

County Administrator's FY 2021-22 Proposed Budget & Five Year Capital Improvement Plan FY 2022-2026



Surry County Board of Supervisors

Robert L. Elliott, Chairman, Claremont District

Michael Drewry, Vice-Chair, Dendron District

Judy S. Lytle, Bacon's Castle District

Ronald Howell, Carsley District

William T. Calhoun, Surry District

County Administrator

Melissa D. Rollins

Deputy Administrator

David A. Harrison

Form of Government

Surry County (County) operates under the traditional, or County Administrator, form of government (as defined under Virginia Law). The Board of Supervisors (Board) is a five-member body, elected by the voters of the Electoral District in which they live. The Chairman and Vice Chairman of the Board are elected annually by its members. Each member serves a four-year term. This body enacts ordinances, appropriates funds, sets tax rates, establishes policies and generally oversees the operation of the County government. The County Administrator is appointed by, and serves at the pleasure of, the Board of Supervisors. As the Chief Executive Officer of the County, he or she is responsible for developing an annual budget and carrying out policies and laws which are reviewed and approved by the Board. The County Administrator directs business and administrative policies and recommends to the Board those methods, procedures, and policies which will properly govern the County.

Department Directors & Supervisors

Carol Swindell
Interim Finance Director

David Harrison
Planning & Community Development

Panayiotis Jabri
Economic Development

Delon Brown
Information Technology & Support Services

Ray Phelps
Chief of Emergency Management

Stanley Jones, III
Parks & Recreation

LaJuene Stone
Dept. of Youth & Family Resources

Stacey Williams
Project/Facility Manager

Hermione Slade
Solid Waste & Recycling

LaSonya White
VCE Unit Coordinator

Constitutional Officers and State Officials

Carlos Turner, Sheriff
Jonathan Judkins, Commissioner of the Revenue
Onike Ruffin, Treasurer
Gail Clayton, Clerk, Surry Circuit Court
Sharna' White, Registrar
Janeen Jackson, District Court Clerk

School System & Social Services

Dr. Serbrenia Simms, Division Superintendent
Valerie Pierce, Director of Surry Social Services

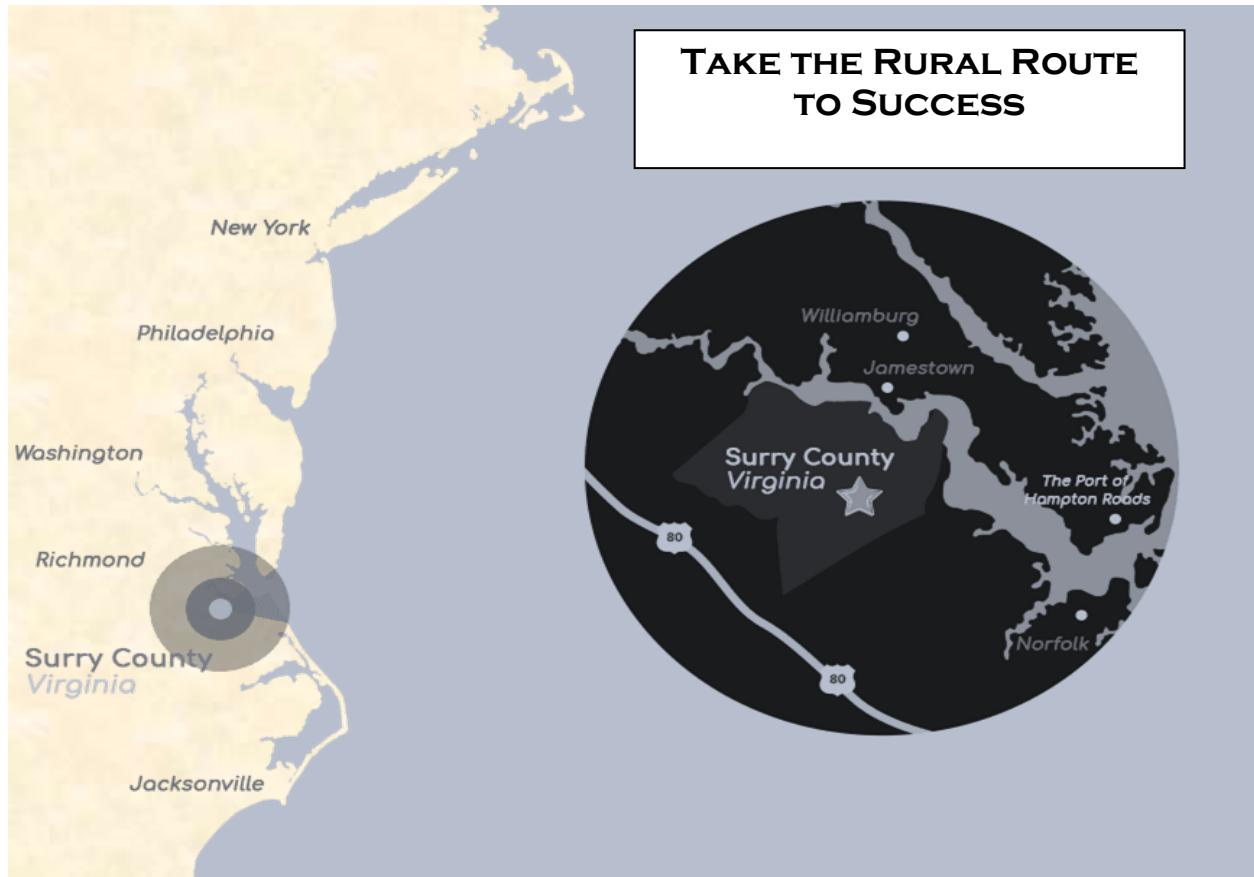
ABOUT SURRY COUNTY

Surry County is a 306-square-mile county located on the James River in southeastern Virginia, with unique location attributes that position it well for energy production, including an existing nuclear facility, and for manufacturing, especially agriculture products such as wood pellets. The county's workforce comes from the Hampton Roads and Richmond MSA to the East and West and from Williamsburg just a ferry ride North. Besides serving as an energy, agriculture and production hub, Surry is popular for residents seeking unique waterfront housing and small town and rural communities.

