

## **Boards discuss budget woes**

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News Messenger

CHRISTIANSBURG - The upcoming budget and progress on Montgomery County's school construction projects were among the topics discussed Monday during a joint meeting between the County Board of Supervisors and School Board.

The meeting began with a presentation by County Administrator Carol Edmonds on the outlook for the upcoming 2011 budget year, which several members of both governing bodies described as "depressing." Although the numbers will most likely change as the state develops its budget, the County is expected to face a \$2.5 million estimated shortfall for the 2011 fiscal year, Edmonds said. This estimate is based on revenue shortfalls from County taxes, expenditure increases, and decreased state funding to various County departments, which the County will have to offset with its own money, she said.

"I'm sorry it's not happier," Edmonds told Board members. "Hopefully, it'll get better as we go along."

Budget shortfalls from the current fiscal year will continue into 2011, Edmonds said. The County revenue, which partially funds next year's budget, is expected to decrease by \$1.1 million. The County gets much of its undesignated funds from real estate, sales and property taxes, all of which dropped in FY 2010, she said. And a \$400,000 reduction in state funding to County constitutional offices such as the Sheriff, Treasurer, and Clerk of Court will have to be offset with County money, taking more money of the County's \$75.3 million in undesignated money, Edmonds said.

"Obviously, it's going down every year, as costs go up," Edmonds said. "Then the County side - or your undesignated dollars - has to make up that difference."

Personal property tax revenue fell by \$662,000 in 2010, leading to a \$35 million decrease in the County's Personal Property Book values, Edmonds said. Sales tax fell by about \$719,000 as well, she said.

"People just aren't buying as much," Edmonds said.

Edmonds told the Board members that this is the first year in her career with the County that she has seen sales tax revenues go down from the previous year.

"There's always been some level of increase," Edmonds said. "This is the first year in ten years I've ever seen that occur."

Edmonds said she predicts the low numbers will continue into 2011 if sales do not pick up.

"If we have a good Christmas season, maybe it'll pick up before the end of the year, so everybody go buy something," she said.

Although her office estimates real estate tax revenues will pick up in 2011, Edmonds said the estimated \$608,851 increase will not be enough to offset the additional revenue shortfalls predicted for 2011 in areas such as personal property tax revenues.

In addition to these shortfalls in 2010, the state recently began keeping revenue from ABC taxes,

Edmonds said. It used to give back at least a portion of the taxes to the localities that collected them. There was an additional revenue decrease of about \$175,000 in other areas such as a telecommunications tax and interest rates on the County's checking account, Edmonds said. State funding to the County, which also funds the majority of the School Board's budget, represents about 52 percent of the County's \$153 million total budget, which is a significantly smaller portion than the County has received in the past, Edmonds said.

"I can tell you over the years, that percentage has eroded," Edmonds said. "It used to be a lot more in total budget, proportionally, than 52 percent and that number has been reduced over the years."

About \$35.1 million of the County's budget goes to the School Board's operating budget, and an additional \$11.8 million goes to the MCPS debt service, Edmonds said. State funding to MCPS has remained relatively stable in the past 10 years, though, making up between 56 and 58 percent of the School Board's budget, Edmonds said.

With revenue shortfalls, cuts to state funding, and increased expenditures for County employees' benefits all on the horizon for the 2011 budget, the total came to \$2.8 million. About \$300,000 of the total is expected to be offset by the new \$3.00 courthouse maintenance fees instated at a Board of Supervisors meeting last month, increased jail revenue, and several reductions to the County Sheriff's Office, Edmonds said. The savings brings the total estimated shortfall for 2011 to about \$2.5 million, she said.

To deal with some of the losses, County officials might have to make some tough decisions during the upcoming budget-planning process, Edmonds said.

"We're going back again with some things that we didn't have to do last year, that we'll likely have to look at again this year," Edmonds said.

These money-saving strategies include reducing County employee training and conference costs, freezing about 10 positions within the County departments, and reducing services, Edmonds said. In addition, her office has already informed employees that with the tough budget, there will be no salary increases, no new initiatives (unless they provide significant cost savings to the County), and no additional funding to any department, Edmonds said.

Although the outlook is grim, Edmonds reminded the Board members that at this point, the estimates are not set in stone, and the numbers could get better or worse as time goes on. County Administrator F. Craig Meadows said the numbers will become clearer as current Gov. Tim Kaine finalizes his budget this month, and Governor-Elect Bob McDonnell amends Kaine's budget in January.

"It is depressing," Meadows said. "And I guess the thing that's the scariest for us is we know there's a new budget coming out in December. And also, there's a new governor coming in in January. At this point, we just don't know."

Most Board members said they were not shocked by the budget outlook. Board of Supervisors Chair Annette Perkins said that at this point, everyone in County government expects significant shortfalls and has come to terms with having to make do.

"I think anything that comes to us will be like a great gift," Perkins said.

