

Note: At the September 21, 2010 Board of Supervisors meeting, four of the five members of the Board agreed to the following response to recent letters to the editor and public comments regarding capital projects, possible borrowings and related matters.

September 22, 2010

To the Editor:

A recent letter to the editor from a member of the Board of Supervisors contained a number of assertions regarding County financial matters and possible future borrowings. In response to this letter and a request from The Caroline Progress, we wish to clarify our views on this issue. As members of the Board, we strongly support keeping constituents informed about issues that affect them through any means of communication available. When doing so, however, it is imperative to provide accurate information that can be substantiated by the facts.

The letter indicated that the County is over \$100 million in debt. In fact, County debt totals \$88,079,452 as of September 10, 2010, including general government, schools and utility debt. The claim was also made that the County has very little to show for our debt in terms of actual infrastructure. We find this statement mystifying. A partial list of the projects paid for from these borrowings includes the new Lewis & Clark Elementary School, Caroline Middle School, renovations, additions and physical plant improvements to all primary and elementary schools, a new courthouse (mandated by the judiciary), a heavily used Community Services Center, a new administrative building, parks and recreational facilities, fire engines, ambulances, sheriff's vehicles and other public safety improvements and water and sewer infrastructure. All of these projects have improved the quality of life for County citizens and enabled the County to attract business and industry that has provided jobs for County citizens and dramatically boosted tax revenue.

The letter also asserts that Caroline County schools have long gone without proper attention. This is simply not the case. The fact that \$32,361,490 of the County's \$88,079,452 total debt (or 37%) is for school projects attests to this. Debt service payments for school projects in the current fiscal year alone (FY 2011) equal \$3,320,877, or 57% of total payments.

Four years ago, the Board of Supervisors approved \$6.8 million borrowings for additional school capital projects deemed urgent by school officials. These borrowings provided funds for numerous school infrastructure projects in recent years including technology upgrades, building improvements

and refurbishments. This summer, additional projects were approved from the remaining balance of this borrowing including security improvements at Bowling Green Elementary, Bowling Green Primary, Madison Elementary, Caroline Middle School and Caroline High School. Repairs to the Bowling Green Elementary Annex roof and HVAC system were also approved. Replacement of the exterior doors at Caroline High is currently being considered. To say that school infrastructure has been neglected is simply false.

It is true the schools did not receive their entire request for operating funds in FY 2011. Very few departments or agencies did. However, through federal stimulus funds and \$100,000 added by the Board of Supervisors to the County Administrator's recommended local contribution to schools (which now totals \$11 million), they began the new fiscal year with a larger budget than originally anticipated.

The proposed construction of a YMCA in Ladysmith has been a topic of considerable interest. It is important to point out that any debt service costs for the project will be paid for by Ladysmith Village proffers and fund raising efforts exclusively. In the event the Board gives favorable consideration to the project, it will not move forward unless and until these funding sources are secured.

Some believe the proposed expansion of the County's wastewater treatment plant is premature. The plant already regularly approaches 80% of its existing capacity. Over the last six months, average flow has been 85% of capacity, with a peak month of 96.4%. Expansion of a wastewater treatment plant does not happen overnight. The Virginia Department of Environmental Quality requires completion of an expansion design when a wastewater treatment plant reaches 90% of capacity and expects construction of the expansion to begin when capacity consistently hits 95%. Factoring in committed connections over and above the average daily flow, only 167 additional connections remain before the 95% threshold is reached and we must begin construction. Even with the current housing slump and economic downturn, we could quickly use up the remaining connections by a combination of residential and business hookups.

Failure to meet these milestones could result in a building moratorium from state regulatory agencies, bringing economic development efforts and housing construction to a grinding halt. With a moratorium in effect there would be no further connections to the system and no utility revenues to cover operating and capital costs. It will take at least two years to complete the project from the time the Board gives the green light for construction to begin. Further delay will leave us precious little margin for error.

Despite these facts, the Board has no desire to spend \$16.3 million to expand the plant if a more cost effective alternative is available. To date, no such alternatives have been deemed possible by staff or the County's utility engineering consultants. If any Board member or citizen knows of methods to prolong the life of the existing plant, we would welcome them enthusiastically.