Surry County is known for its strong economic development potential, passion for the community and rural charm. Nationwide we are known for historical landmarks like Bacon's Castle, Chippokes State Park and nearby Jamestown and Williamsburg. The waterfront location affords access to multiple natural refuges and parks and boat recreation on the river and the newly renovated Grays Creek Marina offers stunning views and access to the onsite Surry Seafood Company, boating, fishing and kayaking. A growing winery location, the county also produces large hauls of peanuts, cotton and soybeans each year for the state.

Known for its passion for community and strong economic development growth potential, Surry's strategic position in the Hampton Roads Region is well-suited for business opportunity.

- Direct access to the James River
- 25 miles to Newport News-Williamsburg International Airport
- 50 Miles from Richmond
- 40 Miles from Norfolk
- Close proximity to the Port of Virginia, international airports, railroads and major highways



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Public Hearings and Work Sessions Schedule

The Board of Supervisors of Surry County invites comments on the Proposed Budget for the fiscal year ending June 30, 2022. The Public Hearing is tentatively scheduled for May 13, 2021.

April 15, 2021	Thursday	<ul style="list-style-type: none">• Regular Board of Supervisors Meeting• County Administrator Presents FY 21-22 Proposed Budget to the Board of Supervisors
April 22, 2021 ⁽¹⁾	Thursday	<ul style="list-style-type: none">• 6:00 P.M. - Budget Work session #1 with the Board of Supervisors
April 23, 2021	Friday	<ul style="list-style-type: none">• Release Advertisement for Public Hearing to the Local Paper
April 28, 2021	Wednesday	<ul style="list-style-type: none">• FY 20-21 Proposed Budget is Published in the Local Paper
May 6, 2021	Thursday	<ul style="list-style-type: none">• Regular Board of Supervisors Meeting• Board of Supervisors Conducts Public Hearing on the FY 21-22 Proposed Budget
May 13, 2021	Thursday	<ul style="list-style-type: none">• 7:00 P.M. Board of Supervisors considers action on FY 21-22 Budget, sets tax rates and adopts Budget Resolutions

(1) tentative

- Written comments may be emailed to the Office of the County Administrator: comments@surreycountyva.gov. Budget information will be available on the County's website at www.surreycountyva.gov
- After the reopening of County facilities to the public, copies of the Proposed Budget will be available at the County Administrator's Office – Government Center located at 45 School Street, Surry, VA and at the Blackwater Regional Library.

Stay Engaged with the County!

VISIT US ON THE WEB! https://www.surreycountyva.gov/

LIKE US ON FACEBOOK!



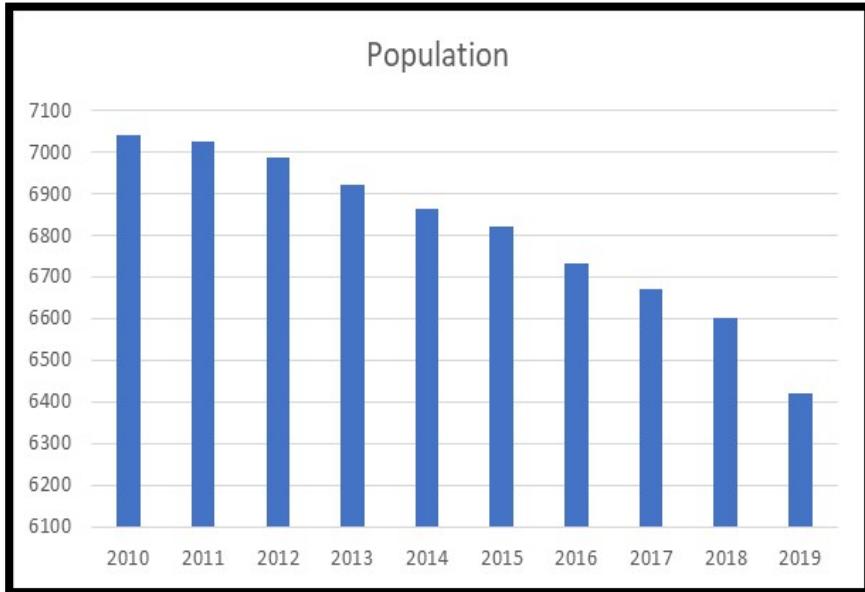
https://www.facebook.com/surreycounty/

SURRY COUNTY

Budget in Brief

The budget document is being further developed to include revenue and expenditure summaries, departmental discussions CIP, and supplemental documents. The power point presentation and the accompanied narrative is a component to the document.

