

Grayson County Board of Supervisors
 Budget Work Session Meeting
 May 21, 2018

Members attending were: Brenda R. Sutherland, Kenneth R. Belton, Michael S. Hash and Thomas R. Revels. John S. Fant arrived after meeting began.

Staff attending were: William L. Shepley, Mitchell L. Smith and Leesa A. Gayheart.

IN RE: OPENING BUSINESS

Supervisor Hash made the motion to approve the agenda as presented; duly seconded by Supervisor Revels. Motion carried 5-0.

IN RE: PRESENTATION

Corbin C. Stone, CPA, MBA and Managing Director at Robinson, Farmer, Cox Associates, presented a working draft of the Financial Forecast for the County of Grayson for the fiscal years ending June 30, 2019 through June 30, 2024. Tables listed below was highlighted by Mr. Stone. A copy of the working draft will be on file in the County Administrator's office.

Table 1

County of Grayson, Virginia
 Financial Forecast for the Period FY2019 through FY2024
 Forecast Factors Data Entry & Statistical Analysis

F a c #	Factor Name	5 Years' Data					Ave Ann % Incr	Ave Ann # Incr	Linear Regression Slope
		1 2013	2 2014	3 2015	4 2016	5 2017			
1	CPI	230,280	233,916	233,707	236,916	242,839	101.34%	3.14	2.81
2	Population	15,381	15,412	16,374	16,087	15,926	100.87%	136.25	176.50
3	Personal Property Taxes	1,228,058	1,254,823	1,168,676	1,157,328	1,378,838	102.94%	37,695.00	20,406.50
4	M & T Taxes	80,300	118,968	128,647	147,303	201,140	125.80%	30,210.00	27,001.50
5	Merchant's Capital Taxes	40,938	43,132	39,588	40,265	27,469	90.51%	(3,367.25)	(2,980.50)
6	Penalties & Interest	201,080	231,077	234,316	222,438	220,320	102.31%	4,810.00	2,984.10
7	Local Sales & Use Tax	407,213	386,855	427,736	433,935	450,875	102.58%	10,915.50	13,440.40
8	Consumer's Utility Tax	342,088	340,661	341,226	340,486	340,819	99.91%	(317.25)	(271.30)
9	Motor Vehicle Licenses	285,605	281,781	272,143	285,194	269,472	98.56%	(4,033.25)	(2,885.30)
10	Balance Other Local Taxes	133,967	167,368	175,654	178,041	190,676	109.23%	14,177.25	12,409.10
11	Permits, etc.	84,070	87,650	76,772	73,401	78,610	98.34%	(1,365.00)	(2,516.90)
12	Fines & Forfeitures	27,735	20,089	20,858	13,803	19,792	91.91%	(1,985.75)	(2,217.20)
13	Use of Money & Property	50,675	15,011	12,849	52,390	66,105	106.87%	3,857.50	6,823.90
14	Charges for services	1,612,113	1,546,213	1,604,330	1,585,778	1,700,802	101.35%	22,172.25	21,694.30
15	State Communication Tax	389,532	382,905	379,559	368,323	359,270	98.00%	(7,565.50)	(7,510.60)
16	State NonCat Other	487,432	482,038	442,543	473,778	472,041	99.20%	(3,847.75)	(3,904.20)
17	State Shared Expenses	1,502,681	1,616,742	1,651,064	1,670,194	1,687,211	102.94%	46,132.50	42,251.20
18	State Other Categorical Aid	747,862	817,917	775,880	653,085	725,313	99.24%	(5,637.25)	(20,993.00)
19	State - Social Services	659,566	729,478	716,716	656,719	675,530	100.60%	3,991.00	(4,083.10)
20	Federal Social Services	901,733	1,029,109	1,053,249	1,027,306	1,078,156	104.57%	44,105.75	35,104.30
21	Two Percent Increase	2.00%	2.00%	2.00%	2.00%	2.00%			
22	Three Percent Increase	3.00%	3.00%	3.00%	3.00%	3.00%			
23	Four Percent Increase	4.00%	4.00%	4.00%	4.00%	4.00%			
24	Five Percent Increase	5.00%	5.00%	5.00%	5.00%	5.00%			
25	Six Percent Increase	6.00%	6.00%	6.00%	6.00%	6.00%			

Preliminary Forecast - Based upon the above, a base set of preliminary (unadjusted) revenue and expenditure forecasts were prepared. Respectively presented on Tables 2 and 3 are summaries of the County revenues and expenditures (**complete, detailed materials are contained in the Supporting Exhibits**).

