

April 26, 2023

Darrell W. Dalton, Chairman
Honorable Board of Supervisors
County of Pittsylvania, Virginia
1 Center Street
Chatham, Virginia 24531

Re: FY 2023-2024 Budget Message

Dear Chairman Dalton and Honorable Supervisors,

Presented herewith, in accordance with Virginia Code 15.2-1541 and 15.2-2503, is the FY 2023-2024 budget for the County of Pittsylvania, Virginia. This \$232,916,421 budget is \$14,036,922 more than the FY2023 budget of \$218,879,499, most of which is State and Federal Funds. The General Fund budget of \$79,661,570 is supported by a proposed real estate tax rate of 62¢ per \$100 of assessed value, which is identical to the prior year rate. Other than updates to the County's fee schedule, there are no tax rate increases proposed herewith.

There were many priorities that were considered when developing the FY2024 budget. These priorities included utilizing realistic revenue forecasts, providing a fair budget with no tax rate increases, continuing to maintain a strong fund balance, providing adequate local school funding, keeping pace with inflation in operational costs, funding critical capital needs, staying on track with the new Jail project timeline, funding vital County positions, and providing adequate employee compensation. During FY2024, the County will also be establishing a new 1% School Sales Tax Fund to monitor this new revenue stream and work with the School Board to utilize this revenue for much needed capital improvements to School facilities.

The FY2024 proposed budget does realize revenue growth of \$1,289,208 due largely to inflation. Some of the major increases due to inflation occurred in Local Sales Tax (\$429,520), Meals Tax (\$50,330), and Personal Property Tax (\$468,145). The County is currently completing the general reassessment of County property that will be effective January 1, 2025. No General Fund Balance was used to balance this budget.

Significant General Fund expenses contained herewith include an additional contribution to Schools in the amount of \$1 million, the addition of ten (10) new part-time School Resource Officers in the amount of \$552,239, as well as the remaining payment for the County's general reassessment in the amount of \$787,460. It is helpful to note that the County's debt was reduced significantly (\$1,389,829) this year because of the retirement of debt. This reduction was instrumental in offsetting some of the increase.

General Fund Revenues

(Totals \$79,661,570)

- Real estate
- Merchant's Capital/Machinery and Tools
- Transfers
- Personal Property
- State Funds
- Other Taxes and Fees



More than half (60%) of the FY2024 proposed budget is utilized for Education and Public Safety functions, while two categories make up 11% each of the total: Human and Health Services and Debt Retirement.

General Fund Expenditures

(Totals \$79,661,570)

- General Government
- Human and Health Services
- Debt Service
- Justice/Public Safety
- Education
- Non-Departmental



A financially healthy local government of Pittsylvania's size should have an unrestricted General Fund Balance around 20% of annual operating cost. On June 30, 2022, the County's Unassigned Fund Balance stood at a healthy \$34,344,071 as shown in the chart below. This shows that our fund balance is well above the Board's fund balance policy. This policy requires that the County have at least 20% of the previous 3-year average expenses in the bank and available for appropriation. Based on the 2020-2022 audits, there should be \$15,271,198 available.