SURRY COUNTY PROFILE

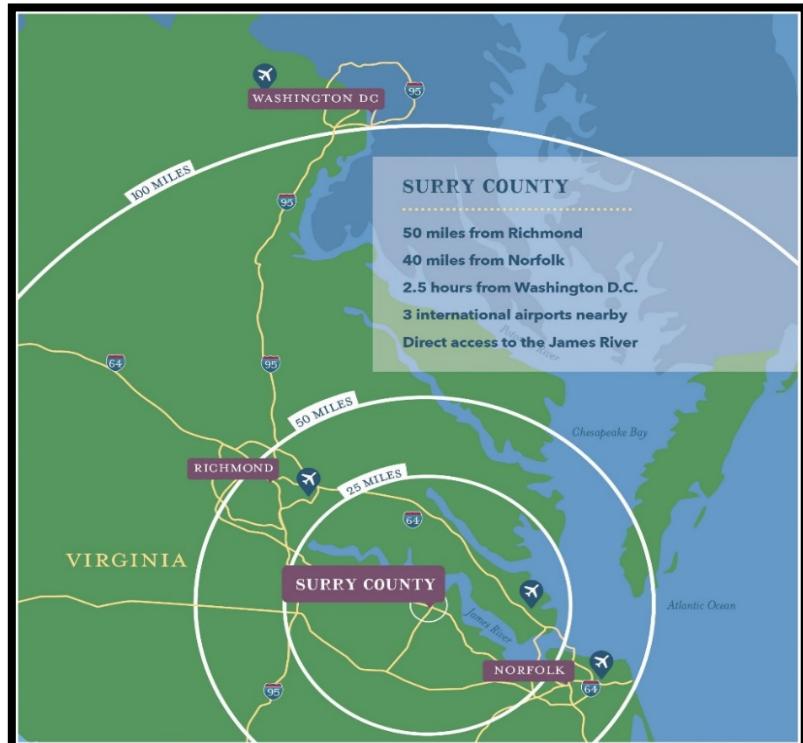


Surry County is home to approximately 6,523 people as of a U.S. Census American Community Survey conducted in July 2019. This is a 9.3% decrease from the 2010 U.S. Census.

The approximate 2019 median age in the County is 49.8 years old. The population is becoming older, on average, as it is all over the country due to the aging of the post-war baby boom generation born between 1946 and 1964. Surry's 2010 median age was 43.5.

Location

Surry is part of the vibrant and growing Hampton Roads region of more than 1.7 million people. The region is recognized as one of the largest Metropolitan Statistical Areas in the U.S. It includes cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, and along with Surry, includes the counties of Isle of Wight, James City, Southampton and York. Centrally located on the east coast, Surry is within an hour's drive to over a million residents and a day's drive to nearly half of the U.S. population.



Comprehensive Plan 2020- Opportunity for Growth

The Surry County Comprehensive Plan serves as a guide to landowners, developers, businesses, citizens and County officials about future land use and other community development decisions.

The themes of the 2020 Adopted Comprehensive Plan are consistent with the strategic initiatives of the Board of Supervisors.

- Preserve Surry's Character
- Grow Surry's Economy
- Enhance Quality of Life for All Residents

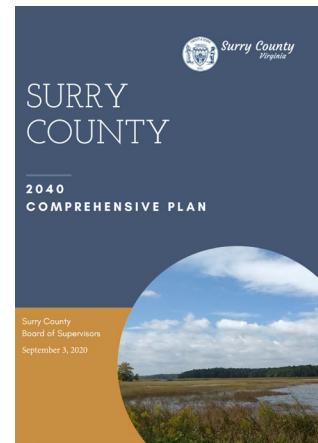
commitment towards efficiency and effectiveness in County government and positively impact the public safety, health, education & welfare of the citizens of Surry through effective leadership and fiscal integrity. The Board will encourage the orderly growth and development of the community to enhance the quality of life for the citizens of Surry County”.

The Strategic Action agenda set in 2020 establishes the framework for goal setting in the five core areas:

- ❖ **COMMUNITY (DEVELOPMENT, ENGAGEMENT, OPPORTUNITY)**
- ❖ **ECONOMIC DEVELOPMENT (BUSINESS RETENTION & EXPANSION, HEALTH & WELLNESS, WORKFORCE & TOURISM PROMOTION)**
- ❖ **EDUCATION (RENEWED RELATIONSHIPS, COLLABORATION AND SHARED ACCOUNTABILITY)**
- ❖ **FISCAL RESPONSIBILITY (ACCOUNTABILITY AND TRANSPARENCY, FISCAL POLICIES)**
- ❖ **TRANSPORTATION (OPPORTUNITY THAT EXIST)**

Community - Surry County's unique historic assets, natural environment, rural charm, strong family roots, homegrown hospitality, sense of serenity and security and attractive landscape will be preserved while considering growth opportunities including revitalization of main corridors and other beautification efforts. Community engagement initiatives and activities will be broadened to keep an informed, engaged and participatory citizenry; recognizing the population trends, the county will work through the comprehensive plan to develop key strategies to help reverse adverse trends, fill community business gaps and identify programs and services for the aging population.

Economic Development – The County will identify areas in the County “ripe” for development and continue to identify ways to capitalize on the County's agri-tourism and niche/specialized farming industries. The County will lead in building regional, state and national partners in identifying business and growth opportunities suitable and or unique to Surry County; business growth will afford opportunities to work with existing and new corporate partners to enhance workforce opportunities. Broadband implementation will



Strategic Priorities

The Board of Supervisors responsibilities remain unchanged: “.... *strive to maintain a strong commitment towards efficiency and effectiveness in County government and positively impact the public safety, health, education & welfare of the citizens of Surry through effective leadership and fiscal integrity. The Board will encourage the orderly growth and development of the community to enhance the quality of life for the citizens of Surry County”.*

continue to be supported as the cornerstone of educational, quality of life, business growth, and overall quality of life improvement. Health and wellness will be an integral component of enhancing the economic and social well-being of the entire County.

Education – Continue to recognize and engage with the School System as a vital partner in the vision and goal setting of the County (i.e. shared accountability). Develop means to highlight the successes and achievements of the School Division county-wide and to brand the “educational system” as a desire to locate, work and do business in Surry County. Support and collaborate on joint facility planning and educational opportunities such as technical programs and internships aimed to prepare students for an advanced and competitive workforce.

Fiscal Responsibility – Continue to balance quality of government services with fiscal responsibility; solidify tax dollars with services needed and desired for a wholesome quality of life and delivery of quality services. Continue to develop transparent communication tools on fiscal matters. Continue practices that ensure strong financial management.

Transportation – Identify the potential opportunities of the proximity of Route 10, 31 and Route 40 in Surry County to major thoroughfares and expanded highways as Interstates 95, 64 and Route 460 and to waterways, rail and the Ports of Virginia and Richmond. Collaborate with VDOT and state legislators on potential for expansion of route 10, the County’s major highway; begin dialogue on transportation needs in the county over the next 10-20 years (i.e. bridge); seek development opportunities as a result of main infrastructure that has been installed along Route 31. Create a bicycle/pedestrian plan to provide a safe route and alternative transportation nodes to connect the Town of Surry to various activity centers such as the James-Town Scotland Ferry.

