

Board of Supervisors
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County Administrator
Ned Smither

The County of
Powhatan

March 1, 2021

The Honorable Board of Supervisors
County of Powhatan, Virginia

Honorable Members of the Board:

It is my honor to present the County Administrator's proposed operating budget for the fiscal year ending June 30, 2022. Powhatan County, like every other local government in the United States, has endured twelve months of financial uncertainty as we emerge from the COVID-19 pandemic. Last June, the Board of Supervisors carefully crafted a revised budget that curtailed spending and reduced estimates for revenue sources including real estate, personal property, and sales tax. As the fall and winter passed, it became apparent that the economy was not "crashing" and people were spending at higher levels than before. As an example, our June 30, 2020, sales tax revenues were up 18% over FY19 and current FY21 spending levels are on pace to grow our sales tax revenues by another 9%. Powhatan shoppers are spending their money on home deliveries, and Powhatan County enjoys the sales tax benefit, not our neighboring localities.

The County Administrator's proposed budget includes expenditures that grow at an annualized two-year rate of 3.5% over actual spending for FY20. We utilized FY20 as a base of reference as it was the last full year of operations prior to the defensive budget the Board wisely adopted for FY21. At the same time, this budget includes a projected two year annualized revenue growth of 3.1%, even after a proposed \$.02 tax rate reduction to \$.83 per hundred dollars of assessed value, a growth rate that is still just slightly below projected expenditure growth levels.

The proposed budget continues to focus on three primary areas within our government, public schools, public safety, and operational efficiency while proposing a 3% merit-based raise to all county and school employees.

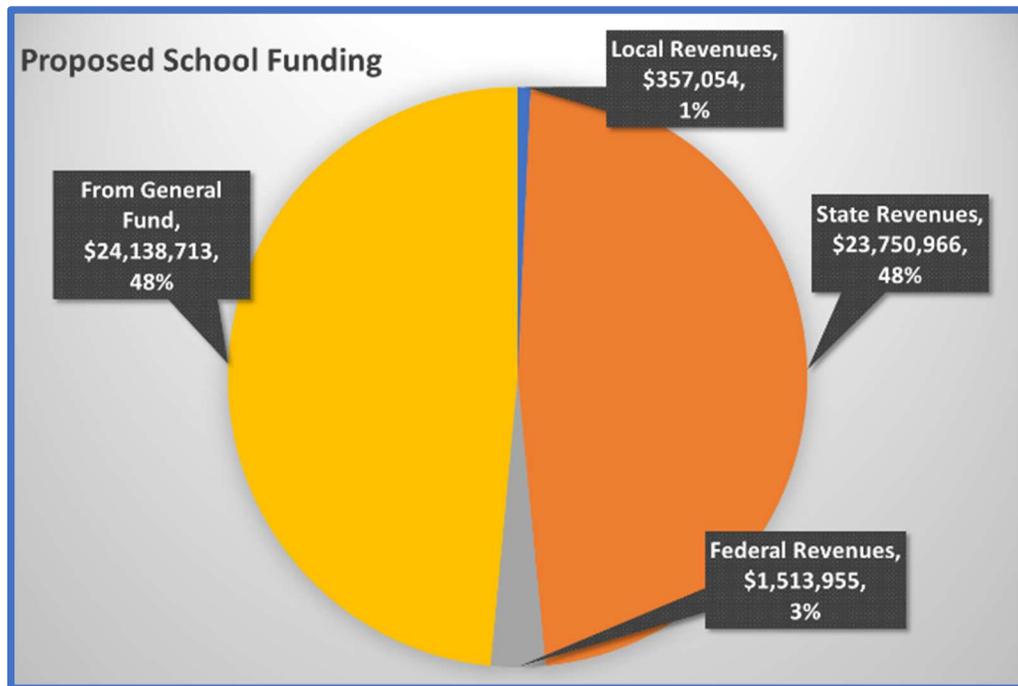
Public Schools

The FY22 budget increases the local funding to our schools to \$24,138,713, which is a 4.74% annualized increase from the FY20 local contribution and a 4.2% increase over the adopted FY21



budget. The proposed \$24,138,713 includes \$1,002,000 for the proposed 3% merit-based salary adjustment. The proposed \$49.8 million School Board budget is within \$176,000 of the School Board's first budget draft as our projections varied slightly from the School Board's projected spending and estimated revenues. The School Board's first budget draft included \$181,000 in technology improvements and \$256,000 for four new positions and the filling of two vacant positions. The four new requested positions were two custodians, one elementary school guidance counselor, and one library assistant.