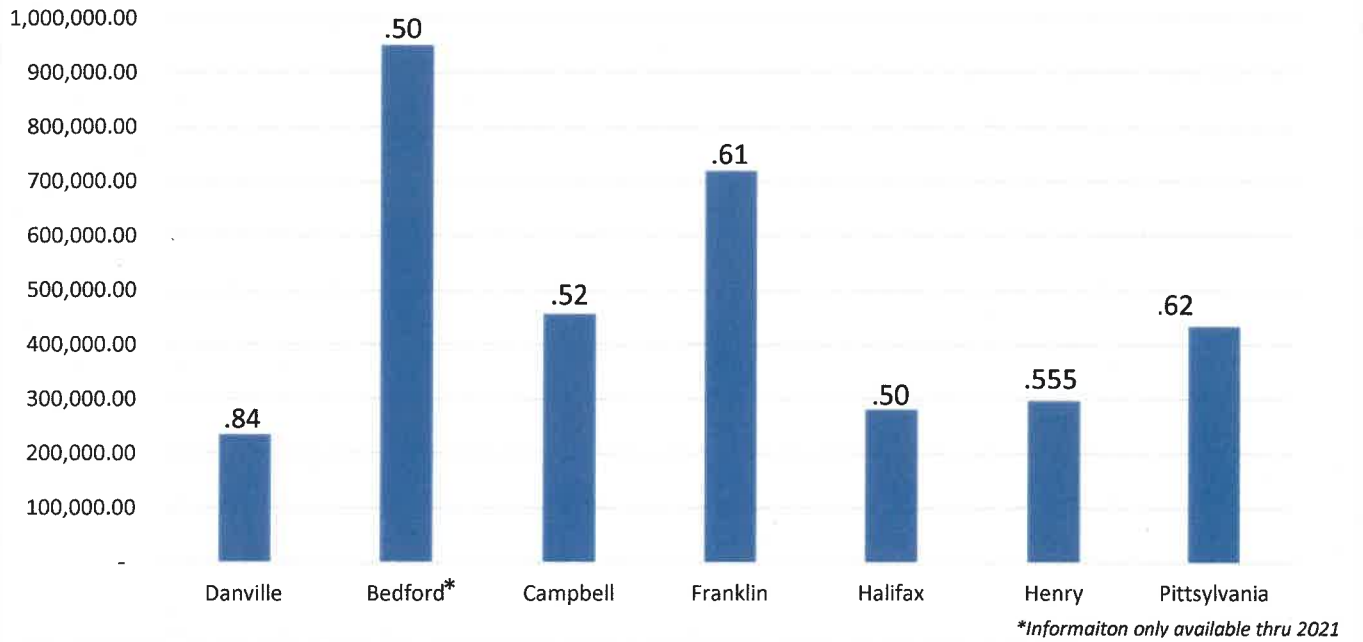
Audited Fund Balance w/School Carryover Assigned



The County's general reassessment should have taken effect on January 1, 2022. However, the general reassessment was invalidated by the Board of Supervisors and the Board has now employed a new firm, Pearson's Appraisal Service, to complete a new general reassessment of County property. The new reassessment will be effective on January 1, 2025. Real estate rates will need to be re-evaluated when preparing the FY2025 budget to ensure that sufficient revenues exist to cover County needs.

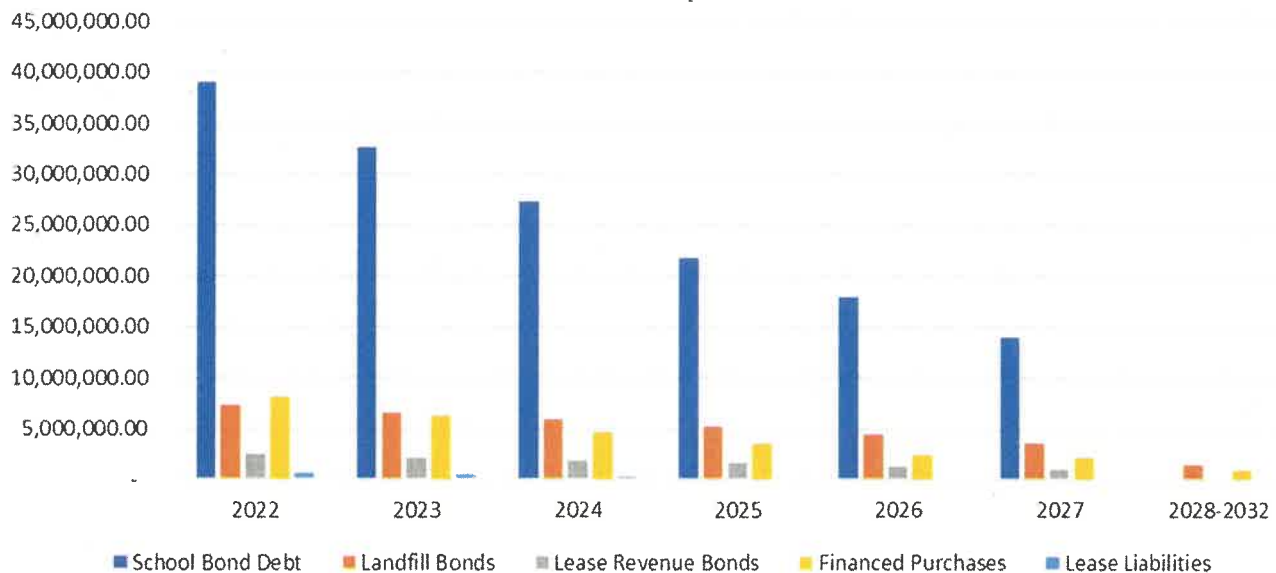
Pittsylvania County continues to be among the lowest taxed areas in Virginia. While Pittsylvania has a higher tax rate than a few area Counties, the real estate tax burden on Pittsylvania citizens is often less than surrounding localities. Unlike the others on the next page, Pittsylvania County defers approximately \$3.4M in revenue each year for the Agricultural Land Use Program.

