BOARD OF SUPERVISORS
REGULAR MEETING
APRIL 26, 2016

At a regular meeting of the Board of Supervisors of Floyd County, Virginia, held on Tuesday, April 26, 2016 at 7:00 p.m. in the Board Room of the County Administration Building thereof;

PRESENT: Case C. Clinger, Chairman; Joe D. Turman, Vice Chairman; J. Fred Gerald, Linda DeVito Kuchenbuch, Lauren D. Yoder, Board Members; Terri W. Morris, County Administrator; Cynthia Ryan, Assistant County Administrator.

Chairman Case Clinger called the meeting to order at 7:00 p.m. with the reading of the handicapping statement.

The Opening Prayer was led by Supervisor Gerald.

Chairman Clinger led in the Pledge of Allegiance.

Agenda Item 4. – Chairman Clinger called for the Public Comment Period.

After no comments from the audience, the Chairman declared the Public Comment Period closed.

Agenda Item 6. – Approval of month-end disbursements.

On the motion of Supervisor Gerald, seconded by Supervisor Kuchenbuch, and carried, it was resolved to approve the April 2016 month-end disbursements.

Supervisor Gerald – aye
Supervisor Kuchenbuch – aye
Supervisor Turman – aye
Supervisor Clinger – aye
Supervisor Yoder – absent

Agenda Item 7. – Old/New Business.

Ms. Morris explained that $242,975 remains in contingency right now. She estimates that about $80,000 of that amount will be needed by departments before the end of the year. The largest part of that is for juvenile detention.

Chairman Clinger asked Vice Chairman Turman what the jail rates were going to be for FY17?

Vice Chairman Turman replied that the rates will remain the same.

Ms. Morris said she received 3 different quotes from Mr. Stuart of S & S Paving. One quote was for the bottom lot, one for the top to pave, one for sealing only of the top lot.

Supervisor Kuchenbuch asked if that included the parking area out back all the way to Fox Street?

Chairman Clinger asked whether it included the storage area?

Ms. Morris replied that would be in the quote for the top part behind the Extension Office. Mr. Stuart said there are a lot of long cracks up in the top part. He could do the sealing on the cracks if we want. But the bottom part is too bad to use the seal coat.

Chairman Clinger asked if the bottom lot encompassed the driveway on which the drainage was being repaired?

Ms. Morris answered the repaving was included in the quote from Mr. Conner on the repair work. She said while he was here I had him work on the sewage issue too because it was in such bad shape.

Supervisor Kuchenbuch asked if the $80,000 included the septic situation at Station #3?

Ms. Morris responded that she put about $10,000 in the estimate for Station #3 septic work; however, she has no idea what it will cost.

Supervisor Kuchenbuch said these parking lots need to be redone. Ms. Kuchenbuch said if we accept the work on repaving the two parking lots and estimate $80,000 for departments then we will have about $55,000 left in the contingency fund.

Chairman Clinger asked if Mr. Stuart said when he could start on the work?

Ms. Morris said he plans to repave the driveway area at the end of next week or two. I was not here when he brought the quotes in.

Chairman Clinger said we could ask him to do it on a weekend so we wouldn't have to move people to the upper lot, especially with people going into DSS.

Ms. Morris said he might be able to do parts of it at a time like he did at the Courthouse. I have been thinking getting customers in downstairs might be a little tricky. Employees can park at the Courthouse and walk down to work.

Supervisor Kuchenbuch said she wanted to keep this work local.

Ms. Morris explained that last time we sought repaving quotes there were only two bids when we did the Courthouse. The other bidder was out-of-state and wasn't registered to do work in Virginia.

Vice Chairman Turman added we know S & S Paving does quality work.

On a motion of Supervisor Kuchenbuch, seconded by Supervisor Gerald, and carried, it was resolved to accept the two proposals from S&S Paving Co., Inc. to repave both the top and bottom parking lots for a total cost of $107,540.

