

At the joint meeting with the Giles County Board of Supervisors and the Giles County School Board held on Wednesday, May 6, 2015, at 1:00 PM, in the Giles County Administration Office, 315 North Main Street, Pearisburg, the following were present:

**BOARD OF SUPERVISORS**

Barbara Hobbs	Chair (Central District)
Larry Jay Williams	Vice-Chair (Eastern District)
Scott Dunn	Western District
Richard McCoy	At-Large Supervisor
Paul "Chappy" Baker	At-Large Supervisor
Chris McKlarney	County Administrator
Anna Welch	Board Secretary

**GILES COUNTY SCHOOL BOARD**

Drema McMahan	At-Large/Vice-Chair
Eric Gentry	At-Large
Ronald Whitehead	Eastern District
Joseph Gollehon	Central District
J. Lewis Webb, Jr.	Western District/Chairman
Dr. Terry Arbogast, II	Superintendent
D. Scott Meade	Assistant Superintendent
Amanda Tickle	Executive Secretary/Board Clerk

**CALL TO ORDER**

Ms. Hobbs called the meeting to order.

**GILES COUNTY AG LAND LAB- BEN WOODS**

Ben Woods thanked both Boards for their support for Giles County Ag Land Lab. Mr. Woods made a presentation on the Ag Lab and updated the Boards regarding where they are currently with the program and where they would like to go with the program. Mr. Woods stated that Mr. Meade, Eric Gentry and himself attended a conference and had several discussions regarding vegetable production. Mr. Woods believes with the support from both Boards vegetable production can be useful in teaching students how to grow and harvest plants. The outcome of the harvest would allow vegetables to be sold and even used in our schools to save money.

Mr. Woods explained with his current budget he cannot expand the vegetable production during the next year as he would like to do. With his current budget, it is pulled in a lot of different directions and not just dedicated to vegetables. Mr. Woods explained with the help of students, gardens are about 50% planted. He is asking for a monetary amount of \$7,500.00 to assist with equipment and necessary supplies. This would allow students to see a complete startup of a GAP (Good Agriculture Processes) certified operation. They will be able to teach and educate students on properly handling vegetables. The goal of the land ab is classroom quality instruction in and about agriculture that uses a learning by

doing philosophy. There are 6 classes for both high schools twice a week and they would sincerely like to thank both boards for being able to do this. Several board members thanked Mr. Woods.

Ms. Hobbs asked Mr. Woods if things were going as expected and he stated it is going very well. He explained the students have a large interest in the program and have also asked to serve their ACCE volunteer hours at the AG Lab. He stated that there are lots of good things going on. Mr. John Mills asked Mr. Woods if \$7,500.00 would be enough money and Mr. Woods explained it is the bare minimum he can ask for and he is in hopes there will be some donations to come in. Mr. Gentry pointed out the fresh produce will be used during the summer food programs to be held at Narrows High School as well as Macy McClaugherty and the fall in our cafeterias. Mr. Dunn asked Mr. Woods if we could get any of the washing stations from the old hospital and Mr. Woods and Mr. Mills stated that it has not been examined. Dr. Webb asked how many students are participating in the Ag Lab and Mr. Woods stated approximately 150.

Ms. Hobbs suggested the School Board as well as the Board of Supervisors split the cost of \$7,500.00 and both Boards agreed. Mr. Williams complimented both Boards for their help and efforts on this program as well as Mr. Woods.

## **BUDGET PRESENTATION-CHRIS MCKLARNEY**

Mr. McKlarney stated the purpose of the joint meeting is to discuss the fiscal year 2015-2016 budget and make necessary decisions. He explained the two actions required tonight are retirement incentives and salary increases. Mr. McKlarney presented the Boards with a history of revenues and expenditures since 2008. (See attached presentation). He stated that next year, AEP in Glen Lyn will not be operating, which is a \$440,000 decrease in revenues and the latest reassessment estimates a 5.3% decrease in assessment on real estate. This is about a \$700,000 loss in the course of one year. Mr. McKlarney explained in detail the areas which we are trying to save money. He shared the following:

- Sharing positions with multiple organizations- Pulaski Co., GCPSA, GC Public Schools \$420k annually
- Energy conservation and creative procurement solutions for electricity, natural gas, broad band internet services \$100k annually
- Maximization of assets by renting office space-SS, WIA, Chamber, DOC, NRCA, Fresenius, Carilion \$150k annually
- Utilization of inmate labor more than 24,000 hours annually saves \$150k annually
- Day reporting program \$1,000,000+ since 2009 \$200k annually
- Contracting maintenance crews to other organizations \$30k annually
- Refinancing \$4,400,000 over 20 years or \$220k per year
- Cross training of employees
- Fleet management
- Utilization of community service work 7000 Hours to date
- Force account labor for capital projects
- Grant funding
- Capital Improvement and Asset Management Plan
- Contract mowing services discontinued \$13,500
- Contract cleaning services discontinued \$81,600
- Locally administering VDOT projects
- Labor savings in maintenance \$45,044

- Retirement savings from past three years on county side \$228,246 on school side \$450,000

He explained where the savings have been applied such as the increased VRS rates, telecommunications, and utilities. Mr. McKlarney explained the impacts of increases as follows:

- A 1% increase in salaries requires an overall increase in spending of \$158,904
- With State increases of 1% Constitutional Officers Non Comp Board and County Employees \$39,463 and Non SOQ School employees cost \$26,714 for a total of \$66,177
- For every \$10 of increase that we pay on health insurance per employee per month, creates an overall increase of \$57,840 annually
- Average annual growth of 2.61% generates approximately \$325,000 in new revenue.
- A one cent increase in real estate taxes increases revenue by \$105,000. Currently \$0.56
- Consumer pricing index (CPI) is 1.7% applied to approximately \$5,000,000 of our budget

Mr. McKlarney stated there have been multiple discussions regarding health insurance and a lot of people are rightfully upset. He explained the County employees have been paying the last two years what the school employees will have to pay now.

Mr. McKlarney discussed a 5 year plan that the county has been working on. The current shortfall from last year in the budget is \$100,000. If 50% of individuals decide to participate in a retirement incentive, the one-time cost would be \$608,000. The annual savings would be \$276,000. If they were to decide to give a 1.5% every year on salaries, the cost would be \$238,000 with no state participation. The health insurance premium assistance to employees this year would cost \$120,000 and he has added \$60,000 for the next 5 years. The aid to localities reduction to the state has been cut \$40,000 this year, which will carry on forever. The Glen Lyn plant closure does not hit this year, but we see a \$440,000 reduction starting next year. The hospital roof is in need of repair and the estimated cost of that would be between \$500-600,000, which would cost about \$40,000 per year. He discussed the increase in revenue from Celanese and their recent project. They gave them a five year incentive package (first year expired now). You don't see that money until you get to 2020 and that is an \$800,000 increase in revenue. Mr. Gentry asked if the boiler project was the boiler equipment or the gas coming in? Mr. McKlarney stated that it was just the boiler equipment. Mr. Gentry stated that they are still surveying and doing environmental on the gas line coming through, so to his knowledge, it is "still alive." Mr. McKlarney stated that the annual growth rate for this year is 0 and the reason for this is because we are in a reassessment year. Loss of revenue as a result of reassessment is \$320,000, that is if we leave the tax rate where it is today. Capital Improvement Plan reserve for the county is \$200,000 per year for short lived assets. He stated that we pay off some school loans in 2016, 2018 and then in 2020. Mr. McKlarney stated that he has had discussions with Mr. Mills on the schools and there will definitely need to be work done with the HVAC equipment in the next 5 years. Hopefully we can hold off on major renovations until after 5 years. The radio system that the county is considering amounts to an annual debt service of \$139,000 and the maintenance is another \$60,000. When you look at all of that, you have a deficit of \$1.5 million dollars. To cover the deficit, you would need a \$.15 increase on taxes, which is not going to happen. If you look over in 2016, you would see that it would be a decrease of that, so you would need about \$.08 to levelize that, so how do you pay the deficit of \$1,139,000? If you had a \$.04 tax increase, you would have a deficit of \$1.1 million. The next year, the deficit would be \$750,000 million. Then, you would have to use your reserves. You have reserves to get you through tough times. In 2019, reserves dip to \$2.1 million and then bumps back up in 2020. His spreadsheet

does not cover everything that will come up, but he plans on what we do know will happen as a county. The next 5 years, there will not be a lot of projects going on. We have to be more creative and have been trying to do that, but there have to be other ways we can attack and approach things. Dr. Webb asked if we should “hold off” as long as possible on the roof projects? Mr. McKlarney stated that the longer we can wait the better it will be, but if we have to react to a project, then we will. Mr. McKlarney asked Mr. Mills what he thinks about things being done at the schools over the next couple years. Mr. Mills stated that the major things are HVAC controls and that type of product. Some HVAC controls and supplies cost over \$100,000. He stated that they are already “nursing” the roofs. Some stuff they just don’t make anymore. Thanks to both boards, they have been able to complete several projects.

