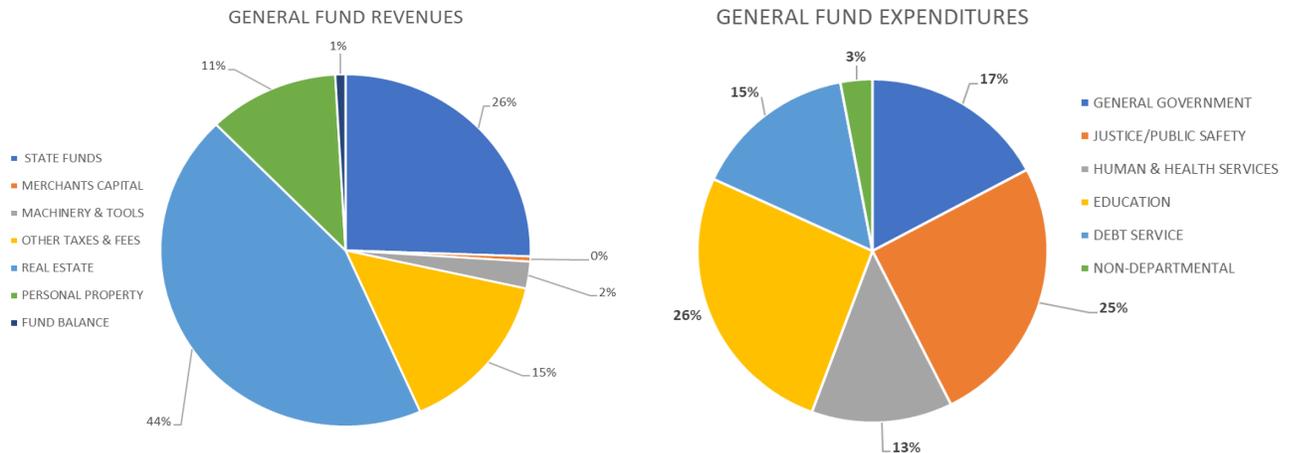


## FY2018-19 COUNTY BUDGET: FREQUENTLY ASKED QUESTIONS



### 1. Why don't you just reinstate the solid waste fee instead of raising real estate taxes?

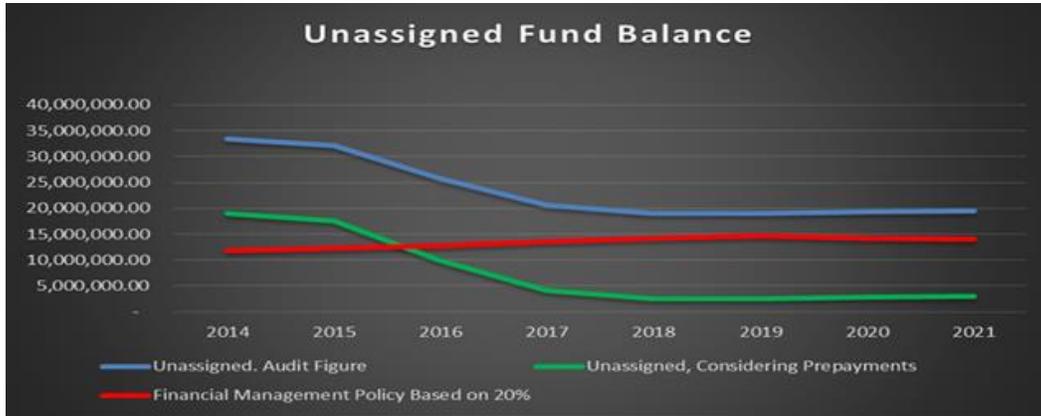
While the \$5 monthly household solid waste fee would greatly help with the County's financial challenges, it would only generate \$1.6M of the \$4.4M in additional revenue needed to balance the proposed budget. The Board of Supervisors considered reinstating the fee in December 2017, but decided against such at this time. There is the possibility that a solid waste fee will be implemented in the future, which would allow a reduction in the proposed tax rate once the new revenue is realized.

### 2. How did this happen; why didn't the County know these previous decisions would turn out so badly?

It is County Administration's opinion that the overwhelming cause was the failure to adequately raise the tax rate to cover the 2007 bond referendum debt payments. Paying school bond debt from existing sources has ravaged County operations and equipment maintenance. Landfill machinery has been neglected, Fire & Rescue system concerns have remained unaddressed for at least a decade and the Economic Development Fund is "in the red". County employees have not received merit/performance-based pay since 2008 and funds have not been set aside for unplanned emergency expenses. Available County cash is so little that we had to borrow money this year to replace a failed courthouse chiller, fund committed economic development incentives and repair failed landfill equipment.