Value Per Penny as of June 30, 2022



The County continues to faithfully retire debt incurred after the 2007 \$70M high school and the 2001 \$39M middle school construction bond referendums. Despite an average annual payment of approximately \$8M, there will be \$32.6M outstanding at year-end. These obligations will be satisfied in FY2031. Regardless, the County has plenty of debt capacity; \$152.6M according to the 3% threshold stipulated in its financial policies. This policy states that General Fund Debt as a percentage of the estimated market value of all taxable property (real and personal) in the County should not exceed 3%. The following chart illustrates total outstanding obligations through 2032. Retirement of debt accounts for 11% of the presented FY2024 General Fund budget.

Total Outstanding Debt 2022-2032



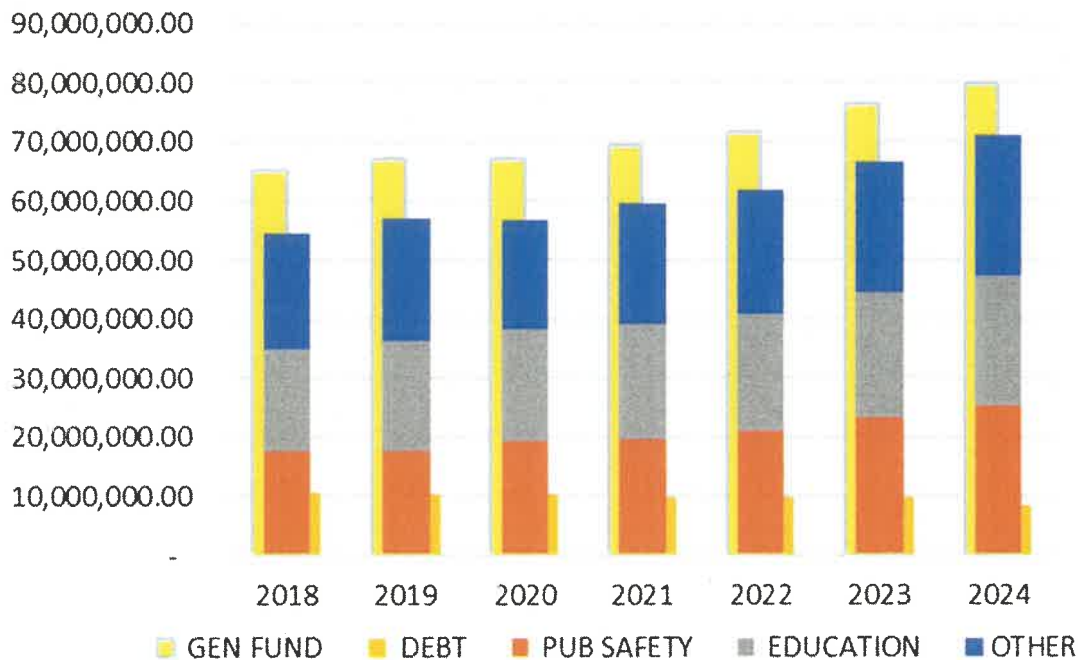
THE STATE OF THE COUNTY

The County is extremely fortunate to have survived the effects of the COVID-19 pandemic and is very appreciative of the Federal Government's financial assistance during this challenging and difficult state of our nation. With both CARES and ARPA funding, the County was successful at mitigating the effects of the nationwide pandemic by providing much needed services for the citizens of Pittsylvania County. The County continued throughout the Pandemic with little to no interruption in service. Funding also allowed the County to provide help not only for our citizens but our Towns, businesses, employees, Volunteer Fire and Rescue Agencies, as well as other non-profit organizations in the area. Since we were able to rely heavily on this federal assistance over the last few years, we did not have to place an undue tax burden on our citizens. It is now time that we rely on our own resources as we continue into FY2024.

