

At the recess meeting of the Giles County Board of Supervisors on Thursday, March 17, 2011, at 3:30 PM in the Giles County Administration Office, 315 North Main Street, Pearisburg, the following were present:

Eric Gentry	Chairman (Eastern District)
Paul "Chappy" Baker	Vice Chairman (At-Large Supervisor)
Howard Spencer	Western District
Richard McCoy	At-Large Supervisor
Barbara Hobbs	Central District
Chris McKlarney	County Administrator
Susan Kidd	Board Secretary

CALL TO ORDER/INVOCATION

Mr. Gentry called the meeting to order. Mr. Spencer offered the invocation and led the Pledge of Allegiance.

APPROVAL OF MINUTES

Mr. Baker moved to approve the minutes of February 17, 2011. Second by Ms. Hobbs. Approved unanimously (5-0). Voting YES: Mr. Gentry, Mr. Baker, Mr. Spencer, Ms. Hobbs, Mr. McCoy.

PERSONAL PROPERTY TAX – DISABLED VETERANS

Mr. McKlarney reported that Anne Chambers, Commissioner of Revenue, called to his attention a regulation that allows disabled veterans to have taxes on vehicles waived. Mr. Chidester's opinion was that there would be no tax on qualified individuals unless the Board decides to establish some tax rate for this. If they do nothing, then they would pay nothing. Qualified applicants for this waiver have to be 100% disabled during military service and have documentation to that effect. Mr. McCoy said he did not feel they needed to establish another rate; this only applies to one vehicle per qualified household. Ms. Hobbs said if it becomes a problem, the board can take another look at it. Mr. McKlarney felt that Ms. Chambers would want to come and discuss this with the board, but she wanted to give them some information on it now.

Ms. Hobbs moved that the board do nothing and let the "no tax" rule prevail. Mr. McCoy seconded the motion.

Discussion: Mr. Spencer said he agreed with some limitations. Mr. McKlarney said the board cannot change the limitations; those were set by the state. Mr. Gentry agreed and said it was very specifically defined. Mr. McKlarney said Ms. Chambers will probably come to the next meeting and can answer questions on the details of the policy.

Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

WHEATLAND ECO PARK RESOLUTION

Mr. McKlarney presented a resolution for the Industrial Access Road at Wheatland ECO Park. VDOT has finally looked at it and suggested some changes from the previously approved resolution. Primarily, the old resolution only funded the access road to NanoSonic and not beyond it. This resolution has a phrase that indicates we will "develop additional property". Mr. Gentry asked how far out in the park this road went. Mr. McKlarney said it will be constructed in phases and they will only fund the number of feet the IDA proposes to build past NanoSonic. It also covers the entrance, turning lanes, and main access. Ms. Hobbs asked if the rest of the land is developed for residential, would those people use the same access. Mr. McKlarney said they would not – it would have a separate entrance. VDOT requires this be used as an entrance for industrial or commercial uses only. The estimated cost of this road is about \$600,000. VDOT will deduct 10% of the value of the county's investment in the park. For every \$1 million invested, they will deduct \$100,000. In this case, it means the county would have about 5 years to put about \$6 million of investment in there. More than half of that amount is already covered with current development. Mr. McKlarney said the worst case would be getting about

\$350,000 from the state. Mr. Spencer asked what would happen if the county did not meet the target amount. Mr. McKlarney said they would have to pay the difference. He noted they have already sold another commercial lot there and hopefully it will be developed before then. If nothing else would happen to develop there, then the county would have to repay about \$250,000 in five years.

Ms. Hobbs moved to approve the new resolution for Industrial Access Funds through VDOT for Wheatland ECO Park. Second by Mr. Baker. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

SCHOOL BOARD APPROPRIATION

Ms. Hobbs moved to appropriate \$2,281,988.42 for the school board for March, 2011. This includes \$177,250 in construction funds. Second by Mr. Spencer. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

SOCIAL SERVICES APPROPRIATION

Ms. Hobbs moved to appropriate \$160,000 for Social Services and \$84,578 for CSA for April, 2011. Second by Mr. McCoy. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

PAYMENT OF WARRANTS

Ms. McCoy moved to appropriate \$461,829.41 for payment of warrants as presented. Second by Ms. Hobbs.

Discussion: Ms. Hobbs said she would like to commend all the departments. It looks like everyone is trying to hold expenses down.

Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

WILBURN VALLEY ROAD

Mr. McKlarney noted that several people attend the last meeting with comments regarding the condition of Wilburn Valley Road. Mr. Clarke sent an email stating the VDOT is going to try to remove the stone and add additional slurry mix if the budget allowed. Mr. McCoy said he still did not understand why they put that down in the first place. Mr. McKlarney recommended the board convey those comments to VDOT at the next meeting. Ms. Hobbs said she did not care about their budget; they messed it up so they need to fix it. The slurry makes it worse, then they need to repave it. B. W. Songer commented that Route 660 in Staffordsville is in the same condition. Mr. McKlarney said Mr. Clarke is looking at both roads and did not make the response specific to a particular road. Ms. Hobbs asked what slurry mix meant. Mr. McKlarney said it was a mixture of gravel and tar. Ms. Hobbs said during hot weather, would that mean tar gets tracked into the house too. Mr. McCoy said it used to be that was how all secondary roads were treated and it worked okay.

GILES COUNTY ARTS COUNCIL

Mr. McKlarney reported that the Giles Arts Council has a grant opportunity from the state. This would be a 50/50 match and the maximum award is \$5,000. They are working with Celanese to paint one of the smokestacks. In order to file this application, the Board of Supervisors would have to be the applicant. Celco will contribute the 50% match, but the county would have to be the conduit for the grant. Ms. Hobbs said she had no problem as long as they have money to match it and it does not require our staff to prepare the grant. Mr. McKlarney said that Denise Blakney told him the Arts Council will put together a grant, Celanese will fund it and they just need a motion from the board to make the application.

Mr. McCoy moved to allow the Arts Council to make application for up to \$5,000 in grant funds. Second by Ms. Hobbs. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

ADA COMPLIANCE

Ms. Hobbs asked if the new regulations for handicapped accessibility will affect anything at Castle Rock. Mr. McKlarney said he would have to ask Mr. Mills – the only place may be if handicapped access is required for the pool. Ms. Hobbs said one of the examples she heard was that if you operate a miniature golf course, you would have to make it accessible for everyone to be able to play – not just watch. Mr. McKlarney said he would check on that. ADA was recently here looking at the stadiums and there are some changes that have to be made there. Mr. McKlarney will check on that since they have to do some work on the deck at the pool at Castle Rock.

BUDGET DISCUSSION

Mr. McKlarney said the deficit on the proposed budget that was distributed is now at zero, but he needed to explain how they got there though. The most pressing aspect of this that needs to be dealt with by the middle of April is the school budget.

Mr. McKlarney shared a synopsis of funding for schools. What appears to be good news from the state in regards to \$400,000 in additional funds has been reduced significantly because the number of students decreased since the beginning of the year. That results in \$216,000 decrease in funding. So the overall increase in funds is just under \$200,000. Ms. Hobbs asked if the students left to go from No Child Left Behind to another testing system. Mr. McKlarney said the majority of those leaving have transferred to another system either within or outside of the state. Several have dropped out and a few were expelled for discipline reasons. He noted that the federal jobs money increased but under ARRA (Recovery Act) \$417,000 is being used in the school operations this year. Unless additional federal money is appropriated next year, that is gone. Mr. McKlarney spoke to Senator Warner's representative and he was not very optimistic about new funding. So with no new funding, that is a \$417,000 hole the school will have to dig out of right up front. Right now that money is being used to cover 4 teacher and 7 aide positions. Ms. Hobbs asked if the ARRA money was on top of the federal money schools received for special programs. Mr. McKlarney said it was and last year it helped with the \$750,000 decrease the school system saw. They have had about \$2 million in cuts over the past two years. Ms. Hobbs asked if they had been able to save any of that money and put it into next year's budget. Mr. McKlarney said the \$653,000 and \$417,000 were both saved from this current fiscal year and will be moved to FY 12. However, that money has to be spent by June 30, 2012, and that is what leaves the hole in their budget.

Mr. McKlarney called the board's attention to \$230,000 in county money that is proposed to increase local funding for this coming fiscal year. That is half of what the county gave in extra money last year. That was \$460,000 as a one-time appropriation to help offset some of the large cuts they received. That money is not in the school's budget this year; this would appropriate another \$230,000 for FY 12. Mr. McKlarney discussed some of the expenses in the school budget. VRS is at \$207,000; a few weeks ago that number was \$330,000. The school has proposed not to replace some of the retiree positions and that is where the savings are. They have added \$31,000 to the fuel budget; this is just a best guess but anticipate those costs increasing. Ms. Tickle said the \$31,000 for fuel is in the school budget. The county does the bidding and pays for the fuel though. If that money is not necessary for fuel, it would not be spent. Mr. McKlarney noted an increase in electric bills – Eastern is going from coal to electric heat and that increased the expense. The insurance also increased due to the renovations. In addition, there is a proposed \$800 bonus per employee in this budget. The last expense listed is band width. The school system is at capacity. They have to shut down computers even in the central office in order to do SOL testing. Ms. Hobbs said they have little choice except to upgrade that because SOLs are not going away. Mr. McKlarney agreed. He said this also affected teaching tools in the classroom – they are using more and more band width and the bottleneck keeps getting smaller and smaller. Ms. Hobbs asked if the \$88,000 was for equipment. Mr. McKlarney said it was just payment for the band width service – access to it. The school board already has the hardware. He said Verizon is getting ready to make a

significant investment from Narrows to Giles to allow better communication between there and that is part of the cost.