The County has been aware of this budget's funding difficulties since this time last year. The FY2018 budget was supplemented with \$3,007,153 Million of reserves. This reserve amount was applied to general operating costs and not for one-time expenses. Fund balance was utilized in FY2015 for debt retirement (\$4,946,648) and in FY2016 & 17 for Pittsylvania Pet Center construction (\$4,279,183).

The County has been on an unsustainable path for the previous three fiscal years; it has utilized \$12,850,977 of reserves and anticipates the use of at least \$1,600,000 in FY2018. We anticipate the June 30, 2018 General Fund balance amount to be approximately \$18,900,000, at least \$16,500,000 of which will be prepayments for the 2019 fiscal year. Available, uncommitted cash reserve will be approximately \$2.4M on June 30, 2018.



From 2008 to 2017, payments related to the 2007 \$70 Million high school bond referendum have been funded by “robbing Peter to pay Paul”. Even though taxpayers were informed that this new obligation would equate to a potential tax rate impact of \$0.20, only \$0.06 of this amount was ever raised (cumulative 2008, 09 and 10 rate increases). During FY 2018, the County will spend a total of \$5,451,758 to service the 2007 referendum and a total of \$8,047,933 annually in school-related debt expenses. School debt retirement accounts for 11.5% of the presented FY19 General Fund budget.

**3. If a major real estate tax increase is not approved/supported by the BOS, what is plan “B” to balance the County’s budget? Why not just cut expenses?**

This recommended budget proposes \$735,087 of organizational efficiencies (net spending reductions) that save the County over \$3 Million during our 4-year planning horizon and more than \$9.5 Million over the next ten years. This presented budget incorporates a four-year funding plan that will eliminate the need for additional tax revenue, barring unforeseen circumstance. It also provides an option to reduce the tax rate in FY2021 by increasing revenue generated from landfill operations and reducing benefits related to the Land Use tax deferral program.

The General Fund base budget for FY2019 is approximately \$993,915 less than the adjusted budget as of December 31, 2017. It includes a minimum of \$735,087 in ongoing expense reductions including the elimination of 10 unfilled positions, 5 of which are Sheriff’s Deputies.

**Operational Efficiencies**

Reduction Item	Amount
Fire Marshal/Chief Code Official	-84492
Director of Code Compliance	-84596
Sheriff’s Deputies (5)	-235272
Truck Drivers (2)	-84384
Administrative Assistant	-49913
Green Box contracting	-146432
Other efficiencies	-\$49,998
<b>TOTAL FY2019 SAVINGS</b>	<b>-\$735,087</b>

The County is unable to balance this year's budget with fund balance reserves. It will be necessary to consider wholesale reductions of services and departments if the Board of Supervisors does not desire to significantly raise the tax rate or otherwise raise additional revenue.

**4. With the County's increased economic development focus, including several significant investment announcements, why hasn't there been a corresponding uptick in revenue?**

Economic Development projects routinely take up to two years to become revenue generating businesses. Buildings construction, equipment installation and employee hiring/training must be complete before business begin to pay taxes. The County routinely provides tax payment "forgiveness" as part of the incentive package offered to bring the business to Pittsylvania. It often takes 3-7 years for the County to realize the full impact of this tax revenue.

**5. At what point is Berry Hill mega park deemed a failure and at what point does the County cut its loses and stop throwing away money on the mega park?**

Berry Hill mega park is one of the largest industrial parks on the East Coast. It is also one of the Commonwealth's greatest assets. The State of Virginia, the City of Danville and Pittsylvania County have made tremendous investments in Berry Hill that generate lots of interest in the business community. It takes many decades to prepare a world-class industrial site with appropriate highway, water, sewer and electric infrastructure. The County and its partners believe that Berry Hill will be a critical element in our community's future success.

**6. Why does the burden of generating new revenue always fall on real estate owners?**

Besides real estate tax, the County also levies taxes against machinery, equipment, personal property and business inventory. The only other revenue options available are fees and landfill revenue. The Virginia General Assembly does not allow the County to arbitrarily raise gas, sales or use taxes; as a Dillion Rule state, we are only allowed to do things expressly allowed by Virginia Code.

