Virginia: At the regular work session meeting of the Essex County Board of Supervisors held on Thursday, June 8, 2023 at 5:00 p.m. in the School Board Meeting Room, at 109 S. Cross St., Tappahannock, Virginia:

Board of Supervisors Present:	Robert Akers, Jr., Chairman Ronnie G. Gill, Vice Chairman Edwin E. Smith, Jr., Supervisor Sidney N. Johnson, Supervisor John C. Magruder, Supervisor
County Administration Present:	April Rounds, Interim County Administrator, Deputy Clerk

CALL TO ORDER

Chairman Akers called the Regular Board of Supervisors Work Session of June 8, 2023, to order.

ROLL CALL

The Clerk called out the roll for the Board of Supervisors; a quorum was met.

AGENDA

Chairman Akers asked if the board would be ok to move the Financial Policies Discussion up as they wait for Del. Hodges.

DISCUSSION

Financial Policies Discussion (Representative(s) from Davenport & Assoc, Akers)

Chairman Akers introduced Ted from Davenport & Associates. They had reviewed the financial policy and the only thing that had changed was some additional policies as it relates to the Capital Improvement Plan and increase of the reserves from 12% minimum and 15% target to 15% minimum and 18% target. It reflects on where we have been and where we could be.

Ted stated that as it relates to the fund balance has some charts with the unassigned fund balance policy calculation that references the current policy of 12% minimum and 15% target. The reality is that line 9 is where you have trended over the past 5 years. Based off of where the numbers are moving from 12% to 15% and from 15% to 18% seemed reasonable. That is the most significant update that has been made.

Chairman Akers stated even though we are tracking in the 19-20% the reality is we know we have a couple of big Capital Improvement Projects coming up with the Vehicle Maintenance Facility, potential new EMS station so those numbers will drop down. So we would be more comfortable with the 18% which is where we will most likely land.

Ted added that the policy does acknowledge that you may fall below your target, even the minimum at some point. It states that if they do go below the board will take action to plan for getting back into compliance within a 36 month period.

Supervisor Magruder asked what the reason he believes we were able to build that up over the last four years from 17% to 21.4%? Ted stated that it is through good County Management. Supervisor Magruder stated he was right on with that he was thinking the same thing. During that time we refinanced our debt to lower the interest rate, we have met a couple of our bond issues and we didn't assign that money to something else. His concern is that with the 18%, the big expenditures we are going to get below that 18% quickly. He feels that we are jumping up too high too fast. He doesn't mind the 15% it is just a concern of his.

Ted stated that it is a good point, you are going into what could be a more active capital planning phase the cash may be a part to fund these plans. Maybe there will be some debt involved and hopefully there are some grants available. It might just be part of the planning process to see how you can manage those projects within the higher level policy.

Chairman Akers stated that as we had discussed we are going to review it each year. He doesn't think that they will drop below the 15% even with what is projected out. Not in the next year or two so they will have time to monitor it.

Supervisor Johnson stated as he sees it these numbers are basically guides. They are not inscribed in stone, they are not final numbers. They are guidelines to keep us in line. We realize that when a unique situation arises then we can react to that to steer towards those target numbers.

Supervisor Smith stated that from 2018-2022 we have increased that fund balance by $500,000 each year. He is not concerned and thinks the 18% is well within our reach. He believes that the 36 month time is a little long.

Ted stated that could be three budgets, it could be two budgets. You can always go more quickly. When the unassigned balance is used you are either reacting to a disaster or taking advantage of some opportunity that is worth while. When you are reacting to a disaster when you are dealing with FEMA reimbursement it could take a little while so this gives you the time to get it.

Chairman Akers stated that as the policy is written if we fall below we would develop a plan to recoup that in 36 months but we could also develop a plan to recoup it in 12 months.

Vice Chairman Gill he is in favor of the more conservative 18% and probably something we need to shoot for. He asked that since he put these numbers into 3 concise charts and they don't see those each month is there a spreadsheet that could get us to these numbers on a quarterly or even monthly basis?

Ted stated that all of these are being calculated as of June 30 which is for the Audit. Fund balance can fluctuate so you may fall below the 12 or 15% and historically we have tried to tie it into where did you land in the Audit. It is a firm number. It could be presented at the organizational meeting in January. With ongoing reporting the debt is not too hard to do but the fund balance may be tricky mid-year.

Vice Chairman Gill asked if that would violate in covenants in the agreement since it states we needed to be at least quarterly reporting?

Ted stated that the thought on the quarterly reporting is about how you are trending relative to budget.

Chairman Akers stated one way to look at it all would be a rolling 12 month.

Vice Chairman Gill stated that he would just hate if we went through a whole year and didn't have this information we could be surprised in the end.

Supervisor Johnson stated if you are in line with the budget there wouldn't be any surprises.

Supervisor Johnson stated he has a concern with the school fund policy with the unused at the end of the year and would like to reconsider that. The schools are not a revenue producing entity and he thinks we should incentivize them to the fullest and in the long run we would have less expenses. He recommends in "item A" scratching 'a portion' and putting 'the annual funding for these reserves will be derived from the unutilized revenue at the end of Essex County Public School Fiscal Year at the rate of 100% of unutilized revenue.' He also believes they should scratch "item B" completely and the other items will be appropriated. There used to be massive spendings at the end of the year to use the unutilized funds. If they can get through the year with these savings award them the opportunity to use the funds as they see fit. If we allow that then they could use these funds and their request from the board would be lessened. So he feels that they should change it from 50% of the funds to 100% of the funds going back to the school.

