VIRGINIA: A SCHEDULED MEETING OF THE SURRY COUNTY BOARD OF SUPERVISORS HELD IN THE GENERAL DISTRICT COURTROOM OF THE SURRY COUNTY GOVERNMENT CENTER ON THURSDAY, MARCH 3, 2022, AT 7 PM.

PRESENT: SUPERVISOR JUDY LYTTLE
SUPERVISOR RONALD HOWELL, JR.
SUPERVISOR ROBERT ELLIOTT, JR.
SUPERVISOR MICHAEL DREWRY
SUPERVISOR WILLIAM (TIM) CALHOUN

ALSO
PRESENT: MS. DANIELLE POWELL, COUNTY ATTORNEY
MR. BILL HEFTY, COUNTY ATTORNEY
MS. MELISSA ROLLINS, COUNTY ADMINISTRATOR
MR. DAVID HARRISON, DEPUTY COUNTY ADMINISTRATOR
MR. DELON BROWN, NETWORK ADMINISTRATOR, IT DIRECTOR
MS. VALERIE PIERCE, SOCIAL SERVICES DIRECTOR
SHERIFF CARLOS TURNER, SHERIFFS DEPARTMENT
MR. HORACE WADE, PLANNING & COMMUNITY DEVELOPMENT DIRECTOR
MR. YOTI JABRI, ECONOMIC DEVELOPMENT DIRECTOR
MR. JONATHAN JUDKINS, COMMISSIONER OF THE REVENUE

INVOCATION

The invocation for tonight's meeting was given by Pastor Stelita H. Newby of Tree of Life Church.

CALL TO ORDER/MOMENT OF SILENCE/PLEDGE OF ALLEGIANCE/ADOPT AGENDA

The March 3, 2022 meeting of the Surry County Board of Supervisors was called to order by Chairman Lyttle at 7 P.M. Following the invocation was a moment of silence. Chairman Lyttle invited those present to stand and recite the pledge of allegiance.

CONSENT ITEMS

1. Approval of Draft Minutes – February 3, 2022
2. Approval of Accounts Payable for the Month of January 2022 in the amount of $508,904.07
3. Request for Public Hearing - Chesapeake Preservation Ordinance Amendments
4. School System - FY 21-22 Budget Amendment Request
5. Request for a Public Hearing - TRC Environmental (Align Renewable Energy)

Chairman Lyttle asked of any corrections, questions, or comments of the present agenda. Supervisor Drewry requested to have "Request for a Public Hearing - TRC Environmental (Align Renewable Energy)" added to the content items. With there being no other changes, Supervisor Elliott made a motion to adopt the agenda enumerated, including the additional item. Supervisor Howell seconded the motion, with all present voting affirmatively, approving the consent items as enumerated. ***(Approved)***

SUPERVISOR JUDY S. LYTTLE	**AYE**
SUPERVISOR RONALD HOWELL, JR.	**AYE**
SUPERVISOR ROBERT ELLIOTT, JR.	**AYE**
SUPERVISOR MICHAEL DREWRY	**AYE**
SUPERVISOR WILLIAM "TIM" CALHOUN	**AYE**

NEW BUSINESS

1. Enterprise Resource Planning (ERP) Management System-Selection of Tyler Munis - Melissa Rollins

County Administrator, Melissa Rollins, brought to the Board the request to authorize the completion and approval for the necessary contract and agreement documents with Tyler Technologies for the acquisition and implementation of the Tyler Munis ERP system (financial software package) depending on legal attorney review. Supervisor Elliott made a motion to approve the authorization of this item, Supervisor Howell seconded the motion. All present voted affirmatively. ***(Approved)***

APPOINTMENTS

1. Recommendation of Board of Equalization Members

- Bacons Castle – Linda Bailey
- Carsley – Doris Ellis Jackson

- Dendron –Thomas Byrd
- Claremont – Anthony Washington
- Surry – Alvin Cheatham

Supervisor Howell made a motion to forward the named recommendations to the Circuit Court judge for appointment of serving on the 2022 Board of Equalization. Supervisor Calhoun seconded the motion. All present voted affirmatively. ***(Approved)***

REPORTS

1. LGIP Investment Letter (January 2022)
2. VDOT Quarterly Report - Rossie Carroll

(Copies of the reports are attached as an integral component of these minutes.)

PUBLIC HEARING

1. Surry Solar Center LLC Energy Project

Mr. Horace Wade provided a summarized evaluation of the strengths and weaknesses of the authorization for Surry Solar Center, LLC to construct a 20 megawatt (alternating current) photovoltaic solar energy generation facility in the county. Thereafter, Pine Gate Renewables legal representative, Greg Davis, gave a presentation to provide additional information for consideration of this project and answered questions as they transpired.

Public Comments:

1. Diane cheek – Surry District - opposed
2. Susan Corvello – Spring Grove – opposed
3. Steven Johnson- Bacons Castle district – opposed
4. John Brock – Bacon Castle District – opposed
5. Mike Eggleston – Dendron – opposed
6. Mr. Eddie Brock – Bacons Castle – opposed
7. Darryl Richmond - Bacons Castle – opposed
8. Sam Edwards – Surry District - support
9. Helen Eggleston - Dendron - opposed
10. Paul Epps – Bacon Castle – support

The citizen's comments were closed; thereafter Board members and staff made their remarks. Supervisor Drewry made a motion to table this item until a later date for more time to deliberate and discuss the information that was presented at this meeting. The motion was *seconded by Supervisor Elliott. The motion passed with three in favor, one against and one abstained.* ***(Tabled)***

SUPERVISOR JUDY S. LYTTLE	**NAY**
SUPERVISOR RONALD HOWELL, JR.	**AYE**
SUPERVISOR ROBERT ELLIOTT, JR.	**AYE**
SUPERVISOR MICHAEL DREWRY	**AYE**
SUPERVISOR WILLIAM "TIM" CALHOUN	**ABSTAINED**

Following this item being tabled, Supervisor Drewry excused himself from the meeting at 8:26pm.

The contents of this Public Hearing can be found in its entirety through our Surry County Government YouTube Channel: Surry County Government - YouTube

COUNTY ADMINISTRATORS REPORT

1. FY2022-23 Budget Planning
2. Financial Status Update-Davenport & Company Financial Advisors

(Copies of the reports are attached as an integral component of these minutes.)

PUBLIC COMMENTS

1. Mike Eggleston's – Dendron - Improvement with dumpsite; Inquired about not utilizing county stickers; Non-residents using the dumpsite; How often is the gazebo utilized; What is Surry Seafood return investment; Employee performance.
2. Helen Eggleston's- Dendron-Concerned about a potential tax increase
3. Susan Corvello – Dendron- Asked the county to Consider Reducing Tax Rate; Inquired about the county utilizing the assets that are readily available… Nature trail; Stated Buffers for solar projects aren't working; Opposed to solar panels near historical sites.

You can access the full content at the following link: Surry County Government - YouTube

BOARD COMMENTS

1. Vice Chairman Howell – None
2. Supervisor Calhoun – None
3. Supervisor Elliott – Reiterated to citizens that the Reassessment is not an action of the Board, but state mandated. Advised tax relief was implemented for seniors when the tax rate increased previously. Expressed reassurance to the citizens, the Board's goal is to improve the County as a whole.

4. Madam-Chair Lyttle – Expressed appreciation of all citizen's comments. Stated that the public comment sessions are an option of the board and the chairman; and is not a requirement. Also, stated the public comment sessions are not a "question and answer" period, therefore, questions will not be answered at that time. Advised citizens to submit their questions to staff.

CLOSED SESSION:

1. Potential Candidate for HR Position

Ms. Danielle Powell, County Attorney, requested a motion to go into a closed session to discuss potential candidates for the HR position as permitted by Virginia code:

§ **2.2-3711(A)(1)**: Discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body; and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will necessarily involve discussion of the performance of specific individuals. Any teacher shall be permitted to be present during a closed meeting in which there is a discussion or consideration of a disciplinary matter that involves the teacher and some student and the student involved in the matter is present, provided the teacher makes a written request to be present to the presiding officer of the appropriate board. Nothing in this subdivision, however, shall be construed to authorize a closed meeting by a local governing body or an elected school board to discuss compensation matters that affect the membership of such body or board collectively.

All present voted affirmatively to convene into closed session by roll call vote at 8:53pm. ***All present voted affirmatively.***

SUPERVISOR JUDY S. LYTTLE	**AYE**
SUPERVISOR RONALD HOWELL, JR.	**AYE**
SUPERVISOR ROBERT ELLIOTT, JR.	**AYE**
SUPERVISOR WILLIAM "TIM" CALHOUN	**AYE**

Supervisor Lyttle made a motion to return to open session The Board returned to open session, certified by roll call vote. Board Members returned from closed session at 9:12pm.
All present voted affirmatively.

SUPERVISOR JUDY S. LYTTLE	**AYE**
SUPERVISOR RONALD HOWELL, JR.	**AYE**
SUPERVISOR ROBERT ELLIOTT, JR.	**AYE**
SUPERVISOR WILLIAM "TIM" CALHOUN	**AYE**

FOR YOUR INFORMATION

1. Blackwater Regional Library Activity Report

ADJOURNMENT

There being no further business before the Board, Vice Chair Howell made a motion to adjourn their meeting until Wednesday, March 16, 2022, at 6pm. The motion was seconded by Supervisor Elliott and unanimously approved by all present.

Meeting Adjourned at: 9:14 PM.

This meeting can be viewed in its entirety through our Surry County Government YouTube Channel: Surry County Government - YouTube

Surry County Treasurer's Office
Onike N. Ruffin, Treasurer

Telephone: (757) 294-5206
Fax: (757) 294-5208
Web: www.surrycountyva.gov

45 School Street
Post Office Box 286
Surry, Virginia 23883

February 15, 2022

Surry County Board of Supervisors
Mrs. Judy Lyttle, Chairwoman
Post Office Box 65
Surry, VA 23883

Lady and Gentlemen:

Please be advised that we last reported a balance in the Local Government Investment Pool totaling $2,020,674.85.

Since that report, we received our accrued interest for January 2022 in the amount of $1,131.39 increasing our balance in LGIP to $2,021,806.24.

Since our last report, we transferred $18,000,000.00 to the Local Government Investment Pool from the General Fund, increasing the balance to $20,021,806.24.

We have the following investments:

			Rate	Days	Matures
LGIP	$	20,021,806.24	Variable rate		
EVB CD Plus accrued Int.		500,000.00	.40%	730	01/28/2024

This gives us a total investment of **$20,521,806.24.**

Respectfully submitted,

Onike N. Ruffin

Onike N. Ruffin, Treasurer
County of Surry

<u>Maintenance Accomplishments and County Requests</u>

Dec 1 to Feb 28 2022

We completed 34 of 37 maintenance work orders this past quarter with 3 outstanding (91.9% complete).