Mr. McKlarney said the total expense was \$626,000 and the difference is a \$140,000 deficit. With this proposal the school system understands they are going into this with a deficit of \$140,000 in their budget. They are working on how they can deal with this. Ms. Hobbs said if this is approved and the school system absorbs the \$140,000 and the remainder of the budget is basically level funded or slight decreases, then the county can get there by using revenues that will be received this year but the expenses were paid last year. This would balance the budget without a tax increase. The county has about \$406,000 coming back on the Ripplemead project and those expenses have already been paid or the crew found ways to save money on the project. The proposed budget is showing zero deficit because they are putting \$260,000 in there from that project. Ms. Hobbs said this is a basically band-aid for the next fiscal year. After that some corrective moves will have to be made. The board will have \$265,000 next year that they will have to make up somewhere just to get even – before they even get started. Then, there will be \$417,000 to find for the school board budget. Mr. Gentry said that is just assuming everything is funded the same next year. He said the pro rating that Ms. Tickle mentioned on the school board side could be something they have to deal with immediately. Ms. Tickle said they were going to be hard pressed to stay at \$140,000 on that – that is best case. The actual ADM change is almost \$300,000.

Mr. Spencer said everything is going up, but there is the possibility of controlling the jail expenditures which are now over \$1 million annually. When you look at the percentage of budget going to that, it is growing faster than any other category. If that could be reduced, that money could take care of these immediate needs. It is imperative that the board do something besides talk about it. They should put up the money to establish a magistrate. Mr. McCoy said that does not guarantee anything will change – the magistrate still works for the state not the county. If the county hires one that is still sending everyone to the jail, then we are stuck paying the salary. That may be the right approach if the county can hire the person.

Mr. McKlarney said Mr. Chidester has been researching the numbers. One of the biggest problems is someone is sentenced under the state and the state drags their feet in moving them out of the regional jail to a state facility. The state pays \$12 per day and the county still pays full per diem on the same prisoner. Sometimes this drags on for 6 months or a year or longer. Mr. Chidester is trying to talk to other localities and get some consensus on this. The first step is talk to the legislators and the next thing is sue the state. That has already happened with Virginia Beach suing the Department of Corrections over this issue not long ago. It continues to drag out. The county doesn't want to spend money on law suits if it can be helped, but the state has to pick up their responsibility. Mr. Gentry said the county is paying about \$30 and we should be refunded the \$12 per day on these people. Mr. McKlarney said the jail's argument is that it keeps the overall per diem down. Ms. Hobbs said it may. However, if they take out the state prisoners but keep full staff then the per diem will probably go up. Mr. McCoy said they need to make adjustments to staffing. This is not a trend that surprised them overnight. They have had open beds since the new portion opened but they have continued with all the hiring just as if they were at full capacity. They may not have hired everyone necessary for full jail, but they have more than necessary for the capacity that is there. Ms. Hobbs noted they also did that in full knowledge of the state facility opening in Grayson County. Mr. Spencer said there was not a lot that can be done about most of the budget but there could be some room on the jail bill. Other than that, what staff has put together is an excellent plan. He just wished they could do something about the uncontrolled expense at the jail. Mr. McKlarney said CSA is the same problem. It is almost impossible to budget for; you can guess using the previous year. However, this year has increased a large amount over last. Those costs are tremendous. This year so far it has been \$1.3 million over and above the budgeted amount. Most of that is state money, but the county has to budget their matching portion. When the state has to appropriate extra for CSA, then the county portion goes up over the budgeted amount also. Ms. Hobbs said there are no easy answers. She felt they need to petition the state to get a local magistrate and keep on them until something happens.

