



## FY 2016 Recommended Budget Budget Question

Board Question #: 1

### **BUDGET QUESTIONS:**

Mr. Ross requested a copy of the notes from the Pre-Budget Public Hearing PowerPoint presentation.

**RESPONSE:** The following are notes from the Pre-budget Public Hearing PowerPoint presentation:

### **Slide 2** - Perceived Board of Supervisor priorities for FY 2016

- Fire and Rescue Staffing - Co 11 – Open Spring 2016. We will need to hire staff late fall 2015 to ensure they are trained and available for service when the station opens.
- FY16 will be the 4<sup>th</sup> of 5 year phase in of the Virginia Retirement System change where employees are to ultimately pay a 5% share of their VRS contribution, with an offsetting 5% increase in their salary
- BOS members have discussed potential reductions in tax rates
- School & Transportation funding remain priorities
- General Capital projects – Former Sheriff’s Office & Judicial Center Renovations
- Maintaining existing assets
- Finally – the FY16 budget will attempt to address all BOS/Citizen concerns, while maintaining our fiscal policy guidelines

### **Slide 3** – Staff concerns

#### **•Health insurance trends**

- Staff is currently in the process of bidding health insurance services, reviewing proposals, with decisions in February 2015
- During this process staff will ensure:
  - Policy provides adequate and appropriate coverage
  - Affordable (Employee and County)
  - Meet guidelines established by the Affordable Care Act (ACA)
    - One of those guidelines that we will need to address beginning in 2018 is the “Cadillac Plan” Excise tax
      - This guideline imposes a 40% tax on the amount considered to be an excess health insurance benefit
      - Fed Gov’t has pre- determined thresholds and we will need to ensure that are plan costs do not exceed those thresholds – total annual cost (Employee & Employer)

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- Past Boards had a goal of 80/20 cost sharing split for health insurance. We are currently at 85% employer – 15% employee for all plans except employee-only which is at 91% employer – 9% employee.
  - It has been difficult to increase the employee share from 15 to 20% because of the limited salary increases provided to employees for the past 7 years.
  - Without salary increases, employees are limited in their buying power and their ability to absorb rising costs of basic, along with increased HI costs

**Workforce** -a local government's focus is providing services to its citizens

- Employees are our greatest assets
- Our Workforce includes firefighters, medics, deputies, detectives, social workers, teachers, maintenance workers, landfill operators, and Water/Sewer Plant Operators to name a few
  - All of these directly serving citizens on a daily basis – in some cases 24/7
  - In order to provide these services 24/7, these employees are supported by a variety of County departments such as information technology, human resources, general services, payroll, and Finance

HR is beginning to see trends that are concerning, including:

- Turnover of key high performing/high potential employees
- Attrition in key service positions, like firefighter/medics and family service workers in the Social Services Dept (social workers)
- Difficulty recruiting candidates with desired skills and proven experience, while also maintaining internal equity due to frozen salaries
- Employee dissatisfaction with promotional opportunities which is evidenced by declining interest and attendance in training/learning opportunities
- Increased workloads with limited new positions
- HR is working with County Administration to develop options to address concerns so that we can assure that Spotsylvania County is maintaining a qualified workforce with stellar performers
  - This plan will be a focus of the County Administrator's recommended budget, with further details to follow during the FY16 budget work sessions.

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**REVENUES** - At this point, we do not expect a significant increase in General Fund revenue.

- For the Transportation Fund, we anticipate fuel tax revenues to be greater than budgeted in FY 2015.
  - This is due to a very large correction that occurred earlier this FY. It is our expectation that future years' collections will reflect the on-going correction
  - Because of the increased Transportation revenue, we expect the Transportation Fund to remain in balance through FY 2017 without the transfer of the decal fee revenue from the General Fund (\$2.8M). This is one year longer than was expected during last year's budget.

### State funding

We are expecting reductions in State funding in both the current year (FY15) and FY 2016. The State is projecting a \$2.4 billion shortfall for FY 2015 and FY 2016.

- As we noted during the FY 14 end-of-year report, the State has reinstated their reduction in aid to localities. These are the "reversion" accounts through which the localities receive full State revenue, but are then required to pay back a portion of that revenue to the State to address the State's projected shortfalls.
  - Spotsylvania will be billed \$221,754 in FY15 and we anticipate at least that same amount, potentially more in FY2016.
- Actions including adjustments in K-12 funding, local gov't reversions, and withdrawals from the Rainy Day Fund have been taken to address the majority of the shortfall, but we are confident additional adjustments will be made in FY 2016 to resolve the full shortfall.

A few stats concerning State revenue

- 37% of all County revenue comes from the State
  - Specifically, 49% of overall School Operating Fund revenue and 15% of General Fund revenue are from the State.
  - When you don't factor in the local transfer – State revenue provide 90% of School Operating Fund revenue