Table 2

County of Grayson, Virginia
Financial Forecast for the Period FY2019 through FY2024
Revenue Summary

Revenue	Base Year 2019 Budget	Forecast				
		2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5
Revenue Summary						
Total Property Taxes	10,638,000	10,776,217	10,914,964	11,054,018	11,192,686	11,331,800
Total Other Local Taxes	867,725	877,855	888,113	898,465	908,951	919,569
Total Permits/Licenses/Fees	470,350	480,015	489,917	500,062	510,440	521,076
Total Court Fines & Forfeitures	16,300	16,476	16,652	16,828	17,003	17,178
Total Use Of Money & Property	104,500	116,035	127,570	139,108	150,649	162,200
Total Charges For Service	1,210,936	1,246,534	1,283,183	1,320,913	1,359,760	1,399,754
Total Miscellaneous	776,250	789,920	803,988	818,465	833,358	848,686
Total State - Non-Categorical Aid	797,787	794,727	791,658	788,614	785,562	782,502
Total State - Shared Expenses	1,736,213	1,778,056	1,819,839	1,861,695	1,903,584	1,945,462
Total State - Categorical Aid	3,184,003	3,144,178	3,205,557	3,268,164	3,332,023	3,397,159
Total Federal	11,500	11,500	11,500	11,500	11,500	11,500
Total Other Sources	350,000					
TOTAL Revenue Summary	20,163,564	20,031,513	20,352,941	20,677,832	21,005,516	21,336,886

Table 3

County of Grayson, Virginia
Financial Forecast for the Period FY2019 through FY2024
Expenditure Summary

Expenditure	Base Year 2019 Budget	Forecast				
		2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5
Expenditure Summary						
Total Gen GovT Administration	1,616,922	1,660,147	1,704,790	1,750,906	1,798,552	1,847,789
Total Judicial Administration	1,012,225	1,017,550	1,044,718	1,072,761	1,101,714	1,131,613
Total Public Safety	4,403,666	4,416,581	4,543,522	4,674,637	4,810,084	4,950,022
Total Public Works	1,819,987	1,869,165	1,919,865	1,972,143	2,026,056	2,081,661
Total Health And Welfare	3,336,001	3,402,720	3,470,774	3,540,189	3,610,992	3,683,211
Total Education	6,247,397	6,433,770	6,625,713	6,823,394	7,026,983	7,236,657
Total Parks, Recreation & Library	505,349	516,160	527,222	538,543	550,128	561,986
Total Community Development	1,248,279	459,218	470,468	482,041	493,948	506,202
Total Non-Dept./Fixed Charges	194,361	176,791	182,095	187,558	193,185	198,981
Total Debt Service	1,388,379	1,388,379	1,388,379	1,388,379	1,388,379	1,388,379
TOTAL Expenditure Summary	21,772,566	21,340,481	21,877,546	22,430,551	23,000,021	23,586,501

Table 4

County of Grayson, Virginia
Financial Forecast - "Base Case"
Financial Forecast for the Period FY2019 through FY2024
Preliminary Cash Flow Forecast Exclusive of Capital Projects

Item	Base Year 2019 Budget	Forecast				
		2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5
Beginning Balance:	7,600,000	5,990,998	4,754,900	3,251,573	1,505,264	(533,882)
Revenues						
Total Property Taxes	10,638,000	10,759,717	10,842,009	10,925,469	11,010,068	11,094,026
Total Other Local Taxes	867,725	877,855	888,113	898,465	908,951	919,569
Total Permits/Licenses/Fees	470,350	480,015	489,917	500,062	510,440	521,076
Total Court Fines & Forfeitures	16,300	16,476	16,652	16,828	17,003	17,178
Total Use Of Money & Property	104,500	116,035	127,570	139,108	150,649	162,200
Total Charges For Service	1,210,936	1,246,534	1,283,183	1,320,913	1,359,760	1,399,754
Total Miscellaneous	776,250	789,920	803,988	818,465	833,358	848,686
Total State - Non-Categorical Aid	797,787	794,727	791,658	788,614	785,562	782,502
Total State - Shared Expenses	1,736,213	1,778,056	1,819,839	1,861,695	1,903,584	1,945,462
Total State - Categorical Aid	3,184,003	3,144,178	3,205,557	3,268,164	3,332,023	3,397,159
Total Federal	11,500	11,500	11,500	11,500	11,500	11,500
Total Other Sources	350,000					
Total Revenues	20,163,564	20,015,013	20,279,986	20,549,283	20,822,898	21,099,112
Expenditure						
Total Gen Gov'T Administration	1,616,922	1,660,147	1,704,790	1,750,906	1,798,552	1,847,789
Total Judicial Administration	1,012,225	1,017,550	1,044,718	1,072,761	1,101,714	1,131,613
Total Public Safety	4,403,666	4,416,581	4,543,522	4,674,637	4,810,084	4,950,022
Total Public Works	1,819,987	1,869,165	1,919,865	1,972,143	2,026,056	2,081,661
Total Health And Welfare	3,336,001	3,402,720	3,470,774	3,540,189	3,610,992	3,683,211
Total Education	6,247,397	6,433,770	6,625,713	6,823,394	7,026,983	7,236,657
Total Parks, Recreation & Library	505,349	516,160	527,222	538,543	550,128	561,986
Total Community Development	1,248,279	459,218	470,468	482,041	493,948	506,202
Total Non-Dept./Fixed Charges	194,361	176,791	182,095	187,558	193,185	198,981
Total Debt Service	1,388,379	1,299,009	1,294,146	1,253,420	1,250,402	1,250,614
Total Expenditure	21,772,566	21,251,111	21,783,313	22,295,592	22,862,044	23,448,736
Revenues Over <Under>						
Expenditures	(1,609,002)	(1,236,098)	(1,503,327)	(1,746,309)	(2,039,146)	(2,349,624)
Ending Balance:	5,990,998	4,754,900	3,251,573	1,505,264	(533,882)	(2,883,506)