Supervisor Kuchenbuch – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye
Supervisor Yoder – absent

Supervisor Yoder entered the meeting at 7:15 p.m.

Agenda Item 5. – Davenport & Company – Discussion of Debt Review/Possible Refinancing.

Mr. David Rose said that the County has worked with Davenport and Company for many years. While he personally has not worked with Floyd County previously; Mr. Rose has worked with many neighboring counties.

Tonight I want to give you a little perspective on how we see Floyd County and talk about some opportunities. There is a lot of material and I will move through it very quickly. Please turn to page 3 with regards to our goals and objectives. We want to try just to give you a perspective on how we see some of the financial trends of the County. I have been doing this now for 35 years. Some of you may know that Davenport has been around for 152 years. We work with local governments. We are not interested in selling you a product. We want to talk about where you stand, what opportunities there are and think about a strategic position. We are also going to highlight the opportunity perhaps to layer in strategically and smartly some new money down the road, perhaps for schools which we know has been talked about. We are not pushing that. We just want to show you what we think about that and how that possibly could be done without having to impact your equivalent taxes and your cash flow that you currently have with regard to your current dollars going to debt.

On page 5 we took a look at the County's general fund and tried to get a sense of where you are and where you've been by using the audited materials that we received from the County. The good news here is that if you look at the very bottom where we have the unassigned fund balance, we'll call that your rainy day fund if you would. You will see from a percentage basis and absolute dollar basis that has basically doubled over 5 years in spite of an overall recessionary environment. You have done those things to make the County be in a stronger position. That will be important for any number of things and we wanted to point that out. That is the first observation we made.

On page 6 we see something very much akin to that with regard to the School Fund, particularly with the FY2015 audit. They were restated and those numbers jumped considerably from the $.5 million range. That is a better trend than the opposite way. That is critical to how we look at some things.

If we go to page 8 let's talk for a moment about the debt profile of the County. It seems to me, from doing this so many years, a lot of people have a misperception about how a

particular government's debt may look. First thing it is good to know it is not like the federal government debt. You actually pay your debt off. You actually pay it off very quickly. So as a result in 10 years from now, all else being equal, 87% of the debt outstanding will be paid off. That is a great position to be in. You can see in the graph that your debt is going like a ski slope. That is also good. That means every year you are paying more off and you are giving yourself the potential if you need to, to add in new debt for whatever number of purposes. Just to give a perspective though if I could, the average individual fortunate enough to own their home has a 30-year mortgage and after 10 years less than 25% of the principal is actually paid. You, on the other hand, after 10 years will have 87% of your debt paid off. I want to give some kudos to where you stand. All of this by the way is primarily with one caveat you will see, fixed rate debt. We will talk about that in a minute with some opportunities.

On page 9 is your debt profile. For the graphic I showed you this is what it looks like. You can see that you have school debt and then you have county debt. The general purposes are highlighted. In the middle column are a variety of interest rates. That is where there may be some opportunities given the fact today that we are teetering on 40-50 year low interest rates.

On page 11 what you see on the left hand side in 1980-1982 is tax exempt rates. Counties were able to borrow that way. The rate jumped up to almost 14%. You can see where we are today in 2016. These are long term rates. We use a 20-year average. You will see on the far right hand side the rate is basically hovering slightly above 3.25%. We call that a bellwether. Not everybody gets that. It is just an indicator of the range of how rates have changed. The section highlighted in pink shows how rates have a nasty way of jumping quickly. If you give us the ability to move forward with your staff, we want to talk about how quickly things can move.

On page 12 you can see several candidates that are refunding opportunities based on interest rate. You will notice there for example one is out at 2015 for equipment lease purchase at Carter Bank, which is an excellent bank. One we have worked with for years. You will notice it is a 1.95% interest rate. You may say why would we look at that. That is because potentially it has only basically less than 10 years to go. It has a final maturity of 2025. Anything we are talking about here is to not in any way extend any maturities. We are talking about keeping the existing maturities and looking at seeing if we can get rates possibly a little bit lower. We don't know if they could. We do know the way Carter Bank loans are structured, it is callable anytime without a penalty. So we get the opportunity to throw it out there and see if indeed we can get a little bit lower interest rate and the same final maturity. We will look at that potentially.

