

March 15, 2022

William V. Ingram, Chairman
Honorable Board of Supervisors
County of Pittsylvania, Virginia
1 Center Street
Chatham, Virginia 24531

Re: FY 2022-2023 Budget Message

Dear Chairman Ingram and Honorable Supervisors:

Presented herewith, in accordance with Virginia Code 15.2-1541 and 15.2-2503, is the FY 2022-23 budget for the County of Pittsylvania, Virginia. This \$218,879,499 budget is \$7,558,471 more than the FY2022 budget of \$211,321,028, most of which is State and Federal Funds. The General Fund budget of \$76,372,362 is supported by a proposed real estate tax rate of \$0.62 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 FY2023 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 immediate capital needs, building landfill reserves for future landfill needs, beginning the process of a new jail project, funding vital county positions and providing adequate employee compensation.

The FY2023 proposed budget does realize revenue growth of \$4,805,557 due largely to inflation. Some of the major increases due to inflation occurred in Local Sales Tax (\$684,678), Meals Tax (695,351) and Personal Property (\$1,951,166). Revenue growth for the County improved over the prior year due to a significant amount of construction providing an increase of \$769,339 to the Real Estate Tax Revenue. Even though we had significant increases to these categories of revenue, it was also necessary to utilize \$813,532 of ARPA funding to cover the shortfall. The use of these funds has allowed us to avoid using the County's General Fund Balance for any portion of this budget.

Significant General Fund expenses budgeted herewith include \$262,421 for the County's Virginia Retirement System (VRS) required contribution due to a 13.4% increase, \$1,359,647 for the local contribution to Schools due to a change to the State's required local effort and \$1,425,456 for increases to deputies pay to recruit and retain quality employees for the Sheriff's Department.

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GENERAL FUND REVENUES



More than half (59%) of the FY2023 proposed budget is utilized for Education and Public Safety functions, while 13% of the total is earmarked for debt retirement.

GENERAL FUND EXPENDITURES



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, 2021, the County's Unassigned Fund Balance stood at a healthy \$28,642,621 as shown in the chart on page 3. 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 FY2019-21 audits, there should be \$14,418,813 available.

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Audited Fund Balance w/School Carryover Assigned



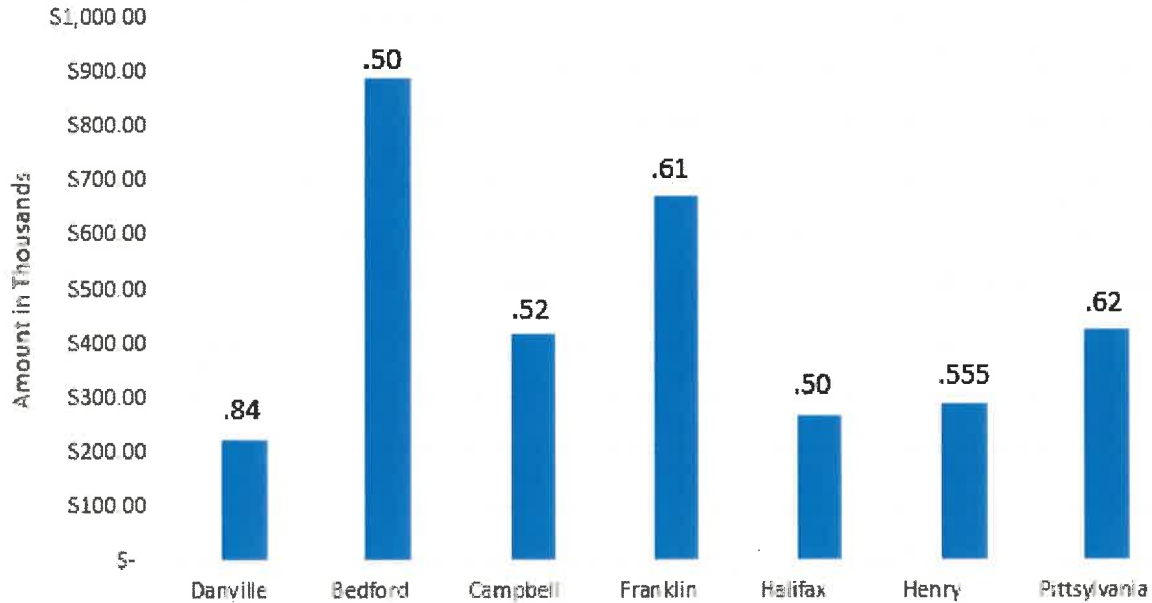
This year we should have utilized our 2022 new reassessment values for real estate. Since some of these values had not been confirmed, the Board directed staff to utilize pre-reassessment figures plus known construction permit values to calculate the real estate tax revenue for the upcoming 2023 budget year. Real estate rates will need to be re-evaluated when preparing the FY2024 budget to ensure that sufficient revenues exist to cover County needs.