Chairman Akers asked if anyone else on the board felt the same way keeping in mind that the school board has already voted on a policy of the 50%?

Vice Chairman Gill stated that there is a hook here it states in the policy that 50% would return to the County. There is nothing in there that says that we couldn't give them that portion back as well for a good purpose. It could still achieve what Sidney is talking about without putting it in writing.

Administrator Rounds stated she had a meeting with Dr. Thomas and Libbie Franklin on May 25th. We discussed this item. They were very comfortable and supported us adopting that language as it had already been presented and adopted by their school board as long as she felt that the board we be supportive of future requests of the remaining 50%. She assured them that if they came to the meeting with the proper documentation for a needs basis the board would entertain any conversation and always support them in their need. They were very comfortable with that. It could be up to 100% .

Supervisor Smith stated that they have always supported any request that they have had.

Supervisor Johnson stated that two years ago they made a request for reading specialists and we turned them down, they made a request for maintenance folks and we turned them down. They had to go out and get grant money to fulfill those obligations. We should look at where we can maximize the funds that we have.

Ted stated that he would add that this is Capital. If they are using these funds to supplement operating that is a problem. It is specifically a capital reserve and would be limited to what would qualify.

Vice Chairman Gill stated that since they have now seen the calculator tool and it all becomes more transparent now.

Chairman Akers stated that if we funded what was given with the Calc tool that was more money that they could spend. He appreciates Supervisor Johnsons position unless there is any other board member that feels strongly not to go with the 50% it seems like that is what we will stick with.

Supervisor Magruder stated that to Mr. Coles point that the money being put in certain funds and in the audit process we will see what under the capital funds to see that it is not being used for something else. They could come to us and ask us to move it over to their budget.

Chairman Akers stated that we would have our unassigned fund balance and under that we would have our capital reserves which we talked about creating an account for our capital reserves and have one for the school capital reserves. The school cannot have any surplus money roll over it has to come back to the County. That is why we have the policy with the 50% so that it gets locked into the capital reserve.

Supervisor Magruder stated that in the school fund balance reserve it says that the reserve should not exceed 12%. What is that amount currently?

Chairman Akers stated it's a big number.

Supervisor Magruder stated it would be a big number and wonders if that number is too high? Lets assume it's a $2,000,000 is that a normal limit for a school to have that much money in a capital reserve program or do we want to knock that down?

Chairman Akers stated that it really depends on the projects that the school has. If the school has some major renovations it may not be. He believes it was to mirror the county's policy.

Supervisor Magruder stated that the word arbitrage came up in the document. Would we be in any arbitrage debt issuance?

Ted stated that the arbitrage is specific to when you borrow money on a tax exempt basis which is how most of your projects would be. There is a limitation on how much interest you can earn on those tax exempt monies while they are sitting there being spent. The IRS, if you are borrowing at 3% doesn't want you earning 5%.

Supervisor Magruder asked if we could talk about the debt policy. He stated that number 6 talks about a special assessment exploring that how would that work?

Ted stated that they see that if a community wants their roads paved the board could self fund that and then assess those property owners for the benefit that they are getting. You are shifting the repayment to an entity that is benefiting from the investment. It's not widely used but comes up for something that doesn't benefit the county as a whole but benefits a certain group.

Chairman Akers stated that a prime example would be Coleman Island Rd where it floods. VDOT stated it would require a special project in order to build that road up. That might be one of those times that it only benefits those community members that live on that road that you could potentially have a special assessment to take care of that situation.

Supervisor Magruder asked if that was only under a bond issuance?

Ted stated that you could do and say we will front the money for the project but we wanted to be paid back over time from those users.

Supervisor Magruder stated in the last meeting that when you go to page 19 and the debt to assessed value calculation and you look at the 3.5% in 2018 at $29,000,000 that was only 2.3% of assessed value of real property. What concerns me with having it at 3.5% it bumps that number up a lot. When he came on the board 7 years ago they had $36,000,000 in debt and $12,000,000 of interest payments to pay over time we struggled with that. He is more comfortable with 2.5% or reluctantly 3% but 3.5% seems a little wide. He would like to see keeping the budget tight to not see us in the debt situation again.

Ted stated that there are two debt ratios on that page. The debt service to expenditures is the one that is tighter. If anything was changed that one could come down a bit. One will limit the other. You could look at it with the context of what is the debt for Capital that would be projected in 5 years.

Vice Chairman Gill stated that it is also a moving target as the assessed value of real estate changes. What established the benchmark of 3.5% was it just pulled out of the air?

Ted stated it would be driven by the bond rating as what they would consider reasonable. It is a cap not a target.

Supervisor Magruder would like to see the board lower that percentage to 2.5% or 3%.

Supervisor Magruder asked if when this is in the regular meeting do we just make a motion to change that number to 3%.

Chairman Akers stated that yes we would need a motion for that.

Supervisor Magruder asked if on page 18 'the County Administrator and Financial Services Director are responsible for administration and issuance of debt' shouldn't that be after approval from the board?

County Administrator Rounds stated that the Administrator or Financial Director would be doing that independently at the Boards vote and direction. That was one of the assumptions of the documents.

Supervisor Magruder asked about the CIP Budget letter B with the review of the CIP and timing. We might need to look at CIP in the fall so that it is ready for budget season?