One page 13 I alluded to everything being fixed rate with a caveat and that is this right here. You have a variable rate issue that you did back in 2013. Basically every five years the interest rate changes. In roughly 2.5 years from now that rate which right now is 3.10% is going to get reset. In reality it is a pretty high rate for something that keeps changing and is uncertain. We may want to talk about, and we have with staff, the idea of going out and seeing if we can maybe lock in a longer period than 2 more years at something akin to around that 3% rate. The idea is to take away some of the risk of the interest rates going up over time.

We did a couple of cases on page 14. One is if we were to enter the marketplace today. We could potentially see savings after any issuance costs, premiums, and penalties the banks may charge you of about $150,000 over the life of the loans.

But the other thing that we are cognizant of is in case 2. We think we can also simultaneously ask the banks about structuring it so we could get a good amount of savings in the next several years, particularly as you have your budgets in the next few months and subsequent years. That gives us some savings over time and really gets us some dollars early on if necessary. We are not predisposed one way or the other. We really think we have the opportunity to ask and put it out there for folks to come back and give us something so we would have some options. Another possibility is we do nothing because we don't like what we get back. That is another possibility.

On page 15 we see basically the average rate of existing debt is about 3.49%. We might get that down to 2.60%. Again, that kind of range locked in produces some savings every year. That is what we call level savings. We can take some of that savings earlier. We can put it into a specific year. It doesn't really matter. That is the kind of thing you can do when you solicit of the banks and tell them we are looking for some of their creativity.

On page 16 there is something a little different. That is the idea of trying to carve out, graphically you can see that, some savings in subsequent years realizing our debt would be a little bit higher in later years. But you will notice it is still on a downward slope. The old graphic is shown by the pencil line. We carve out an opportunity to layer in…if you have between $5 million and $7.5 million this could potentially give us some opportunities to layer that in and not go above where you are today in your annual debt service. To give you a sense of that, if you look at the graph and the table on the right, your annual debt service as part of your FY16 budget is just a shade over $2 million. The thought here is it is not impossible, for example, to be next year down to $1.8 million or something even lower so you free up dollars. That is the idea here. Without pushing anything out, we are trying to take advantage of rates that could potentially be a little bit lower, with the same final payments, but be a little more strategic. That is what we are thinking about because it is not just about the debt itself to refund as case 1. Case 2 or something like case 2 is saying if we know that we are going to have capital needs over the next several years, whatever they are, you want to think about not just today but five years from today where you are going to be and that is the way we think about this.

On page 18 we were looking at possibly doing some new money and we wanted to show you examples. One of the things we recognize if the County were to say we have about $5 million of school needs is there some strategy to do that and not all of a sudden have an impact on the citizens in the form of cash-flow burden. One of the programs we like that is now back into vogue, meaning the State has come back into funding, is the Literary Loan Program. It has been around for 50 years but there have been years or period of years when there has been a hiatus. But the program has always been there in the Constitution of Virginia and what it says is it will guarantee you an interest rate for 20 years, fixed rate.

In your instance on page 19 you can apply for that and the loan will be at 3%, no matter what the market does, for 20 years. Having said that there is a waiting list for the money and there always has been. But you can go out and do some what we call interim financing to get a project started. Then once that money is available – which is typically taking 2-4 years – you then convert it from interim financing to permanent financing.

