2017 County Administrator’s Recommended Budget includes a 2% cost of living adjustment for County employees. The cost for this compensation increase is approximately \$100,000. There was not an across the board compensation increase in FY 2016 but a targeted disbursement of funds to address pay and compression issues created by inconsistent raises over the past few years. King William County was one of the few local governments in the region not to receive a cost of living adjustment in FY 2016. Savings on the employer side of the required contribution to the Virginia Retirement System allows for staff to recommend this reinvestment of funds previously allocated the personnel costs to our hard working staff. Constitutional Officer’s do not receive local raises, all pay increases for those employees are provided by the Compensation Board, but employees of each Officer are included in any local pay supplement.

Health Insurance - The County Administrator’s Recommended Budget for FY 2017 includes additional funding to meet a potential increased cost in health insurance. The budget is based on a potential 10% increase in the insurance renewal but this is very likely to change. Once the actual renewal amount is received from The Local Choice, staff will present a FY 2017 recommended premium structure for the Board to review.

Below is a breakdown of employer and employee contributions to the County’s health plan adopted in FY 2016:

	Plan Type	Yearly Employee	Yearly Employer	Yearly Total	Percent of Total Paid by Employee
Subscriber	High	\$ 2,334	\$ 6,966	\$ 9,300	25%
Subscriber +1	High	7,669	9,539	17,208	45%
Family	High	11,181	13,935	25,116	45%
Subscriber	Low	\$ 773	\$ 6,966	\$ 7,739	10%
Subscriber +1	Low	4,777	9,539	14,316	33%
Family	Low	6,969	13,935	20,904	33%

Virginia Retirement System - The County’s total contribution rate under the Virginia Retirement System for the FY 2017 – FY 2018 biennium is 8.11% (a decrease of 2.42%). There are three different plans offered to our employees based on date of hire. Plan 1 and Plan 2 employees receive a defined contribution benefit that has remained relatively unchanged. All

non-sworn County employees hired on or after January 1, 2014, are required to enroll in an alternative retirement plan that is a hybrid between the current defined-benefit pension model and a deferred-compensation model. The statute exempts from this requirement law enforcement and other employees who are eligible for the LEOS special law enforcement benefits.

Employees who are required to join the new hybrid plan will also be granted short-term disability program with benefits mandated by the Code of Virginia with a long-term disability insurance product that will replace the current VRS disability retirement program. The County will be charged an additional 0.60% of covered payroll for the long term disability benefit. When looking in the line item detail only departments with hybrid employees will have a budgeted cost of long-term disability insurance. Plan one and plan two employees have this benefit through the Virginia Retirement System which is included in the normal rate.

All County employees are provided a short term disability plan which beginning mid-year in FY 2016, is self-insured through payroll. The actual benefit received by the employee is dependent on that individual's retirement status. In prior years, the County was paying a premium for this service but after evaluating use of the program and speaking to our insurance broker it was determined the County could realize savings through self-insuring. The savings is estimated at \$15,000 in the FY 2017 Recommended Budget.

Fire and Rescue Services

The FY 2017 County Administrator's Recommended Budget includes the implementation of a pay per call system for our volunteer service providing partners. The County has established call projections to establish funding for FY 2017. These projections were multiplied at the rate of \$90 per call and redistributed funding that was allocated in the previous year based on the services provided. This is a recommendation of the Matrix Consulting, Inc. Fire and EMS Report and staff sees this as a first step in improving service the County residents.

Also included in the FY 2017 Recommended Budget is \$225,000 for additional emergency medical services. Currently the County contracts with Life Care to provide advanced life support service from 6am to 6pm Monday through Friday each week. The crew is stationed at the King William Volunteer Fire Department but is available to run calls for the entire County and mutual aid service area. An additional \$75,000 has been added to this line item for FY 2017. This funding can be used to expand the service contract with Life Care or to fund any other solution that is determined as the staff, volunteer service providers and Board of Supervisors work to meet the fire and rescue needs of the County.

Middle Peninsula Regional Jail

King William County is a member jurisdiction, along with the Counties of Essex, King & Queen, Mathews, and Middlesex of the Middle Peninsula Regional Jail. Costs to operate the

Regional Jail are generally based upon the prisoner days assigned to the County compared to the prisoner days assigned to the other four jurisdictions. Prisoner days are assigned based upon the location of the offending incident that led to the detention, as opposed to the home address of an offender. The most recent *Jail Cost Report* prepared by the State Compensation Board (Fiscal 2014) shows operating costs of \$70.57 per inmate per day at the Middle Peninsula Regional Jail, below the statewide average of \$77.26.