Residency Direct Line **757-253-5138** / VDOT's Customer Service Center **1-800-FOR-ROAD (1-800-367-7623)**

<u>A few Maintenance accomplishments are:</u>

Shoulder repairs on Camera Road, Hickory Hill Road and Rte. 10 6800 block
Pothole Patching County Wide
Sight Distance and Tree Trimming Work
Ditching on Camera Road, Carsley Rd and Berryman's Corner Road
Pavement Repairs – Rte. 615 and Rte. 646

<u>Planned Maintenance Work</u>

Prep for Secondary Mowing Cycle
Boom Axe work for Sight Distance and around Guardrails
Grading Non Hard Surface Roads
T609 – Asphalt Patching
Secondary Roadway Ditching

<u>Upcoming Projects</u>

22 Plant mix – (UPC 119142) 6.5 miles

Rte. 10 from Prince George Co. Line to East of Salisbury Rd
Rte. 10 from Paving Joint East of Rolfe Hwy to Chapel Bottom Road
Rte. 10 from Hog Island Rd. to Isle of Wight Co. Line

22 Latex Overlay – (UPC 119141) 5.6 miles

Rte. 10 from East side of Hollybush Rd to Rolfe Hwy
Rte. 10 from Rolfe Hwy SB to Colonial Trail West
Rte. 31 from ½ mile N of Elbron Heights Rd. to Colonial Trail West

22 Primary & Select Secondary Mowing and Litter removal

Cycle 1 – May 9, 20222
Cycle 2 – June 13, 2022
Cycle 3 – August 22, 2022
Cycle 4 – November 1, 2022

<u>Smart Scale</u>

SMART18 - Intersection of Colonial Trail East and Route 617 – (UPC 111789) realign the intersection of Route 10 East (Colonial Trail) at Route 617 (Bacon's Castle Trail/White Marsh Rd); install a left-turn lane for eastbound traffic on Rte 10; install a left-turn lane for westbound traffic on Rte 10; install a right turn lane at Bacon's Castle Trail, and slight realignment of Rte 10 to the west of the current location. There are significant cultural resources in the area which must be handled carefully. Preliminary Engineering started in Aug 2019 with Right of Way phase starting March 2022, Advertisement in December 2023 and CN in spring of 2024.

SMART20 – Rte. 31 Shoulder Widening – (UPC115511) bicycle accommodation of 5 foot shoulder widening from Town of Surry to Pleasant Point Rd. Preliminary Engineering started in Sep 2019. This project currently has a deficit and we are looking at ways to fund shortfall, reduce scope or adjust terminus.

Traffic Engineering Studies

None this Quarter

York County VDOT Land Use (July 1, 2021 – January 25, 2022)

Plan Reviews	7
Permits Issued	25
Permits Completed	1
Ln. Miles added	0.00

Emergency Declaration Snow Events

Snow Event Jan. 19^{th} – January 24^{th}
Snow Event Jan. 27^{th} – Feb. 1^{st}
Snow Event Feb 13^{th} – Feb 14^{th}

Surry County Board of Supervisors
FY2022-23 Budget Planning

February 17, 2022

Purpose

- Current status on budget development
- Tax rate and other key financial trends
- Guidance to County Administrator

Budget Development Status

- Reviewing budget submissions
- Currently meeting with departments
- Fine tuning revenue estimates
- Budget scheduled to be presented to Board on April 14

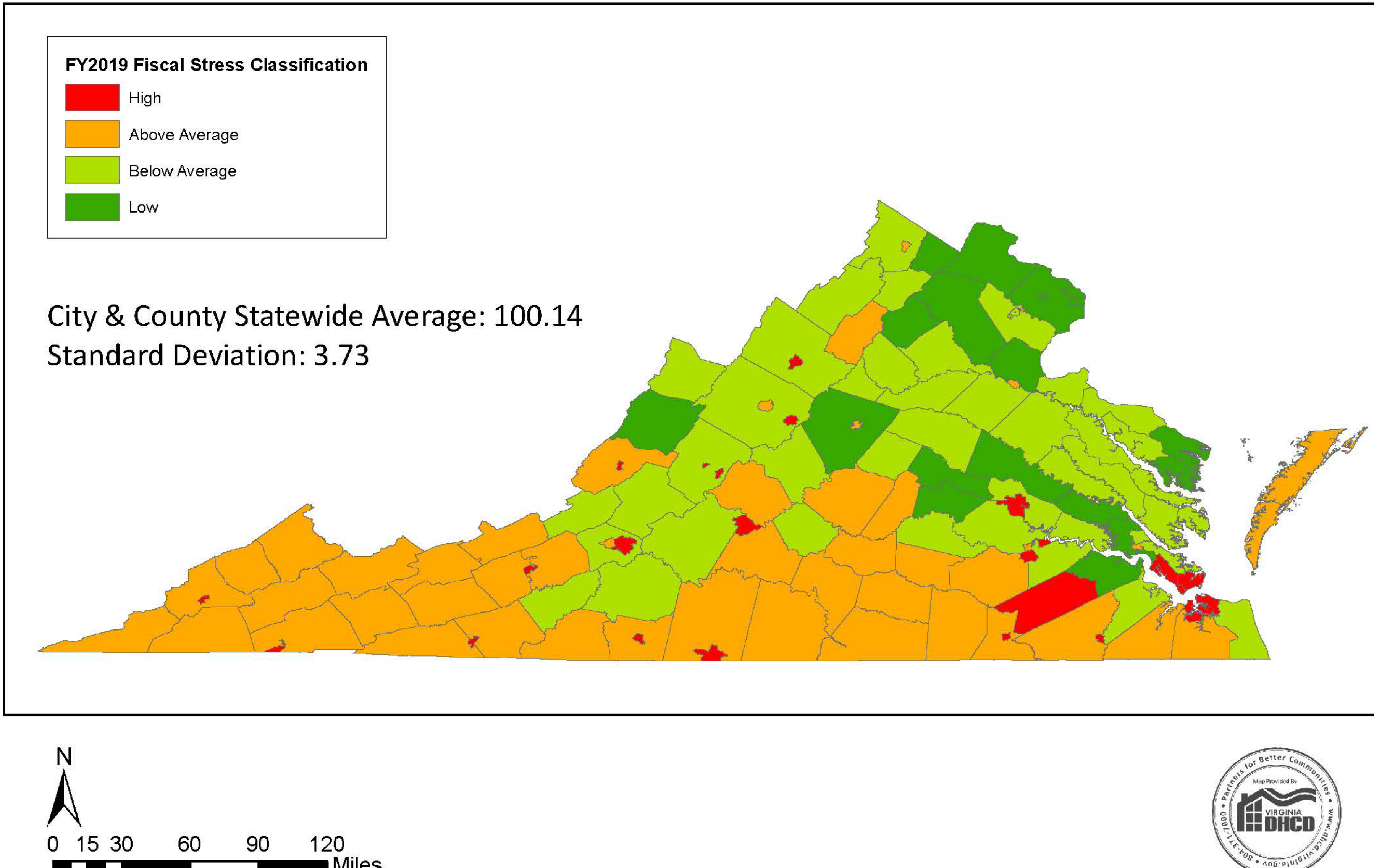
Fiscal Stress – 2018/19

1=Highest Stress; 133=Lowest Stress

Locality	Fiscal Stress Score	Fiscal Stress Rank	Fiscal Stress Classification
Emporia	107.60	1	High
Hopewell	106.19	6	High
Sussex	104.20	22	High
Colonial Heights	102.53	31	Above Average
Dinwiddie	100.42	65	Above Average
Prince George	99.85	75	Below Average
Isle of Wight	98.38	92	Below Average
New Kent	95.73	119	Low
Surry	94.70	123	Low
Average - All Counties	98.94	Avg. – All Cities	103.15

Source: Commission on Local Government

Commonwealth of Virginia:
FY2019 Fiscal Stress by City & County



Source: Virginia Department of Housing & Community Development, Commission on Local Government

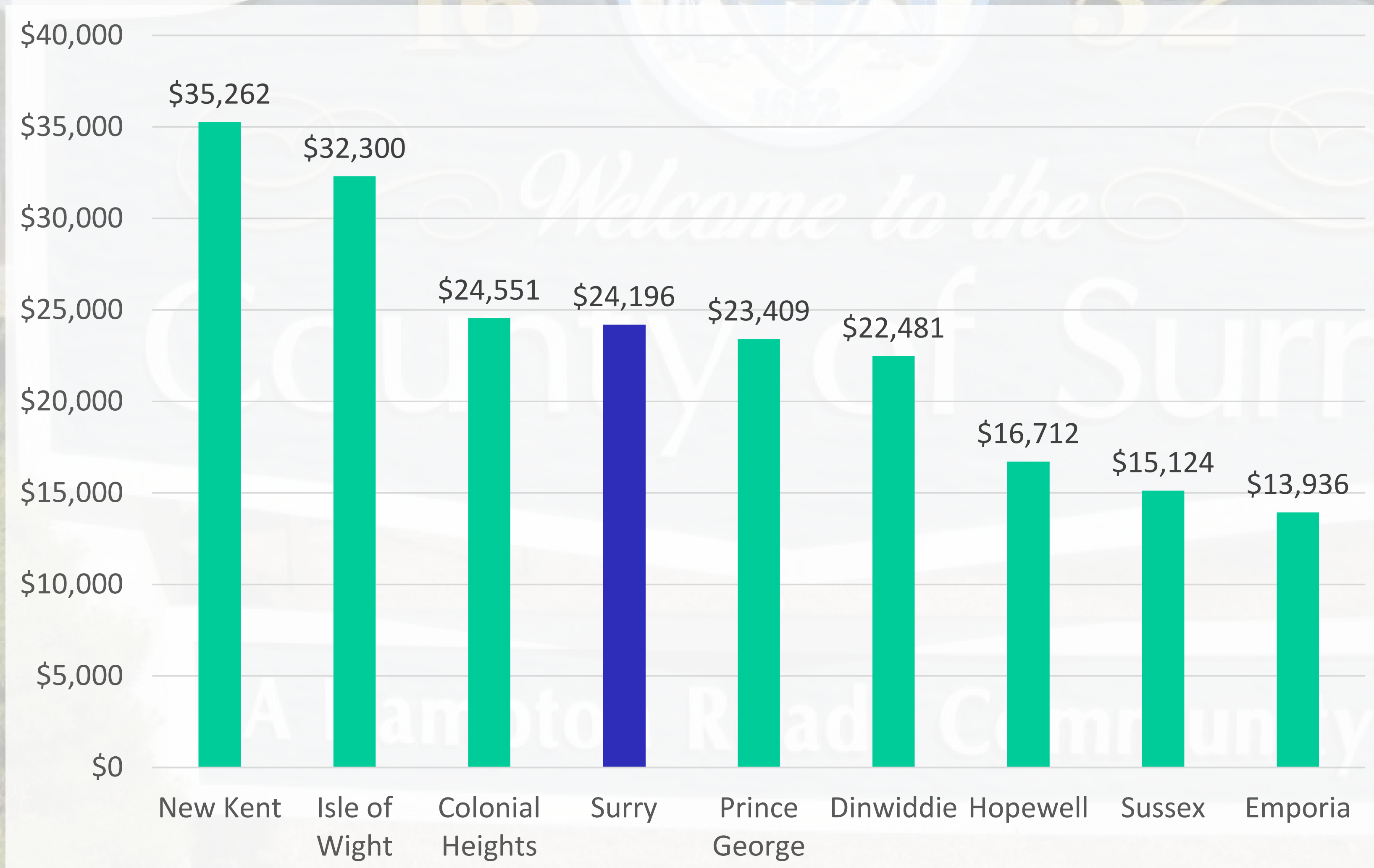
8-3-2021

Population and Growth Rates

			Change since 2020 Census		State Rank
Locality	*April 1, 2020 Census*	*July 1, 2021 Estimate*	*Numeric Change*	*Percent Change*	*Growth Rate*
New Kent	22,945	23,564	619	2.7%	1
Isle of Wight	38,606	38,944	338	0.9%	18
Prince George	43,010	43,209	199	0.5%	32
Dinwiddie	27,947	27,989	42	0.2%	50
Surry	**6,561**	**6,569**	**8**	**0.1%**	**53**
Hopewell	23,033	22,976	-57	-0.2%	78
Colonial Heights	18,170	18,071	-99	-0.5%	99
Emporia	5,766	5,628	-138	-2.4%	130
Sussex	10,829	10,409	-420	-3.9%	133
Virginia	**8,644,727**	**8,655,608**	**10,881**	**0.1%**	
Crater PDC	**551,486**	**555,482**	**3,996**	**0.7%**	
Hampton Roads PDC	**1,749,361**	**1,749,665**	**304**	**0.0%**	