On page 21 we show this to you graphically. This does not include the refinancing by the way. Make believe that does not even happen. On the graph you can see your current debt, the interim financing, and the permanent financing. We don't know exactly what year it kicks in, it might be off 1 year one way or the other. We wanted to, in talking to staff, see if there was a way to get borrowing for this kind of money without busting your budget and without pushing things out to the next generation unfavorably. There may be other projects that you have that have nothing to do with schools, but we wanted to give you the highlights. We are not looking for any action or direction tonight on this new money. We just wanted to tell you to think of us as a resource as you look at potential capital needs over the next 5-10 years. You can ask us can we do that? What is the impact of that cash flow wise? We call it debt affordability, which means how affordable is it.

On page 22 we took a look at some key ratios on how you look today. And if you layer in some of that debt, would you be prudent from a comparative basis around the state and around the country. Just because the cash flows may work doesn't mean that you should be doing that from an overall prudence standpoint. The debt to assessed value is one of the metrics the investor market and rating agencies and folks out there that are looking at a county or town or city look at. They ask how much debt does the borrower have compared to taxable assessed value. And where you are today in debt is less than 1% of the assessed value. Even with the new debt you get to basically 1%. You may ask what does that mean? If you look at the bottom of the page if you were to go and get a credit rating today from one of the three major credit rating companies, Moody's would rate you as Strong (Aa) category because you are between .75%-1.75%. This is one of the metrics we look at to see how you look.

On page 23 is Debt Service versus Expenditures. That is a fancy way of saying how big is your credit card. How many pennies on every dollar does this county spend toward debt service. We typically see that around 10% as a threshold we don't want to cross beyond or hope not to cross beyond. Today you are basically only 2/3 of the way there. Floyd County is about 6.8%. Even with the new debt, because of the way you pay it down, you are not going to go above that line in the foreseeable future. Standard & Poor's would rate you Very Stong because you are less than $.08 on the dollar, or 8%.

On page 29 we recommend in terms of the refinancing possibilities a dual track approach. At the same time we would look at some of the banks, VML/VACO and then also look at the Virginia Resource Authority (VRA). It is a state program that can do all of this. They are set up differently. The timing is such that if we were to get your blessing, we would put together a formal request in writing and send it out to all the banks locally and regionally. Then we would get back some committed dollars and numbers and we would compare that to what VRA would be this summer. It would be the old bird in the hand. We are thinking about coming back to you with what we see. If we don't see anything exciting we can talk about that. The approach here would not commit you financially. The banks, ourselves, Sands Anderson would not charge you as we did in the 2003-2004 timeframe when my partner was here.

On page 32 is the dual track schedule. Tonight being the 26th, we would get something out in a week or so. Look to get something back the week of May 16th. If we had something good, bad, or indifferent come back on May 24th and present the results of this and get your perspective on it. If you like it, fine, we might move towards closing. If we are still hesitant, we

can hold off. Or we can continue the track with VRA. They allow us to tell them very late into the summer if we want to pull out. They do a public, pooled sale. Typically there can be 5-15 other local governments that are part of that. We work with those folks as well so we are comfortable either way.

Supervisor Kuchenbuch asked if VRA rates are locked in for financing on the date of the sale? It is so late is it kind of like rolling the dice?

Mr. Rose said it could be because we wouldn't know until they went to the market. What we typically do is have the county pass a resolution sometime in June or early July and say we only would go forward with VRA for a certain amount of dollars or structure if they can meet that when they go to the market with a full sale. If they can't get that we are not part of it or they pull us out of the sale. That's how it works. You are not at risk. You are telling them this is what we have to have at a minimum. Sometimes it works; sometimes you get into a subsequent pool issue. They typically do it two times a year. Rates have been so favorable they added in a summer pool again this year. They did that last year. Normally they are twice a year.

Chairman Clinger said this was well put together. It shows our new members how strong the County is. We have been very prudent with our expenses. One question I have is you left out the school debt detail. I see it in the back part.

Mr. Rose answered you have school debt on page 35 with the detail you are talking about on page 37.

Chairman Clinger asked about the prepayment at VPSA discretion?