Chairman Akers stated it gets approved with the budget.

Supervisor Johnson stated that it would only be applicable the first year as then it is set for the next 5 years.

Supervisor Magruder asked about the budget preparation part 4B it talks about requesting the school budget February 1st. If you look back the school presents a balanced budget April 1st.

Chairman Akers stated that the first one is when the discussions should start to find out the needs and the April date is when we have to have the budget.

Supervisor Magruder asked that under the same page budget policy letter H he would like some explanation on 'to annually increase the proportion of expenditures providing direct services to total budgeted expenditures and to annually decrease the proportion of expenditures supporting administration or other non-direct service activities.'?

Vice Chairman does not understand it either.

Ted stated it is a legacy item.

Chairman Akers stated that we could strike that.

Chairman Akers stated to recap if we adopt this policy we will modify under budget policy 1/H we will strike that section. We will also decrease our debt to assessed valued from 3.5% to 3%.

Administrator Rounds stated one of the purposes of the document is to get you talking about the financial policies and becoming more comfortable with perimeters and talking openly about the projects that you have and the needs base to revisit it more often. It hadn't been looked at since 2015 and I think these are great comments and can build up accountability

Essex County, Virginia

Financial Policy Guidelines

DRAFT

Adopted: March 10, 2015

Revision 1 – Adopted by the BOS June 8, 2023 – Effective Immediately

FISCAL POLICY GUIDELINES - OBJECTIVES

The primary objective of sound financial management policies is for the Board of Supervisors to create a framework within which financial decisions can be made. These fiscal policies are a statement of the guidelines and goals that will influence and guide the financial management practices of Essex County. Fiscal policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Sound financial management policies:

- Contribute significantly to the County's ability to insulate itself from fiscal crisis,
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promote long-term financial stability by establishing clear and consistent guidelines,
- Direct attention to the total financial picture of the County rather than single issue areas,
- Promote the view of linking long-run financial planning with day-to-day operations,
- Provide the Board of Supervisors and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines,
- Ensure the organization has sufficient resources to perform mandated responsibilities and
- Provide a foundation for evaluating financial analysis and condition

To these ends, the following fiscal policy statements are presented.

Financial Policies
Accounting Policy

1. General

   a. an accounting policy addresses the accounting methods utilized in the different fund types for revenues, expenditures, assets, liabilities, and fund equity;
   b. An accounting policy also addresses the process through which revenues are collected and disbursements made.

2. Standards

   a. Generally Accepted Accounting Principles (GAAP)
   b. Governmental Accounting Standards Board (GASB)
   c. Code of Virginia
   d. Commonwealth of Virginia's Library and Archives Public Records Management
   e. Auditor of Public Accounts Uniform Financial Reporting Manual

3. Financial Statements

   a. All activities for which the county exercises oversight responsibility are incorporated into the financial statements to form the reporting entity.
   b. Include legally separate organizations which:
      i. The County appoints a majority of the governing board and either
      ii. The County can impose its will
      iii. Or there exists a financial benefit or burden
      iv. Or there is a fiscal dependence
   c. The School Board and all of its funds (School Operating, Grants, Child Nutrition) are classified as a Component Unit of the County.
   d. EDA
   e. Airport Authority
   f. The County's Annual Comprehensive Financial Report (ACFR) will be prepared at the conclusion of the County audit.

4. Fund Accounting

   a. Accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity.
   b. Operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equities, revenues, and expenditures or expenses as appropriate.

c. Modified accrual basis of accounting will be followed by the governmental funds and agency funds with revenues recognized when measurable and available and expenditures recognized when incurred, with the exception of interest on long-term debt, which is recognized when due.
d. Proprietary fund types will follow accrual basis of accounting with revenues recognized when due.
e. Purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

5. Fixed Assets

a. Fixed assets shall be capitalized for individual items greater than $5,000, with the exception of buildings, building improvements, construction in progress, intangible assets and land.
b. Buildings, building improvements, construction in progress and tangible assets shall be capitalized for units greater than $50,000.
c. Land shall be capitalized regardless of cost.
d. Fixed assets shall be depreciated over the estimated useful life of the asset. Enterprise funds will recognize depreciation expense.

Audit Policy

1. General

    a. Audit policy provides guidance on the selection of an independent accounting firm to provide opinions and/or reports on the County's financial statements and internal controls in compliance with Federal and State Standards.

2. Standards

    a. General Accepted Auditing Standards (GAAS).
    b. Governmental Auditing Standards issued by the Comptroller General of the United States.
    c. Specifications for Audit of Counties, Cities, and the Commonwealth of Virginia.
    d. Office of Management and Budget (OMB) Circular 133-A Audits of States and Local Governments and Non-Profit Organizations.
    e. Code of Virginia.

3. Planning and Performance

    a. To obtain reasonable assurance as to whether the financial statements are free of material misstatement by examining on a test basis evidence supporting the amounts and disclosures in the financial statements.
    b. To maintain compliance with the Single Audit Act.
    c. To perform additional audits of County, School Board and Constitutional Officer activities based upon risk assessment of activity, function or process.

4. Selection of Auditors

    a. Auditors will be selected to perform annual audits through a request for proposal (RFP) process every five years, unless otherwise approved by the Board of Supervisors. The selection of the auditors will be made jointly between the County and Schools.