The County is in the process of completing its general reassessment that will become effective on January 1, 2024. As such, the Board of Supervisors committed to our citizens not to raise tax rates until this general reassessment was complete to be as fair as possible to our citizens. As they began this reassessment project, Pearson's Appraisal Service was tasked with valuing newly discovered buildings along with evaluating all new construction and/or construction that had not been previously added to the County's tax rolls since 2018. Pearson's was successful at accomplishing this task and as such, an additional \$165M has been added to the real property assessment effective January 1, 2023. The total amount is made up of the backlog of building permits since 2018, newly discovered buildings, as well as the growth that occurred in the County in 2023. This will aid the County in collecting an additional \$1M in tax revenue for FY2024.

Tax revenue growth fails to keep pace with the Board's continued investment in public safety services. The County's emphasis on volunteer agency, law enforcement and EMS improvements has outpaced investments in other General Fund activities as evidenced in the chart below.

Public Safety, Debt and Education -vs- Total General Fund Expenditures



Employee retention continues to be a top priority for Pittsylvania County. We continue to strive to offer competitive wages as compared with similar positions in the area. We are also looking to improve benefits, specifically regarding health insurance for employees who desire to have family coverage. The premium for this plan is extremely expensive and is not affordable for most of our employees.

We continue to use a uniform employee performance evaluation program that aligns performance criteria with organizational values. Employees were eligible for a 3% or 5% salary increase based upon individual performance during this past year and we hope to continue this in the upcoming fiscal year. In addition to potential employment performance increases, the budget includes funding to provide a 5% cost of living increase for all County employees who follow the County's Personnel Plan.

We not only desire to appropriately incentivize and compensate our employees but we also care that our employees are healthy and happy. The Board continues to promote wellness among our employees and encourages them to strive to live healthy lives. This budget includes an HSA contribution of \$1,000 to each employee who chooses to participate in a high deductible health insurance plan. Choosing a high deductible plan encourages employees to shop around for the best quality care at the most affordable cost. This not only helps the employee receive quality care at a great price but helps control the cost of the entire health insurance program.

We continue to encourage citizen engagement through various media avenues including the County's website, Facebook, Twitter, and Instagram. We are also in the process of developing a citizen reporting tool to track contacts made to the County. It is the County's intent to have the best customer service when responding to individuals who reach out to us with a question, complaint, or concern.

Safety has always been a top concern for the Board of Supervisors and for our Sheriff's Department. The Sheriff's Department recently received a grant from the Department of Criminal Justice Services to provide an additional ten (10) School Resource Officers for our elementary schools. We are extremely pleased to have received this funding to provide increased safety for our most vulnerable citizens, our children.

In addition to this funding, we were also fortunate that the additional 1% School Sales Tax Referendum was successfully passed in November 2022. This additional tax, which will become effective on July 1, 2023, will be used to fund various capital improvements for Pittsylvania County Schools (PCS) totaling approximately \$45-\$50M. PCS has developed a priority list of projects that will benefit from these funds. The top priorities include security vestibules at all elementary and middle schools, HVAC & window replacements at six elementary schools (Chatham, Hurt, Southside, Stony Mill, Mt. Airy & Union Hall), and additions to eliminate mobile units at Kentuck, Southside & Stony Mill. It is important to note that there are many capital needs for our school system not included in this list and the sales tax revenue generated will need to be reviewed before these priorities are finalized.

The County will continue to work in the coming year to keep our Jail Project on schedule. We are currently working with Moseley Architects to secure a site and provide the County's Community Based Corrections Plan to the Department of Corrections (DOC) by December 31, 2023. If this plan is approved by the DOC, the County would be eligible to receive a total of 25% of the cost of the new jail facility from the State. Should the County follow the current schedule, the new jail facility should be operational in 2027.

ENTERPRISE FUNDS

The County's Enterprise Funds are currently self-sufficient. The two enterprise funds we currently have are for Water and Sewer and Solid Waste.