Mr. Rose explained for many years VRA always allowed local governments to refinance if they just came to them. VPSA until about three years ago was not structured that way. We were working with Wise County in the coal mine area and said we need to refinance some of the VPSA and they had never allowed that. Typically they don't like to allow local governments; however, we have looked at that carefully and when it comes to VPSA they have done some refinancing already. It kind of precludes us from doing too much. Look at our actual pieces. Go back to the pieces I alluded to on page 12. There are no VPSA pieces. That is because looking at what VPSA has already done, they have done some refunding of those pieces already as a pool. They may have sent you a check along the way for some of that money. That is what they are supposed to do. It might have gone to the School Board. I don't pretend to know. I haven't been involved with you on that particular piece. But that is historically how VPSA has operated. If we thought one of those pieces was refundable, we would have added that in. We will double check that, but I think we are on pretty solid ground. Mr. Dan Siegel and the folks over at Sands Anderson, your bond counsel, looked at it.

Chairman Clinger said I was looking at the one that matures in 2026 and still carries 4.60%-5.10%. I thought if we could get that included it would be beneficial.

Mr. Rose agreed that it would be. But here is what they'll say, they'll tell you that at some point along the way they refinanced that. You are paying that but they sent you a check.

Chairman Clinger asked if we could verify that?

Mr. Rose said they won't send the information to us per se, but if you contact VPSA and ask if indeed that was refinanced and if so, please send me what you sent or who it was sent to.

Chairman Clinger said we need to track that because it is not showing up in any of the revenue streams since we've been here.

Mr. Rose said I would love to be wrong. Back in 1992 with Spotsylvania we identified the same thing and it turns out they never got their check and it worked out that time.

Chairman Clinger said Ms. Morris has been here for 30+ years and she does not remember seeing it. Cindy at the schools did not see it in their revenue stream as well. If it gave us a foot in to refinance it that would be great. You would love to have another $8 million go into this pool.

Mr. Rose agreed but said I think they are going to say you got a check or credit.

Chairman Clinger confirmed that this request for information would have to come from our staff?

Mr. Rose confirmed that.

Chairman Clinger said that would put you in a stronger position when you went out with the request for proposals with our rating and the larger amount you are looking at. That extra $8 million when you refinanced it could potentially lead to a smaller rate.

Mr. Rose agreed and said I want to be wrong here.

Chairman Clinger said I want you to be wrong too.

Supervisor Yoder said you talked about the possibility of new debt, I think your graph showed $5 million. What if we decided that the option we wanted to do was build a new school, it would be quite a bit more than that. Could you give us some idea of what that would look like or how that would impact us?

Mr. Rose answered by saying please turn to page 21. The County has at its disposal a number of tools in terms of options. VPSA for example has gotten better about letting local governments structure their debt. The Literary Loan is very rigid. Once the State gets you the money it is going to be a level principal every year for 20 years. What we could do though depending on the number of dollars, when you need to do this, how do we work within the light blue line [$2 million existing debt service per year] or keep it from being too far above that. How do we get as much possible and still have a strong payout for 10 years? Anybody can put it on the back but that is not fair to the next generation. What we typically recommend is a situation whereby no matter what, you are basically about 45%-50% in 10 years. It depends on how much the new school is in relation to your relative debt.

Chairman Clinger said I can see in 2021-2022 the debt starts dropping down. We are talking about 5 years so that puts us in a good position.

Supervisor Yoder said the discussion is just starting. The first step would be to find out what the community wants and the School Board thinks. It would be a few years before we take on any new debt.

Mr. Rose said that is very good. If you were to give me a range of dollars you think a school or schools might be, we then start playing with some of the cash flows. Think about the timing. Layer some things. You might want to say while we have this solid fund balance we might want to dedicate $1-$2 million for a few years from now. Create a capital account and put that from unassigned to designated and that would be used to shave down some of the debt.

Chairman Clinger said we have talked about reactivating our capital fund. As we pay off debt, while we are used to paying that amount, put the amount in there. Even though we have a strong fund balance now, we can make it even stronger to make a larger down payment.