Budget Policy

1. General

   a. The County's budget policy will address the processes by which a budget is formulated from departmental requests to Board of Supervisors' adoption and other issues presented to the Board of Supervisors during the budget process.
   b. A budget policy addresses the authorization levels for the approval of the annual budget and all budget adjustments for revenues and expenditures of all funds.
   c. The state code requires that the School Board present a balanced budget, in which revenues equal expenditures, to the county on or before April 1. This budget document covers the period from July 1 through June 30.

      i. There are three primary phases in the budget development process:

         1. Superintendent's Proposed Operating Budget (administrative recommendation presented to the School Board);
         2. School Board Proposed Budget (School Board recommendation to the County Board of Supervisors, and;
         3. School Board Adopted Budget (School Board adopted operating budget based on funding authorization/appropriation by County).

      ii. The county approves the appropriation for the school system generally no later than May 15. Following the approval of total budget appropriation, the School Board makes the necessary adjustments to their budget proposal and adopts a final budget.

   d. To maintain a budgeting control system that helps the County adhere to the budget, with monthly status reports comparing actual revenues and expenditures to budgeted amounts.
   e. To establish a risk management program to safeguard public assets held in trust and to minimize the financial liability arising from accidental injury or death.
   f. To provide for adequate maintenance of capital plant and equipment and develop a capital asset replacement schedule from the fixed asset inventory records.
   g. To remain current in payments to the Virginia Retirement System and to pursue legislative options that reduce or eliminate unfunded pension liabilities.
   h. To annually increase the proportion of expenditures providing direct services to total budgeted expenditures and to annually decrease the proportion of expenditures supporting administration or other non-direct service activities.
   i. To finance recurring expenses from recurring revenue sources and to not develop a dependency, within the operating budget, on nonrecurring revenue sources.

2. Standards

    a. Generally Accepted Accounting Principles (GAAP)
    b. Uniform Financial Reporting Model of the Auditor of Public Accounts of the Commonwealth of Virginia.
    c. Code of Virginia.

3. Budget Objectives

    a. The County Administrator will identify proposed budget objectives and budget schedule to be presented to the Board of Supervisors.
    b. The budget objectives will be used as the foundation in the formulation of the County Administrator's Recommended Budget and the Budget Schedule will identify important dates throughout the budget preparation and adoption period.
    c. At least once every four years, the County will reassess services and service levels.
    d. The following objectives shall be reviewed during the annual budget process:
        i. Anticipated property tax rate and assessment changes.
        ii. Provision of adequate employee compensation.
        iii. Compliance with financial policies.
        iv. Vehicle replacement programs.
        v. Reserve for contingencies within the budget year will be appropriated in the General Fund at an amount equal to at least 0.5 of the General Fund budget whenever practicable.
        vi. Enterprise funds will be self-supporting through revenues generated from their enterprise activities.
    e. The following items will occur in conjunction with the budget preparation and adoption process unless it has been determined that the proposed item is needed in a more expedited manner, in which case the Board of Supervisors approval is required.
        i. Ordinance change involving fee/rate changes.
        ii. New positions or changes to existing positions.
        iii. Requests for bond referendums for which the results of the referendum will occur prior to the appropriating of bond proceeds and expenditures.
        iv. Reimbursement resolutions for debt financed capital projects that would allow certain appropriated expenditures to occur prior to the receipt of debt proceeds.
        v. Acquisition of vehicles.
        vi. Assessment of property values for tax purposes by the Commissioner of the Revenue.
        vii. Estimate of year-end fund balances by the Treasurer.

4. Budget Preparation

   a. The County Administrator will establish a budget schedule by the second Tuesday in October, which will include important dates throughout the budget preparation period.
   b. All departments, excluding the School Board will submit their requested budget to the County Administrator by February 1 or as soon as practicable thereafter, with the requested budget providing detail to personnel, operating and capital requests, including five-year capital improvement program requests, and performance objectives as well as capital improvement needs through the next ten years that are anticipated to be considered for inclusion in the CIP in five years.
   c. County Commissions, Volunteer Organization, and Other Organizations.
      i. All community organizations shall submit their requests for contributions to the County Administrator's office.
      ii. The volunteer fire departments and EMS shall assist in the formation of the Fire and EMS budgets.
      iii. The Community Services Board and Social Services Board shall approve the departmental budget of their respective organizations prior to submission to the County Administrator's Office.
   d. At a meeting of the Board of Supervisors in March, the County Administrator shall submit to the Board of Supervisors a proposed budget, which includes proposed expenditures, segregated at the departmental level between personal services, operating expenditures and capital outlay, and a means of financing the expenditures for the fiscal year commencing July 1.
   e. A consolidated Public Hearing on the budget, ordinance changes, and personal property tax rates with a separate public hearing on the real property tax rate change, if applicable, shall be held no later than five weeks after the County Administrator submits the proposed budget.
   f. The consolidated Public Hearing notices shall appear at least seven days prior to the Public Hearing date, or such period of time as is required by law.
   g. The proposed budget summary shall be placed on the County's web page.