Pittsylvania continues to be among the lowest taxed areas in Virginia and in the United States; there are only 8 states that have a lower tax burden than 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 our neighbors. Unlike the others on the next page, Pittsylvania County deferred \$3.49M in revenue to the Agricultural Land Use Program, more than nearly every locality in Virginia. Halifax County does not have a similar program at all.

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Value Per Penny of Real Estate



The FY2023 proposed budget certainly does not address all the needs and desires of Department Directors or the Board. Below is the 2023 list of contingencies that the Board may wish to consider. These items will remain in the contingency line item pending approval of the Board.

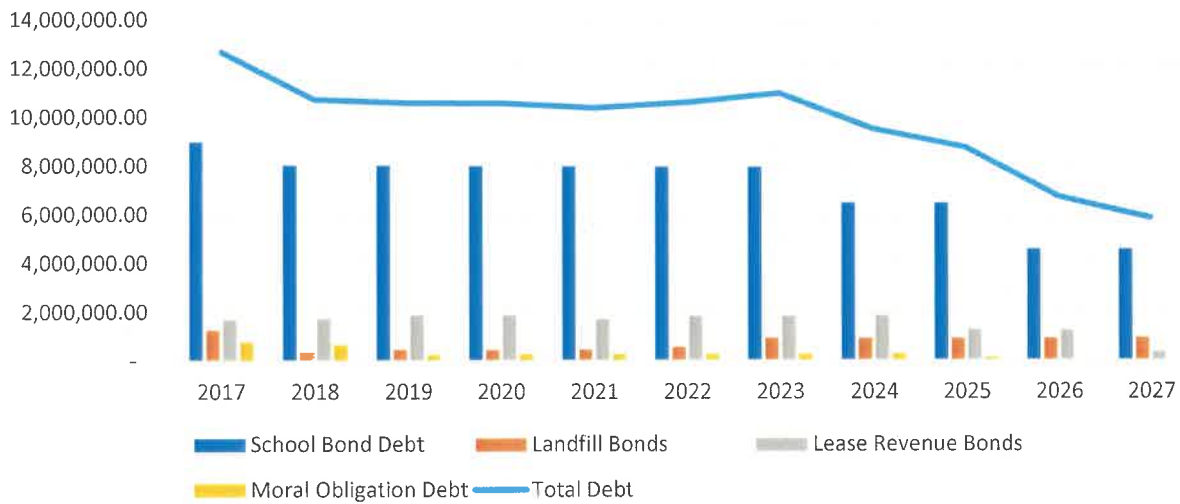
Reassessment	500,000.00
BJA Bulletproof Vests	9,875.00
Voting Equipment	150,000.00
Circuit Court Clerk Position+Benefits (Base Salary-33,500)	48,934.00
EMS Supplements (\$15 to \$25 per call)	77,500.00
Volunteer Contribution	121,000.00
Ringgold Rail Trail Bridge Grant Match	75,000.00
TOTAL	982,309.00

The County continues to faithfully retire debt incurred after the 2007 \$70 Million high school and 2001 \$39M middle school construction bond referendums. Despite an average annual payment of approximately \$8M, there will still be \$39.1M outstanding at year-end. These obligations will be satisfied in FY2031. Regardless, the County has plenty of debt capacity; \$150.8 Million according to the 3% threshold stipulated in its financial policies. This policy states that outstanding 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 outstanding debt obligations and the effect on debt capacity. School debt retirement accounts for 13% of the presented FY2023 General Fund budget.