Dialogue from the Board of Supervisors and county leadership after the 2020 retreat helped set the framework for a newly defined mission statement for the County.

Mission Statement 2020

We will exemplify and work with citizens to achieve unity in the community.

This is essential to maintaining a strong commitment towards efficiency and effectiveness in how we operate and to positively impacting the public safety, health & wellness, education, and overall quality of life of informed, engaged and participatory citizens and stakeholders of Surry County.

Budget Overview

Budget Amendment Process

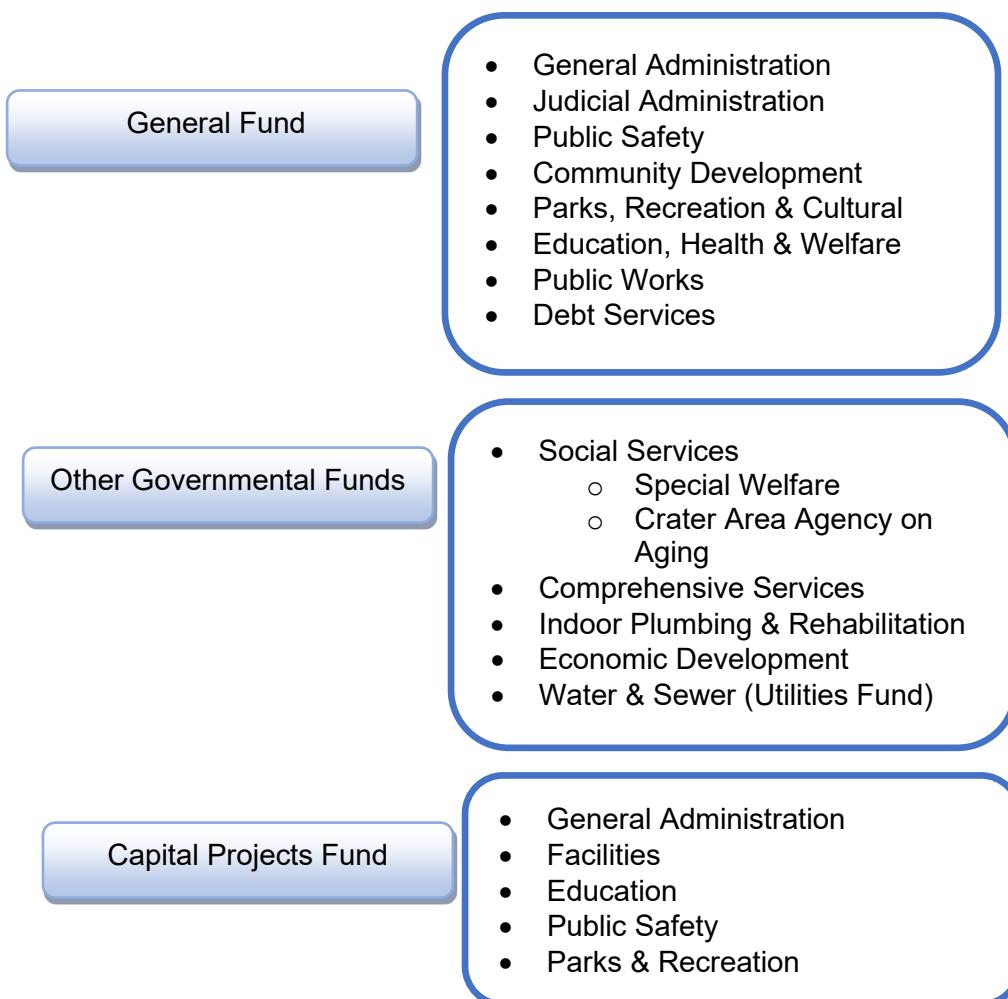
The budget may be amended in one of two ways. If the amendment would change total revenues, then the governing body must formally approve the transfer of funds from one appropriation group to another. The recommendation going forth is that this will be done via an appropriation resolution. In certain instances, as outlined in the State Code, a public hearing may be required before the governing body can take action.

The County Administrator is authorized to transfer funds between departments within an appropriation group or between budget line items within a particular department throughout the year to manage operations. The County Administrator is authorized to apply for an accept grants requiring a local match up to \$5,000.

Budget Organization

The General Fund of the County is divided into functional areas, General Administration, Judicial Administration, Public Safety, Community Development, Parks, Recreation & Cultural, Education, Health & Welfare and Public Works. Each department within a functional area has its own budget; for example: Sheriff & Emergency Medical Services (EMS) are within the functional area of Public Safety. The budget format presents expenditures by functional area and departments within a specific function.

Structure of County Funds



Explanation of Governmental and Other Funds

- General Fund - The general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund due to legal, contractual, statutory or financial management requirements. It is funded through taxes and other revenue sources.
- Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds).
- Debt Service Fund - Used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.
- Economic Development Fund –Money in the Fund reflects a transfer in 2016 to dedicate financial resources toward economic development. Planned uses of the fund could include, but are limited to business incentives, professional services, property acquisition, etc.
- Comprehensive Services Act Fund (CSA) The CSA Fund is used to account for the revenues and expenditures related to services provided to at-risk youth and families. Revenue is derived from the state and local funding. CSA services are administered by the Family Assessment and Planning Team (FAPT) who works directly with you and families to refer cases to the Community Policy and Management Team (CPMT) for approval. The fund mandates a local share for CSA expenditures.
- Special Welfare/Agency on Aging – A part of the VPA fund used to account for activities associated with specific groups as senior population; special revenue funds are used where legal or contractual requirements restrict the use of resources to specific purposes.
- VPA Fund – Virginia Public Assistance Fund (VPA) supports the activities of administration of the health and welfare services in the County. Services are provided to the needy individuals and their families. It is supported with federal, state and local funds.
- Indoor Plumbing Rehabilitation (IPR - Special Revenue Fund)- The Department of Housing and Community Development (DHCD) program with the County to provide 0% forgivable loans to eligible participants for the installation of indoor plumbing to owners of substandard housing where indoor plumbing is non-existent or where the existing plumbing has failed ended in 2016. The IPR Fund reflects program income received from prior recipients to continue projects until Funds are depleted.
- Water & Sewer – used to account for activities specific to maintenance of the County's water system and sewer collection activities. It is considered an Enterprise Fund where operations are supported by user charges financed and operated similar to a private business. The Fund should be self-supporting.
- School & Cafeteria Fund – the component unit School Board as identified in the County's CAFR as a unit of the primary government; it is defined by having a fiscal dependence on the primary government. It supports activities association with Education of K-12 students; the cafeteria fund supports the operations of the food service programs.