5. Budget Adoption

   a. As part of the budget process, these Financial Policies will be reviewed at the Board's organizational meeting and approved with any changes along with the finalized budget.
   b. As soon as practicable following the Public Hearing, the Board of Supervisors will adopt a balanced budget.
   c. The budget is legally enacted through passage of an Appropriations Resolution for all governmental and proprietary fund types that places legal restrictions on expenditures at the function level or category level.
   d. Although legal restrictions on expenditures are established at the function or activity level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
   e. At all times and notwithstanding anything in these policies to the contrary, the County will maintain compliance with the Code of Virginia in appropriating funds, advertising public notices, ordinance changes, requests for referendums, and any other legal restrictions imposed upon localities.
   f. Included with the budget resolutions is approval for the re-appropriation of all encumbered balances and capital project unencumbered balances at fiscal year-end.
   g. The Adopted Budget Document will be placed on the County's web page.

6. Budget Amendments

   a. Any additional appropriation which increases the total budget by more than 1 of the total budget will be advertised for a Public Hearing at least seven days prior to the Board of Supervisors' approval of transfer, or as otherwise required by the Code of Virginia.
   b. All transfers requiring Board of Supervisors' approvals that have been initiated from Social Services must have the Social Services Board approve the transfer prior to presentation to the Board of Supervisors.
   c. If deficits appear to be forthcoming within a fiscal year the County Administrator will recommend spending reduction to be approved by the Board during the fiscal year in order to sufficiently offset the deficit.

7. Budgetary Accounting

   a. Budgets are adopted on a basis consistent with GAAP for all government funds.
   b. Budgets for the propriety funds are also adopted in accordance with GAAP, with the exception that a budget provision is made for the payment of debt principal, reduction of refundable developer capacity fees credits and rebates, and depreciation is not budgeted.

c. All budget data in the Comprehensive Annual Financial Report represents the revised budget (adopted budget, re-appropriations and budget transfers).

8. Budget Reporting

   a. The Governing Body will receive a financial report at least quarterly showing year-to-date revenues and expenditures and comparing each amount to the budget as amended.

9. Capital Improvement Budget

   a. The County will consider all capital improvements in accordance with an adopted capital improvement program (CIP).

   b. The County will develop a five-year plan for capital improvements and review and update the plan annually. Additional projects can be added to the CIP at any time, but funding for projects added in this manner are subject to normal operating budget constraints. The CIP will include computer, vehicle and equipment replacement.

   c. The County will include as part of its annual budget process an annual capital budget based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be included in capital budget projections.

   d. The County will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.

   e. The County will use intergovernmental grants and loans to finance only those capital improvements that are consistent with the capital improvement plan and County priorities.

   f. The County will make use of non-debt capital financing sources through the use of alternate sources, including proffers and pay-as-you-go financing.

   g. The County shall take all prudent steps to maintain its assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.

   h. The County will identify the estimated costs and potential funding sources for each capital project proposal prior to seeking approval from the Board.

i. The County will attempt to determine the least costly and most flexible financing method for all new projects.

Fund Balance Policy

1. General

   a. The County desires to maintain the financial operation of the County in a manner consistent with sound financial management principles including guidelines and criteria established by bond rating agencies and the Governmental Accounting Standards Board (GASB).
   b. Sound financial management principles include the establishment of unassigned fund balances sufficient to maintain required cash flows and provide reserve for unanticipated expenditures, revenue shortfalls and other specific uses.
   c. The County will endeavor to maintain balances at such a level that it will not regularly incur short-term borrowings as a means to fund operations.

2. Standards

   a. Governmental Accounting Standards Board (GASB)

3. Planning and Performance

   a. Classifications of Fund Balance. The County will classify fund balances in the following manner consistent with the requirements of GASB 54:

      1. Non-Spendable Fund Balance
         i. The portion of fund balance that are not in cash or readily convertible to cash in the short term.
         ii. Inventory balances at fiscal year-end that represent amounts invested in inventory and not available for appropriation.
         iii. Advances to other funds at fiscal year-end that are currently not available for appropriation.

      2. Restricted Fund Balance
         i. Funds only able to be spent for specific purposes as stipulated by contributors outside the County government.
         ii. Includes items such as restricted grants, unspent categorical state funds

      3. Committed Fund Balance
         i. Funds available for a specific use as designated by action of the Board of Supervisors
         ii. Outstanding encumbrances (i.e., purchase orders, contracts and other commitments at fiscal year-end
         iii. Funds re-appropriated to a subsequent year's budget

4. Assigned Fund Balance
    i. Funds intended for a specific use as designated by the County Administrator
    ii. Fund balances in all funds except the general fund are assigned.

5. Unassigned Fund Balance
    i. All balances not restricted in use to another category.

b. Order of use

    i. It is the policy of Essex County to use funds from the fund balance categories in order of most restrictive to least restrictive, as appropriate. For example, for an allowable expenditure,
    ii. restricted fund balances will be spent before committed, and committed before assigned fund balances when funds designated for the same purposes are available in multiple categories.

c. Re-appropriations of capital project funds

    i. The County Administrator shall have the authority to re-appropriate unencumbered balances to continue appropriated capital projects into the next fiscal year.

d. Unassigned Fund Balance

    i. The County shall maintain an unassigned fund balance at fiscal year-end for the purposes of unanticipated expenditures, to provide for cash flow reserves during the fiscal year due to the timing difference between the receipt of revenues and disbursement of expenditures, and to meet reserve policies and bond covenants.
    ii. The County shall endeavor to achieve and thereafter maintain to the extent practicable a year-end balance at an amount equal to a minimum of 15% of governmental fund expenditures, with a preferred target of 18% of governmental fund expenditures, less any Capital Outlay projects funded with Bond Proceeds. Please see the Appendix for details on the calculation of this ratio.