WATER AND SEWER ENTERPRISE FUND

The Water and Sewer Department was able to successfully secure an EDA grant for \$3M to fund various water and sewer projects throughout the County. These projects include Mt. Hermon Water Booster Station, Blairs Sewer Lift Station Improvements, Brockway Sewer Main Installation and Lift Station, Hodnett's Mill Sewer Lift Station, Ragsdale Sewer Lift Station Improvements, Vista Pointe Sewer Lift Station Improvements, and other critical water and sewer deficiency improvements. In addition, a much-needed rate increase was approved in December 2022 that will aid the department in having sufficient funds to not only operate effectively but to also install and maintain appropriate water and sewer services in the County.

SOLID WASTE ENTERPRISE FUND

We continue to seek appropriate monetization opportunities for the County's greatest fiscal asset, the Dry Fork Landfill, which was returned to an Enterprise Fund in FY2019. The County has been successful in obtaining contracts to dispose of trash from outside localities. These localities include Martinsville, Bedford and Danville. These three contracts total \$1.785M annually and will assist the County in covering the costs of future equipment and expansion needs at the landfill. We recently opened three new convenience sites in the County that will help to eliminate more of our green box sites and help our collection efforts be more efficient. These sites are located on Climax Road, Level Run Road, and Meadow Ridge Court.

FY2024 OVERVIEW

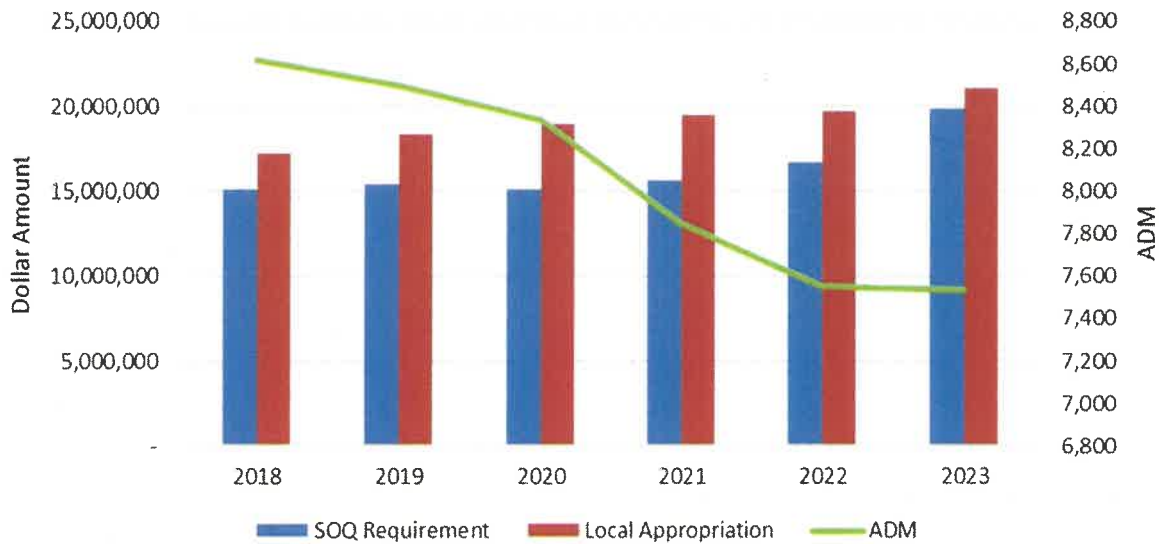
The budget for FY2024 is \$14,036,922 more than the FY2023 budget. It funds a 5% cost of living adjustment (COLA) for all Personnel Policy-covered employees and Constitutional Officers' employees and provides funding for performance-based raises for those also under the County's plan. There is a total of nineteen (19) new part-time and three (3) new full-time positions included in this budget. These positions include ten (10) part-time School Resource Officer Positions (Sheriff), 9 part-time Convenience Site Operators (Solid Waste), two (2) full-time Sanitation Collection Drivers (Solid Waste), and one (1) Heavy Equipment Operator (Solid Waste).

