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The REAL County Budget Numbers

By Jeff Sili

(Editor's Note: Last week the Progress published an op-ed article it solicited from Maxie Rozell, chairman of the Caroline County Board of Supervisors, on the topic of the proposed bond issue to finance expansion of the county's waste water treatment plant and a water project; Rozell and fellow board member Wayne Acors co-authored the article. Jeff Sili, another member of the board, requested editorial space to offer his opinion on this topic; it follows.)

By Jeff Sili

I appreciate the opportunity to address statements made over the last few weeks in The Caroline Progress both in news stories and editorials with which I respectfully disagree.

Using a simple Math equation, the county debt is as follows; the \$88 million which is presently showing on the county web site, the \$5.5 million cash reserve loaned to Utilities and never repaid, the \$6 million line of credit used to meet monthly operating expenses and \$3 million still owed on Phase I of the Dawn Utility project. This adds up to over \$102 million dollars. I make these statements with the reservation that there may be more debt, which has not yet surfaced. It has taken considerable time to have the layers of debt revealed within a highly creative financing system unique to Caroline County with titles such as "interdepartmental loans and transfers."

As to future borrowing, I am not encouraged by a statement made that the Board of Supervisors does not intend to borrow all of the money at once (\$63 million). This is exactly the lack of long or even short term planning by which we arrived at \$100 million plus in debt today. Five years is not the distant future and does not mitigate the debt load. In fact, what bond counsel reiterated in the work session, was the need to borrow more in the future than what the Board of Supervisor's present "wish list" entailed. I believe bond counsel has in good faith prepared a repayment plan on these new projects. The problem is no payment plan to date has been followed on previous debt. This debt continues to be refinanced. The tax rate remains low because the county operates on borrowed money, but this kind of behavior cannot continue without consequences even without the drop in reassessments.

The rhetoric in a four page letter on the county web site and in The Progress describes the "cash" return on all the borrowing over the last decade and is well, frankly "rhetoric". If all this is true, where is the money and why are we continuing to borrow? This kind of operation would NOT force a locality to pay its everyday bills and make its payroll on a credit line. The major problem with this theory is that connection fees in the years before and during the boom time were used to pay for operations. This means instead of using this income stream to retire debt, the county spent this income. For example, they supplemented the utility fund in 2008 with \$870,000 from the General Fund. In other localities, utility fees from connections and fees from the consumer go to retire debt and pay for daily operating expense. I am told that repayment is now

happening in 2010 to a small extent, however this does not translate into a blank pass to borrow millions of dollars.

Repayment of the present debt is based on too many "ifs". The repayment plan on the new debt and the debt service might be viable if the economy rebounds over and above what it was several years ago. This is not likely to happen, although I have been asked to correct the

new home connection total of 0 from July to 1/2. This number also does not raise my confidence

level. The ONLY sure source of repayment is the real estate tax dollar, which today, to meet

our present debt service would have to go up between 7 and 11 cents at the current assessment

prices with nothing going toward schools except perhaps the debt service only on the new school

in Ladysmith which comes due in 2013. Currently we borrow money to make debt service/interest payments and now, in order to borrow these new bonds, we will have to borrow money for a bond requirement to hold in cash reserve in case the borrowed money is called.

In reference to county utilities and Mr. Boryschuk's statements again and the most detrimental omission of all, Caroline County has a MAJOR water problem. A brand new state of the art utility plant has no relevance without water to flow through it. If Caroline County does not put some sincere effort toward this issue, before it rezones any more large subdivisions, a utility system to service more business is moot.

A primary growth area on 95 can be a real boon to a locality but it must be structured to pay its own way for basic services. Through no fault of their own, services for the new residents in the Madison District have been firmly and securely on the tax paying backs of the rest

of Caroline Citizens and the elected representatives from those districts have allowed it.

Although some seem focused on what was not forthcoming in proffers from the developer at Belmont, the Caroline Board of Supervisors has just again, rezoned 8,700 more homes without reasonable proffers, landing this squarely on the backs of the taxpayers. There seems to be what I can only describe as a mental block or refusal to learn from mistakes, which have cost us dearly.