Reserve Polices

1. The County Board may, from time-to-time, appropriate unassigned fund balances that will reduce available fund balances below the 15% minimum unassigned fund balance for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the County. In such circumstances, the Board will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

2. In recognition of the incremental costs of capital improvements and their future maintenance and replacement costs, the County will establish a Capital Improvements Reserve Fund. The level of the Fund will be determined on an annual basis and incorporated into the County's Annual Operating Budget. This Fund will be initially established at some minimum level based upon a further evaluation of future capital improvements needs (inclusive of pay-go capital).

Debt Policies

1. The County will confine long-term borrowing to capital improvement or projects that cannot be financed from current revenues except where approved justification is provided.

2. The County will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.

3. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.

4. Outstanding debt of the County whether general obligation, lease revenue or subject to annual appropriation, shall not exceed 3.5% of the assessed valuation of real property. Annual debt service spending should target 10% or less and shall not exceed 12% of total annual governmental fund expenditures net of interfund transfers and inclusive of Essex County School Board's expenditures. The ten- year payout ratio for all County debt shall target a minimum of 55% of total principal outstanding. These ratios will be measured annually. Please see the Appendix for details on the calculation of these ratios.

5. In the event that the County anticipates exceeding the policy requirements stated in items 4 above, Staff may request an exception from the Governing Body setting forth the reason and need for the exception and length of time estimated to retire the debt.

6. Where feasible, the County will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.

7. The County will only issue tax anticipation debt due to unforeseen circumstances and where cash flow projections identify an absolute need, and will retire any such tax anticipation debt annually. Bond anticipation debt will be retired within six months after completion of the project or upon availability of permanent financing.

School Fund Balance Reserve

1. The County shall maintain and appropriate an unassigned fund balance for Essex County Public Schools at fiscal year-end for the purposes of creating Capital Reserves for School related projects as approved by the Essex County School Board.

    a. Annual funding of these reserves will be derived from a portion of the unutilized revenue at the end of Essex County Public Schools fiscal year at a rate of 50% of the unutilized revenue.
    b. Remaining unutilized revenue will be returned to the County's unassigned fund balance.
    c. The limit of the School Capital Reserves will be set to not exceed 12% of the School's Annual Expenditures.
    d. The School Capital Reserves will continue to be funded annually with the following exceptions:
        i. School Capital Reserves meet the limit as defined.
        ii. The County's Unassigned Fund Balance drops below its targeted reserves as defined in its financial policies.
        iii. Utilization of the School Capital Reserves violates any standards or protocols by the Governmental Accounting Standards Board (GASB).

Post-Issuance of Tax-Exempt Debt

1. The Director of Finance will perform the following procedures after the issuance of tax-exempt debt and through the final maturity of the debt issuance:

    a. Monitor project expenditures for target dates of the six-month, 18-month or 24-month spending exceptions as it relates to IRS arbitrage rebate purposes and to ensure compliance with covenants and restrictions set forth in the non-arbitrage and tax certificates executed at the time of the issuance of the debt.
    b. Consult with an arbitrage rebate firm at each five year anniversary of the debt of issuance and at final maturity to determine whether arbitrage rebate calculations and arbitrage rebate payment is required. Recognition should be made that, if required, the first arbitrage rebate payment is due within 60 days after the first five year anniversary of the debt issuance, each five year anniversary thereafter and after the final maturity date.
    c. Consult with Bond Counsel prior to any transfer, sale or other disposition of debt-financed assets.
    d. Consult with Bond Counsel in connection with any contemplated management contracts, leases or other agreements with respect to the use of debt-financed assets.

Outside Agency Budget Requests

1. The County shall only consider funding requests from outside agencies after it has fully analyzed and assessed the budget requests from all County Departments and Essex County Public Schools.

Potential Non-compliance

1. Upon discovery of any potential non-compliance with any requirements of Federal or Virginia law necessary to preserve the tax-exempt status of interest on the County's bonds, the Director of Finance will consult with Bond Counsel to determine if non-compliance has, in fact occurred, and if so, what actions are needed to remedy such non-compliance.

Cash Management and Investment

1. The County Board recognizes that it is the explicit constitutional responsibility of the County Treasurer to invest County Funds in accordance with Virginia Law. It is the desire of the County Board to provide the Treasurer with the timeliest information in order to best execute the powers of the Treasurer's Office. Additionally, the County is required to maintain certain controls related to the investment of restricted funds and in particular any funds derived from the issuance of debt or in some other way securing an issuance of debt.

Arbitrage

1. The County shall take all necessary steps to optimize escrows and to avoid negative arbitrage in any debt issuance in which arbitrage is applicable. Any resulting positive arbitrage will be rebated as necessary according to U. S. Internal Revenue Service & U. S. Treasury arbitrage requirements. The County is responsible for monitoring and tracking interest earnings to ensure positive arbitrage doesn't require repayment of earnings. Interest proceeds will be appropriated to offset related debt service cost and retained until eligibility of use can be determined and approved by the County Administrator.

Continuing Disclosure

1. The County will provide on-going disclosure information to established national information repositories and as agreed upon in bond and loan documentation and will maintain compliance with disclosure standards promulgated by state and national regulatory agencies.

Administration and Implementation

1. The County Administrator and the Financial Services Director are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy.