Mr. McKlarney opened the discussion on the retirement incentives. He stated that the retirement incentives being discussed are for one year only and include: If an employee is "eligible to retire under VRS," he/she would have the option to retire at the end of this school year (2014-15 SY) and receive one of the following: A) 30% of your VRS salary in a single lump sum payment, with no requirement to work any days; or B) 50% of your VRS salary, with the requirement to substitute 50 days. What Mr. McKlarney heard from the Board of Supervisors was that they did not want to offer the incentive for year 2 and 3 because they felt like they were putting people in a bad spot to make a decision when they may not be ready. There was a question as to whether someone had to have 30 years of service and with this incentive, you don’t have to. They only had to be VRS eligible. Dr. Webb agreed to do it only for a year at this point. Mrs. Hobbs stated that she is not a supporter of this because she feels like we lose good, qualified teachers when you do these incentives. Dr. Arbogast stated that we need to stay competitive with salaries and benefits to be able to attract and keep teachers. We are losing experience, but we can still hire new individuals with great ideas and are going to be good teachers. Mr. Gentry stated that we have had success with SOL’s with some of our new teachers. Dr. Webb said we like to hire and be able to keep good teachers. We fall in the lower half of the region as far as teacher salaries, but we’ve always had that competitive kicker as far as insurance is concerned. Mr. Dunn stated that he thinks teachers would rather come in with stable insurance rates. Rhonda Tickle has asked Local Choice to consider offering “employee +child” as an option for health insurance for next year. Mr. Dunn asked Mrs. Tickle whether there was any discussion on going back to the higher deductible option. Mrs. Tickle stated that it was not feasible because the deductible went up tremendously. They only paid 70% instead of 90% afterwards and the amount in which had to be contributed was not feasible. It was not a good option for the employee. Mr. McCoy stated that they are in agreement with the retirement incentive that was discussed. It needs to be clear that it is not offered next year. This doesn’t mean that it is not going to be offered, but right now it is a one-time thing. The way to get salaries up and have the ability to increase salaries is to save and limit the number of positions. I think we both have to look at that. Mr. McKlarney stated that we have to figure out where we can save money and prove to them that it will go back in their pockets. Something he has seen county employees buy into is that they work more if positions are not filled by getting creative and get increases in return. He stated that he realizes that in the schools it is a little different because of Standards of Quality/Classroom Sizes, but if we encourage people to think outside the box and they get rewarded for that, it changes the game a little bit. It’s a culture that we have to create. Dr. Arbogast stated to keep in mind that on School Board budget, the state projects that we get sales tax in the amount of \$2.72 million. We have not come close to getting the amount of sales tax that they project for us to get each year. We are about \$125,000 short each year. This amount is based on a formula. Mrs. Tickle (Rhonda) stated that we are going to get less money in key basic aid areas and are supposed

to make it up in sales tax, but she doesn't think we are going to make it up from the sales tax. On motion of the Board of Supervisors: Mr. Williams, with second by Mr. Baker and unanimous voting, approved the retirement incentive as follows: If an employee is "eligible to retire under VRS," he/she would have the option to retire at the end of this school year (2014-15 SY) and receive one of the following: A) 30% of your VRS salary in a single lump sum payment, with no requirement to work any days; or B) 50% of your VRS salary, with the requirement to substitute 50 days. This is only a one year option at this time. On motion of the School Board, Mr. Gentry, with second by Mr. Whitehead and unanimous voting, also approved the retirement incentive.