Mr. Rose responded, "Exactly." That is how we think about this. It sounds like you are thinking about this too. The goal here is don't get scared right up front. We can run some cases and think about what it might look like over the next 5-10 years.

Supervisor Kuchenbuch said with interest rates at phenomenally historic lows, we are gambling by waiting. We have to plan. In five years interest rates could be back up at 8%.

Mr. Rose replied hopefully not, but I understand your concern.

Supervisor Kuchenbuch said I guess that is part of what you are saying about taking on more debt now.

Mr. Rose answered I'm saying if we were to do some planning we would want to add to the interest rate and not assume today's interest rate. Typically when we do stuff like this we use 4.5%-5% average interest rate, which is still very attractive. But it is still 1.5% above the market today. Rates can move very quickly. The point here is I think you want to be prudent. I don't think you want to rush into something. If you know you have some capital needs, you don't have to wait 5 years, it might be 2-3 years as you do your planning. It might not be all of 5 years if it is done smartly. There are other things, as you all know, just tending to your needs of balancing your budget on everything else and making sure you are satisfied the schools are getting the operating funds that they need. There is more to it of course. The other thing too if you are doing a build, let's say a new school or schools or renovation, the next question we have is does that help or hurt operationally. That can come into the equation as well. So we could look at that as well. It is the type of stuff we like to do. It is an iterative process over time. It is good that rates are so low, but I wouldn't just blindly jump in and borrow right now. Ms. Morris said to me this is a Board that likes to do planning and thinking. I replied, "That's wonderful. That's exactly what we want." What types of things are you thinking about?

Chairman Clinger replied we have actually started a capital committee that includes the School, EDA and looks at everything that would take money in the long term. The Schools are

going through now trying to figure out what their needs are…whether it is a middle school, an intermediate school, but they have only had one meeting so far. I just know we are trying to figure out what the County can do if we needed it today. I know from this we can do it if we have to do it today.

Mr. Rose said it goes back to the idea that you set yourself up in a great position; an 87% payout ratio is not just some engineering number. It is a great indicator that you have put yourself in a position but you have to be smart about it as you take the new debt on. Operational impacts have to be thought out.

Chairman Clinger said that is why we started the new capital fund this year and as debts are coming off it will give us a better position to leverage it in the future. Right now I think the matter in hand is to go on and look at refinancing.

Mr. Rose said what we need is an engagement letter, which is a regulatory requirement. This is a regular practice. Dan Siegel from Sands Anderson may have mentioned it to you. We didn't need it 5 years ago. But in the last 3 years we need it. It is the nature of the beast. It just simply says that we are not trying to sell you debt. We are advising you. That is basically what it says.

Chairman Clinger asked if we do find out the VPSA was not refunded does that allow us to include that?

Mr. Rose replied I think we can get that confirmed. If Ms. Morris contacts them tomorrow and says we are trying to look at our debts and we would like to know if this is eligible? If indeed, has this been refinanced and refunded to us? I think they can check their database and get some answers for you. And the next question is if it has, how did we get the benefit of that?

Supervisor Kuchenbuch said this has been an amazing piece of information. I thank you for that. Just looking at it very quickly this evening in the last 35 minutes, we really have some great interest rates right now. Really, really good. There are only a few and they are mainly the VPSA ones and the VML/VACO one and the adjustable rate which we certainly want to lock down if we don't do anything else.

Mr. Rose agreed and said that is an interest rate risk avoidance. VRA for example will lock in typically rates for 20 years tops. Some of the banks may not want to go that far, we'll see. It's taxable as well so it may not be something the banks are willing to do. I don't want to come and promise you and say we are going to have a meaningful result in a month or two. But irrespective of that the major reason we are here tonight is two-fold. One is we want to take a chance at this because nothing ventured, nothing gained. But the second thing that gets us excited we would like to try to partner with you, like we do with your neighbors, in thinking about how you can responsibly do capital projects of any kind over the next 3, 5, 10 years. I really enjoy that part.