Partial presentation - see text for discussion of methodology and summary of significant assumptions.

FORECASTED IMPACT - OPERATIONS AND CAPITAL PROGRAM

Materials presented earlier in this report are summarized and incorporated on Table 5. These materials have been interpreted in terms of their potential impact upon the County's real estate tax rate. Further, the forecasted cash flow (Table 4) has been subjected to a supplemental level of fiscal constraint and performance: the County's cash balance has been calculated such that a minimum cash balance is maintained that equals at least 10% of the County and School Board's annual expenditures. Locally funded capital projects totaling \$1,809,000 have been included during the budget and forecast periods.

County of Grayson, Virginia
 Financial Forecast - "Base Case"
 Financial Summary - Forecasted Impact
 Financial Forecast for the Period FY2019 through FY2024
 *** INCLUDES CIP PROJECTS ***

Item	Base Year	Forecast				
	2019 Budget	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5
Average Forecasted Assessed Value of RE for FY	1,665,138,400	1,672,931,400	1,680,760,900	1,688,626,900	1,696,529,400	1,704,468,900
Forecasted Net Annual "Cash Flow" From Operations Prior to Inclusion of New Debt Service or Capital Project Expenditures	(1,609,002)	(1,236,098)	(1,503,327)	(1,746,309)	(2,039,146)	(2,349,624)
Average Forecasted Real Estate Tax Requirement Necessary to Fund Any Operating Shortfall (Cents Per \$100 of Assessed Value)	\$0.10	\$0.07	\$0.09	\$0.10	\$0.12	\$0.14
Forecasted Cash Balance At Beginning of Year	7,600,000	5,106,998	4,195,000	4,265,000	4,337,000	4,410,000
Forecasted Net Annual "Cash Flow" From Operations Prior to Inclusion of New Debt Service or Capital Project Expenditures	(1,609,002)	(1,236,098)	(1,503,327)	(1,746,309)	(2,039,146)	(2,349,624)
Capital Project Expenditures Funded By Current Revenues	884,000	530,000	140,000	40,000	215,000	
Forecasted Net After Operating Expenses and Provision of Funds For Capital Improvement Program Requirements	(2,493,002)	(1,766,098)	(1,643,327)	(1,786,309)	(2,254,146)	(2,349,624)
Forecasted Cash Balance After Operations	5,106,998	3,340,900	2,551,673	2,478,691	2,082,854	2,060,376
Funds Necessary to Meet Operational and Minimum Cash (10% of GF and SF Budget) Requirements		854,100	1,713,327	1,858,309	2,327,146	2,423,624
Forecasted Cash Balance At End of Year	5,106,998	4,195,000	4,265,000	4,337,000	4,410,000	4,484,000
Average Real Estate Tax Rate Necessary To Support Operations & Minimum Cash Requirement		\$0.05	\$0.10	\$0.11	\$0.14	\$0.14
Annual Change in Real Estate Tax Rate		\$0.05	\$0.05	\$0.01	\$0.03	

The data are presented on Table 5 in 2 sections:

- Top section - presented here is: a forecast of County real estate assessed values, the summary forecasted net annual cash flow (Table 4) and
 - Forecasted estimates of the "pennies" on the real estate tax rate that would be necessary to "balance" any forecasted annual operating deficits. Funding just the forecasted annual operating deficits is estimated to range from 7¢ to 14¢ per \$100 of assessed valuation.
- Lower section - Beginning cash balances, the forecasted cash flow results of adjusted annual operations and the 10% cash balance policy are melded into a summary but comprehensive cash flow forecast schedule.
 - The last two lines indicate the pennies on the real estate tax rate necessary to annually support operations and the cash balance policy. In this case annual real estate tax rate increases are forecast to be necessary beginning in FY2020 when it is expected that additional funds will be necessary to meet the Fund Balance Policy. The final real estate tax rate is anticipated to be \$0.63 per \$100 of assessed valuation, prior to the impact of any reassessment.