Appendix

1. Unassigned Fund Balance Policy Calculation

	Fiscal Year	2018	2019	2020	2021	2022
1	Unassigned Fund Balance	$ 6,303,974	$ 6,687,306	$ 7,012,368	$ 8,138,455	$ 8,721,629
2						
3	**Expenditures**					
4	Total Governmental Funds	$ 26,959,035	$ 24,870,730	$ 25,106,401	$ 26,914,975	$ 25,320,659
5	Total School Funds	18,450,625	17,924,341	17,344,757	17,894,160	22,128,142
6	Less: Local Contribution to Schools	(8,254,762)	(7,655,307)	(6,830,476)	(7,149,884)	(6,665,207)
7	**Adjusted Expenditures**	**$ 37,154,898**	**$ 35,139,764**	**$ 35,620,682**	**$ 37,659,251**	**$ 40,783,594**
8						
9	UFB as % Expenditures	17.0%	19.0%	19.7%	21.6%	21.4%
10	Policy Minimum	12.0%	12.0%	12.0%	12.0%	12.0%
11	Preferred Policy Target	15.0%	15.0%	15.0%	15.0%	15.0%

Note: 2021 Expenditures have been adjusted downward by $6,140,000 for the issuance of the 2020 refunding bond through VRA and $728,941 for the premium on that bond. Sourced from County Audits.

2. Debt to Assessed Value Calculation

	Outstanding Debt as of June 30,	2018	2019	2020	2021	2022
1	**Tax-Supported Debt**					
2	County	$ 4,692,641	$ 4,166,235	$ 3,623,364	$ 2,737,561	$ 2,272,653
3	School	23,020,493	20,693,849	18,423,540	15,700,084	13,556,457
4	Airport (County Portion)	526,717	500,329	472,741	443,895	413,732
5	Water & Sewer (County Portion)	1,028,963	902,222	769,037	629,407	483,333
6	**Total Tax-Supported Debt**	**$ 29,268,814**	**$ 26,262,635**	**$ 23,288,682**	**$ 19,510,947**	**$ 16,726,175**
7						
8	Assessed Value of Real Estate	$ 1,291,693,471	$ 1,296,806,253	$ 1,302,914,819	$ 1,402,522,505	$ 1,509,472,757
9						
10	Debt to Assessed Value of Real Prop.	2.3%	2.0%	1.8%	1.4%	1.1%
11	Policy	3.5%	3.5%	3.5%	3.5%	3.5%

3. Debt Service to Expenditures Calculation

	Fiscal Year	2018	2019	2020	2021	2022
1	Governmental Debt Service	$ 4,289,748	$ 4,175,437	$ 4,064,257	$ 4,388,992	$ 3,637,652
2						
3	**Expenditures**					
4	Total Governmental Expenditures	$ 25,653,569	$ 24,870,730	$ 25,106,401	$ 26,914,975	$ 25,320,659
5	Transfers In	478,243	3,928,490	4,459,972	3,913,264	4,035,739
6	Transfers Out	(478,243)	(3,928,490)	(4,459,972)	(3,913,264)	(4,035,739)
7	Plus: Essex Co. School Board Exp.	18,450,625	17,924,341	17,344,757	17,894,160	22,128,142
8	Less: Local Contribution to Schools	(8,254,762)	(7,655,307)	(6,830,476)	(7,149,884)	(6,665,207)
9	**Adjusted Expenditures**	**$ 35,849,432**	**$ 35,139,764**	**$ 35,620,682**	**$ 37,659,251**	**$ 40,783,594**
10						
11	Debt Service to Expenditures	12.0%	11.9%	11.4%	11.7%	8.9%
12						
13	Policy Maximum	12.0%	12.0%	12.0%	12.0%	12.0%
14	Policy Target	10.0%	10.0%	10.0%	10.0%	10.0%

COR Career Development Program Recognitions by Del. Keith Hodges and Commissioner Blackwell

Commissioner of Revenue Blackwell asked if Chairman Akers would make the presentation.

Commissioner Blackwell read

Commissioners of the Revenue Association (CORVA)
Career Development Program
Raising the Level of Professionalism in Public Service

Maggie Johnson Holmes, Master Deputy Commissioner of the Revenue – 2020
Kristen Andrews Foster, Master Deputy Commissioner of the Revenue – 2019

The purpose of the **Career Development Program** is to encourage **Commissioners and Deputies** to strive for the highest levels of professionalism and to provide a means of attaining recognition as a **Master Commissioner of the Revenue** or a **Master Deputy Commissioner of the Revenue**. The program identifies criteria by which to measure professional designation, monitors the level of achievement, and maintains associated records. The **Master** designation demonstrates the advanced knowledge, competency, and professional accomplishment of **Commissioners and Deputies**.

The **CORVA Career Development Committee** works closely with the **State Compensation Board** and the **University of Virginia's Weldon Cooper Center** to develop and implement the minimum criteria for Master designation. The **Weldon Cooper Center** maintains records and transcripts, administers all course exams, and provides a liaison to the **Committee**.

Examples of Educational Courses:

- Roles and Responsibilities
- Taxation of Personal Property
- Taxation of Real Property
- Real Property Appraisal
- State and Federal Income Tax
- Tax Exemptions in Virginia

Requirement for Designation:

- Years of Service
- Points (Education/Experience & Service to the Association)
- Courses & Continuing Education

Members are also required to satisfy standards of accountability and submit to an on-site audit.