Monetary transfers are made from the general fund to the following funds: Capital Projects, Virginia Public Assistance, School and Cafeteria, Comprehensive Services, Economic Development, Debt Service and the Water & Sewer/Utilities Fund.

Budget Directives, Performance Measurement, and Monitoring

The County Administrator sets the stage to the departments at the beginning of the budget cycle the tone and the focus of the overall budget. This information is based on guidance from the Board of Supervisors.

Operational initiatives are provided by each department and are presented on each department's budget page. Also included in the departmental sections are the key performance measures.

The budget is monitored through the monthly financial management reports. These reports indicate actual financial results compared to budget. These reports are reviewed by the user departments, Finance, and County Administration.

Budgetary control is maintained on a line-item basis. Purchases of goods and services are generally accomplished by the use of a formal purchase order. Funds are encumbered based on purchase orders to best ensure funds are reflect as obligated and are not available to be spent.

Operating and Capital Budgets

The Operating Budget includes expenditures that are generally of a recurring nature and are appropriated for one year only. It provides for the provision of all County services but does not result in major physical assets for the county. Year-to-year changes in the Operating Budget are expected to be fairly stable and represent incremental changes in the cost of doing business, the size of the County and the types and level of service that are provided. Resources for the Operating Budget generally come from taxes, user fees, and intergovernmental payments that typically recur from year to year.

The Capital Budget on the other hand, includes one-time costs for projects that may last several years. The projects result in major physical assets in the county and may include projects associated with public safety, general government administration, parks and recreation, public works and education. Wide fluctuations are expected in the Capital Budget from year to year depending on the phasing of projects. Resources for the Capital Budget generally come from bond sales, grants, other one-time sources and transfers from the Operating Budget to support capital projects. Capital projects may produce ongoing operating costs and such is reflected in the operating budget of the perspective department. (Example: a new building will require electricity and such costs will be in the Maintenance Dept. operating budget).

Fiscal Policies

A fiscally efficient government is one of the strategic goals of the Board of Supervisors. Financial policies provide a framework for the County's departments to make sound financial decisions, promote fiscal transparency, and to ensure compliance with prevailing local, state and federal laws and regulations.

While the County's current policies require a refresh and formal adoption by the Board of Supervisors, the below standards are recognized as effective financial practices.

- The County will establish and maintain an internal control structure and accounting practices to ensure compliance with Generally Accepted Accounting Principles (GAAP).
- An independent firm of certified public accountants will perform an annual financial and compliance audit according to generally accepted auditing standards in the United States of America; Government Auditing Standards issued by the Comptroller General of the United States; Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the Uniform Guidance. The financial statements and the results of the audit will be presented annually to the Board of Supervisors.
- The County will annually seek the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- The County Administrator will propose a balanced and a five-year Capital Improvements Program that are linked to the County's Strategic Plan and Comprehensive Plan. The Board of Supervisors shall adopt the first year of the Capital Improvement Plan as the Capital Improvement Budget.

- The CIP will include both school, general government, and utility capital needs; it will provide a description and estimated cost for each project.
- A diversified revenue system, inclusive of state and federal funds as well as user fees for services that support specific programs.
- Financing recurring expenses from recurring revenue sources and not rely on non-recurring revenue to fund on-going, operating expenditures.
- The County shall maintain a budgeting control system to monitor actual-to-budget performance, and shall take immediate corrective action if revenue and expenditure estimates project a year-end operating deficit.
- At least quarterly, the County will publicly publish financial information including budget to actual performance. A monthly report has been provided.

Debt Management

In consultation with the County's financial advisor, financing for the County's five-year Capital Improvements Program shall:

- Consider a five-year forecast of revenues and expenditures.
- Include an evaluation of pay-as-you-go projects and debt financing.
- Avoid financing if the term of the indebtedness exceeds the expected useful life of the project.
- When feasible, bundle capital projects to limit the number of borrowings as well as to reduce the costs of issuance by achieving greater economies of scale.

The County shall maintain the following standards regarding debt:

- Net bonded debt shall not exceed 3% of the assessed valuation of real and personal property.
- General fund debt service expenditures should not exceed 12% of annual general fund expenditures. The County should maintain a target of 10% for this ratio.

Fund Balance (Reserves) – The county shall maintain a fund balance position that meets the County's needs and challenges and mitigate current and future.