	Proposed FY22	School Board First Draft
Local Revenues	357,054	349,550
State Revenues	23,750,966	23,898,730
Federal Revenues	1,513,955	1,492,926
From General Fund	24,138,713	24,195,196
Total Funding Sources	\$49,760,688	\$49,936,402
Difference		\$175,714



Public Safety

Powhatan County has always prioritized public safety and this budget continues that tradition with significant investments in emergency communication equipment, fire and rescue apparatus, and increased staffing to improve response times and service delivery. Included in public safety is our Sheriff's operations, fire and rescue operations, and emergency communications. The proposed budget adds five positions in these areas, three full-time firefighters and two Sheriff's deputies. In addition to the three firefighters, the Capital Improvement Plan includes investments in new fire apparatus and funding to start construction on a new addition to Fire Station #1.



Building Inspections

Powhatan County is experiencing a tremendous level of growth in the number of building permits processed, both commercial and residential. The proposed budget includes a new commercial inspector/reviewer and one additional staff member that will supervise Powhatan County's proposed new Permit Center. The Permit Center will enhance customer service in the building inspector's office and our planning and zoning office by offering a centralized and direct response to most citizen inquiries, improving turnaround time on permits and zoning requests while enhancing productivity of existing Community Development staff.

Operational Efficiency

Powhatan County currently utilizes outside appraisal firms to conduct the assessment of real estate throughout the county. We currently conduct a reassessment every two years and the next reassessment will determine property values effective January 1, 2022. This budget proposes to bring the reassessment process "inside" using a proposed staff of three appraisers and one administrative staff to complete the annual reassessments, allowing residents to avoid the "peaks and valleys" that may exist with semi-annual reassessments. The proposed real estate assessment staff will be able to provide direct customer service to inquiries from our citizens and the business community. In addition, the proposed budget introduces a reversion back to the use of the calendar year instead of the fiscal year for real estate billing, identical to the methodology used in our personal property tax billings and in most localities throughout the Commonwealth. The calendar year billing will provide staff and our taxpayers with a more simplistic and typical billing structure without impacting the dollar amount of the real estate bills received by our citizens.

Our Department of Social Services team continues to respond to broader customer service demands and significant increases in state and federal compliance requirements. To meet these growing needs and remain in compliance with funding guidelines, the proposed budget is adding two more full-time positions and an additional upgrade from part-time to full-time (2.75 full-time equivalents). These positions are funded partially by the county (29%) and partially by State and Federal programs (71%).

COVID-19 has significantly changed the way we do business and increased our need for technology. Our Information Technology Department has done an excellent job providing us with the tools and skills necessary to serve the public, often from remote locations. Our Information Technology team was already in need of an IT technician prior to the pandemic and this position provides the resources to keep us running efficiently.

In total, the proposed general government budget adds the fourteen positions described above and an additional three full-time positions that were part-time positions which evolved into full-time positions.



The budget addresses a significant investment in the first year of our planned ten-year Capital Improvement Program (CIP). The proposed CIP includes many improvements that are consistent with our strategic plan, many of which improve facilities within the county, and some providing new facilities as needed. The following summary provides CIP summary budgets for various county agencies:

CIP- User Agency	Ten Year Totals		FY22	
	Total	From General Fund	Total	From General Fund
Registrar	\$46,130	\$46,130	\$46,130	\$46,130
Fire Apparatus	10,640,000	10,640,000	1,710,000	1,710,000
Information Technology	4,266,000	4,266,000	496,000	496,000
Parks & Recreation	9,860,000	9,610,000	1,145,000	1,145,000
Fire, Rescue, E-911	7,621,000	6,990,000	2,055,000	1,874,000
Public Works	3,647,000	3,647,000	1,060,000	1,060,000
Schools	27,099,000	13,949,000	1,905,000	1,905,000
CVTA-Roads	14,903,000	0	1,300,000	0
Public Utilities	1,430,000	1,430,000	700,000	700,000
Vehicles	1,245,000	1,245,000	380,000	380,000
Broadband	2,000,000	2,000,000	500,000	500,000
Total	\$82,757,130	\$53,823,130	\$11,297,130	\$9,816,130