Chairman Akers presented the certificates to Maggie Holmes and Kristen Foster for completing the Master Deputy Commissioner.

Planning Commission Project Updates: Comprehensive Plan, Utilities, Industrial Park

Commissioner Chairman David Jones presented an update from the Planning Commission. David Jones stated that the comprehensive plan has been under review for the past several months. They have reviewed 5 of the 7 chapters. We will be working on chapter 6 at the next meeting and chapter 7 at the following meeting. The goal is to have the board allocate some funds to get some help in reviewing the plan but the planning commission reviewed it to start to help save time and money to mark up the things that need to be changed or that they want to be changed. We need help with the digging deep and the legal things. We are hoping that we have streamlined this process.

Supervisor Johnson asked if presently they are going through it on their own with no help from anyone. I thought we had talked about giving some help early on?

Mr. Jones stated that he believes that they are once they allocate some money we will take advantage of that.

Chairman Akers stated that the first phase was for the Planning Commission to go through and highlight some red flags that we could look at.

Vice Chairman Gill asked if he feels that there need to be some joint meetings with the Board of Supervisors and the Commission to review the Comprehensive?

Mr. Jones stated that we may want to do that. Once we figure out who we are going to use and have a meeting with them they will probably set up a joint meeting. We don't see a ton of changes.

Mr. Jones stated that the utility rules for LaGrange such as the water and sewer. They would like the board to put it on an agenda to begin looking at.

Chairman Akers stated that we do have 'X' capacity but don't have any rules to follow on how that is allocated out with the town. We talked about that being originally allocated for the industrial park area as per the comprehensive plan and the grant that awarded the money for that. Was to look at the overall master plan for the industrial park which would include utilities, spur roads. We need to get the industrial park off of the shallow wells.

Mr. Jones stated the future growth of the what the water is earmarked for. He believes in the comp plan states that the water is specifically earmarked for industrial and commercial use in the future. If that has changed. The application that is before us and will be before you some of that needs to be cleaned up and thought about. If you only have 200,000 gallons and we allocated 3/4s of it without ever having the industrial park grow.

Supervisor Magruder stated that there is an agreement and he would like to get a copy of that with the town. He thought some of that 200,000 gallons was earmarked for the Hobbs Hole development.

Chairman Akers stated that he would have to look at that again but doesn't recall it being in there.

Vice Chairman Gill stated that the agreement is 25 years old.

Supervisor Magruder stated that we need to see what our usage is and what our availability is from the town.

Chairman Akers stated that it is in the County so they will classify that as county usage of the water.

Supervisor Johnson asked if that is under the auspices of the township?

Chairman Akers stated that it is under public water and sewer but it is in the County.

Supervisor Magruder stated he believes the hospital is part of that as well.

Vice Chairman Gill stated that the hospital was there before the agreement so he is not sure.

Max stated that he believes that the capacity for the County to determine capacity for by ordinance. Uses that are located within the county that the town has agreed to by contract to provide utilities to would not take away from the reserve. The County portion would be allocated by the town.

Mr. Jones stated that the other thing involves the roads in the industrial park and the commission would just like some direction from the board as to how they would like them to proceed.

Chairman Akers stated that the old Mt. Clement Rd and there are properties back there that are landlocked, and we need to have those established.

Mr. Jones asked if there were any questions regarding the rezoning from an I-1 to an I-2? A lot of the comments were in regards to people thinking it is a junkyard and Mr. Stokes was able to let them know that he is a recycling center. He walked everyone through how he removes the fluids from the vehicles but the consensus was that this is something that needed to be done.

Chairman Akers stated that we are talking about a maximum of 5 cars at time for no more than 48 hours.

Mr. Jones stated that Mr. Stokes had said he is not in the storage business he is in the get it in get it out business.

Supervisor Johnson stated that his concern was he thought the board had already previously authorized this operation. Since the board has already given him permission to do this what are they doing?

Max stated that the question could be answered in the regular meeting.

Mrs. Rounds stated that this is for the adjacent property.

Chairman Akers asked if there was anything else for Mr. Jones.

Supervisor Magruder asked they Mr. Jones take back to the Planning Commission that they appreciate all the hard work that they have done with the comprehensive plan and a lot of issues that have come up.

Chairman Akers asked if they were in agreement to give the staff a directive at the end of the meeting to begin looking at the master plan for this industrial park?

Supervisor Johnson said we need to sit down and decide what course of action we want to do. Do we want to bring someone in to give a step by step of what we need to do to bring this industrial park up to standards? We need to be specific in what we want to accomplish.

Chairman Akers stated he would specifically ask the staff through the planning commission address the needs of the industrial park to what is required. That would include roads, utilities and water as future development. Let them come back with the needs assessment and then we look at how we will fund it. In partnership with VDOT and everyone else who would be involved in that.

Chairman Akers also stated that there are parcels near the airport that could be used. If we are going to ask the planning commission they should look at our industrial park first and then look at the other needs including the industrial park for the town.

Supervisor Magruder asked if this would be after the planning commission looks at the comprehensive plan?

Chairman Akers thinks it could and should be done in tandem.

Vice Chairman Gill stated it makes sense for them to do it while they are working on the comprehensive plan.

<u>ADJOURN</u>

Having no further discussion, Chairman Akers adjourned the Work Session meeting of the Board of Supervisors.

____
Chairman

____
Clerk of the Board