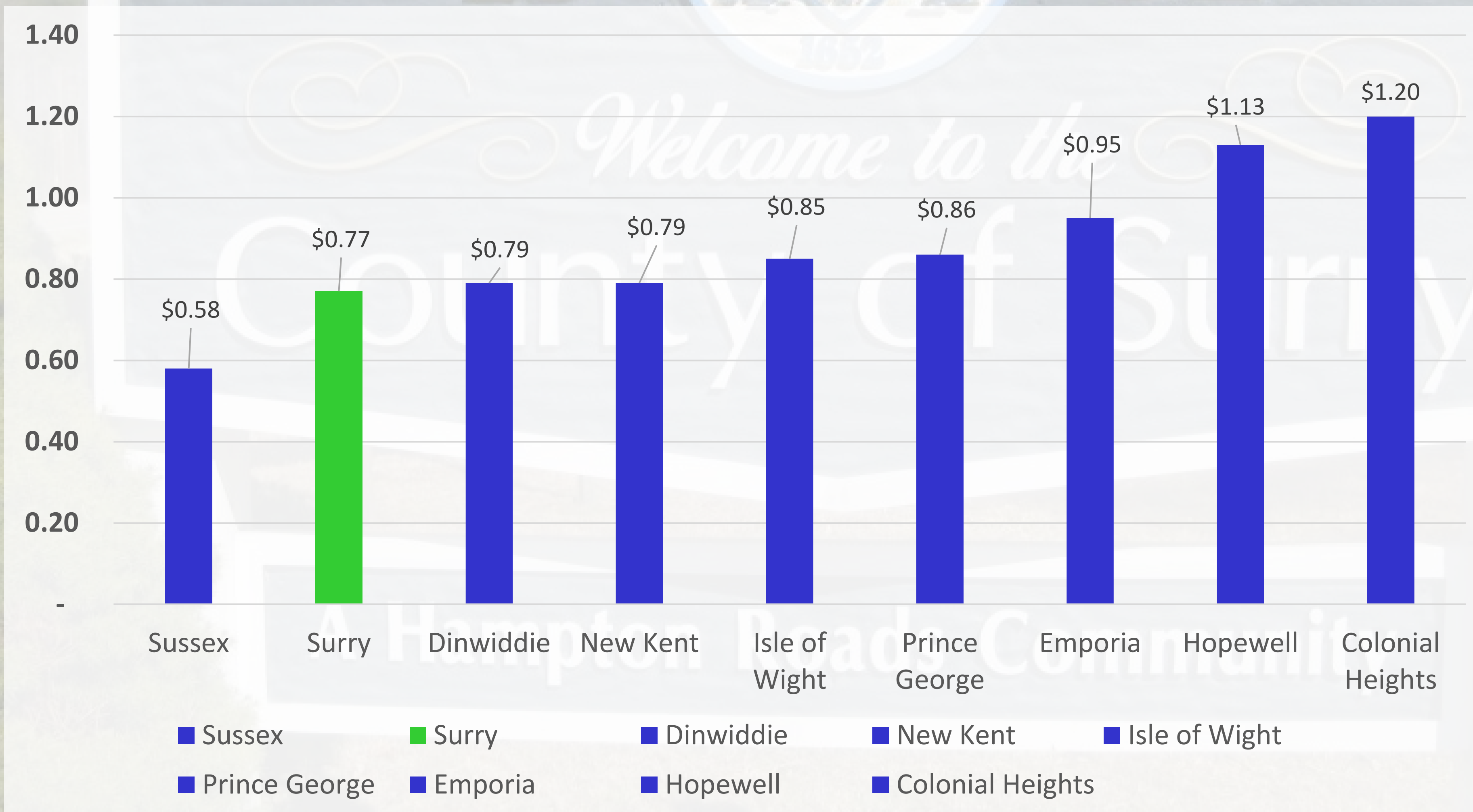
Source: Weldon Cooper Center

Per Capita AGI For All Returns (2019)

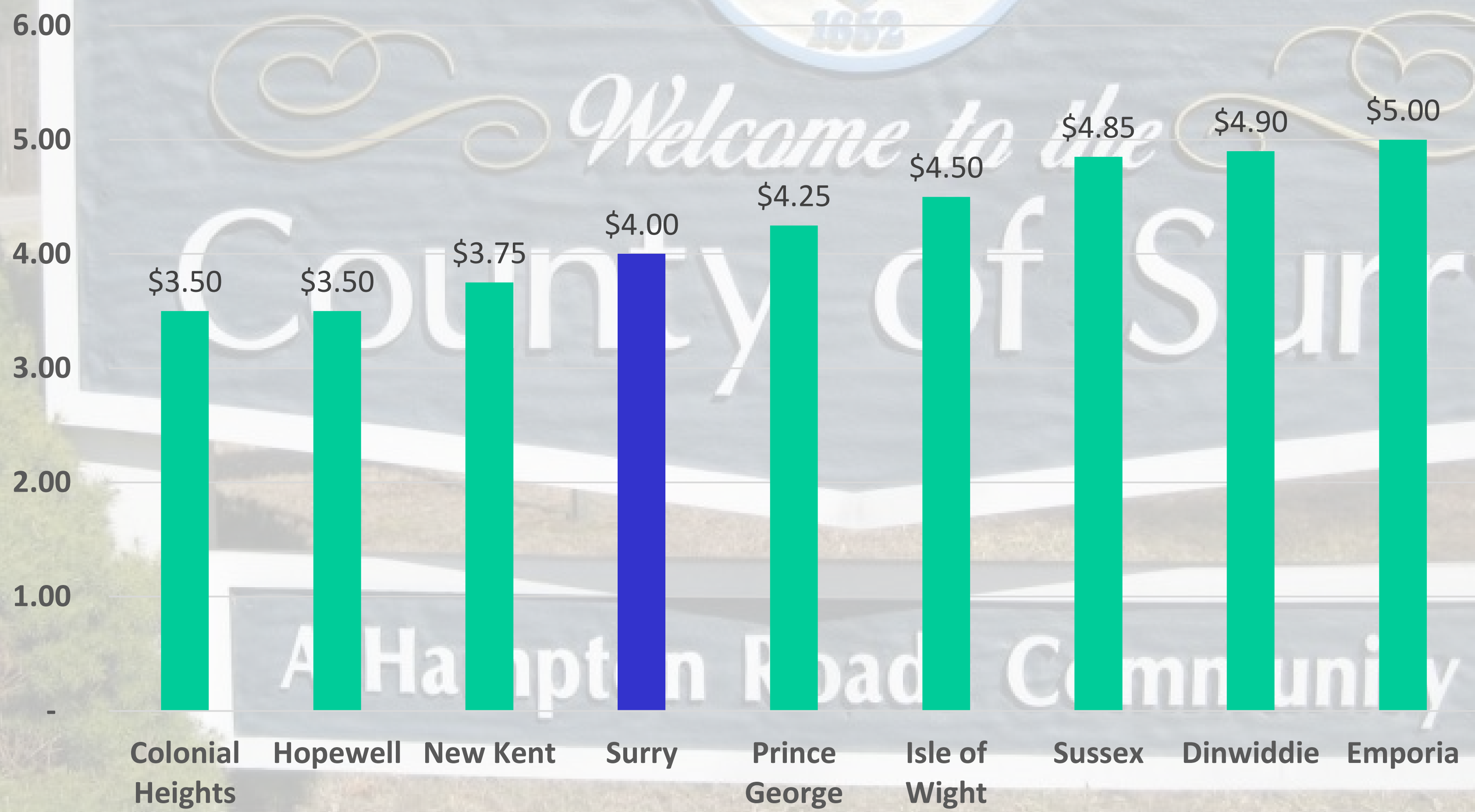


Source: VA Dept of Taxation

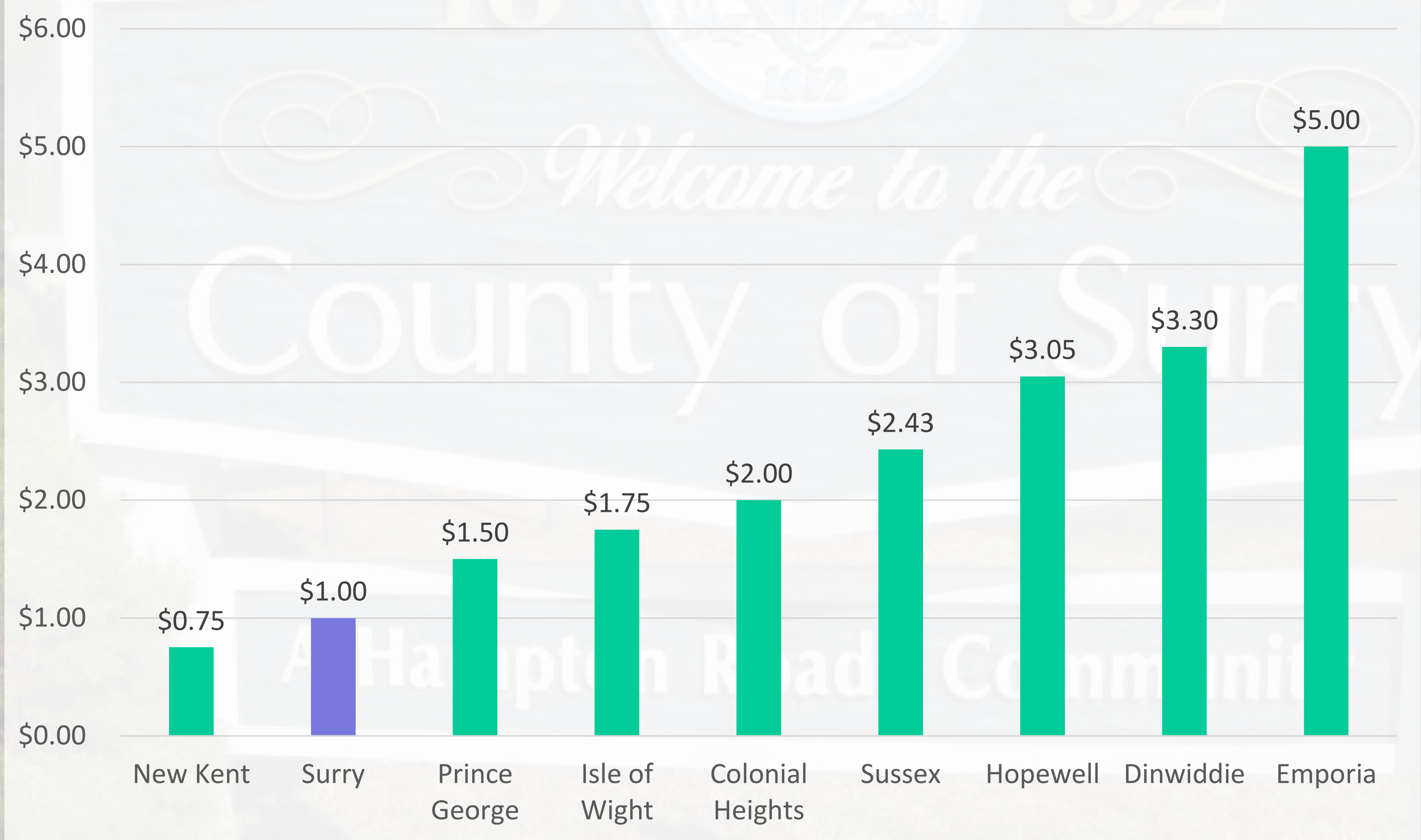
2022 Real Estate Tax Rate Per $100 of Assessed Value