The front page of The Caroline Progress carried the story of the plight of the residents of Caroline Pines, but in the interest of the tax paying public lets take a closer look at what the project will actually cost and who will pay for it. The project is currently structured without the benefit of a special tax district. This translates the burden to the county taxpayer in the event of any cost overrun or the inability of a consumer in Caroline Pines to pay. The figure of \$3 million dollars to acquire the right-of-ways, remove the antiquated pipes, take down the old tower and run 3 plus miles of pipe to give 380 customers water is in my opinion low. The plan further requires each consumer to pay \$2,800 within a five year period

although the actual upfront cost to county taxpayers, if the cost remains at only \$3 million is \$10,000 per unit. What happens if the \$2,800 is not collected? There is a caveat allowing the county to put a lien against the properties of consumers who do not pay the fees although having this ability does not ensure that the money will ever be collected.

The balance of \$7,200 is borne up front, by county taxpayers but slated to be paid off by the monthly water cost of each Caroline Pines consumer. Common sense can only dictate, the monthly water bills to cover both debt service and operational cost and upkeep of the new Caroline Pines water system will be cost prohibitive and will be borne by the taxpayer if a special tax district is not created. This does not include consideration of the quality of the water delivered there. In addition, the taxpayers of Caroline have already paid the design fees of this project without an official vote by the Caroline Board of Supervisors on whether or not to do the project. My final question would also be the one mentioned by Caroline Pines constituents themselves at the last board meeting. Which subdivision will be the next one to need a water bail out and where will the water and money come from?

The answer to the issue is simple. Make Caroline Pines a special tax district. The problem is this: the income that comes in will not be touchable for any other purpose, which is the sole reason the Milford water system has been paid off. That Caroline Pines income stream will be unable to be raided. Part of the creative financing initiatives in Caroline include the ability to “transfer” something slated in one line item to purchase another. The wasteful spending in the day to day operation of county government has not been addressed here, but it is very real and very serious. Last year new furniture purchases for lower level employees and duplication of equipment already owned amounted to the salary of at least one laid off employee. An even more egregious waste was the \$3.5 million bill paid by the taxpayer on a wastewater treatment plant design that has gone in the trash. Those spending layers are still being uncovered.

Finally I was encouraged to see in print that the Board of Supervisors will not be in the future laying off any more employees. This will avoid a repeat of the unconscionable situation

our employees and their families were placed in during the first five months of this year when rumors swirled about who would and would not be laid off and when there was no communication from their supervisors or elected officials. My most difficult decision to date was voting for a budget that called for the layoff of ten county employees.

In closing let me say that I believe good governance is not about throwing money at a problem to solve it and more importantly not about having to agree all the time. When I was elected to the Board of Supervisors in 2008, I immediately felt the pressure that every vote had to be unanimous, somewhat like, for lack of a better word, a “boys club.” I left this kind of mentality in high school a long time ago. In High School, however I did learn in basic Government class, we live in a Democracy, where it’s okay to disagree. In the last three years I have also learned that this board does not like “exposure” to its decisions even when they are good ones. This is never going to fly with me and I will not vote to give cover to decisions which I do not feel are wise for the Bowling Green District and Caroline County as a whole. Thinking of each district as some kind of proprietorial domain that does not relate to the other and to the whole of Caroline County is a major part of the problem and thinking I will not participate in.

The real shame is that our county is one of the most unique in Virginia. Within its large land mass there is tremendous diversity of both geography and people that translates into such great potential. Where else can you live on the water, on a farm, on the Main Street of a small historic town or in a beautiful planned community where you can jump

on 95 and get to work? But antiquated thinking and very personal agendas have been the focus, not long term planning for water and schools.

The most important part of my job is to have connection, communication and to listen to my constituents. Although we do not always agree I have learned far more over the years from citizens than from any other source including my fellow board members who let old, irrelevant grudges against other districts get in the way of reasonable thinking. Citizens countywide have much in common in what they feel is important to their quality of life. They are the folks on the front line with children and grandchildren in the aging school system and property values about to take a plummet. They are the most valuable tool I have to try and make the right choices for Caroline County. The one thing I promise is that I will always remember whom I work for. My door is always open and my number is in the book.