Mr. McKlarney stated that there has been a lot of discussion about how the 1.5% raise is going to be structured. One, you can have a straight 1.5% across the board. The school system has a pay scale for teachers, and they intend to take that money and move everyone up a step to try to stay competitive with other divisions. Dr. Arbogast stated that he has 5 different options for salary increases. The lowest request that we would ask the county for is 1.5% for all classifications, and teachers would be 1.5% on average (\$413,929). The high side of the proposal that the Board of Supervisors was given was to give a \$750 across the board for bus drivers, teacher assistants, secretaries/bookkeepers and nurses. The teacher salary scale would be adjusted to give the teachers an average of 1.97% to maintain competitiveness in the region/local communities and Administrators would be 1.5%. This proposal would cost \$515,000. Mr. McKlarney stated that on the county side, regarding the 1.5%, if we apply it across the board to everyone except constitutional officers and comp. board employees, which are going to be given 2% because they don't have a choice and take that sum of money and divide it equally among all of the employees, it equates to \$750 per employee, which is how Dr. Arbogast come up with that figure. There are two other proposals that fall between the \$413,000 and \$515,000. There is also another proposal that gives \$750 across the board and teachers on average were 1.5% (\$476,000). So, we are in the neighborhood of \$413,929 and \$515,000 range. Mrs. Tickle (Rhonda) explained to the Board of Supervisors that their budget now includes \$500 across the board, except the 1.5% for SOQ positions and you are currently at \$1.9 million dollars short. Dr. Arbogast stated that what he did was give \$500 for bus drivers and teacher assistants. He looked at bookkeepers, secretaries and nurses. If it was more than \$500 by doing the 1.5%, he left it alone. If it didn't reach \$500, he added money to get it to the \$500. Administrators would get 1.5% and teachers on average, would get 1.5%. This proposal would cost \$436,811. Mr. Williams asked how we fall in the New River Valley with administrator salary scale. Dr. Arbogast stated that we probably fall in the middle. Mr. Williams stated that he has never really been a fan of a % raise because people on the bottom do not get much. Both boards discussed the raises in length. Mrs. McMahon stated that she was still very concerned with the 1.5% pay increase, especially with the employees out of pocket increase in insurance. Most of our teachers will be bringing home less take home pay because of the increase in insurance. She asked that the Board of Supervisors increase the cap on the allowance of health insurance by \$20. She stated that our teachers do such an outstanding job day in and day out. We have such excellent staff and our pay raises have been minimal. More and more is expanded and demanded now from our teachers. There was more discussion on the raises.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Growth Rate</u>
<b>Revenues:</b>	-	-	-	-	-	-	-	
General property taxes	10,697,086	11,102,097	11,041,741	11,807,023	11,857,303	12,105,056	12,485,742	2.61%
Other local taxes	2,044,328	1,912,001	1,664,585	1,749,017	1,746,202	1,919,216	1,956,894	
Permits, privilege fees,	45,065	76,669	31,477	26,963	42,986	50,540	31,809	
Fines and forfeitures	24,264	20,192	29,833	26,837	31,194	105,492	62,616	
Revenue from the use of money and property	308,607	339,015	273,497	263,178	275,397	233,292	164,944	
Charges for services	621,663	658,341	679,646	655,705	629,049	596,005	605,864	
Miscellaneous	37,991	976,338	35,136	462,209	24,655	47,256	43,716	
Recovered costs	219,957	312,445	886,918	929,345	1,039,343	1,364,725	1,059,665	
Intergovernmental revenues	5,618,123	5,974,317	5,821,423	5,942,906	6,235,104	6,463,929	6,768,677	3.15%
<b>Total Revenues</b>	<b>19,617,084</b>	<b>21,371,415</b>	<b>20,464,256</b>	<b>21,863,183</b>	<b>21,881,233</b>	<b>22,885,511</b>	<b>23,179,927</b>	<b>2.82%</b>

<b>Expenditures</b>	2008	2009	2010	2011	2012	2013	Growth Rate
General government administration	1,500,835	1,517,026	1,319,105	1,355,584	1,402,207	1,335,713	
Judicial administration	663,594	695,441	702,042	726,488	706,626	752,773	
Public safety	3,570,744	3,846,523	3,831,224	4,153,458	3,972,272	4,687,477	
Public works	432,571	441,893	559,201	420,421	421,212	596,392	
Health and welfare	2,869,119	3,058,680	3,269,547	3,517,234	3,865,490	3,851,966	
Education	5,883,994	4,745,227	5,180,246	5,064,371	5,112,722	6,113,188	
Parks, recreation, and cultural	790,006	795,081	818,511	744,911	743,801	704,999	
Community development	1,035,036	257,520	4,611,680	261,504	322,772	716,368	
Nondepartmental	59,637	352,012	406,302	696,032	743,593	880,871	
<b>Total operating expenditures</b>	<b>16,805,536</b>	<b>15,709,403</b>	<b>20,697,858</b>	<b>16,940,003</b>	<b>17,290,695</b>	<b>19,639,747</b>	<b>0.57%</b>