Personal Property Tax Rate
Vehicles and Business

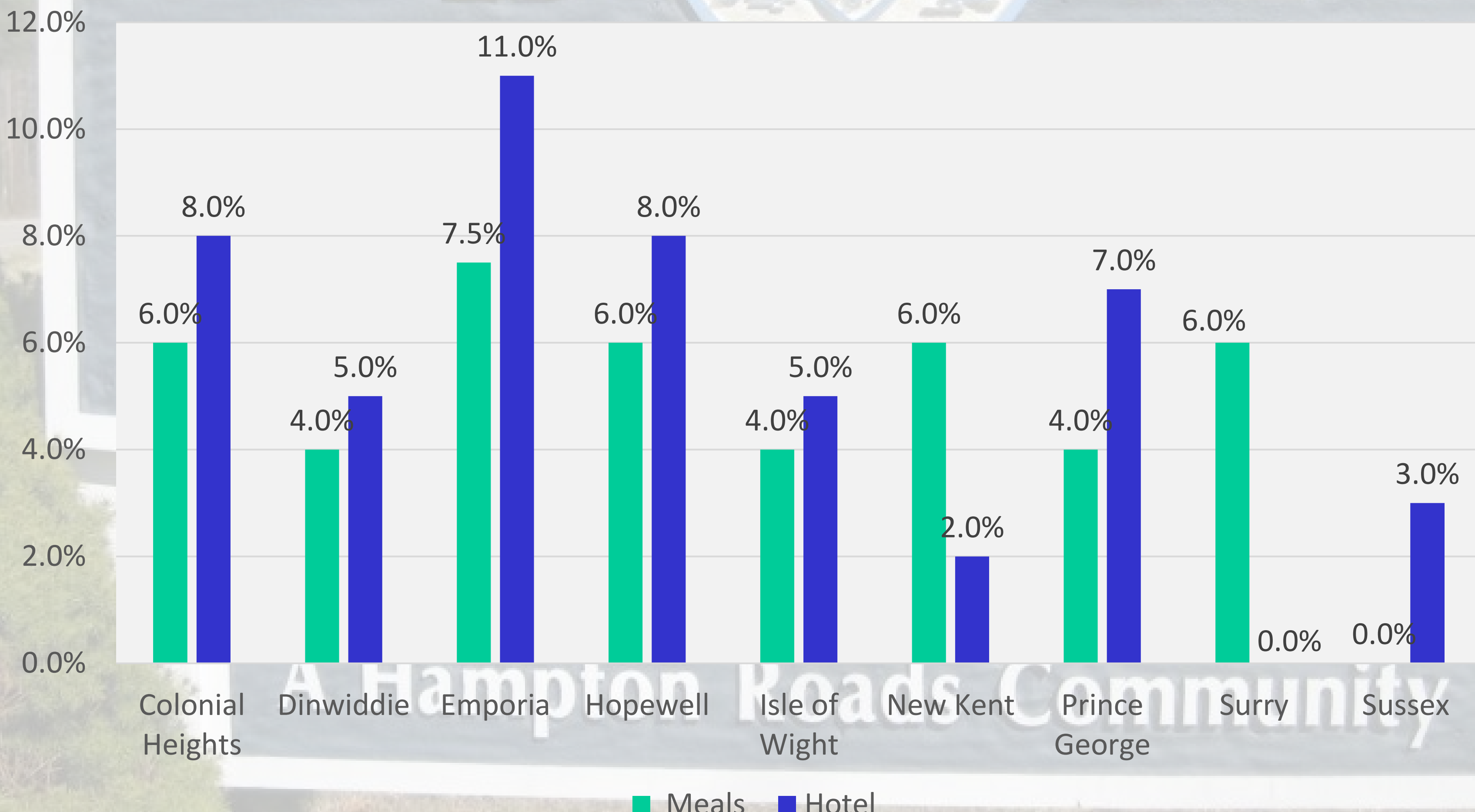


Machinery & Tools Tax Rate

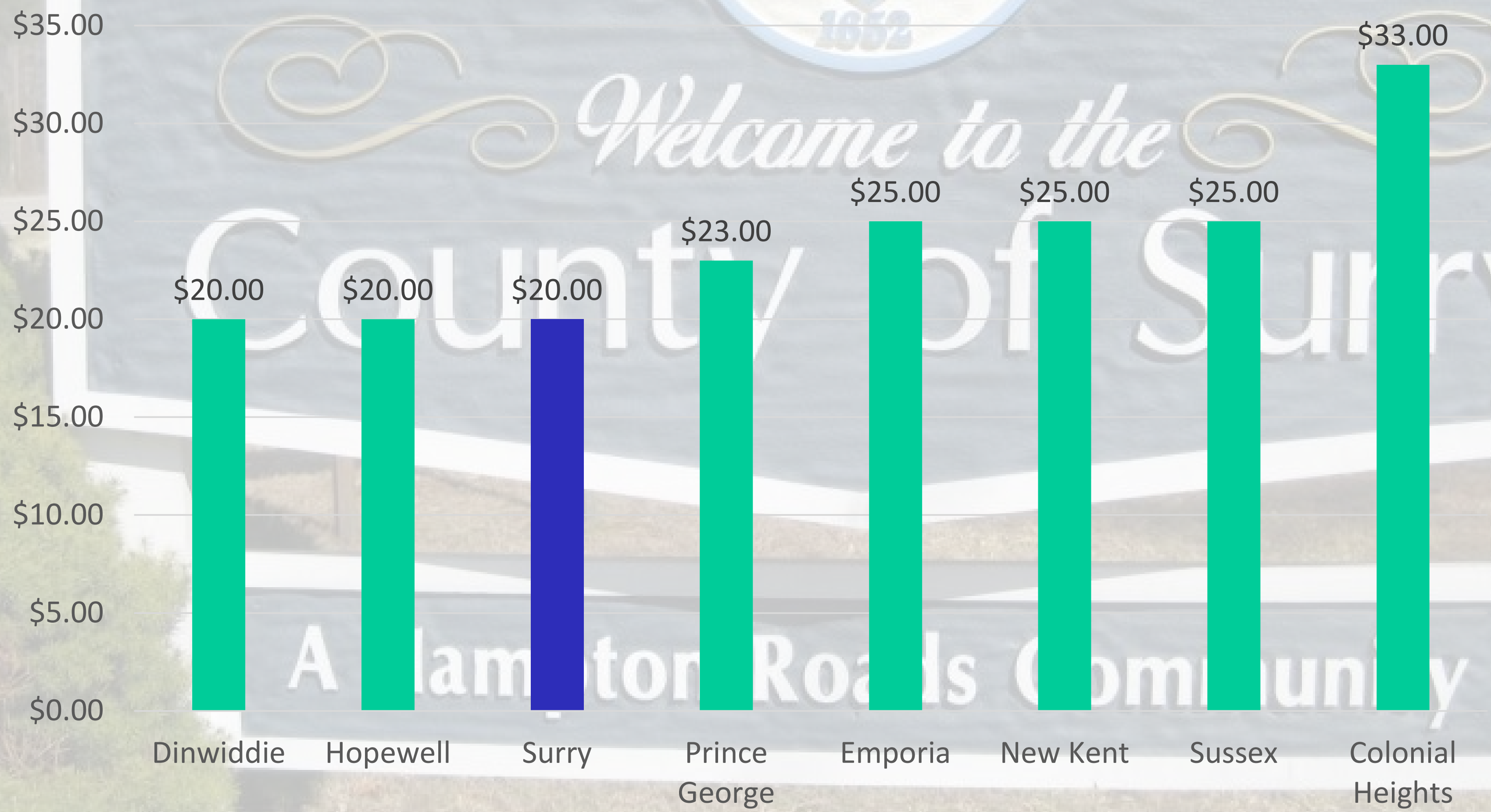


Source: 2019 Virginia Local Tax Rates

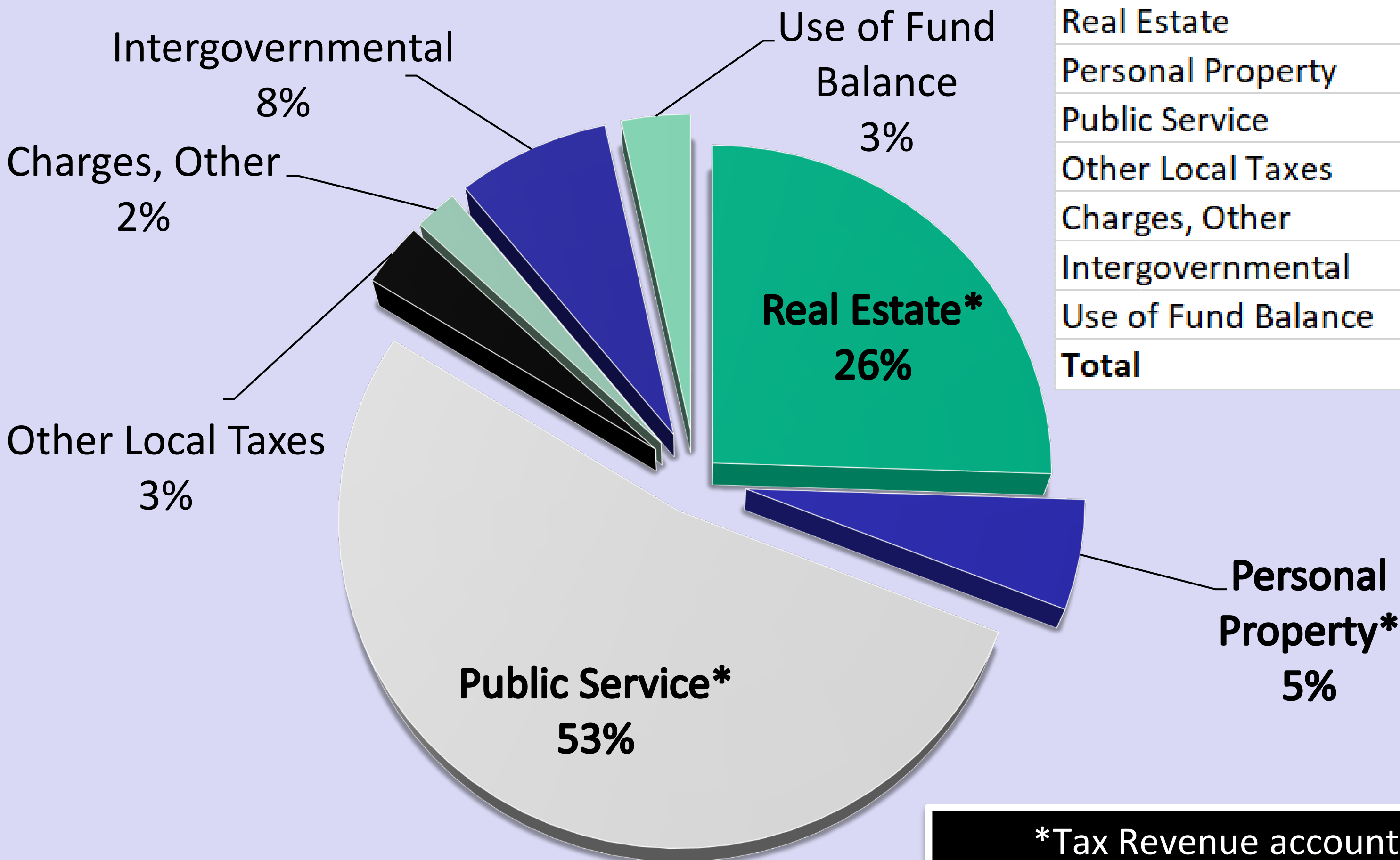
Meals and Hotel Tax Rates



Motor Vehicle License Fee
(Under 4,000 lb)



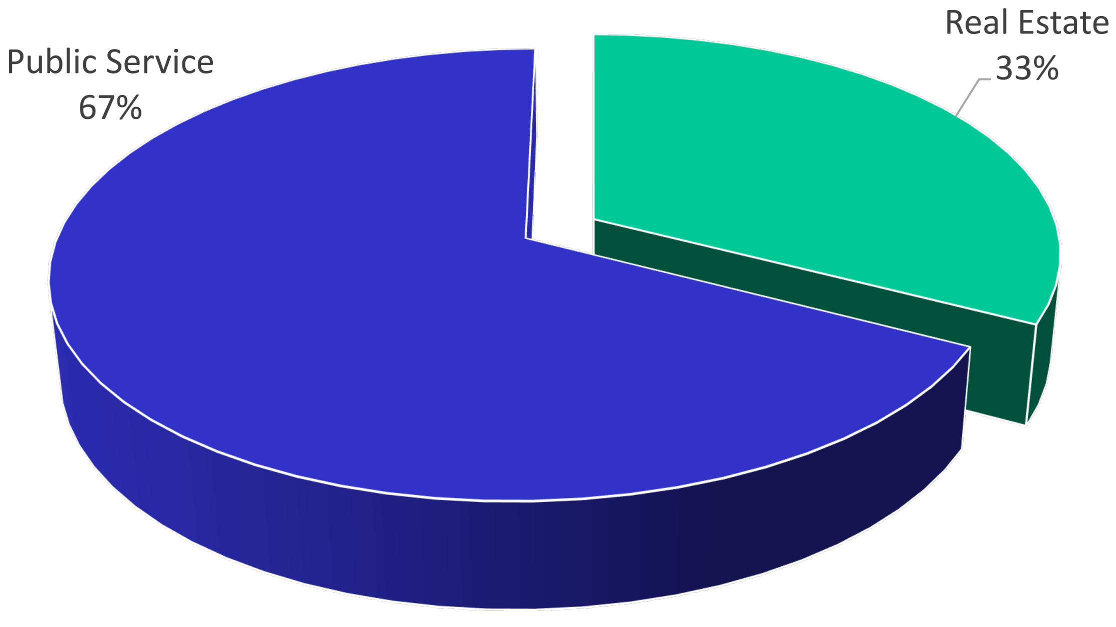
Revenue by Source



Real Estate	$ 7,269,296
Personal Property	1,545,000
Public Service	15,064,736
Other Local Taxes	909,000
Charges, Other	604,136
Intergovernmental	2,133,125
Use of Fund Balance	963,061
Total	**$ 28,488,354**

*Tax Revenue accounts for 90% of total revenue

Components of Tax Based on Real Estate Rate



Revenue Trends - FY2022

- We are in the process of fine-tuning revenue estimates, but initial projections show net expected total revenue ahead of budget by an estimated $900,000
- Public Service Corporation revenue projected to be about $300,000 over budget, due to increased assessments from the SCC

Revenue Trends - FY2022

- Personal property tax is ahead of projections due to increase in values for used vehicles as a result of supply chain shortages

- Continued weakness in interest earnings due to reduced interest rates.

Local Revenue Sources

Local Revenues/Use of Fund Balance Constitute 93% of the General Fund budget

Revenue Source	Appropriation	FY22 Collections at 01/31/2022	% of Budget at 01/31/2022	Projected
Real Property Taxes	$ 7,269,296	$ 7,063,191	97.16%	$ 7,275,200
Public Service Taxes	15,064,736	15,379,783	102.09%	15,379,783
Personal Property Taxes	1,545,000	1,583,336	102.48%	1,765,000
Penalties & Interest	100,000	70,075	70.07%	100,000
Other Local Taxes	909,000	614,622	67.62%	1,053,713
Permits, Fees & Licenses	35,950	117,600	327.12%	154,688
Court Fines & Forfeitures	30,000	29,236	97.45%	38,000
Use of Money & Property	82,626	41,075	49.71%	70,199
Charges for Services	72,950	87,236	119.58%	112,830
Miscellaneous	282,610	227,104	80.36%	346,458
Use of Fund Balance	963,061	-	N/A	-
Total from Local Sources	$ 26,355,229	$ 25,213,260	95.67%	$ 26,295,870

State/Federal Revenue Sources

State & Federal Revenues Constitute 7% of the General Fund

Revenue Source	Appropriation	FY22 Collections at 01/31/2022	% of Budget at 01/31/2022	Projected
Non-Categorical Aid	$ 742,107	$ 563,967	76.00%	$ 724,583
Shared Expenses	1,116,826	527,392	47.22%	1,103,248
Other Categorical Aid	257,886	182,720	70.85%	320,753
Federal Categorical Aid	16,306	1,100	6.75%	13,348
Total from State/Fed Sources	$ 2,133,125	$ 1,275,179	59.78%	$ 2,161,932
TOTAL GENERAL FUND	$ 28,488,354	$ 26,488,439	92.98%	$ 28,457,802

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Expenditure Trends - 2022

- Overall, departmental expenditures are on target

General Fund Expenditures

Function	FY2022 Appropriation	Expenditures As of 01/31/22	Percent Spent	Unspent Balance	Percent Unspent
Gen'l Govt Administration	2,835,385	1,450,632	51.2%	1,384,753	48.8%
Judicial Administration	805,873	430,282	53.4%	375,591	46.6%
Public Safety	4,038,264	2,130,724	52.8%	1,907,540	47.2%
Public Works	1,643,873	854,634	52.0%	789,239	48.0%
Other Agencies	325,647	198,761	61.0%	126,886	39.0%
Parks, Recreation & Cultural	614,792	307,576	50.0%	307,216	50.0%
Planning & Community Develop.	1,485,188	729,081	49.1%	756106.69	50.9%
Transfers Out	16,739,332	7,970,000	47.6%	8,769,332	52.4%
Total by Function	$ 28,488,354	$ 14,071,689	49.4%	$14,416,665	50.6%

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Revenue Trends - FY2023

- Real estate revenue expected to be impacted by reassessment