Once again, the proposed CIP focuses on public schools and public safety, with \$45 million (55%) of the proposed ten-year \$83 million CIP allocated to schools and public safety, and 50% of the FY22 CIP allocated to these same key areas. The proposed CIP also provides funding to areas targeted in the Strategic Plan, especially parks and recreation (\$9.9 million), broadband (\$2 million), and planned facility maintenance (\$3.7 million). New for our FY22 CIP, we have included the County’s proceeds from the Central Virginia Transportation Authority (CVTA). CVTA will send Powhatan our portion of Authority revenues on a monthly basis and the County will manage road construction projects from these funds. Powhatan funding from CVTA is expected to be in excess of \$1.3 million per year.

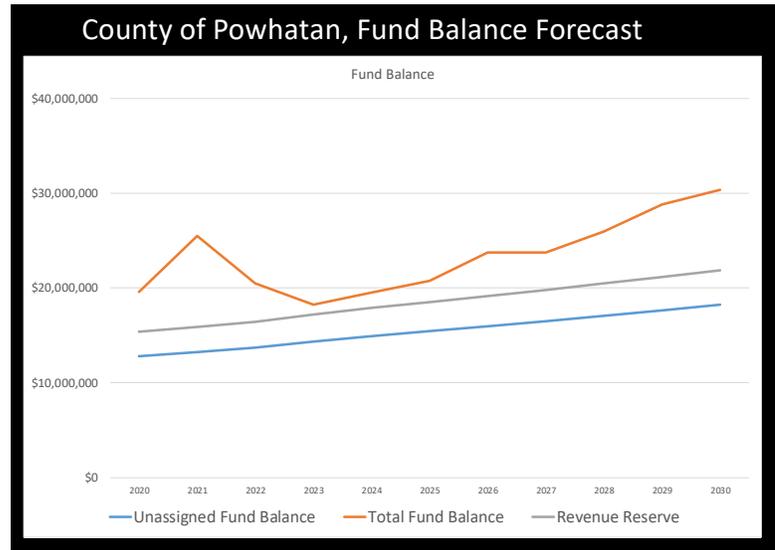
In summary, the proposed budget is a significant rebound from the defensive position that had to be utilized during last year’s budget. We have included budget initiatives that all “fit well” within a projected 10-year forecast of operations. The initiatives include:

- 1) Reduction in the real estate tax rate from \$.85 to \$.83 per \$100 of assessed value
- 2) Starting a Powhatan tradition of 3% annual merit raise for all employees
- 3) Local funding increase of 4.2% over FY21 appropriations for our school system, inclusive of the proposed 3% merit raise.
- 4) Five new public safety positions



- 5) Increased staff and improved office structure (Permit Center) in Building Inspections Department (two positions)
- 6) New reassessment office with annual reassessments (four positions)
- 7) Improved service-related positions within social services (2.75 positions)
- 8) CIP - General fund support ("Paygo") of \$9.8 million

As a result of conservative financial planning by the Board for FY21, combined with continued growth in our sales tax revenues and our property values, the estimated ten-year fund balance levels are projected to remain above our 18% minimum fund balance guideline. The 18% guideline represents our 15% fund balance policy plus our new 3% Revenue Reserve Fund policy. In addition, the use of debt has been minimized in the CIP, with expected borrowings in 2025 for the Fighting Creek Park Expansion and again in 2028 with the planned high school addition. We are proud that our debt ratios will be below our debt guidelines in FY22 and will remain well below these levels even with the additional debt planned in FY25 and FY28.



In closing, the County Administrator proposed budget is "step one" of the Board's vision of long term financial and strategic planning. It is my goal that our citizens will come to know our operations as efficient, transparent, and responsive. The FY22 proposed budget sets the table for Powhatan to "raise the bar," becoming an example of excellence in managing a rural locality. We will continue to elevate the services offered in future years as our new Enterprise Resource Planning ("ERP") system should be fully operational by the end of FY22, fully integrating many of our agencies, drastically improving staff productivity and the product presented to our citizens.

Members of the Board, I want to thank you for your input and your tremendous service to the Powhatan Community. If you have any questions, please do not hesitate to call.

Sincerely,

Ned Smither
County Administrator