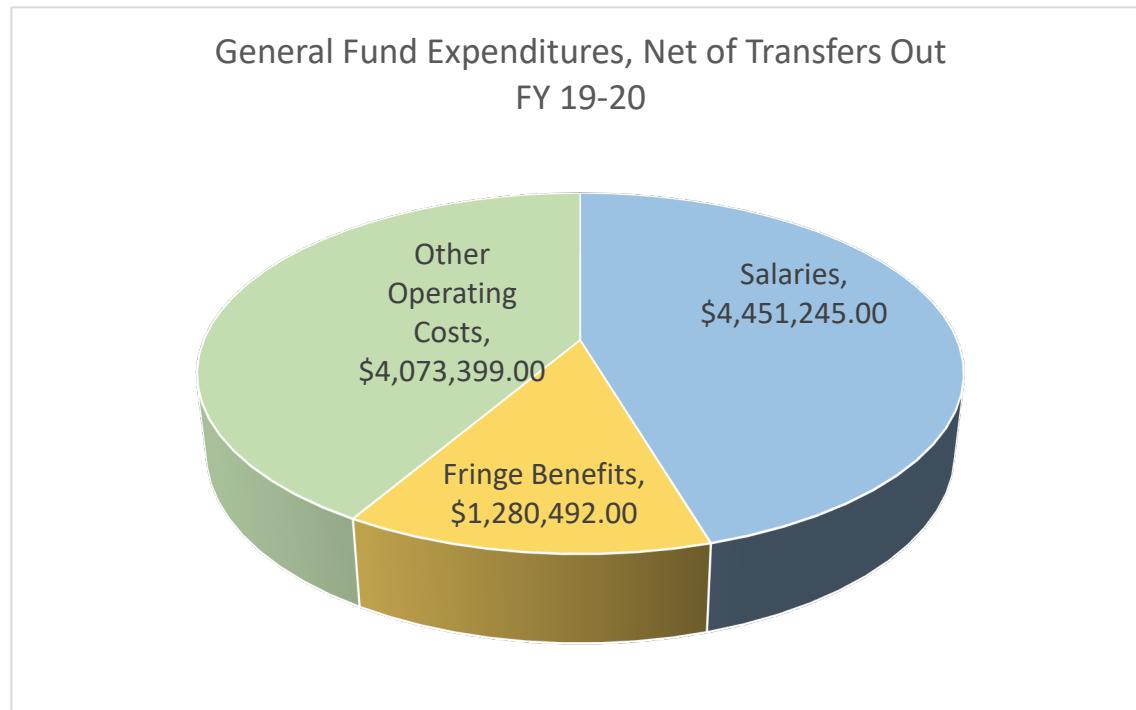
- The County shall maintain a General Fund Unassigned Fund Balance at the end of the fiscal year in an amount no less than 25% of annual general fund revenues, not including transfers.
- Monies in excess of 25% may be considered to supplement pay as you go capital outlay or remain in the undersigned fund balance to be used for other purposes as authorized by the Board of Supervisors.
- The County should not use fund balance to finance current operations as it is not sustainable.
- The use of the General Fund's Unassigned Fund Balance may be necessary from time to time to meet unexpected events including, but not limited to: catastrophic (emergency funds in the event of natural or man-made disasters); financial opportunity (to enhance the well-being of Surry County); Following any use of fund balance that draws the balance below the minimum funding level, the Board of Supervisors will adopt and timeline to replenish the balance to its minimum funding level of 25%.

Cash and Investments

- The County shall follow the Cash and Investment Policies established by the Treasurer, a Constitutional Officer of the Commonwealth of Virginia. Such policies shall be reviewed and updated annually, and be in accordance with all applicable laws and regulations.
- The Treasurer will provide the Board of Supervisors, at least monthly, with a report of investments held by the County.

Expenditure Composition of the General Fund Where is the Money Spent

FY 19-20 actual expenditures of the General Fund were \$9,9805,166, not including transfers to other funds. To get a better understanding of where general fund dollars are spent, a review of actual expenditures for FY 19-20 is shown below. As with most governments, personnel cost represents most general government expenditures.



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Advertising	\$39,277	Cost for legal ads
Agency Contributions (Except Fire & Rescue)	\$613,708	Agency Breakdown Provided in Budget Document; includes all contributions except fire and rescue
Auditing	\$50,890	Auditing services and cost to produce financial reports
Building Repairs	\$148,302	Repairs to several government buildings; this amount will fluctuate; breakdown of buildings and facilities maintained by the County is included in the budget document
Communications	\$129,115	Verizon telephone, monthly fees for mobile devices including IPADs, internet services
Contractual Services	\$629,922	Interim administrator services, comprehensive plan consultant, maintenance service contractors, emergency services contracts (instant alert, generator maintenance, EMS radio maintenance county-

Contributions to Public Safety Volunteer Agencies	\$258,170	Quarterly contributions to the volunteer fire and rescue squad; the rescue squad is paid 7% of the monthly fees collected from ambulatory billing services as administrative costs
Convention & Education	\$50,116	Cost to attend trainings to include travel, mileage, meals, conference registration; some revenue recovery is associated with this expense
Detention/Prisoner Care	\$281,569	The cost for prisoner care in Riverside Regional Jail (\$228,153), Crater Youth Detention for the youth population (\$45,226) and Riverside Criminal Justice Agency
Electricity Services	\$150,305	The cost for Dominion and PGEC electrical services for all County Buildings
Fuels	\$102,304	Vehicle fuel for all County fleet vehicles and marina fuel
Indexing/microfilming	\$16,777	The annual cost for microfilming and indexing circuit court records
Legal Fees	\$90,927	Cost paid to the County attorney for legal fees
Maintenance Contracts	\$165,811	Information technology (\$97,000) associated with county copiers, printers, financial software system, municode, postage meters, phone system maintenance
Mileage	\$4,304	Reimbursement for use of personal vehicles during business travel
Motor Vehicle Insurance	\$27,719	Motor vehicle insurance (VA Association of County Pooled Insurance Program)
Office Supplies & Equipment	\$72,119	Office supplies and equipment for all departments
Paid Rescue Squad Services	\$487,404	Contract service cost to provide 24/7 paid rescue services; fee recovery for FY 20=\$193,471) or 40%
Parks Special Activities	\$12,623	Cost for special annual activities as fireworks and Pow Pow
Professional Services	\$296,715	Interim Finance Services from vacant salaries, election officers, salary study fee, county administrator search fee, parks and rec sports officials; the majority of the cost is for sanitation landfill monitoring and remediation services; this line item will fluctuate
Property/Liability Insurance	\$39,422	Property & liability insurance for all county buildings /activities (VA Association of Counties Pooled Insurance Program)
Rent for Office Space	\$12,702	Rent paid to the Commonwealth Attorney for use of space and to the Victim Witness Program; a small portion (\$300) is for facility rental used during elections
Uniforms	\$17,070	Cost associated for uniforms (Sheriff, Public Works, EMS and Animal Control)
Veterinary services	\$15,840	Cost for medical services for the care of animals