SCHOOL DIVISION FUNDING

The Board of Supervisors continues to provide sufficient funding for our School Division. Each year it has been the Board's desire to increase funding to our school system, if possible, to continue to exceed the minimum amount required by the State. It has been increasingly difficult to greatly exceed the minimum required since it seems the minimum is an ever-moving target. We were impacted in FY2023 when the County's Local Composite Index, an indicator of a localities' ability to pay, increased from .2446 to .2511. The County currently pays a total of \$1,271,011 over the minimum required and is estimated to pay approximately \$1.4M over the minimum required for FY2024.

Fiscal Year	School Local Funding
2024	22,096,356
2023	21,096,356
2022	19,736,709
2021	19,486,709
2020	18,986,709
2019	18,336,709
2018	17,236,709

SOQ Funding -vs-Local Funding



The Board of Supervisors values the hard work and commitment of the PCS staff, especially teachers who work tirelessly to ensure a quality education is provided to all students. Therefore, the \$1M additional contribution in the FY2024 budget shall be used to provide a 5% cost of living adjustment to all PCS staff. It is the intent of the Board that this increase be given to all PCS staff so there is no disparity between PCS staff increases and Pittsylvania County staff increases. In the event this funding is not used for this purpose, any portion will be returned to the General Fund.

PUBLIC SAFETY

911

The CAD server for the 911 Center is overdue for a much-needed upgrade. The Board has already allocated funds from the Capital Improvements Fund to begin this process. Completion of the refresh will be completed in FY2024. The Department Manager also recommended the conversion of two (2) part-time dispatchers to full-time positions. Due to limited available funding, this request is not included in the proposed budget.

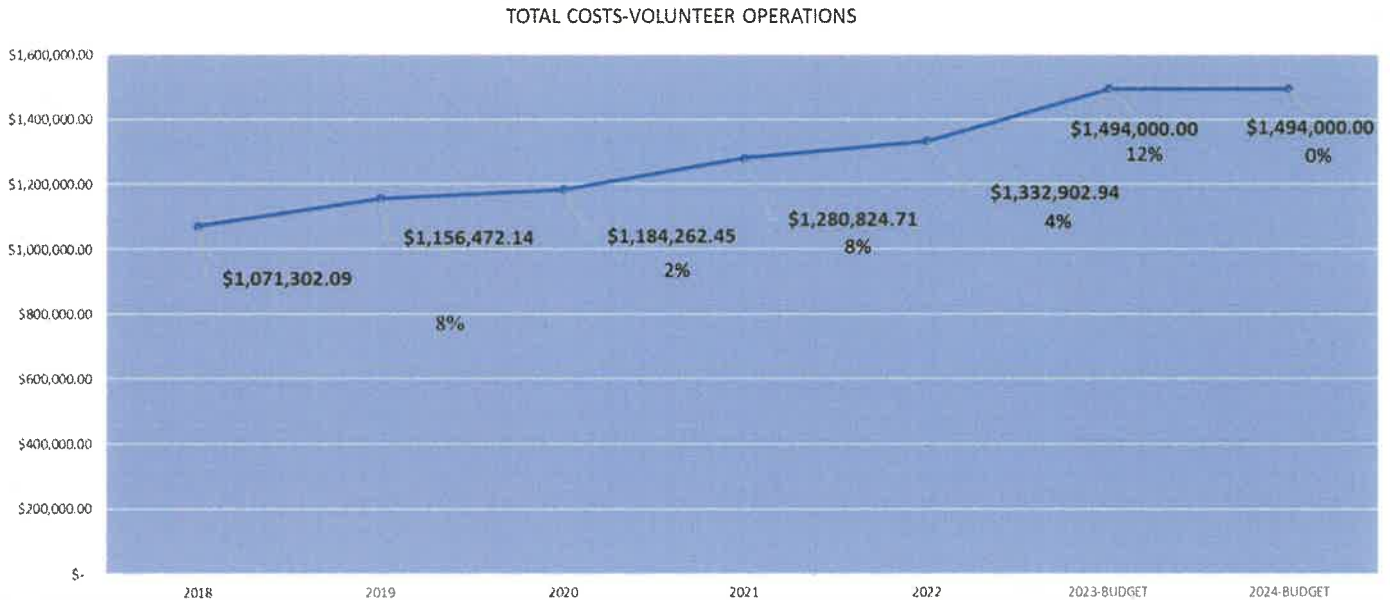
Animal Control

Animal Control continues to operate with two (2) animal control officers and one (1) chief animal control officer. These officers are responsible for providing coverage for the entire County, a coverage area of 969 square miles. Since these employees drive numerous miles per day, they are dependent on a reliable work truck. The Board recognizes this need and has decided that leasing these vehicles is a more cost-effective way of providing reliable work trucks to staff. This proposed budget includes one (1) new leased vehicle for the Animal Control. With this new addition, the entire Animal Control Fleet will be on a lease replacement schedule.