Supervisor Yoder said going forward there are several things that we are talking about like school renovations or building a new school. There are other things that I can think of here in the County if we have an opportunity that would probably be good to address.

On a motion of Supervisor Yoder, seconded by Supervisor Kuchenbuch, and unanimously carried, it was resolved to authorize the County Administrator to execute an engagement letter with Davenport & Company to look at possible refinancing of existing debt.

Supervisor Yoder – aye
Supervisor Kuchenbuch – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye

Mr. Rose thanked the Board members and said he would be back at the May 24 meeting with information from the request for proposals. He said do not be dismayed if it is not enough savings to be worthwhile. But I am particularly excited that you are thinking about the idea of capital projects.

Supervisor Yoder said as we go forward talking about millions of dollars it is good to have a good partner who understands this process.

Chairman Clinger said a financial advisor.

Mr. Rose confirmed that is what we are.

Everyone expressed their appreciation to Mr. Rose.

Agenda Item 8. – Continuation of FY17 budget work session.

Ms. Morris said her only update was talking to the Sheriff and he did have an SUV to be retired from the fleet that would work for the fire chief.

Supervisor Kuchenbuch said that is a marvelous idea. This is what I like – cooperation.

Chairman Clinger asked if that had been budgeted in? Was it just one of the shaded areas we were coming back to?

Ms. Morris confirmed that it was not budgeted and was an area that was going to be looked at again.

Chairman Clinger said he and Ms. Ryan discussed the increase in health insurance premiums for the School Board. He asked about the status of the self-insurance fund balance.

Ms. Ryan handed out information about the School Board and County health insurance premiums for FY16; a School Board Proposal for Group Health dated June 29, 2015; and a spreadsheet showing the FY17 School Board health insurance coverage by State and County. Ms. Ryan explained that the spreadsheet identifies the total School Board health insurance

budget for FY17. It analyzes how many FTEs and how much in dollars was being contributed by the State. Expected FTE enrollment in health insurance is 239.857. VDOE pays for 144.05 of the FTEs. The County pays for the other 95.8072 FTEs.

Chairman Clinger said those are the positions that are above the SOQ funded positions.

Ms. Ryan agreed that VDOE pays a certain amount for health insurance and this is how we calculate it. They calculated 144 positions, and I am sure they are the SOQ positions, and this is the dollar amount from that. There is no requirement that the same amount for the premium has to be used for the budget purposes. Regardless of what premium is used for budget purposes, the State will give us $663,206 for health insurance. We have been saying how healthy the self-insurance fund balance is for the school district. If we were to keep the premium at $4,188 instead of increasing it to $4,604, would there be any savings? The answer is there would be $99,780.76 savings to Floyd County.

Chairman Clinger asked if this could be done without increasing their premium.

Ms. Ryan replied that she called Ms. Janet Harris, the Payroll/Benefits Supervisor, at the School Board. Ms. Harris has tried to get the new recommended rates for the next plan year but has not received them yet. The way health insurance rates are set at the school system because they are self-insured, there is a health advisory committee that meets. Anthem comes in and recommends what the premiums need to be. The health insurance group looks at the fund balance, looks at what the school system is contributing and then they set the rates for the employees. They can choose to either adopt the recommended rates or do something different. In the items I gave you is one labelled Enc.8(c), which explains that the premiums last year had been recommended to be 39.6% higher than the previous plan year. The school division did not pass that entire increase along to the employees, but they did raise employees' costs quite a bit. But they didn't pass it all on, the self-insurance fund absorbed $91 of it and then an additional $24 of it. So only part of the rate increase was paid by the employees.