- Public Service corporation estimate will not be available until late March, but starting point is above FY22 Budget due to expected increase in sales/assessment ratio
- Interest income remains low due to rates, but is expected to increase with Fed rate hikes

Expenditure Trends - 2023

- Personnel:
  - Health Insurance rates - +8.4%
  - Salary increases – TBD; State's initial proposal is 5%
- Operating:
  - Inflation impacting operating costs, which have largely been held level for the past 5+ years
- Capital:
  - Ongoing capital needs, such as vehicle replacement and deferred maintenance, will require ongoing dollars to fund

Capital Improvement Program – Preliminary Needs

- Technology Impvs - $130K
- Govt Center Interior Refurbish - $125K
- Water Capacity Upgrades (Industrial Park-water storage tank) - $3M
- Recreation/Community Improvements - $288K
- County /Sheriff Vehicle Replacement - $660K
- Facility Improvements - $2.414M
- New Fire Apparatus - $1.2M
- Pump House Tank Replacements - $30K
- School Bus & Vehicle Replacements - $630K

Next Steps

- Guidance/Feedback from Board of Supervisors
- Contact County Administrator as issues/questions arise
- Staff will provide additional information as we navigate through the budget process
- Budget is scheduled to be presented to Board on April 14

Financial Status Update

Surry County, Virginia

February 17, 2022

Overview

1. Davenport & Company LLC ("Davenport") serves as Surry County's Financial Advisor.

2. In the Fall of 2020, Surry County (the "County") successfully took advantage of the historically low interest rate environment to finance $6 million of New Capital Projects and refund existing debt.

   - The interest rate on the new money borrowing is fixed at 1.73% for the life of the loan.

3. Surry County's FY2021 audit was recently completed. The County's Fund Balance declined in FY2021 due to the need to spend Fund Balance on Capital Improvements.

4. The County is over the mid-way point for FY2022 and is in the planning stages for the FY2023 Budget.

5. As such, the presentation this evening will provide a series of updates and recommendations with respect to Financial Policies and Financial Planning for the FY2023 Budget and beyond.

Key Observations

1. Surry County has historically been well run from a financial perspective. The County has a history of producing annual operating surpluses, maintaining strong reserve levels, and cash funding a portion of its capital program.

2. Fund Balance is arguably the most important financial metric when assessing the financial strength and stability of a local government such as Surry County.

3. While still at solid levels, the County's total Fund Balance declined in FY2021.

4. The decline in Fund Balance appears to be driven by the need to make investments in the County's capital infrastructure. The County has a modest amount of dedicated revenues for capital maintenance/improvements relative to the identified needs.

5. Surry County is unique in that its tax base and revenue stream are highly dependent on a single entity (i.e. the Dominion Surry Power Station, the "Power Plant"). This dependence on a single entity makes Fund Balance an even more critical component of Surry County's finances.

Key Observations (cont.)

6. The County's total budget (including schools) is roughly $33 million (as of the FY 2021 Audit including General Fund Revenues plus School Revenues less interfund transfers). Public Service Corporation taxes tied to the Power Plant account for approximately 45% of this total. Revenues derived from other activity at the Power Plant make this revenue concentration even higher.