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Total Debt Payments 2017-2027



This budget does continue the County’s multi-year effort to increase the County’s educational per-pupil contribution above its third-from-the-bottom rank of 2017. Over the past five years the Board of Supervisors has improved per-pupil funding to \$10,950, ranked 126 of 132 Virginia School Divisions. We propose herewith a \$1,359,647 increase to the County’s \$21,096,356 local appropriation, bringing the County’s five-year increased investment in school operations to \$3,859,647.

THE STATE OF THE COUNTY

The County continues to recover from the effects of the COVID-19 pandemic especially in employee recruitment and retention. Because of the loss of many employees thru these challenging times, it became necessary during FY2022 to provide sign-on bonuses to help the County compete in a competitive job market. Just like the private sector, the Board was faced with increasing salaries to meet the changes to minimum wage that occurred in FY2022 and will continue in the upcoming budget year. In addition, the Board voted to provide a 10% increase to Sheriff’s deputies to compete with surrounding law enforcement agencies to recruit and retain qualified individuals for this vital public safety service.

In addition, the County was extremely fortunate to receive American Rescue Plan Funding in the amount of \$11.7M, which has been used to give vaccine incentives to both County employees and fire and rescue volunteers, as well as hazard pay bonuses to these same individuals. The largest portion of these funds, \$6.5M, have been appropriated to provide Broadband to many of our citizens. Lastly, the Board has set aside roughly \$1.8M for water projects on Horseshoe Road

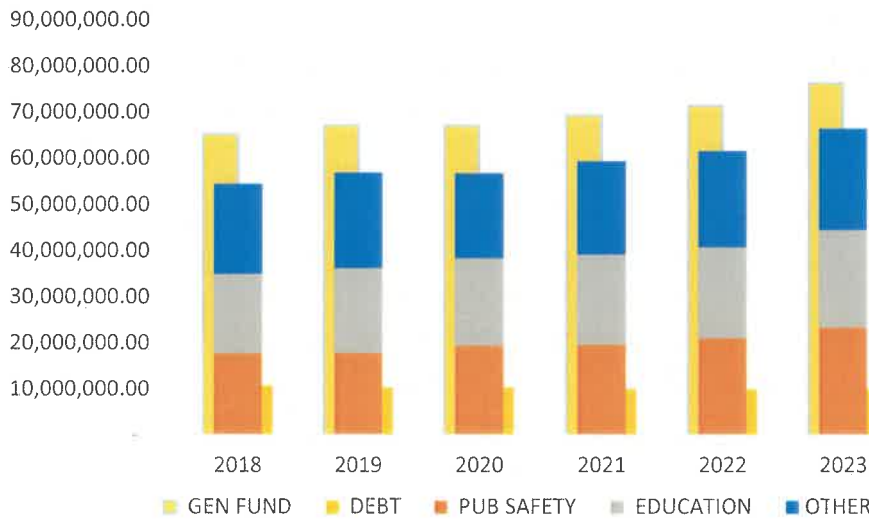
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and Robin Court. Funding to assist with these infrastructure needs helps our citizens without placing an undue burden on taxpayers.

Tax revenue growth has failed 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



We continue to use a standardized employee performance development and evaluation program that aligns performance criteria with organizational values. Employees were eligible for a 3% or 5% salary increase based upon individual performance. The Sheriff’s Department will become eligible for the program in the upcoming FY2023 budget year. In addition to potential employment performance increases, the budget includes funding to provide a 3.6% cost of living increase for all County employees who follow the County’s Personnel Plan.

We not only desire to appropriately incent and compensate our employees but also care about their health and happiness. The Board continues to promote wellness among our employees and as such continues to support an HSA contribution of \$800 and encourages all employees to participate in our monthly wellness challenges to stay healthy.