My question to Ms. Harris was can we do it again? Could we leave the employer portion of the health insurance premium at $4,188 per employee? Her answer was I have no idea. They are supposed to get the recommended rate from Anthem in two weeks. Then they will start having health committee meetings to discuss it. I asked if they would be open to having somebody from the Board of Supervisors attend the health meetings and she said she didn't see why not. But right now I just thought this was good information. As of October 1, 2015 which is the start of their health insurance plan year, the health fund stood at $1,365,707.36. As of March 31 the balance was $1,175,280.90. This is a decrease of $190,426.46 over six months. So you could say over a course of a year you would expect it to go down $380,000. If the fund balance is currently at $1.1 million we could say next year the balance would be about $700,000.00 if it was decreasing at the same rate, which is still okay for that fund balance to be. I think there is a potential here, but we still don't have all the pieces. I don't think you want to do anything that would cause employee's premiums to go up.

Chairman Clinger said no we don't want to do that but we don't want to help the fund to grow either.

Ms. Ryan said we need more information.

Chairman Clinger said it is something to keep in mind after the new rates come out. Ours stayed the same. Theirs might stay the same. The School Board might decide to pay a portion of the premium. All things being equal we might save $90,000.

Ms. Ryan said I also included a couple of other items that I thought might be of interest to you. One is the County's FY16 rates for plans offered and the other is the School Board's FY16 rates for plans offered. It is interesting. We have a $250 deductible plan, they have a $500 deductible plan, we have a $1,000 deductible plan, and they have a high deductible $2,800 plan. It is hard to compare when you have 4 different plans. But the rates do what you would expect. The one that is cheapest for the employee has the highest deductible. They all fit with what you would expect.

Chairman Clinger said being self-insured has not helped them that much.

Ms. Ryan said I don't know if you look at their rates with the high deductible plan, the employee pays absolutely nothing and gets $25 put into their health savings account. That's nice.

Chairman Clinger said if you would continue to monitor this once the school finds out what the recommended rates are.

Ms. Ryan asked if she should ask the School Board if she may attend their health meetings?

Chairman Clinger replied I think it would be advantageous to this Board if you would be the one willing to attend.

Supervisor Kuchenbuch said that would be great. If they would have you that would be good.

Chairman Clinger said we will not put that in there. We will continue with the $336,000 deficit we have now. I am open as to how we want to proceed to look for $336,000.

Supervisor Kuchenbuch replied that she did homework on her budget and she was able to trim $30,000. If you want to know what I did we can go all the way up to the top to our budget. I tried to look across the board at everybody. Supervisor Kuchenbuch made the following suggestions with Board decisions on each line item indicated.

Object Code and Desc	**Department**	**Recommended Reduction**	**Consensus**
5899 Misc Exp	Board of Supervisors	$1,000	NO
5810 Dues & Subs	Board of Supervisors	$1,000	NO
3320 Mtnc/Svs Contracts	Commissioner of Revenue		NO
6001 Office Supplies	Registrar	$ 200	YES
5810 Dues & Subs	Commonwealth's Attorney	$ 500	NO
3310 Repairs (Auto)	Sheriff-Law Enforcement		NO
5540 Travel (Convention & Educ)	Sheriff-Law Enforcement	$2,000	YES
5810 Dues & Subs	Sheriff-Law Enforcement		NO
5848 School Entry Team	Sheriff-Law Enforcement	$ 500	NO
6001 Office Supplies	Sheriff-Law Enforcement	$ 250	YES
3310 Repairs & Maintenance	Sheriff-Courtroom Security	$4,500	YES
5540 Travel (Convention & Educ)	Bldg & Inspections	$ 400	YES
3310 Repairs (Auto)	Emergency Services	$2,000	NO
5510 Travel (Educ)	Emergency Services	$ 200	NO
6001 Office Supplies	Emergency Services	$ 500	YES
	Total Reduction	$7,850	

The above changes resulted in an unbalanced budget of $328,993. The budget work session will be continued at the next meeting.

On a motion of Supervisor Yoder, seconded by Supervisor Gerald, and carried, it was resolved to adjourn to Tuesday, May 10, 2016 for a regular meeting at 8:30 a.m.

Terri W. Morris, County Administrator

Case C. Clinger, Chairman, Board of Supervisors