- The forecast data indicate that the expenditures that are scheduled each year of the planning period to fund ongoing operations exceed the forecast operating revenues and have the effect of “drawing down” the County’s accumulated fund balance to the point where the fund balance requirement is “triggered” (FY20) and a real estate tax rate increase is “forced”. The extent of the forecasted fund balance draw down may be mitigated to some extent by (factors that are controllable by the County):
 - Controlling and reducing County expenditure patterns and or programs offered.
 - Enhancing revenues attributable to County growth and development.
 - Rate and fee increases for services rendered.
 - Tax rate adjustments.
 - The County should closely monitor on-going revenue and expenditure levels for material deviation from forecasted levels.
 - Clearly, the County must address and anticipate revenue and expenditure issues prior to consideration of any major program of capital expenditure not currently anticipated.

We reiterate: during contemplation of the budget and any capital expenditure, it is recommended that revenue, expenditure and fund balance levels be carefully monitored. In particular, application and the amount of fund balance used should be of primary concern. **The County’s financial condition can be negatively impacted by a combination of: reliance on fund balance to finance ongoing operations, negatively trending real estate and other local market conditions, and decreases from State and Federal funding sources.**

The prudence of County Board of Supervisors’ timely decision to undertake this financial planning exercise has been borne out. It would appear that the County is at a juncture where careful fiscal deliberation can preserve its current fiscal position and mitigate anticipated trends. With the passage of time, the validity of the assumptions underlying the forecast must be carefully monitored.

Working Draft

IN RE: GRAYSON COUNTY FY-19 BUDGET WORK SESSION

Budget discussions continued among the board members. Supervisor Revels inquired about the employee insurance portion if the county has a surplus. Supervisor Fant mentioned adding the other half of the part-time salary increases as phase two (2) of the Library’s two (2) year plan. Supervisor Fant also noted the need for more visibility coming in to the county - possible welcome center sign options at Whitetop, Troutdale, Route 21 from Wytheville and at the parkway on Route 89.

IN RE: NEW BUSINESS

- Public Hearing Motion

Supervisor Revels made the motion to hold a public hearing June 14th, 2018 regarding the FY18-19 budget; duly seconded by Supervisor Fant. Motion carried 5-0.

IN RE: VDOT- RURAL RUSTIC ROADS

Supervisor Belton made the motion to approve the following: Route 625 – Kemps River; Route 730 – Low Gap with the remainder of money to be applied to Route 636 – Beech Grove; duly seconded by Supervisor Fant. Motion carried 4-1 with Supervisor Hash voting against.

Grayson County Rural Rustic Candidate Routes

Route	Route Name	BMP	From	EMP	To	Length	AADT	Rural Rustic	Estimate
730	Low Gap	0.00	Int. 740	0.90	Int. 16	0.9	123	Yes	\$ 180,000.00
740	Low Gap	2.70	Int. 730	3.10	Int. 738	0.4	71	Yes	\$ 80,000.00
634	Justice Rd		End of Pavement Joint		.4 mi Pavement Joint	0.4	88	Yes	\$ 80,000.00
625	Kemps River	2.30	Approx. .9 mi S Int. 626	3.20	Int. 626	0.9	125	Yes Approx. .9 mi	\$ 180,000.00
636	Beech Grove	3.08	Int. 631	4.78	Int. 637	1.7	97	Yes	\$ 340,000.00
871	Chestnut Ln	0.00	Dead End	0.50	Int. 813	0.5	60	Yes	\$ 100,000.00

IN RE: OTHER DISCUSSION

Supervisor Sutherland noted the Fries Town Council would like to meet with the Board of Supervisors in Fries one evening in June. Staff will let Town Council know that June 11 and June 25 dates at 6:00 p.m. will work with our Board.

Mr. Shepley gave an update on the Federally Qualified Health Center (FQHC) meeting with Dr. Karen Shelton along with reviewing the first steps of what needs to be done then meeting with various county leaders.

IN RE: ADJOURN MEETING

Supervisor Fant made the motion to adjourn; duly seconded by Supervisor Hash. Motion carried 5-0.