7. In addition, the County's relatively small population and very high assessed value mean that the County receives a relatively small amount of funding from the Commonwealth for schools. The high assessed value is tied to the presence of the Dominion Power Plant.

8. The County's high level of revenue dependence means that Surry County should consider:

   - Strengthening its adopted Fund Balance policies to safeguard the County's valuable reserves;
   - Identifying additional revenue sources to sustainably fund capital and infrastructure maintenance;
   - Focusing on economic development; and,
   - Taking a multi-year approach to financial/capital planning.

Operating Overview | General Fund

#		2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited
1	**Revenues**					
2	General Property Taxes	$21,692,941	$21,670,403	$21,600,237	$22,023,784	$23,138,148
3	Other Local Taxes	610,920	780,408	1,126,200	1,118,145	1,057,335
4	Permits, Privilege Fees, and Regulatory Licenses	39,843	49,723	57,890	38,408	79,962
5	Fines and Forfeitures	43,375	34,210	59,254	31,272	35,900
6	Revenue from the Use of Money and Property	206,995	325,583	538,259	314,222	137,296
7	Charges for Services	124,435	97,301	266,638	229,217	225,173
8	Miscellaneous	34,938	157,052	100,120	158,822	145,039
9	Recovered Costs	20,149	95,520	23,781	35,967	58,622
10	Intergovernmental Revenue					
11	Commonwealth	2,260,290	2,345,813	2,393,823	2,629,458	2,606,002
12	Federal	944,770	929,239	921,798	1,107,833	2,081,867
13	**Total Revenues**	**$25,978,656**	**$26,485,252**	**$27,088,000**	**$27,687,128**	**$29,565,344**
14			1.95%	2.28%	2.21%	6.78%
15	**Expenditures**					
16	Current Operating:					
17	General Government Administration	$1,433,635	$1,655,924	$1,815,006	$1,858,332	$2,030,298
18	Judicial Administration	570,201	565,128	625,561	660,930	707,203
19	Public Safety	3,054,207	3,289,980	3,398,314	3,543,384	3,557,728
20	Public Works	1,510,054	1,407,940	1,554,097	1,564,133	1,650,682
21	Health and Welfare	2,279,521	2,301,035	2,433,879	3,029,935	3,573,667
22	Education	11,871,307	12,758,905	12,138,405	12,106,306	11,926,855
23	Parks, Recreation, and Cultural	563,922	597,532	692,578	628,855	515,986
24	Community Development	523,447	486,837	697,807	728,830	681,520
25	Capital Projects	0	171,970	23,976	0	0
26	Debt Service:					
27	Principal Retirement	1,085,000	1,125,000	1,055,000	1,165,000	1,225,000
28	Interest and Other Fiscal Charges	813,234	766,759	840,248	933,265	2,282,753
29	**Total Expenditures**	**$23,704,528**	**$25,127,010**	**$25,274,871**	**$26,218,970**	**$28,151,692**
30			6.00%	0.59%	3.74%	7.37%
31	**Revenues Over (Under) Expenditures**	**$2,274,128**	**$1,358,242**	**$1,813,129**	**$1,468,158**	**$1,413,652**
32						
33	**Other Sources (Uses)**					
34	Transfers In	$0	$0	$0	$0	$96,450
35	Transfers Out	($874,682)	($524,997)	($1,574,135)	($2,888,233)	($3,708,528)
36	Net Issuance of Bonds	0	0	0	0	1,450,000
37	**Total Other Sources (Uses)**	**($874,682)**	**($524,997)**	**($1,574,135)**	**($2,888,233)**	**($2,162,078)**
38						
39	**Change in Fund Balance**	**$1,399,446**	**$833,245**	**$238,994**	**($1,420,075)**	**($748,426)**
40						
41	**Fund Balance Beginning**	**$17,923,042**	**$19,322,488**	**$20,155,733**	**$20,394,727**	**$18,974,652**
42	**Fund Balance Ending**	**19,322,488**	**20,155,733**	**20,394,727**	**18,974,652**	**18,226,226**

FY2021 Operating Surplus of roughly $1.4 million.

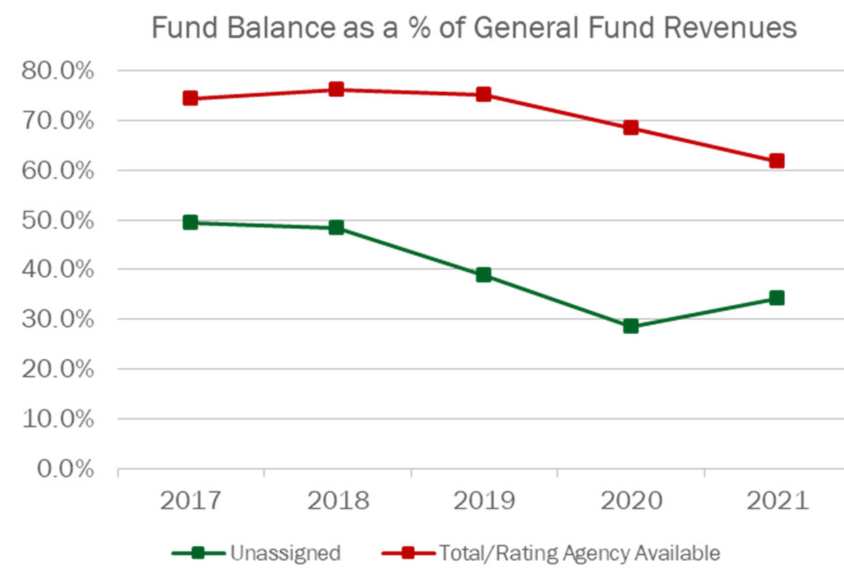
FY2021 Net decline in Fund Balance of roughly $750K tied to Capital Investment.

Source: 2017-2021 Audits.

General Fund Balance – Moody's Methodology

- Historically, the County has demonstrated healthy reserve levels, as shown here using the Moody's methodology.

- The County should consider enhancing its existing Fund Balance policies to ensure it maintains substantial reserves especially given the high level of dependence on a single tax payer.



Illustrated Based Upon Moody's Methodology

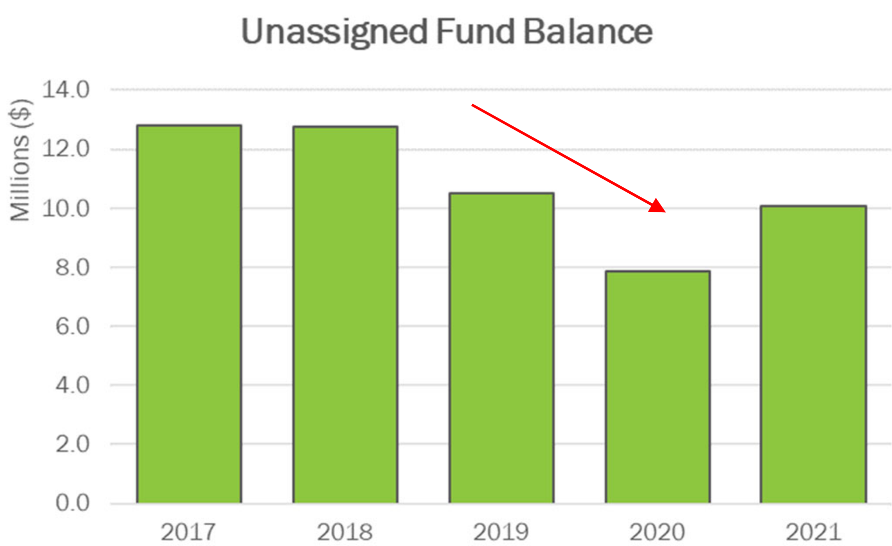
	Fiscal Year	2017	2018	2019	2020	2021
1	General Fund Revenues	$25,978,656	$26,485,252	$27,088,000	$27,687,128	$29,565,344
2						
3	General Fund Balance					
4	Committed	$6,509,370	$7,372,426	$9,900,350	$11,093,362	$8,130,065
5	Unassigned	12,813,118	12,783,307	10,494,377	7,881,289	10,096,160
6	Total/Rating Agency Available(1)	$19,322,488	$20,155,733	$20,394,727	$18,974,651	$18,226,225
7						
8	General Fund Balance Ratios					
9	Unassigned as a % of Revenues	49.3%	48.3%	38.7%	28.5%	34.1%
10	Total/Rating Agency Available as a % of Revenues(1)	74.4%	76.1%	75.3%	68.5%	61.6%

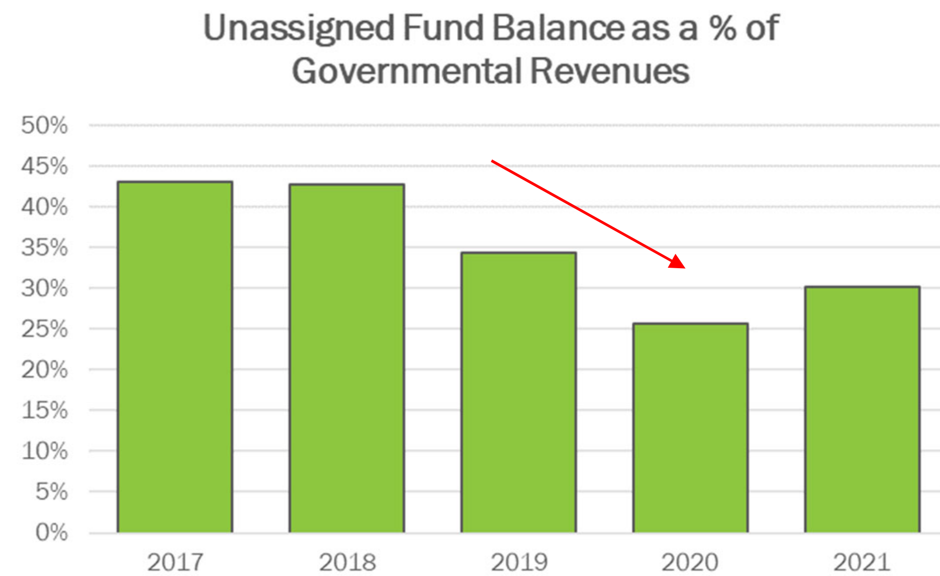
(1) Under Moody's methodology, "Available" Fund Balance consists of Unassigned, Assigned, and Committed Fund Balance. Thus, the County's "Total" General Fund Balance is equivalent to "Available" General Fund Balance.

Source: 2017-2021 Audits, Moody's MFRA.

General Fund Unassigned Fund Balance

- Unassigned Fund Balance is arguably the most important metric when assessing a local government's financial strength.
- The County's Unassigned Fund Balance increased in FY 2021 for the first time in the last 5 fiscal years.