Mr. Gentry asked about consolidation efforts within Commissioner, Clerk, and Treasurer's offices with phones and reception areas. Also look at consolidation efforts within the schools – libraries and other places that could be handled in common. Mr. McKlarney said he thought Dr. Arbogast was looking at that. He has worked well with the county on the other consolidated services areas and is leaning toward doing some of that in the school system. Mr. McKlarney said some of the things this board doesn't hear about are some of the consolidation

efforts already going on in the schools and people are picking up and doing a lot more things. He said now there seems to be much more of a team approach to getting the budget done. He and Dr. Arbogast work on it with Ms. Tickle and she is able to see both sides of it. That has been a real benefit. Mr. McKlarney said he can honestly say looking at the school budget, there is no "fluff" there.

Mr. Gentry said then they are left with the Constitutional Officers and Sheriff. He said the Treasurer and Commissioner are in the same building – seems they could do something similar with phones and front office staff like county is doing. There is a lot of common area of use there. Ms. Hobbs asked if he meant to get rid of personnel. Mr. Gentry said that or if someone leaves, look at how work is being done and consolidate jobs. Ms. Hobbs said she would hate to make that call without sitting in those offices for an extended periods of time – it is hard to say everyone is not busy now. Mr. Gentry said he was just trying to look at ways to save. The county offices were busy and they still pushed forward and consolidated jobs. It has worked out. It's not really about being busy but maybe the work can be done more efficiently. It is not a bad thing they are doing now but maybe that is the next place to go. The board has not touched that area yet or even asked to do anything there.

Mr. Spencer said the **PSA** should be the vehicle through which the water system is run. The PSA board should take a more pro-active role and take some of the load off the county as far as the water and other things. Mr. Gentry said in Buchanan County, the PSA board is a powerful entity and gets a lot of things done – they run their business. They work as a team – not as town vs. town. They go after grants and work together as a team. That is what Giles PSA needs to get to. Mr. Spencer said Giles is 10 years behind business – downsizing, reducing and working more efficiently. That is where they have to get to. That is what PSA need to look at. Mr. McCoy said things are pretty bare bones now. Ms. Hobbs said her dealings with the towns have not been good enough to allow them to decide where county water is going to go. If they had, it probably would have been a big "no" at the very beginning. Most of them were against running water into the county. Mr. Spencer said maybe a few years ago that was the feeling. With new members coming onto the PSA board, he saw a shift in the direction. Mr. McCoy said there was a small change. Ms. Hobbs said that board's members are subject to change in any given year and it could all go backwards. Mr. Gentry said that is true anywhere but it has to start somewhere. Mr. McCoy said he felt it would be a while before it could just be handed over, but it might be possible eventually. Ms. Hobbs said before she could do that she would have to get water rates and how many customers in order to compare with other counties. Mr. Gentry said Buchanan County is a different situation because they will run water lines 5 or 6 miles or over mountains to serve a few customers. They also get more grant money because of the mines there. Mr. McCoy said Giles ran into some of that with DHCD requiring us to increase to a certain rate for water if we used their funds and the county did not want to increase that much. Ms. Hobbs said if people cannot afford the water, then it doesn't make sense to run it there. Mr. Spencer said in the Western District there may some small areas – maybe extend beyond Marlville some – but most areas that need water have it. Ms. Hobbs said that is because there are three towns in the Western District – they handle most of the water there. As far as the Central District, most of the people beyond Wilburn Valley will never see county water. It is just not feasible to do it. Mr. Gentry said even not looking at new lines – they have to get the line through Pembroke replaced. At some point we may have someone want to locate on that end and there will not be the capacity to serve them.

Mr. Spencer said he proposed for Mr. Houck to look at the \$400,000 in an account that is not obligated. They could start working on that in sections. Mr. McCoy said he wasn't sure doing it in sections would work. Mr. Gentry said they needed to contract that out as a whole, but that money could go toward that. Ms. Hobbs asked if there was any provision in this budget for the Eastern Corridor projects. Mr. McKlarney said there was not. It would have to come from grants, loans, or out of contingency. Mr. Baker said that would bring a ridiculous price for water. Mr. McCoy said he did not see that it could be done without a reasonable increase for water. Mr. McKlarney said the grant for the Pembroke line would have required the county to raise rates to about \$42 for 3,200 gallon. Right now it is about \$28 for 5,000 gallons. That would be about a 40-50% increase to use that grant money. The problem is they look at household income and it is a percentage of the income for the region they are surveying. That is higher on the eastern end of the county.

Mr. McCoy reported that the PSA board met and discussed the fly ash rebate. They would like to use it to pay for off the line of credit used for the river withdrawal study. That is about \$180,000. Then, if the PSA receives grant funding for that project it could be part of the grant. Mr. Gentry asked if they have a monthly payment in their budget on that line of credit. That is correct. It was a line of credit and as the payment went up, it was just

absorbed in the budget. He said as long as the money is used on that project, he has no issue with it. However, if they do get the grant and the amount is reimbursed, then it has to be used on the river project. Mr. McCoy said that was understood but a reimbursement resolution needs to be done. The pilot studies are complete, the decision has been made, and they are now actively looking for money to do the project.