The total amount allocated for local funding in the Regional Jail budget is projected to decrease in FY 2017; therefore the County’s recommended budget contains a slightly lower budgeted amount of \$935,000. This is compared to \$973,010 in the FY 2016 Adopted Budget. The FY 2015 Budget was adopted with a very low estimated number based on data at the time, which resulted in a \$232,057 mid-year budget adjustment. Staff feels it is prudent to use a conservative estimate in the recommended budget for FY 2017.

Middle Peninsula Regional Jail	Adopted Budget	Actual Cost
FY 2013	\$ 989,210	\$ 894,998
FY 2014	\$ 836,138	\$ 692,105
FY 2015	\$ 686,599	\$ 918,656
FY 2016	\$ 973,010	
FY 2017	\$ 935,000	

Staffing Adjustments

The County Administrator’s Recommended Budget for FY 2017 does not include any new full time positions. There are three recommended increases to part time or overtime salary lines included in the FY 2017 recommended budget:

Department	Dollar Increase	Justification
General Registrar	\$5,882	To cover additional needs in anticipation of the November 2016 election and other State mandates. Equal to the additional costs experienced during the 2008 election cycle.
Sheriff’s Office	\$35,000	Overtime funding to better manage daily operations, staffing pressures and to perform targeted enforcement operations.
Emergency Communications	\$25,000	Overtime funding to better manage daily operations and staffing pressures due to necessary training and staff time off.

Outside Agency Funding

Joint Governmental Entities – The Pamunkey Regional Library has requested a small increase to their operational budget after three consecutive years of level funding requests; this increase of \$7,800 is included in the Recommended Budget. The justification for this increase is to cover a system wide cost of living adjustment. The cost allocated to King William County

covers staff working in our branches as well as the portion of administrative cost attributed to the County.

Other Outside Entities – All other outside entities have been recommended for level funding.

REVENUES

Increases in Revenue Forecasts

The County has been fortunate that growth and development have taken place over the last year. Based on our revenue collections, the County is seeing increased consumer activity that helps to boost our revenues. Based on revenue performance in prior years and so far in FY 2016, the recommended budget projections for many major revenue categories have increased over last year’s budget.

Real Estate Tax

The County Administrator’s Budget recommends a one cent reduction in the real property tax rate. The proposed rate would be \$0.93 per \$100 of assessed valuation. This recommendation is based on increased revenue that was created as part of the land use revalidation process. The Commissioner of the Revenue has estimated the County gained approximately \$160,000 in additional taxable value by going through this process. Based on the current land book, the FY 2017 recommended budget is \$11,786,798 a \$44,411 increase over the prior year’s budget. The yield per penny at the \$0.93 per \$100 of assessed valuation is approximately \$126,900. The County’s tax rate to town properties will be adjusted accordingly as well.

Although the tax rate was adjusted in FY 2016 based on lower assessed value County wide, the Board of Supervisors did not set the rate at what is determined by the state code as equalized, or the rate that is needed to require no loss of revenue to the locality. Below are a few examples of tax bills for County residents who had a \$200,000 house prior to the reassessment. This value was chosen as the average value based on data from the Commissioner of the Revenue’s Office after the Board of Equalization hearings.

	FY 2015 Tax Levy (\$0.82) Based on	FY 2016 Tax Levy (\$0.94) Based on	Change from	FY 2017 Recommended Tax Levy (\$0.93) Based on	Change from
County Properties	Prior Assessment	Current Assessment	FY 2015 to FY 2016	Current Assessment	FY 2016 to FY 2017
\$200,000.00	\$1,640.00	\$1,575.06	-\$64.94	\$1,558.31	-\$16.76
	FY 2015 Tax Levy (\$0.38) Based on	FY 2016 Tax Levy (\$0.43) Based on Current	Change from	FY 2017 Recommended Tax Levy (\$0.42) Based on Current	Change from
Town Properties	Prior Assessment	Assessment	FY 2015 to FY 2016	Assessment	FY 2016 to FY 2017
\$200,000.00	\$760.00	\$743.47	-\$16.53	\$726.18	-\$17.29

Personal Property Tax

The County Administrator’s Recommended Budget shows a slight increase in revenue for Personal Property Tax, for a recommended total of \$2,400,000. The rate is proposed to

remain the same at \$3.65 per \$100 of assessed value for County residents and at \$1.65 per \$100 of assessed value for Town residents.