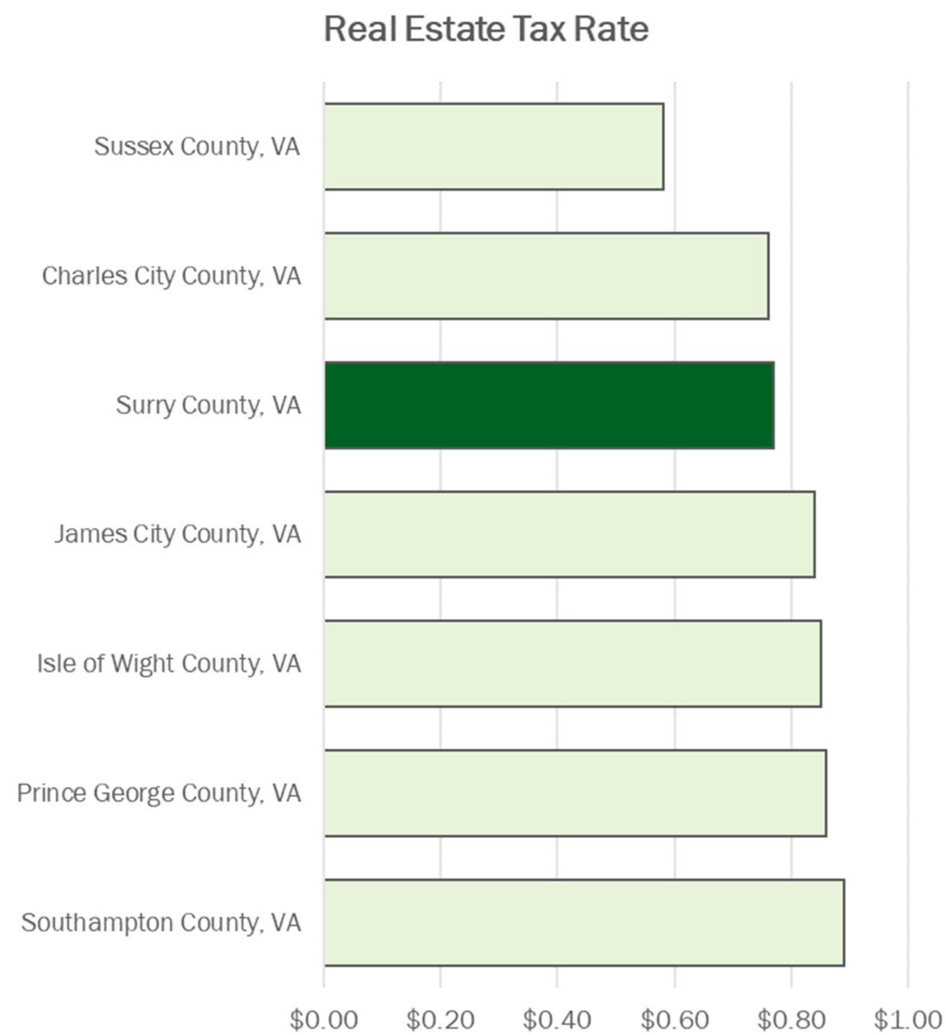
A	B	C	D	E	F = C + D + E	G = B / F
Fiscal Year	Unassigned Fund Balance	General Fund Revenues	School Operating Revenues	Transfer from General Fund to Schools	Governmental Revenues	UAFB vs. Governmental Revenues
2017	12,813,118	25,978,656	15,522,598	(11,779,950)	29,721,304	43%
2018	12,783,307	26,485,252	16,088,178	(12,714,899)	29,858,531	43%
2019	10,494,377	27,088,000	15,593,344	(12,134,545)	30,546,799	34%
2020	7,881,289	27,687,128	15,157,489	(12,104,993)	30,739,624	26%
2021	10,096,160	29,565,344	15,768,597	(11,925,556)	33,408,385	30%

Source: 2017-2021 Audits.

Real Estate Tax Rate – Peer Comparative

- The County's Real Estate Tax Rate is competitive with its neighbors.

County	FY 2022 Tax Rate (per $100 of AV)
Sussex County, VA	0.58
Charles City County, VA	0.76
Surry County, VA	0.77
James City County, VA	0.84
Isle of Wight County, VA	0.85
Prince George County, VA	0.86
Southampton County, VA	0.89



Real Estate Tax Rate – Historic Trend

- The County increased its Real Estate Tax Rate from 71¢ to 77¢.
  - The increase was primarily attributable to the need to enhance funding for operational expenses. Inflationary pressures tied to the national economy are expected to continue pressuring operating budgets for the County and its peers.
  - Roughly one penny of the increase was tied to capital/vehicle replacement.

Fiscal Year	Tax Rate (per $100 of AV)
2013	0.73
2014	0.73
2015	0.73
2016	0.71
2017	0.71
2018	0.71
2019	0.71
2020	0.71
2021	0.71
2022	0.77

Existing Debt Profile

Surry County, Virginia

Observations | Tax-Supported Debt Profile

- The County took advantage of the historically low interest rate environment to refund existing debt and borrow for approximately $6 million of new capital projects in the Fall of 2020.

- Even after the Fall 2020 borrowing, the County's Debt to Assessed Value ratio is well below the median, which indicates the tax base could potentially support future CIP funding needs.
  - In Virginia, counties support the school system's debt as well as their own. This is not the case in other states.
  - As a result, Virginia counties tend to reflect larger debt burdens than national peers.

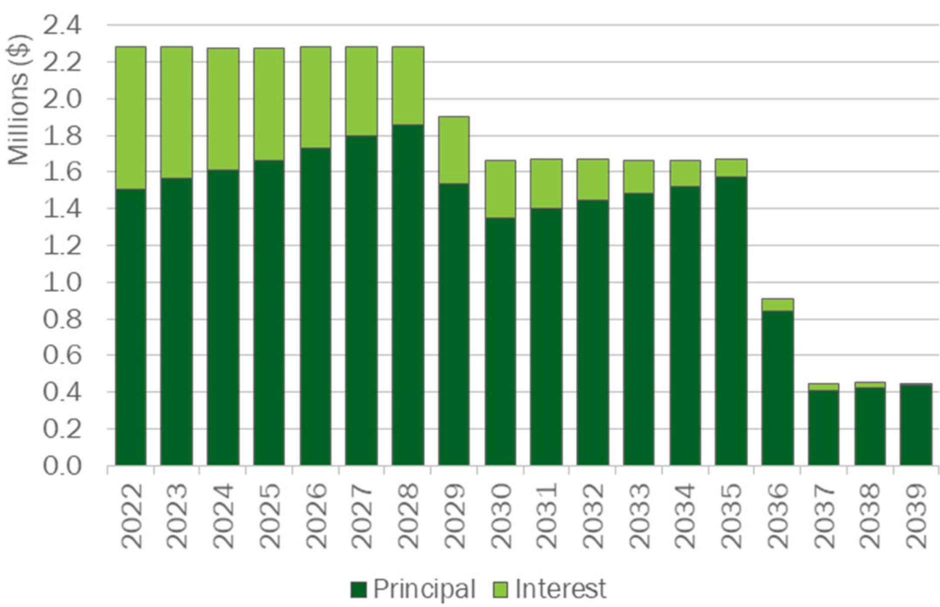
- The Debt Service vs. Expenditures ratio is in line with Virginia and National medians and is below levels considered "strong" by the rating agencies.

- The County continues to have capacity to finance needed capital improvements while maintaining compliance with strong debt ratio levels.

- The County should consider formalizing debt policies.

Existing Tax-Supported Debt

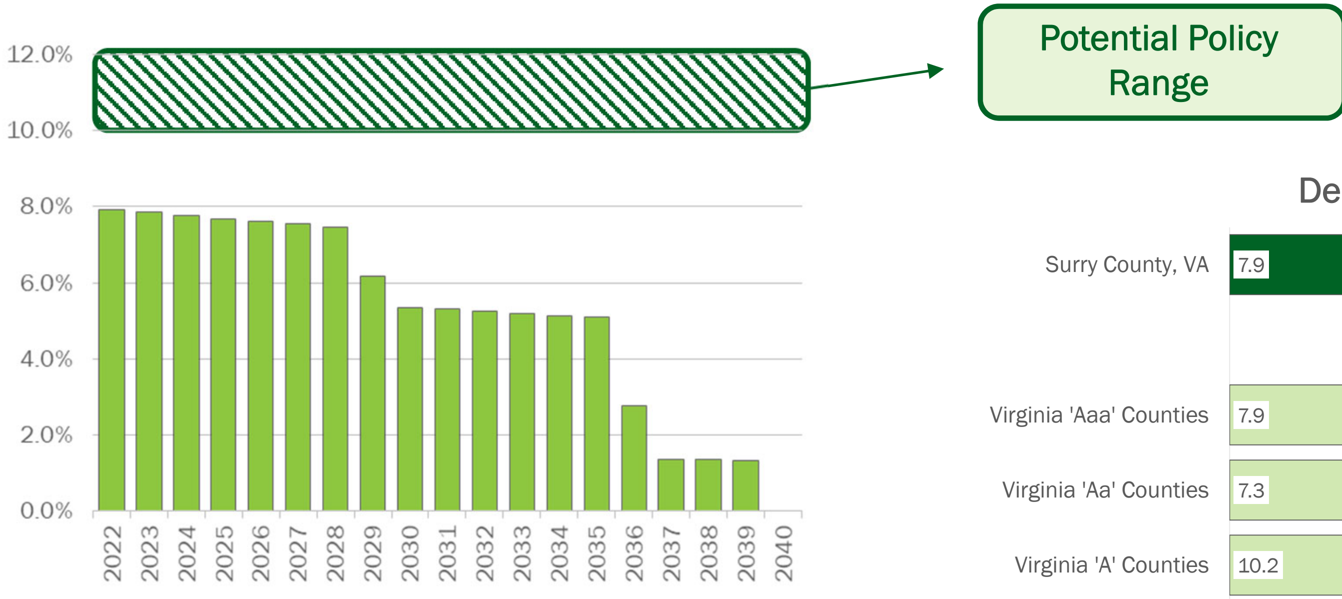
- The County's Existing Tax-Supported Debt Service, including results of the Fall 2020 borrowing, is shown below.
- The County pays off its debt quickly, with a 10 Year Payout Ratio of 67%.