Waste Disposal at Landfill	\$181,890	Cost for disposal of waste at the landfill; the county pays the tipping fees
Water & Sewer	\$20,611	Paid to the Town of Surry for water utilities
Other Operating Expenses	<u>\$184,787</u>	Other expenses not identified above
Total Primary General Operating Expenditures	\$4,093,399	TOTAL AMOUNT SPENT FOR OPERATING THE GENERAL FUND EXCLUDING PERSONNEL AND TRANSFERS OUT IN FY 19-20

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SECTION A

BUDGET MESSAGE & FINANCIAL SUMMARIES



"The Countrie it selfe, I must confesse is a very pleasant land, rich in commodities; and fertile in soyle..."

Samuel Argall, ca. 1609

Board of Supervisors

Robert Elliott, Chair
Michael A. Drewry, Vice-Chair
Timothy Calhoun
Judy S. Lytle
Ronald Howell

Melissa D. Rollins
County Administrator

April 15, 2021

Dear Members of the Board of Supervisors:

I respectfully submit for your consideration, the Proposed Budget for Fiscal Year 2021-2022. The intent of the budget message is to describe the important features of the budget and communicate any major changes for the current year in financial policies, expenditures, and revenues together with the reasons for such changes. It also includes information on debt services, capital improvement projects and other information that will assist the Board in understanding the budget as a whole.

Since the beginning of the COVID-19 Pandemic, the County like other local governments have been working to prevent the spread COVID by educating citizens, encouraging social distancing, following state guidelines, implementing operational changes, and managing the Coronavirus Aid, Relief and Economic Security (CARES) Act and other relief funding. Under the circumstances of Pandemic last March, the FY 2021 Budget was revised and reduced by \$814,000, no changes were made to tax rates, positions remained unfilled and no salary increases were made. As this year's budget submittal is being developed, I can't help but to reflect on what the County has gone through during this global Pandemic and even through the vast operational changes and challenges associated with providing services to the public along with administration of the vaccine to citizens, the County has demonstrated its resilience and resolve.

Government officials at every level are concerned about the financial impact this Pandemic has had on the operations of the public sector. In Surry County, we did not experience a dramatic decrease in revenue, but have been impacted in a couple areas: (1) our ability to raise revenue through investment of excess funds has been greatly diminished due to the reduction in interest rates, and (2) revenues immediately impacted by the Pandemic were certain departmental charges for service simply because the County could not offer the services, an obvious example parks and recreation fees. However, the expense associated with providing the programs did not occur. On the School side, we were challenged with providing the technology provisions mandated as a result of having to create a 100% virtual learning environment.

Budget Considerations and Challenges:

At the local level, we remain concerned about the loss of revenue from public service corporation tax revenue, the County's major revenue source. This, coupled with the downshifting of costs

from the State in the form of mandates, remains at the forefront of annual budget discussions. This year, the proposed budget is based on a significant reduction in the amount of public service corporation taxes anticipated in FY 21-22.

The proposed budget maintains the current level of services includes a proposed tax rate increase of \$0.05 from \$0.71 cents per \$100 of assessed value to \$0.76 cents. The additional revenue from the increase is \$1,435,976 (\$978,230 from public service corporations and \$457,746 from real estate paid by property owners). The County's real estate tax rate has remained level at 71 cents since 2016, when it was reduced from the prior amount of 73 cents because of the reassessment. Since that time, revenue increases have been modest while the cost of maintaining existing service levels to the community has steadily risen. County department budgets have remained mostly level except for benefit cost increases.

The proposed FY 2021-2022 Annual Operating Budget and the FY 2022-2026 CIP were developed to advance the Board of Supervisor's strategic vision of enhancing the quality of life for the citizens for Surry. Key management considerations in the formulation of the budget were:

- Providing adequate compensation for County and School staff;
- Providing adequate staffing resources to deliver services effectively; and
- Responsibly and sustainably funding County obligations.

Balancing the Budget: Budget Development, Challenges & Opportunities

The FY2021-22 Budget was developed with revenue constraints. The County's sales assessment ratio declined to 95.1%, which reduced Public Service Corporation taxes by over \$710,000 from what they would have been if the ratio were 100%. This shortfall is equivalent to 2.5 cents on the tax rate. Public Service Corporation taxes account for 59% of total local revenue. Growth in other revenue sources was minimal and as a result, the overall local revenue growth was just \$98,673 or 0.4%. State revenue increased by \$89,640 or 4.6%, largely due to funding from the State Compensation Board to support the cost of salary increases for Constitutional Officers and their staff.

On the expenditure side, funding is included to provide a 5% salary increase for County and School staff, consistent with State guidance. The School system made reductions in their costs to offset a portion of the salary increase, and the net increase in School funding from the County is \$293,560. The cost to provide the 5% salary increase for County staff and Constitutional officers is \$306,795. Neither County nor School staff received a raise in FY2020-21, and it's important that Surry remain competitive in order to attract and retain qualified personnel.

This budget provides for additional positions and restores previously unfunded positions in order to effectively provide services to the community. Funding is also included for overtime costs associated with the County's E-911 service, which is challenging to staff and tends to have high turnover. The cost of these position related changes is \$580,572.

The FY2020-21 Budget included cuts to operating budgets throughout the County, as well as reductions in or elimination of support for outside agencies. With few exceptions these cuts remain in place for FY2021-22.

The County issued bonds in FY2020-21 to pay for the cost of a new public safety radio system. The additional debt service on these bonds is funded by the general fund and is \$181,925.