The County is currently working on updating its website led by our Public Relations Manager. It is our intent to make this a user-friendly site that can be used as a vital tool for our citizens to gain valuable information about our County. Our Public Relations Manager continues to improve citizen communications by providing up-to-date information on our Facebook page as well as

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providing insightful and informative radio programs and podcasts. Citizen communication, education and transparency continue to be a priority.

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. With these additional funds, the County has established a reserve fund totaling \$668,837 for FY2023.

The Sheriff's Department has been successful in obtaining a total of 18 vehicles thru a 5-year leasing program over the last 2 years. While we are not planning to add new vehicles to the inventory in FY2023, we pledge to work with the Sheriff's team to develop a detailed vehicle replacement plan to help plan future vehicle capital needs.

The School Division has a tremendous amount of future capital improvements totaling roughly \$45M. It was the hope of the Board of Supervisors and the School Board to start collecting an additional 1% on our sales tax rate to help with the cost of these projects. Unfortunately, the referendum failed in November 2021, and we are unable to collect this additional revenue. However, the School Board recently informed the Board of Supervisors that they would like to have the referendum placed back on the ballot this November in the hopes that more publicity would sway voters to support the 1% sales tax rate increase. This increase would be shared with all individuals making purchases in our locality and help with these necessary improvements without placing a burden solely on our taxpayers. Without this revenue, a borrowing of this size would require an annual debt service appropriation equal to an estimated 5-cents on the real estate tax rate. This additional sales tax is estimated to produce \$3.5M annually, which should be sufficient to fund the school's capital request without a real estate tax increase.

Pittsylvania County continues to attract a large number of utility scale solar projects County staff has worked diligently to ensure the County is adequately compensated for these solar projects. As such, the County has measures in place to guarantee the County be compensated a total of \$41.7M over a 35-year period. These agreements commence at various times and would not begin before FY2026 assuming all applications are approved by the BZA and constructed.

FY2023 OVERVIEW

The budget for FY2023 is approximately \$7,558,471 more than the adopted FY2022 budget. It funds a 3.6% Cost-of-Living-Adjustment (COLA) for all Personnel Policy-covered employees, and funds for performance-based raises. There are two new full-time positions proposed in this budget. The first position is for an EMS Shift Supervisor. The other position is to convert a part-time Building Inspector into a full-time position.

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The budget is balanced with the use of ARPA funding in the amount of \$813,532 but does not propose to use any unassigned fund balance. The Administrator’s proposed budget also provides a \$982,309 contingency budget for unknown expenses and grant matches. Potential use of this contingency budget could include an increase to fire and rescue volunteer contributions and EMS per call supplements, a position in the Circuit Court Clerk’s Office, potential reassessment costs and voting equipment pending BOS consideration and approval.