Fire and Rescue

Volunteer Fire and Rescue Services continue to improve throughout the County. A considerable amount of additional funding has been provided to volunteer fire and rescue over the last five years because the Board recognizes this investment is needed to ensure the safety and well-being of the citizens of Pittsylvania County. In FY2023, the Board approved to increase the EMS per call funding from \$15 to \$25 per call and to increase the

base contribution for all agencies to receive \$26,500 annually-\$3,500 for Fire Agencies and \$1,500 for all EMS Stations. The additional cost for these increases totaled \$174,500. Below is a chart that depicts the increases in funding for Volunteer Fire and Rescue operational costs since 2018.



The Board also continues to provide funding for fire and rescue apparatus as well as other capital items that are needed by our Volunteer Agencies. Below is a listing of capital funding for FY2024.

Capital Item	Funding Amount
Ambulance-Cascade Fire & Recue	\$125,000
Brush Truck-Laurel Grove VFD	\$100,000
Fire Truck-Riverbend VFD	\$200,000
Volunteer Radio Project-Year 1	\$130,000
GRAND TOTAL	\$729,500

EMS call volumes continue to increase in the County. The good news is we are continuing to see a reduction in the response times of most departments, a vast improvement from prior years. The County is on track to answer more than 10,000 EMS calls in FY23 than it did in FY22 (9,602 responses). Fire call volume has also increased during FY23. The County is on track to respond to more than 3,000 fire calls in FY23 than it did in FY22 (2,790 responses). A request was made in the FY2024 budget to consider a "Fire pay per call" amount. The amount requested was \$60,000 to cover fire responses, however; this request has not been included in the proposed FY2024 budget due to lack of funding. The graphs on page 10 show the Primary Call Volume for Fire and EMS from 7-01-22 through 4-20-2023.

Fire Department	FY23 Total Primary Fire Calls Answered	FY 23 Total Primary Fire Dis-patches	% covered for FY23
Dry Fork FD 17	154	166	93%
Chatham Fire Dept 21	258	259	100%
Gretna Fire & Rescue 22	304	304	100%
Ringgold Fire & Rescue 23	125	126	99%
Kentuck FD 24	152	308	49%
Tunstall Fire & Rescue 25	76	77	99%
Renan FD 26	48	49	98%
Mt Cross Fire & Rescue 27	179	295	61%
Riceville/Java FD 29	54	54	100%
Bachelors Hall Fire & Rescue 30	86	86	100%
Hurt FD 31	190	190	100%
Climax FD 32	37	37	100%
Mt Hermon Fire & Rescue 33	125	128	98%
Blairs Fire & Rescue 34	248	248	100%
Callands Fire & Rescue 35	42	42	100%
Laurel Grove FD 36	18	18	100%
Brosville Fire & Rescue 37	138	138	100%
Cascade FD 38	48	48	100%
Cool Branch Fire Dept 39	52	53	98%
Riverbend FD 40	17	17	100%
Keeling FD 42	32	32	100%

EMS Agency	FY23 Pri-mary calls answered	FY23 Pri-mary Res-cue Dis-patches	% covered for FY23
Chatham Rescue 12	859	988	87%
Cool Branch Rescue 13	100	105	95%
Gretna Fire & Rescue 22	1284	1344	99%
Ringgold Fire & Rescue 23	690	796	87%
Tunstall Fire & Rescue 25	447	453	99%
Bachelors Hall Fire & Rescue 30	219	219	100%
Mt. Hermon Fire & Rescue 33	512	683	75%
Blairs Fire & Rescue 34	776	778	100%
Callands Fire & Rescue 35	154	306	50%
Brosville Fire & Rescue 37	385	385	100%
Cascade Fire & Rescue 38	190	190	100%
North Halifax 9	54	82	66%
DLSC 20	153	153	100%
2nd due volunteer	252		
P/S Ambulance	1587		
total EMS responses	7662		
Response 4	198		