**7. If we are raising taxes to help pay off school debt, why did we recently borrow more money?**

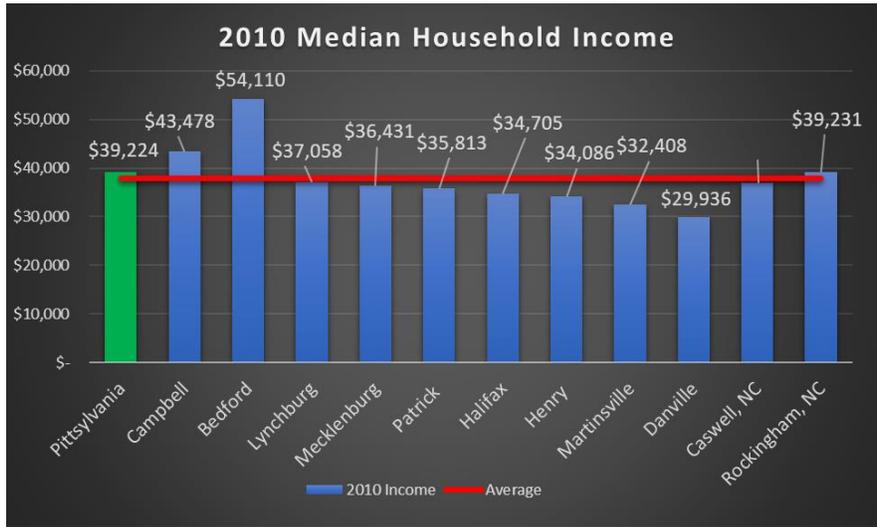
The County recently borrowed \$2.9 Million to pay for a new courthouse chiller, an economic development incentive obligation, landfill equipment and the Mount Hermon library building. The Board of Supervisors and staff did not believe using our limited fund balance reserves would be a prudent decision. The County has no capital reserves or Economic Development Fund to pay for these necessities. This borrowing requires approximately \$311,000 in debt retirement payments over the coming 10 years.

**8. Are there other taxes or fees that can be raised?**

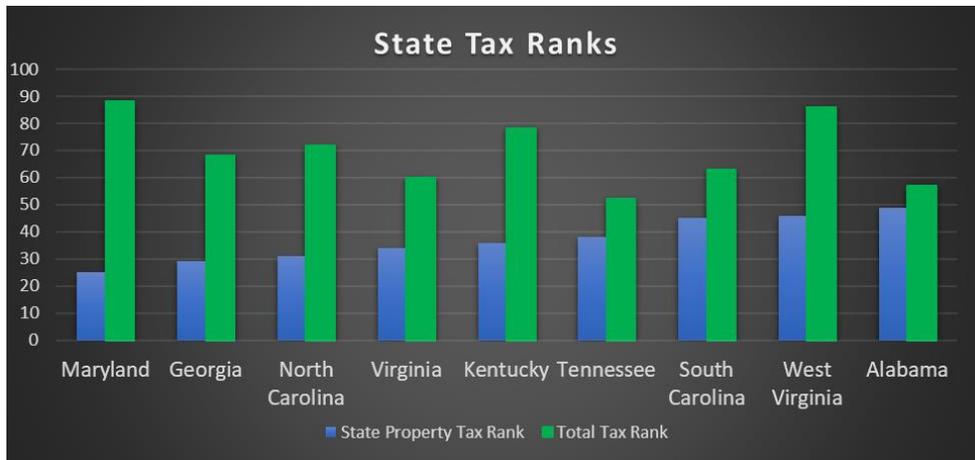
This proposed budget does recommend raising fees related to building inspections. It also recommends the County consider implementing a \$10/month Solid Waste Fee in FY2020 to augment garbage collection and disposal costs. The County will continue the success found in the Commissioner of Revenue's audit program, which has realized approximately \$435,000 of proceeds by reviewing business tax filings. Finally, we recommend that the Land Use deferment program be adjusted to reduce the amount of tax payments "forgiven" for small farm/agriculture uses.