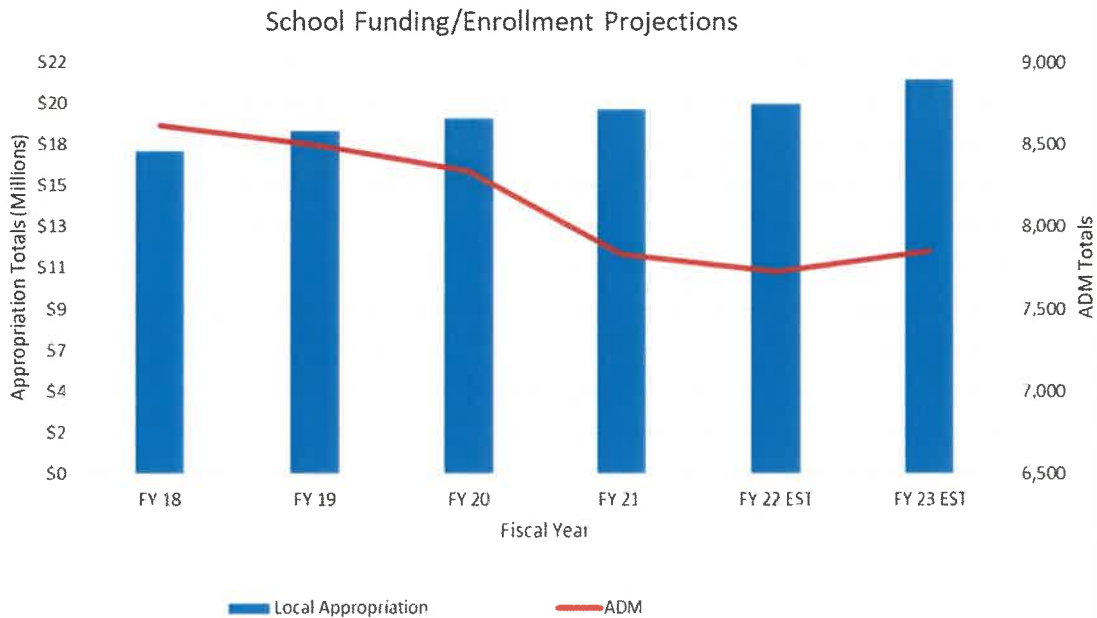
SCHOOL DIVISION FUNDING

The Board of Supervisors has made a concerted effort to raise funding for our school division. Each year it has been the Board’s desire to provide sufficient funding for our school system and exceed the minimum amount required by the State. This year has proved to be a difficult task since the County’s Local Composite Index, an indicator of a localities’ ability to pay, increased from .2446 to .2511. In addition, the State required the locality to fund certain mandated programs that had previously been funded by the state. Based on the Governor’s proposed budget, Pittsylvania County was required to provide a total of \$20,131,030, which is \$2.5M more the required amount of \$17,560,563 from FY2022. The proposed amount will meet the minimum required amount and provide a total of \$965,326 over the minimum. If approved as proposed, the Board of Supervisors will have increased School Division funding by \$3,859,647 over the past five budgets. It is our hope that this increased funding will aid the School Division in increasing salaries for all school board employees and help the school system continue to attract qualified teachers to our locality.

Fiscal Year	School Local Funding
2023	21,096,356
2022	19,736,709
2021	19,486,709
2020	18,836,709
2019	18,336,709
2018	17,236,709

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PUBLIC SAFETY

911

The 911 Center is close to completing the Next Generation 911 (NG911) upgrades that have been underway for several months now. COVID-19 slowed this project, but it is scheduled to be completed by June. The CAD server is due for a refresh in FY23 while it is a costly expense it is one and has been recommended for funding by the Department Manager. However, due to limited available funding, this expenditure is not included in the proposed budget.

Animal Control

Animal Control had 2 new hires in the past year. There have been delays in the Animal Control Academy due some new state standards, but these have now been updated and one of the new officers has completed the basic academy and the other officer will shortly complete the same basic academy.

Fire and Rescue

Fire and Rescue Services continue to improve. The County has invested a considerable amount of additional funding into fire and rescue services over the past three years. The Fire and Rescue Commission (FRC) developed a new funding formula for the volunteer agencies that was based on a base amount of funding plus additional funds based on call volumes. The FRC also developed a fire apparatus rotation and a funding formula for ambulances. To further assist

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the volunteers, the Board appropriated \$1,000,000 of ARPA funds directed to assist the volunteer agencies.

The County also started assisting the agency more with recruitment of volunteers. While these efforts have been successful, the nation is seeing a serious decline of volunteers and the State Fire Chiefs Association is also working to assist with this issue all over Virginia. Many of our volunteer agencies have hired full or part-time staffing and/or giving volunteer stipends.

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 which is a great improvement. In the past two years we have reduced our EMS response times by 2 minutes. The County is on track to answer roughly 1000 EMS calls more in FY22 than it did in FY21 (8779 responses). And while most agencies are answering well over 80% of their primary call volume, the FRC did receive a request from Chief Mike Neal of Ringgold Fire and Rescue to add EMS staffing to the Kentuck/Sutherlin area. The Public Safety department logistically does not have enough staffing or apparatus to place a unit in this area. The Public Safety Department has requested one quick response vehicle with staffing for that area in the FY23 budget. An increase in base funding to the departments has been requested in the FY23 budget as well as an increase in "EMS pay per call". Furthermore, because of the increased cost in Fire and EMS apparatus a request has been made for increasing the CIP funding for the volunteers.