The County's past investment in water and sewer utilities has reaped more than ample rewards in tax dollars. Real estate tax revenue in Carmel Church grew from \$90,823 in 1990 when public water and sewer first became available to \$991,706 in 2010. In Ladysmith, the numbers grew from \$16,998 to \$679,060 during the same timeframe. Business personnel property tax assessments in Carmel Church increased from \$93,920 in 1990 to \$5,359,960 in 2010. The corresponding increase for Ladysmith is \$49,030 in 1990 versus \$1,951,180 in 2010. Virtually no business license revenue (BPOL) was generated in either Carmel Church or Ladysmith in 1990. In contrast, Carmel Church is expected to produce \$526,998 in BPOL revenue in 2010 (\$3,957,148 over the past 18 years) and \$90,795 is expected for Ladysmith (\$805,704 over 18 years). Meals tax revenue in Carmel Church increased from \$43,979 in 1990 to \$603,057 in 2010 and from \$4,801 to \$131,790 in Ladysmith. Growth in employment has followed utility and business investment. The obvious inference is that utility investments more than pay for themselves in tax revenue generated. Without this infusion of tax revenue the County's budget picture really would be catastrophic.

We also strongly disagree with the allegation that the Board has not been careful or wise with taxpayer dollars. Unlike the federal government, the County is required to balance its budget each and every year. The Board has worked hard to hold the line on taxes and has maintained one of the lowest tax rates on the I-95 corridor. We will continue to do so even after the 2010 general reassessment is completed. The real estate tax rate has remained at \$0.53 per \$100 of assessed value for the past three fiscal years. In comparison, the rate was \$0.805 in FY 2004. In the past five fiscal years, the rate has increased by a total of 5 cents. In these difficult times, we have held spending in check to avoid tax increases to the fullest extent possible. Despite this, we have managed to fund a vast array of badly needed capital projects.

Our per capita debt of \$3,260.99 as of June 30, 2009 (the latest figures available) is below most localities that surround us and is in line with policies and procedures approved by Davenport & Co, the County's financial advisor. Davenport has developed a plan to repay the County's \$88 million of debt using conservative fiscal assumptions. The County budget contains dedicated sources of revenue to repay the debt including a portion of the personal property tax, meals taxes, consumer's utility taxes, local communication taxes and rent from the Virginia Department of Health. With recent increases to availability and user fees the Utility Fund now pays its own operating and debt service costs. In the current fiscal year, it will begin paying back an interfund loan from the General Fund.

It has been said that previous proffers go uncollected. The only proffer not collected to date is the construction of a fire station in Carmel Church associated with the approval of Belmont North. The Board is working with the County Attorney to develop a plan to hold the developer accountable to his

commitments. Ladysmith Village is not in default on its proffer to construct a park adjacent to Lewis & Clark Elementary School as some have alleged. The proffer specifies that as long as the developer, YMCA and the County agree to move forward with the YMCA, the proffer for the construction of the park is not necessary. In the event any of the parties determine that the YMCA cannot or will not be built, the proffers related to the construction of the park facilities are applicable. This determination has not occurred as of this date. If citizens have questions about the collection of any particular proffer, we encourage them to contact us.

Many citizens are under the impression that the amount of borrowing currently under consideration is \$63 million. This figure came from a preliminary five year list of projects developed by staff at the request of the Board. In addition to the \$700,000 for the new Dawn Library approved by the Board on September 14, the only projects currently under consideration are the wastewater treatment plant expansion (\$16.3 million) and the proposed extension of County water to the Caroline Pines subdivision (\$3 million). Costs of issuance bring the total up to \$22 million. Both of these projects will be the subject of a public hearing scheduled for the October 12 Board of Supervisors meeting.

The YMCA project will likely be discussed in late 2010 or early 2011 when the funding mechanism has been finalized. The remaining projects that comprise the \$63 million will be considered as part of the FY 2012 Capital Improvements Program (CIP) process.

Some consider the projects being considered to be unnecessary “bright shiny objects”. Others consider them to be essential amenities that a locality should provide to its citizens. To many, these “bright shiny objects” collectively give a community the quality of life they are seeking.

Last, but certainly not least, we want to address the speculation that the County will likely have to lay off additional employees next year. This comment was irresponsible and has caused needless alarm amongst County employees. The Board greatly values the contributions of our employees. As four of the five Board members, we are committed to no additional layoffs next year. Any required cuts, if any, will be made from other sources.

Thank you for the opportunity to clarify our views on these subjects. We look forward to the ongoing debate about the future of our great county and welcome views from all citizens.

Sincerely,

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Reedy Church District

Wayne A. Acors
Madison District

Bobby J. Popowicz
Port Royal District

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