### 9. What does a tax increase mean to me? How much more will I pay?

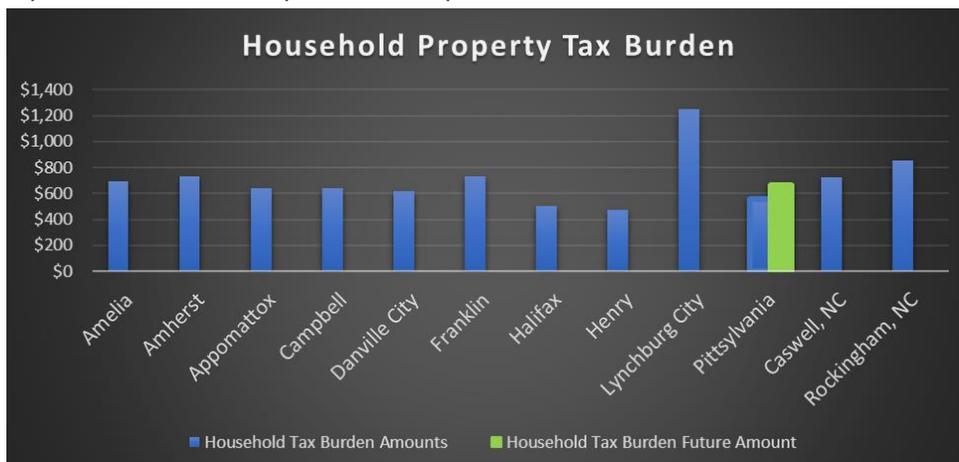
We all believe we pay too much in taxes; to some, any amount is too much. Of course, these are individual opinions and should always be considered as relative to one’s ability to pay and in comparison to other communities.



Generally, as the below chart illustrates, Virginian households enjoy a low tax burden in comparison to other Southeastern and Mid-Atlantic states. Only 10 States have a lower tax burden than Virginia according to tax-rate.org.



The average Virginian paid \$1,862 in local government taxes in 2017; the average Pittsylvania citizen paid \$557 according to tax-rates.org. Below is a chart of household property tax burden in other area localities compare with the current and proposed burden in Pittsylvania County.



An \$0.11 tax rate increase will cause many families and businesses to make personal financial sacrifices to pay the annual property tax bill. Below is a chart that illustrates the impact of the proposed tax increase.

	<b>Actual</b>	<b>Proposed</b>		<b>monthly</b>
<b>Home Value</b>	<b>FY2018</b>	<b>FY2019</b>	<b>change</b>	<b>impact</b>
\$100,000	\$590.00	\$740.00	\$150.00	\$12.50
\$225,000	\$1,327.50	\$1,665.00	\$337.50	\$28.13
<b>Business Value</b>				
\$1,500,000	\$8,850.00	\$11,100.00	\$2,250.00	\$187.50
\$7,000,000	\$41,300.00	\$51,800.00	\$10,500.00	\$875.00

A household with a home valued at \$100,000 will have an additional tax burden of \$12.50 per month. The average household will pay an increased tax of approximately:

<b>Additional cost</b>	<b>Funded item</b>
\$2.33/month	Fire and Rescue agency support
\$2.06/month	Garbage collection and disposal
\$4.00/month	School system funding (*teacher salaries)
\$2.33/month	Economic Development investments
\$1.04/month	Children’s Services Act increases
\$0.39/month	Reserve contribution (reassessment)
\$0.35/month	New debt service payments

**10. If I have to pay more in taxes, will I get more in services?**

The proposed tax rate increase does address major Fire & Rescue initiatives, increases future school funding, puts away money for future landfill expenses and restores the County’s Economic Development Fund.

<b>Item</b>	<b>amount</b>	<b>rate</b>	<b>differ</b>	<b>source</b>
Base budget (status quo)	\$65,405,187	\$0.600	\$0.050	reassessment and tax increase
organizational efficiency savings	(\$735,087)	\$0.582	(\$0.019)	cost reduction
Fire & Rescue enhancements	\$995,570	\$0.607	\$0.025	tax rate increase
Landfill operation and capital resv.	\$991,577	\$0.629	\$0.022	tax rate increase
School current expense funding	\$1,600,000	\$0.669	\$0.040	tax rate increase
Economic Development fund	\$1,000,000	\$0.694	\$0.025	tax rate increase
Children Services Act increase	\$368,630	\$0.703	\$0.009	tax rate increase
Reassessment reserve	\$250,000	\$0.709	\$0.006	tax rate increase
Master lease debt service	\$311,314	\$0.716	\$0.008	tax rate increase
Fund Balance appropriation (float)	(\$625,000)	\$0.700	(\$0.016)	fund balance reserve

**Community Meetings will be held from 6:00 p.m. – 8:00 p.m. on the dates below to present the proposed FY18-19 budget and receive citizen input.**

- March 12, 2018 – Twin Springs Elementary
- March 13, 2018 – Motley Ruritan Club
- March 15, 2018 – Mt. Airy Elementary School
- March 22, 2018 – Dan River High School
- March 26, 2018 – Gretna Fire Department
- March 27, 2018 – Mt. Cross Fire Department
- March 29, 2018 – Brosville Elementary School