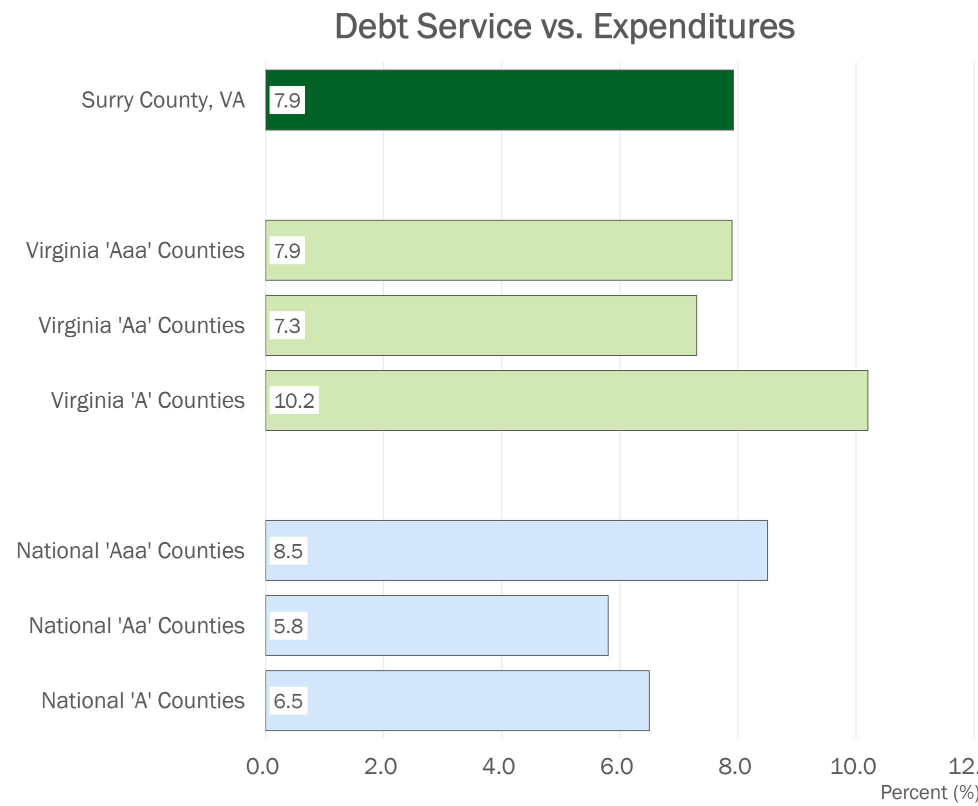


FY	Principal	Interest	Total
Total	24,150,000	5,976,552	30,126,552
2022	1,510,000	770,040	2,280,040
2023	1,565,000	720,505	2,285,505
2024	1,610,000	667,944	2,277,944
2025	1,660,000	612,024	2,272,024
2026	1,730,000	552,167	2,282,167
2027	1,795,000	489,997	2,284,997
2028	1,855,000	425,660	2,280,660
2029	1,535,000	365,201	1,900,201
2030	1,350,000	315,098	1,665,098
2031	1,400,000	268,179	1,668,179
2032	1,445,000	222,582	1,667,582
2033	1,485,000	181,485	1,666,485
2034	1,525,000	141,314	1,666,314
2035	1,570,000	99,265	1,669,265
2036	845,000	65,066	910,066
2037	405,000	44,034	449,034
2038	425,000	26,916	451,916
2039	440,000	9,075	449,075

Source: 2021 Audit.

Key Debt Ratio | Debt Service vs. Expenditures





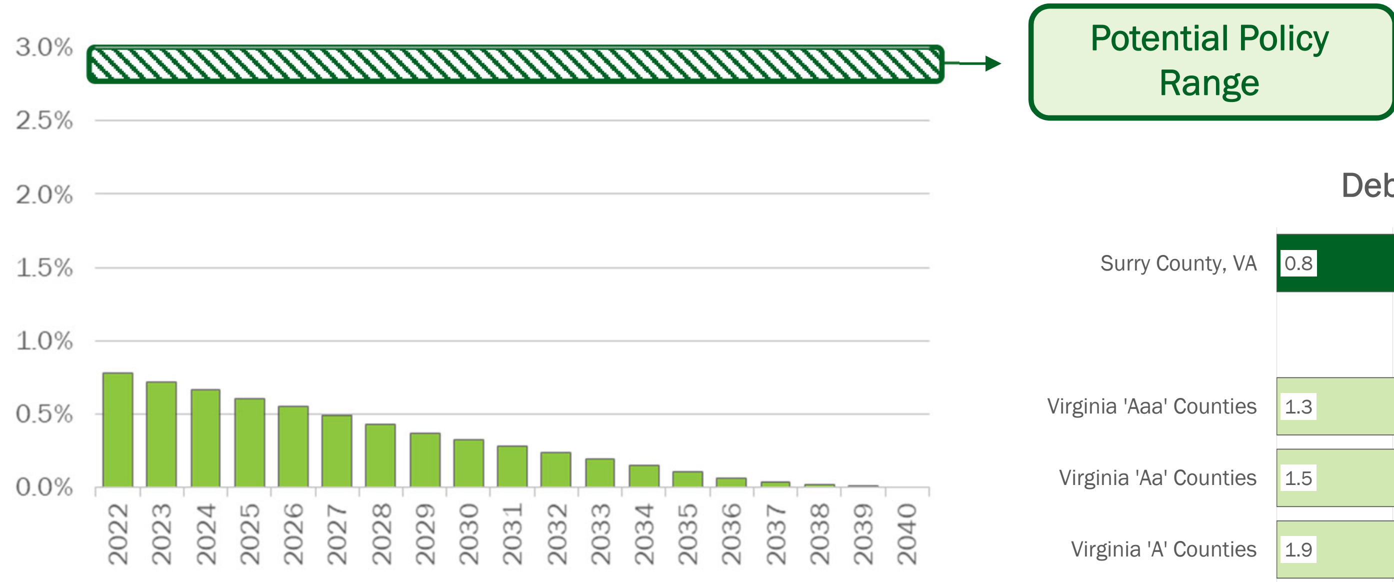
- Existing Debt Service vs. Expenditures
  - FY 2022: 7.9%
- Assumed Future Growth Rates
  - 2021 Expenditures: $28,486,980[1]
  - 2022 & Beyond 1.0%
- The County may want to consider adopting a Financial Policy establishing a maximum Debt Service vs. Expenditures Ratio.

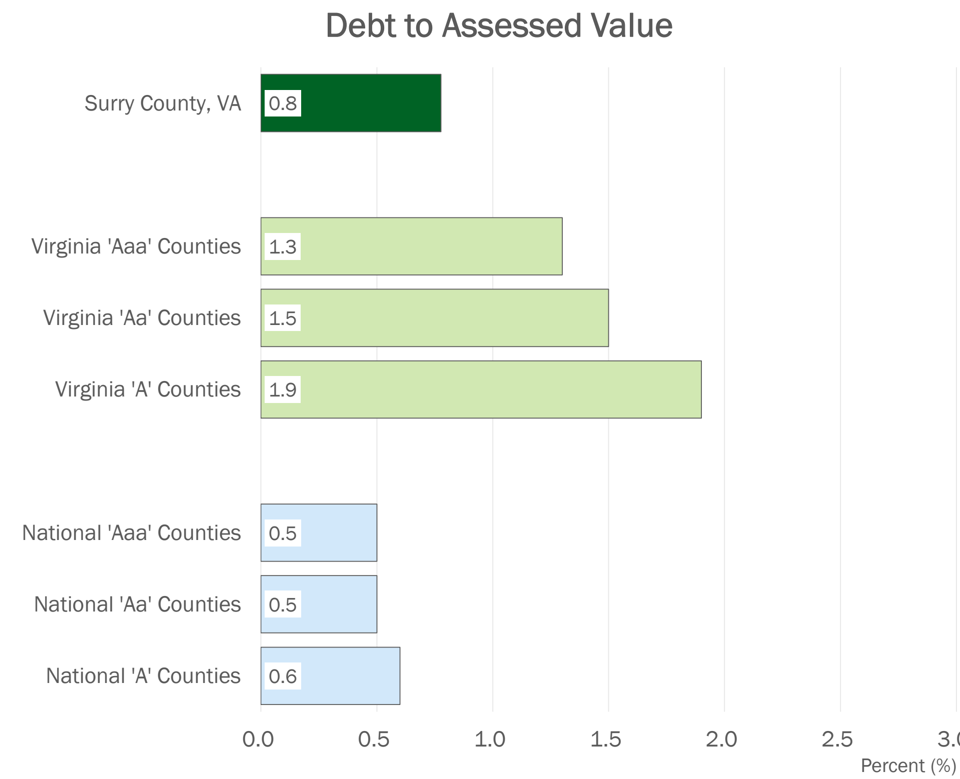
Standard & Poor's Criteria for General Obligation Credits Defines categories of Debt Service as a % of Governmental Expenditures as[2]:
Very Strong: <8% Strong: 8% - 15% Adequate: 15% - 25% Weak: 25% - 35% Very Weak: >35%.

(1) Governmental Expenditures include the General Fund and School Operating Expenditures net of local transfers and debt service.
(2) U.S. Local Governments General Obligation Ratings Methodology.

Source: 2021 Audit and Moody's MFRA.

Key Debt Ratio | Debt to Assessed Value





- Existing Debt to Assessed Value
  - FY 2022: 0.8%
- Assumed Future Growth Rates
  - 2021 Assessed Value: $3,077,647,814
  - 2022 & Beyond: 1.0%
- The County may want to consider adopting a Financial Policy establishing a maximum Debt to Assessed Value ratio.

Moody's Criteria for General Obligation Credits defines categories of Debt to Assessed Values as[1]:

Very Strong: <0.75% Strong: 0.75% - 1.75% Moderate: 1.75% - 4.00% Weak – Very Poor: >4%

(1) Moody's Investors Service.

Source: 2021 Audit and Moody's MFRA.

Initial Thoughts / Next Steps

Surry County, Virginia

Initial Thoughts: General

- Surry County is well positioned financially as a result of historically balanced budgets.
- Fund Balance levels in general are strong but have been declining in recent years.
- The County's debt levels are also solid, however, meaningful capital needs have been identified and must be factored into the future debt profile.
- The County's desire to reduce its concentration of tax revenues means an increased focus on Economic Development.
  - The recent success of the Spring Grove solar project reflects this increased focus.
- The County should consider enhancing the Unassigned Fund Balance Policy.
- The County should consider establishing a Budget/Revenue Stabilization Fund, recognizing the fluid nature of annual expected tax revenues and the aging nature of the Power Plant.

Davenport’s Initial Thoughts: Specific Recommendations

1) As of the 2021 Audit, the County’s current combined Available Fund Balance is approximately $18.2 million ($10.1 million of Unassigned Fund Balance and $8.1 million of Committed Ongoing Expenditure Obligations. Note: Unassigned in this context takes into account total Governmental Funds which includes General, Capital Projects, and Other Governmental Funds).

   - **The County may want to consider establishing an Unassigned Fund Balance policy of 25% of annual revenues, or approximately $8 million** (including General Fund and Schools).

2) The balance of the Available Fund Balance could be used to establish a Budget/Revenue Stabilization Fund of roughly $10.1 million. The County could consider building this reserve over the next five to ten years to a level equal to 100% of Real and Personal Public Service Corporation Taxes (approximately $14.5 million).

   - Based on the FY2021 Audit, the County’s shortfall versus these potential policies is approximately $4.4 million.

   - The FY 2022 Budget included a modest initial deposit to the Budget/Revenue Stabilization Fund.

Davenport's Initial Thoughts: Specific Recommendations (cont.)

3. Many of the County's identified capital projects are tied to capital maintenance and upkeep. These types of projects are better suited for cash funding versus debt funding, when possible.

   - The County currently has the equivalent of roughly 1 penny (roughly $285k) dedicated to cash funding of capital. Additional funding will be required to support these capital maintenance needs without further degrading the County's fund balances.

Next Steps

▪ February 17	▪ Davenport presents Financial Status Update to the Board of Supervisors.
▪ Balance of Winter	▪ County prepares proposed budget and capital plan for FY2023. ▪ Davenport updates multi-year analysis with updated budget and capital funding assumptions and drafts Financial Policy Guidelines.
▪ Spring, 2022	▪ County adopts Financial Policy Guidelines. ▪ County adopts budget.

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