ENTERPRISE FUNDS

Water & Sewer Enterprise Fund

The proposed FY2024 Water & Sewer budget totals \$4,811,500 for Water and Sewer services. This is an increase over the last fiscal year in the amount of \$1.8M. This increase is because revenues are projected to be more in FY2024. Two factors were responsible for this increase. These factors include new water and sewer rates that became effective on January 1, 2023, and the opening of two (2) new industries: Aerofarms that began operations in September 2022 and Tyson Food Company that is slated to start operations in late Summer 2023. Both industries are large water and sewer users. Their usage alone makes up approximately \$1.7M of the total increase. This increased funding will help in building reserves to continue to build out future water and sewer infrastructure in the County.

Solid Waste Enterprise Fund

The FY2024 budget continues to include a \$120 Solid Waste Household annual fee. Without this fee, the real estate tax rate would need to be increased by at least 7¢ to fund Solid Waste services. The proposed FY2024 Solid Waste budget totals \$8,527,000, an increase of \$2.3M over last fiscal year. There is a \$2M transfer budgeted to the General Fund to cover costs incurred by the General Fund prior to the inception of the Enterprise Fund. The remaining increase occurred primarily from the expanded use of the County's landfill from external contracts. The County currently has three (3) outside contracts that provide a total of approximately \$1.785M per year. These contracts are for five (5) years each. Two are scheduled to end December 2025 and the third ends June 2027. The County will continue to look for monetizing opportunities to continue this valuable revenue stream. The additional revenue generated from outside contracts aid the County in financially preparing for future expansion of the landfill without using taxpayer dollars. Engineering has already started the process of expanding Phase III of the landfill. Construction of the remainder of Cell C is slated to begin in the Summer of 2024.

CONTINGENCY/GRANT MATCH FUND

This budget process began with approximately \$2M of requests greater than available revenue. Through several meetings with members of the Finance Committee and members of the Executive Team, we paired down the many requests to a small set of funding priorities. Budget requests not funded does not necessarily mean they were unmerited; they were just not deemed as the highest of competing priorities. Among these are an IT Help Desk Technician position, various software needs, GIS Technician position, Election needs, Sheriff's SRO Grant matching funds (to be funded with carryover funds from the Sheriff), Volunteer additional operational funding request, 2-full-time E911 positions (converted from PT), CSA Case Manager position, Recreation Program Coordinator position, Library Branch Clerk position (converted from PT), new donations to outside organizations, Community Development Planner position and various capital improvement projects.

NEXT STEPS

The budget will be presented to the Board of Supervisors on April 26th and they will begin a thorough review of the FY2024 budget proposal. Additional tentatively scheduled budget development milestones include:

1. April 26: Budget Presentation/Board review and authority to advertise the School and County FY2024 Budgets
2. May 3: Advertise for Public Hearings for School and County FY2024 Budgets
3. May 16: Public hearings on proposed School and County FY2024 Budgets
4. May 23: Adoption of FY2024 budget for County government and School Division

CONCLUSION

The FY2024 budget proved to be very challenging but the staff worked hard with Mr. Bob Warren and Mr. Robert Tucker, members of the Finance Committee, to prepare a fair budget that continues to move the County forward. While revenues were limited, we evaluated each request and prioritized what we felt needed to be taken care of in the coming year. As stated at the beginning of this letter, staff has been able to check every priority that was listed. As a recap they are

1. Utilize realistic revenue forecasts
2. No tax rate increases
3. Maintain a strong fund balance
4. Provide adequate local school funding
5. Keep pace with inflation in operational costs
6. Fund immediate capital needs
7. Stay on track with Jail project timeline
8. Fund vital County positions
9. Provide adequate employee compensation
10. Establish a new 1% School Sales Tax Fund

On behalf of the Finance Director Kim Van Der Hyde and our entire team, we look forward to supporting the Board during the coming weeks' deliberations as the Board considers how best to build on its recent success.

Sincerely,



Stuart J. Turille, County Administrator AND



J. Vaden Hunt, County Attorney/Interim County Administrator through Budget Process