In FY 2015, the Commissioner of the Revenue changed valuation methods for personal property. Prior to this time period, vehicles were assessed at a clean trade in value and now vehicles are assessed at the average trade in value. This lowered the assessed value of many vehicles in the County and reduced the number of abatements for high mileage vehicles. Being that there was no rate adjustment done in conjunction with the valuation change this has created lower bills for many tax payers. There is some fluctuation in personal property tax bills based on the division of the Personal Property Tax Relief Act money assigned to the County. Each year the percentage of PPTRA is determined and applied to the first \$20,000 of assessed value. The PPTRA percentage for FY 2016 is 40% whereas in FY 2015 it was 45%. The amount received from the Commonwealth for PPTRA, \$1,204,131, does not change which is what drives the relief percentage to change based on the actual taxable values.

2010 Chevrolet Silverado extended cab LS	Clean Assessment	Payment with PPTRA	Average Assessment	Payment with PPTRA	Dollar Change
	\$13,255.00	\$289.63	\$12,050.00	\$263.90	-\$25.73
2015 Honda Pilot LX 2wd	Clean Assessment	Payment with PPTRA	Average Assessment	Payment with PPTRA	Dollar Change
	\$24,200.00	\$591.30	\$20,025.00	\$548.41	-\$42.89

Meals Tax

The Recommended Budget includes an increase of \$25,000 over the FY 2016 budget amount, for a total projected budget of \$275,000. Our monitoring of monthly revenue in the current year shows collections are tracking above FY 2016 projected amounts, giving staff confidence that the revenue projection for FY 2017 is attainable.

Sales Tax

The Recommended Budget includes an increase of \$190,000 over the FY 2016 budget amount, for a total budget of \$1,190,000. The requested budget represents a slight increase over FY 2015 actual revenue. As we monitor local monthly revenue collection, FY 2016 is tracking 3.65% over the prior year, giving staff confidence that the FY 2017 revenue projection is attainable. The payment of sales tax due to West Point is calculated off the projected sales tax revenue. That amount is estimated to be \$225,000 for FY 2017 and is budgeted as an expenditure located in the non-departmental section of the line item budget.

State Revenue

The General Fund receives revenues from the Commonwealth of Virginia which are projected to total \$3.0 million in Fiscal 2017. The three broad categories of revenue are: Shared Expenses for Constitutional Officers; Categorical Aid for Wireless E-911, Recordation Tax, other grant items; and Non-Categorical Aid from the Communications Sales Tax and Personal Property Tax Relief.

Revenue from Shared Expenses for Constitutional Officers is projected to total \$1.2 million in Fiscal 2017; staff will monitor any adjustments that need to be made after budget deliberations for the Commonwealth are complete. The only other major change in State revenues is a projected increase in State Communications Sales Tax of \$35,000.

CAPITAL IMPROVEMENTS PLAN – HIGHLIGHTS OF MAJOR PROJECTS

Vehicle Replacement - \$132,000

The vehicle replacement plan for FY 2017 includes funding for three Sheriff's vehicles, and one van for the Department of Social Services. All of the vehicles slated to be replaced are high mileage and have reached the end of their useful life.

HVAC Upgrades - \$38,000

This is the second phase of replacing the chiller systems that have reached the end of their useful life in our County buildings. The new units will be more energy efficient and have less maintenance issues so over the long run staff anticipates savings in those areas.

Fire and Rescue Equipment Replacement - \$22,800

This is the first year of funding that will be made available to assist our Volunteer Service providing partners in purchasing much needed fire and rescue equipment. Each year the County is approached by volunteer organizations to assist with purchasing equipment. Staff feels it is a legitimate request that needs to be addressed. While the amount of funding recommended in FY 2017 will not be adequate to cover all the departmental needs, this gives the County a place to start. The process in order to disburse this funding will need to be determined by the Board of Supervisors.

Telephone System Upgrade - \$60,000

The telephone system that serves the County complex is in dire need of replacement. The current system is antiquated and is continually dropping calls or out of service completely. Preliminary quotes estimate the replacement of the system will be \$60,000. The best system to fit our needs will be determined through the research and procurement process that will take place if this funding is approved in FY 2017.

Voter Registrar Equipment Annual Payment- \$22,200

Beginning in FY 2016, the County updated Voting Machine Equipment on a five year lease. This amount included in the FY 2017 Recommended Budget is the second year lease payment. There are \$66,600 payments left for FY 2018 – FY 2020.