### **School construction**

During the second half of the meeting, Board members and MCPS Director of Facilities and Planning Dan Berenato discussed construction on the new Prices Fork and Eastern Montgomery Elementary Schools, and construction outlines for proposed new schools in the Auburn strand. The new Eastern Montgomery Elementary School, currently under construction, is set for completion by June 10, 2010, Berenato said.

"That will give us time to move in, when school opens next August," Berenato said.

The new school will house 450 students when it opens in August, and can accommodate about 600, Berenato said. The new school will merge Shawsville and Elliston-Lafayette Elementary Schools. It will also house two new pre-school rooms, he said.

"It's going to be just a beautiful school," Berenato said.

Once the school is complete, there will be the question of what to do with the old buildings, Berenato said.

E-LES was built in 1961 on 8.5 acres of land, he said. Although the property houses athletic fields and useful playground equipment, it will likely be surplus as property not needed by the School Board after it is vacated, Berenato said. The Board of Supervisors could change the zoning of the property once it is vacated to make it more attractive to potential buyers, Berenato said.

"How the School Board and the Supervisors will approach that, I guess is one thing you all can discuss," Berenato said.

SES was built in the early 1970s with an open design, like most schools at the time, Berenato said. Like E-LES, the SES property houses useful playground equipment and athletic fields, although it is situated on a floodplain, next to a sewage station, he said.

There also remains the question of what to do with the Shawsville Middle School Annex, Berenato said. The building, completed in the 1950s, once served as elementary school and later as Shawsville High School. Currently, the building is used solely for storage and a local food bank, Berenato said. Although the County cannot get rid of property itself (which is still used by Parks and Recreation), Berenato said the old building is a liability that should be torn down.

"The insides of it are just gone," Berenato said. "The usefulness of it is gone since it would have to be totally gutted and renovated for use. We think the best thing at this point is to take it down."

Then Berenato moved on to the most recent development in school construction in the County, the new Prices Fork Elementary School. Land for the project was acquired last month from the Virginia Tech Foundation and the County began receiving construction bids on the project shortly after the purchase was finalized. Bids are due by Dec. 15, with the contract to be awarded during the first School Board meeting in January, according to the project timeline. The new school, built on a 20-acre site, will be almost identical to the new EMES, Berenato said.

"The site amenities are arranged differently, but they're all the same in number and size," Berenato said.

It will also cost about much to build as EMES, although it could come out under-budget because of the current competitive bidding market, much like the County's new courthouse project did, Berenato said.

Supervisor Doug Marrs noted that northern companies, such as the Michigan-based DeVere Construction selected to build the new Courthouse in Christiansburg, are taking jobs in the south and offering reduced prices.

"There's a lot of companies up north that have absolutely no work, and they're coming down south now, throwing in a lot of bids," Marrs said. "They actually coming in lower than what the local people are doing."

Although coming in under-budget would be a positive thing, quality control is something that will have to be monitored if the County accepts the lowest bid, Berenato said.

"The flip side of that is when they bid really tight, it takes a lot of administration to keep the quality up," Berenato said. "That's my struggle every day."

As with past projects, some of the officials at the meeting expressed concern about accepting a construction bid from a non-local company. However, even if the main construction contract is awarded to an out-of-state company, there are still ways to stimulate the local economy during construction, said Supervisor Gary Creed.

"The upside of that is, most of them that come down here and bid still use local subcontractors, so most of it's built by people down here," Creed said.

As with SES and E-LES, officials must figure out what to do with the old PFES property, which was built in the 1950s on its current 8.5-acre site.

"I do know that there is a grassroots effort to figure out what to do with the school besides tearing it down," said School Board Chair Wendell Jones.

Some of the ideas put forth by citizens include putting a community center in the old building, much like the Meadowbrook Center in Shawsville, which was once a nursing home, and now houses a library, museum, YMCA, cafe, and office for the charitable foundation that helps pay for the facility. Most of the officials agreed that this would be a good idea, however, it would not be feasible unless some sort of foundation were to get involved to help pay to maintain the property, Jones said. He estimated it would cost around \$1 million a year to maintain. Since it is too expensive for the School Board and County to maintain, the best decision would be to let the property go once the new school is finished, Jones said.

"We've got to move on," Jones said. "We've got to move forward."

Improvements to the Auburn strand are in the early planning phases, since there is currently no money in the budget to begin the project, Berenato said. Therefore, much is unknown or undecided on the proposed projects. Although from what he has heard citizen input meetings, residents have said they would like to have a new high school and a renovated middle school, Berenato said.

"Because the money isn't here, we're sort of taking the planning slowly," Berenato said. "Because if you plan too far in advance, then all the people change, and when you do get the money, all the new people want something different."

As planning moves forward, he and his staff will consider the needs of the nearby historic cannery and the fire department, Berenato said. Cost and time estimates on the project are currently unknown, he said.