One major obstacle effecting all agencies and the Public Safety Department has been hospital diversions. For much of the fall and early winter of FY22 our local hospitals were on diversions adding an hour or more to some EMS transport times. This created many hardships on our EMS system from longer turn around times to greater expenses. The raising cost of fuel has also created issues for all agencies.

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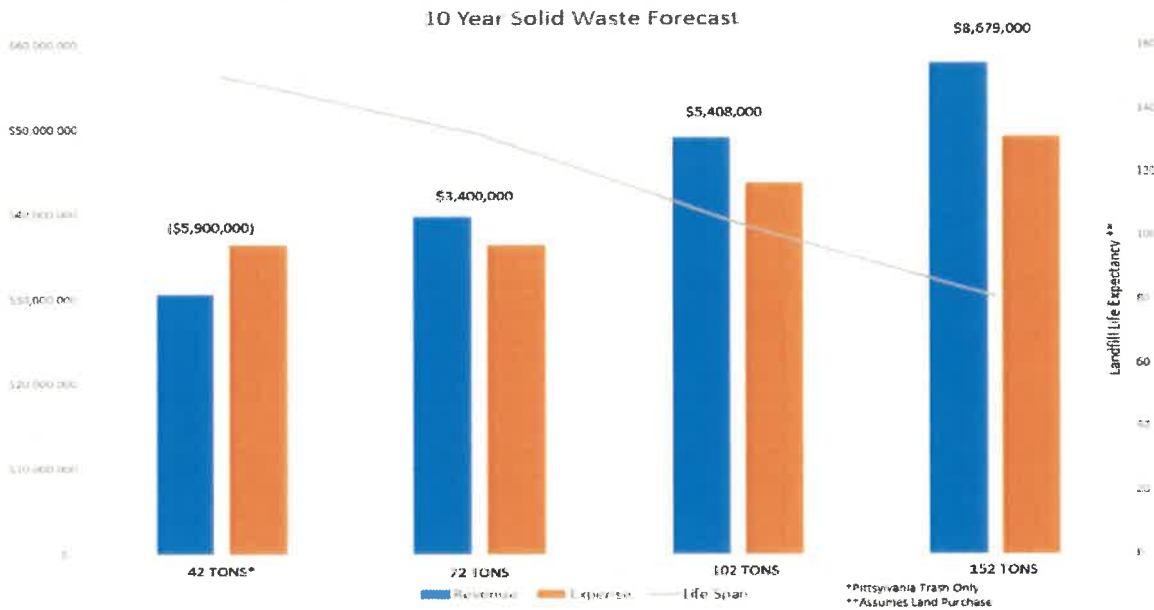
Rescue Agency	FY22	FY22	
Primary Call Volume	Primary	Primary	
07/01/21 - 03/13/22	calls	Rescue	% covered
	answered	Dispatches	for FY22
Chatham Rescue 12	784	876	89%
Cool Branch Rescue 13	85	103	83%
Gretna Fire & Rescue 22	1207	1218	99%
Ringgold Fire & Rescue 23	587	697	84%
Tunstall Fire & Rescue 25	456	473	96%
Bachelors Hall Fire & Rescue 30	157	162	97%
Mt. Hermon Fire & Rescue 33	438	584	75%
Blairs Fire & Rescue 34	744	766	97%
Callands Fire & Rescue 35	167	273	61%
Brosville Fire & Rescue 37	375	378	99%
Cascade Fire & Rescue 38	115	115	100%
North Halifax 9	34	58	59%
DLSC 20	105	105	100%
2nd due volunteer	155		
Public Safety Ambulance	1363		
total EMS responses	6772		
Response 4	173		