OTHER FUNDS – HIGHLIGHTS

Social Services Fund

The County Social Services Fund is recommended for approval at \$1,148,143. This is a 7.25% increase over the FY 2016 adopted budget. The County's transfer from the General Fund to the Social Services Fund is recommended to increase by \$30,395, to \$301,285.

The increase in the Social Services Fund budget can be attributed primarily to an increased demand for services. There are some increases on the administrative side of the program due to the reclassification of a part time employee to a full time employee, the 2% cost of living adjustment and the cost of employee benefits. The increase to the Social Services fund has a net impact to the overall County budget as the transfer to the Children's Services Act Fund was reduced by the amount of the increase.

Children's Services Act Fund

The Children's Services Act Fund is recommended for approval at \$902,000, which is an increase of 22.9% from the FY 2016 adopted budget. The CSA program budget reflects mandated costs for special needs children, and is a shared responsibility between the County and the State government. The County's General Fund transfer to support the CSA program is recommended to decrease \$399,605. The FY 2016 Adopted transfer was \$428,400.

The increase in the fund total is mostly attributed to proper allocation of State funding. For all services other than the local Medicaid match the County's portion of CSA costs are 0.3982%; the Commonwealth covers the remainder. Staff will monitor any pending changes from the Commonwealth that will impact local cost sharing for services. At this time, staff has projected an increased cost for Medicaid for FY 2017.

Water Operating Fund

The Water Operating Fund is recommended for approval at \$220,510, which is an increase of 14.1% from the FY 2016 adopted budget. The budget is increasing mainly due to a different allocation of debt service costs. The FY 2017 Recommended Budget anticipates the Water Fund not to need any support from the General Fund to cover operational or debt service expenditures.

Sewer Operating Fund

The Sewer Operating Fund is recommended for approval at \$197,455, which is a decrease of 0.7% from the FY 2016 adopted budget. The FY 2017 Recommended Budget anticipates the Sewer Fund to require a transfer from the General Fund in the amount of \$96,955 pay a portion of debt service expenditures.

Regional Animal Shelter Fund

The Regional Animal Shelter Operating Fund is recommended for approval at \$288,150, which is an increase of 3.9% from the FY 2016 adopted budget. The FY 2017 Recommended Budget has increased based on changes in personnel costs based on the Animal Shelter employees cleaning the Shelter daily as well as a reclassification of one employee. Regional Animal Shelter staff completing daily cleaning in house saved the County significantly on the janitorial services contract.

EMS Billing Fund

The EMS Billing Fund is recommended for approval at \$126,250, which is unchanged from the FY 2016 Adopted budget. At this point in the fiscal year, collections do not appear strong enough to meet the originally projected amount. As we continue to monitor collections

from the increased call volume and LifeCare contracted services updates will be given to the Board of Supervisors. There will be ample opportunity to readdress this item prior to adoption of the FY 2017 Budget.

Parks and Recreation Program Funds

The Parks and Recreation Program Fund is recommended for approval at \$137,695, which is a decrease of 4.7% from the FY 2016 adopted budget. The FY 2017 Recommended Budget anticipates the Parks and Recreation Department to fund all recreational programs including youth sports, adult sports, fitness classes, after school and summer child care activities without support from the General Fund.

Special Revenue and Fiscal Agency Funds

The County has several special funds that are designated for donations or seized assets associated with our Sherriff's Office as well as seized assets obtained by the Commonwealth's Attorney. Additionally, funds dedicated to fire services that are provided by the Commonwealth of Virginia are appropriated in a separate fund. There is no change recommended in these funds as they are based on actual funding available each year. The County is the fiscal agent for the Victim Witness Program as well as the Virginia Juvenile Community Crime Control Act. The local cost associated with the Victim Witness Program is recommended to increase slightly for FY 2017 to \$4,040 due to increased personnel costs. The transfer to the VJCCA program is not recommended to change remaining at \$18,850 for FY 2017.

ABOUT THIS DOCUMENT

This document represents many hours of hard work from the County staff, Constitutional Officers, regional governmental partners, and others. This transmittal letter is intended to be an introduction, overview, and summary of the many recommendations and policy choices included in the Recommended Budget.

Other sections of the document include:

- Tab 2: Summary Tables and Graphs
- Tab 3: Program Narratives
- Tab 4: Capital Improvements Plan
- Tab 5: Line Item Details
- Tab 6: Supplemental Materials
- Tab 7: Board Member's Workpapers

Staff looks forward to the review process with the Board of Supervisors. We are happy to answer any questions you may have, and welcome changes that implement your policy priorities.