Mr. Spencer moved that PSA use the funds received from the fly ash rebate to pay off the existing line of credit from the river withdrawal study. Second by Mr. McCoy. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

Ms. Hobbs said she had seen some advertisements on television for **Extension** and 4-H Camp. She wondered how they can afford that if they don't have enough money to operate. Mr. McKlarney said the state restored their funding. Ms. Hobbs said she understood but the county had to put up money to keep the 4-H agent here. Mr. McKlarney will check on that.

Mr. Gentry said it was not clear what was going to happen with schools and their funding next year. He asked if the board was willing to entertain any type of tax increase at all this year. Mr. Baker said he would not. Ms. Hobbs agreed and said not unless something drastic happened. Mr. Spencer said under very dire circumstances he might consider a small increase. Based on economic times, it would be better to wait on some type of recovery. He said they should look at a couple things: PSA, jail, magistrate, and some things that can be future savings. Mr. McCoy was not opposed to a modest (1-2 cent) increase in taxes because they do not know what next year will hold. The band-aid money will eventually run out. The combined services plan was a creative way to save money, but eventually you get as low as you can go. He felt they were there. As a whole, most people have cut to where we are just barely getting the job done. If the funding doesn't come through next year, then instead of a 2¢ you will be looking at a 5¢ increase just to meet the budget. Mr. Gentry said it was that or cut services. He agreed with Mr. McCoy they needed a small increase. It is better to do a few cents every year than to have a large increase later. If they can do without it, that is great. Ms. Hobbs said she would rather do without it this year and if there is something major that happens that requires funding then they have to act. But if there is not an emergency and they have extra tax money, it will get spent. Mr. Gentry said his fear was they were going to start dipping more into the reserves. Ms. Hobbs said this budget does not dip into the reserves. Mr. Gentry said people he talked with were not opposed to small increases in taxes or water. They can physically see the county making cuts to save money and feel they are getting good service. Ms. Hobbs said the Code of Virginia states they should not collect more than they intend to spend. Mr. McCoy said it is really all a calculated guess. He is okay with no increase, but just wanted to state that he likes 2-4¢ now better than 5-9¢ down the road. If they can do it without an increase, then that is good. He felt they should go through and look at things – parks and recreation were hit last year. Ms. Hobbs said she would not want to cut that again this year. Mr. Gentry agreed and did not want to cut fire departments. He felt there were other places they can look to cut. Ms. Hobbs said she would like for Dr. Arbogast to tell the board exactly what this is going to do to education. If it involved children – whether recreation or education – they need to take a closer look.

EXECUTIVE SESSION

Mr. McCoy moved to go into Executive Session as permitted by Virginia Code 2.2-3711 A(1) Personnel. Second by Mr. Baker. Approved unanimously (5-0). Voting YES: Ms. Hobbs, Mr. Baker, Mr. Spencer, Mr. Gentry, Mr. McCoy.

Ms. Hobbs moved to certify that in the closed session just concluded, the Board discussed nothing except the matters specifically identified in the motion to convene and lawfully permitted to be discussed under the provisions of the Virginia Freedom of Information Act cited in that motion. Second by Mr. Baker. Approved unanimously by roll call vote – Voting YES: Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker, Mr. McCoy.

SCHOOL CARRY OVER FUNDS

Ms. Tickle requested that in the event there is any money left in the school budget at the end of this year (FY11) and the end of next year (FY12), the board make a motion to carry it over to FY13. Mr. Gentry said if you have money left, it should be placed in an account so the board knows what is in there. Ms. Tickle said now it automatically goes back to general fund. Ms. Hobbs said they can make that motion but really cannot obligate beyond the fiscal year. Mr. McKlarney said they can place it in a restricted account so they know what is available.

Mr. Baker moved to allow any remaining school funds at the end of FY11 and FY12, be placed in a restricted account to use to meet the deficit in FY13. Second by Mr. McCoy. Approved unanimously (5-0). Voting YES: Mr. McCoy, Mr. Spencer, Mr. Gentry, Ms. Hobbs, Mr. Baker.

No further business was introduced. Mr. Gentry adjourned the meeting. The next meeting is scheduled for Wednesday, April 6, 2011, at 10 AM in the General District Courtroom, 120 North Main Street, Pearisburg, Virginia.

APPROVED:

Chairperson

ATTEST:

Clerk