SOLID WASTE ENTERPRISE FUND

This 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 \$.07 to fund Solid Waste services. The FY2023 Solid Waste Fund budget is proposed at \$6,206,650, a decrease of \$6,843,702 from FY2022. This decrease occurred since last year's budget included borrowed funding to purchase equipment, construct a new landfill cell, and construct 3 new convenience centers in the northern end of the County. The County's external contracts, totaling \$1.785M, provide sufficient revenue to manage this debt and offset required taxpayer expense. In addition, these funds were also used to establish a reserve fund in the amount of \$668,837 to cover future equipment and infrastructure needs at the landfill. Staff recommends the Board continue this reserve fund in the coming budget years to ensure that adequate funding exists to cover the capital needs of the landfill without placing an additional burden on the citizens of the County.

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Changes in compacting and burying tactics have greatly increased the landfill’s usable life. Staff will continue working to optimize efficiency and improve customer experience at both the landfill and our convenience centers.

Construction of three (3) new convenience centers will soon be underway in Climax, Straightstone and Whittles. The Whittles site will be our first true “regional” site and will offer additional amenities. These investments will improve efficiency and eliminate costs related to “green box” sites that will be discontinued.

Our SWAT (Solid Waste Assistance Team) efforts have resulted in clean sites, improved compliance and increased abuse enforcement. We are using the sites to enhance citizen education and have improved signage and cleanliness. Fines and fees are budgeted at \$15,000 which helps to offset the expense of the part time enforcement officer.

CONTINGENCY/GRANT MATCH FUND

This budget process began with approximately \$5.7M of requests greater than available revenue. Through several iterations we paired down the many requests to a small set of funding priorities. Unfortunately, those items that are not recommended herewith are not necessarily less important, but just not deemed as the highest of competing priorities. Among these are Sheriff’s vehicles, Election Needs, new E911 CAD server, a full-time planner, 2 full-time E911 Dispatchers, 2 full-time Fire and Rescue Shift Supervisors, and 1 Part-time to Full-time position in the Library.

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The Board has done an admirable job over the previous four fiscal years adopting a contingency fund for unknown mid-year expenses. It is important that the Board remain vigilant to our financial plan and policies to achieve sustained fiscal health. The Board's Contingency/Grant Match Fund for FY2023 totals \$982,309.

Budget items set aside for the Board's consideration include:

1. Bulletproof Vests Grant Match (\$9,875): The County annually seeks a grant through the US Dept. of Justice's Bureau of Justice Assistance to fund new bulletproof vests for County law enforcement officers.
2. Additional position in Circuit Court Clerk's Office (\$48,934): Circuit Court Clerk Mark Scarce has requested that the County fund an additional position. The Board has not recently funded Constitutional Officer position/salary requests unless the elected official adopts the personnel policy. The Clerk's Office is not a member of the County's personnel system.
3. Additional Fire and Rescue Volunteer Contribution increase of \$121,000 over last year and an additional request to increase EMS Supplement funding from \$15 to \$25 per call in the amount of \$77,500.
4. Funding for additional voting equipment for the Electoral Board totaling \$150,000. This request will need to be funded if legislation is passed requiring a certain type of ballot be provided for precinct results.
5. Funding for potential reassessment costs totaling \$500,000.
6. Additional funding in the amount of \$75,000 for the Ringgold Rail Trail Bridge Grant Match.

NEXT STEPS

It is proposed that the Board of Supervisors' Finance Committee meet March 15th to begin its thorough review of the FY2023 budget proposal. Additional tentatively scheduled budget development milestones include:

1. March 15: Finance Committee Budget review
2. March 20: Advertise FY2023 School and County Budgets
- 3.. April 4: Public hearing on proposed School and County budgets
5. April 11: Adoption of FY2023 budget for County government and School Division

CONCLUSION

The FY2023 budget proved to be very challenging but staff worked hard to prepare a fair budget that continues to move the County forward. While revenues were limited, we assessed each need and prioritized what we felt needed to be taken care of in the coming year. As stated at the

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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.) Build landfill reserves
- 8.) Begin the jail project process
- 9.) Provide adequate employee compensation

On behalf of 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,



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