The net result of budget changes for FY2021-22, coupled with flat revenue growth, is a shortfall of \$1.44M. The County cannot maintain existing services without additional tax revenue. I am therefore recommending a 5 cent or 7% increase in current real estate tax rate of \$.71/\$100 of assessed value. It should be noted that this tax rate increase will also apply to Public Service Corporations (PSC), and because Surry's budget is heavily dependent upon PSC taxes, 68% of the revenue generated from this tax rate increase will come from PSC revenue, with 32% coming from other assessed real estate in the County.

The FY21-22 Budget was prepared while starting with several challenges, including a stagnant economy due to the impacts of COVID-19, an increase in state mandated costs for Children's Services Act (CSA) services and increased costs for correction and detention.

The major differences and budget drivers from FY 2021 to FY 2022 include:

FY 2021-22 Major Operating Budget Drivers

Item	Amount	Explanation
<u>Major Revenue Declines:</u>		
Decline in Public Service Corp Revenue	\$ (710,000)	The sales assessment ratio is below 100%, at 95.1%
Decline in Interest Income	(105,000)	Fed action related the economic meltdown due to COVID-19 have driven interest rates close to 0%
	\$ (815,000)	Revenue declines are equivalent to almost 3 cents on the tax rate
<u>Major Expenditure Increases:</u>		
5% COLA for County and State employees	\$ 307,000	
County support of Schools	294,000	Provides a 5% COLA for teachers and school staff, net of cost reductions
Debt Service for new bonds	182,000	Principal and interest on bonds issued in 2020-21 for new public safety radio system
Deputy County Administrator	132,000	Position approved in FY21 but not funded
Property/Facilities Manager	135,000	Position approved in FY21 but not funded
HR Manager	81,000	New position
Accounting Manager	93,000	New position
Upgrade part time Assistant Registrar to full time	21,000	New position
Restore Finance Director position	73,000	Position unfunded to balance FY21 budget with no tax rate increase, net of outside consulting costs
Restore Assistant Treasurer position	23,000	Position unfunded to balance FY21 budget with no tax rate increase
Codes Compliance Officer	58,000	New position
Overtime for Dispatchers	27,000	

Increased local cost for mandated Children's Services Agency costs	94,000	
Correction and Detention	61,000	Contractual cost increases for jail and juvenile detention costs
Other changes (net)	43,000	
	\$ 1,624,000	

All Funds

The summary of all funds is shown in the table below:

FUND	FY 2020-21	FY 2021-22	CHANGE	
	ADOPTED	PROPOSED	\$	%
GENERAL	28,369,042	27,902,167	(466,875)	-1.6%
CIP	8,165,016	2,333,853	(5,831,163)	-71.4%
VPA	1,825,501	1,959,572	134,071	7.3%
CSA	435,677	617,928	182,251	41.8%
TASK FORCE	25,000	25,000	-	0.0%
SPECIAL WELFARE	42,852	54,616	11,764	27.5%
AGENCY ON AGING	32,288	32,288	-	0.0%
INDOOR PLUMBING	11,730	11,730	-	0.0%
ECONOMIC DEVELOPMENT	80,000	80,000	-	0.0%
DEBT SERVICE	2,123,391	2,303,041	179,650	8.5%
WATER & SEWER	162,850	189,171	26,321	16.2%
TOTAL COUNTY FUNDS	\$ 41,273,347	\$ 35,509,366	\$ (5,763,981)	-14.0%
SCHOOL OPERATING	15,974,802	16,981,556	1,006,754	6.3%
SCHOOL CAFETERIA	513,000	513,348	348	0.1%
TOTAL SCHOOL FUNDS	\$ 16,487,802	\$ 17,494,904	\$ 1,007,102	6.1%
TOTAL - ALL FUNDS	\$ 57,761,149	\$ 53,004,270	\$ (4,756,879)	-8.2%

Budget Development Process

This year, budget meetings were held to clarify department requests and to assist performance measure development, with a goal of aligning services with the mission of the County. Further development of the budget document will include established departmental goals and objectives, performance measures and fiscal year highlights and accomplishments. Budget communication provided to all departments and organizations indicated that revenue growth was flat and therefore resources would be limited. To this extent, not all requests have been funded:

- ❖ **Social Services:** Partial funding of the requested local appropriation
- ❖ **Organizations:** A number of external agencies and organizations were not fully funded
- ❖ **Various Departments:** Only necessary line-item increases are recommended
- ❖ **Capital Project Requests:** Very limited CIP projects funded for FY2021-22, funded with \$569K in fund balance. In order to fully fund ongoing non-major CIP projects, the equivalent of a 4-cent increase in the tax rate is needed.

Summary

The proposed budget was prepared as COVID-19 continued to impact our local economy. Revenue growth is almost non-existent, primarily due to lower public service corporation (PSC) tax revenue caused by a sales assessment ratio that is well below 100%. The County currently conducts a reassessment every six years. A more frequent update of assessed property valuations is recommended to ensure that taxes are equitable and that the County receives the as close to the maximum amount of PSC tax as possible.

Included in the budget document will be a listing of FY 2020-2021 Highlights and Accomplishments which demonstrate the commitment of County departments to provide outstanding services to the citizens of Surry. Further details about the proposed budget including major changes from the current fiscal year are addressed throughout the document. The proposed spending plan and tax rates are preliminary and will be the subject of work sessions by the Board of Supervisors, followed by a public hearing and further consideration until the Budget adopted, currently scheduled for May 13, 2021.

Preparation of this budget proposal resulted from a team effort by all departments and school division leadership. The FY 21-22 proposed budget continues existing County services, provides for sustainability through filling critical positions, and responds to changes in required contractual costs. With continued forward-thinking, creative strategic planning and a renewed commitment to collaboration and unity, we will be better able to seek the opportunities ahead for the good of the community. I would like to recognize and express my sincerest gratitude to the County's Leadership Team throughout the budget process and through the challenges of the COVID-19 operational change, Ms. Carol Swindell, Interim Director of Finance for her dedication to the

budget process and for the support of the Board of Supervisors. I look forward to working with you throughout the remainder of the budget process.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Melissa D. Rollins".

Melissa D. Rollins
County Administrator