

At a **budget work session** of the Southampton County Board of Supervisors held in the Board Room of the Southampton County Office Center at 26022 Administration Center Drive, Courtland, Virginia on April 9, 2008 at 6:30 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman (Drewryville)
Walter L. Young, Jr., Vice-Chairman (Franklin)
Walter D. Brown, III (Newsoms)
Carl J. Faison (Boykins-Branchville)
Anita T. Felts (Jerusalem)
Ronald M. West (Berlin-Ivor)

SUPERVISORS ABSENT

Moses Wyche (Capron)

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)
James A. Randolph, Assistant County Administrator
Julia G. Williams, Finance Director
Sandi P. Plyler, Information Technology Manager

Chairman Jones called the meeting to order. After the *Pledge of Allegiance*, Supervisor Faison gave the invocation.

Michael Johnson, County Administrator, advised that at their places was the first draft of the FY 2009 annual budget. It was a first draft, developed as a point of beginning for their deliberations. It was understood and expected that the Board may choose to make adjustments prior to adoption of a final budget. This document contained an enormous amount of detail and supporting data for the reader who was interested. For the more casual reader, interested primarily in the bottom line, an executive summary was included, beginning on page 1-2. He thanked Mrs. Julia Williams, Finance Director, who put in countless hours and worked weekends and nights, and Mrs. Susan Wright, who copied and assembled the budget books.

Mr. Johnson stated that they may recall as part of the FY 2007 message, that he noted that a decision to proceed with construction of Riverdale Elementary and development of a new industrial park was a decision to raise the real estate tax rate – perhaps as much as 5¢ in FY 2008 and another 10¢ in FY 2009. And as they may recall from last year, while favorable market conditions and a well-structured plan of finance in November 2006 minimized some of the anticipated financial impact, there was no mistaking that the debt associated with these projects would require substantial resources over the next 20 years. It began last year with an increase in the real estate tax rate by 4¢, from \$0.64 to \$0.68. It continued this year with another planned 4¢ increase, from \$0.68 to \$0.72. With each incremental increase of 1¢ producing an additional \$137,163 in revenue, the proposed rate increase would generate more than \$548,600, ALL of which would be applied to the new debt. Other operating increases in this budget were funded primarily from 2 other sources – moderate growth in state revenues and a greater reliance on the unappropriated general fund reserve. Based upon our track record of conservative forecasting, he could recommend additional use of the reserve funds in FY 2009, without equivocation.

Mr. Johnson presented a PowerPoint presentation in which he discussed the following:

Proposed revenue and expenditure tables on page 1-5:

<u>PROPOSED REVENUES</u>				
<u>REVENUE SOURCE</u>	<u>FY 2008</u>	<u>PROPOSED FY 2009</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General property taxes	\$15,677,259	\$16,275,857	\$598,598	3.82%
Other local taxes	1,427,313	1,534,000	106,687	7.47%
Permits, fees, licenses	115,850	118,550	2,700	2.33%
Fines & forfeitures	504,536	534,778	30,242	5.99%
Interest	185,000	120,000	(65,000)	(35.14)%
Charges for services	374,434	355,398	(19,036)	(5.08)%
Miscellaneous revenue	735,388	773,703	38,315	5.21%
Transfer - General Fund Reserve	888,873	1,515,654	626,781	70.51%
Other County Sources	529,680	529,680	0	0.00%
Enterprise Fund	1,119,024	1,159,315	40,291	3.60%
Building Fund	2,326,294	2,448,937	122,643	5.27%
Revenue from the Commonwealth	24,743,228	26,854,142	2,110,914	8.53%
Revenue from Federal Sources	2,474,643	2,450,499	(24,144)	(0.98)%
TOTAL	<u>\$51,101,522</u>	<u>\$54,670,578</u>	<u>\$3,568,991</u>	6.98%

<u>PROPOSED EXPENDITURES</u>				
<u>EXPENDITURE SOURCE</u>	<u>FY 2007</u>	<u>PROPOSED FY 2008</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General & Financial Administration	1,754,482	1,941,626	187,144	10.67%
Judicial Administration	1,442,703	1,686,804	244,101	16.92%
Public Safety	6,000,563	6,227,513	226,950	3.78%
Public Works	2,396,722	2,235,712	(161,010)	(6.72)%
Health and Welfare	476,972	499,074	22,102	4.63%
Parks, Recreation, Culture	290,910	317,772	26,862	9.23%
Community Development	448,374	466,956	18,582	4.14%
Non-Departmental	70,000	70,000	0	0.00%
School Fund	29,935,692	31,885,575	1,949,883	6.51%
School Food	1,054,000	1,093,000	39,000	3.70%
Public Assistance Fund	2,312,969	2,521,307	208,338	9.01%
Building Fund (less transfers)	3,474,086	4,240,804	766,718	22.07%
Enterprise Fund	1,444,079	1,484,370	40,291	2.79%
TOTAL	<u>\$51,101,522</u>	<u>\$54,670,513</u>	<u>\$3,568,991</u>	6.98%

Regarding **REVENUES**, Mr. Johnson advised that state revenues, which made up almost half of the overall county operations budget, were projected to increase by 8.53% overall, much of which was attributable to proposed increases in school basic aid for FY 2009. In addition to public education, state funds were used primarily to support daily operations in the offices of our 5 constitutional officers. The Board had little, if any, discretion in how state funds were spent. Federal revenues accounted for less than 5% of the overall budget and were primarily targeted to the public school system. Federal funding was expected to slightly decrease by 0.98% in FY 2009, most of which was associated with reduced funding to two educational initiatives – Reading First and Title I. On the local level, absent any increases in the real estate tax rate or additional use of unappropriated general fund reserves, total revenues were expected to rise by only 1.28%, flat by any estimation. When factoring in the proposed 4¢ increase in the real estate tax and the use of an additional \$627,000 from the reserve fund, local revenues would grow by 6.21%.

Mr. Johnson broke down **GENERAL FUND EXPENDITURES** into the following 8 categories and briefly discussed each:

- 1) *General and Financial Administration* – increased overall by 10.67% – more than half of which was attributable to \$100,000 set aside for legal fees associated with the OLF.
- 2) *Judicial Administration* – increased overall by 16.92% – more than half of which was attributable to 2 new positions in the Office of the Commonwealth Attorney. Both positions were primarily funded by the Compensation Board – a paralegal and an additional staff attorney.

- 3) *Public Safety* – increased overall by 3.78% - included additional funding for volunteer fire & rescue (4.5% on average), and a state mandated 40% increase to the State Forestry Service.
- 4) *Public Works* – decreased overall by 6.72% – decreased volumes of solid waste were continuing to pay dividends. Also the anticipated initiation of flow control in February 2009 would reduce SPSA’s municipal tipping fee from \$104/ton to \$80/ton.
- 5) *Health and Welfare* – increased overall by 4.63% - provided modest increases for the Health Department, the Western Tidewater Community Services Board and Senior Services of Southeastern Virginia; level-funded the STOP Organization as they requested. A 20.84% increase in the costs associated with foster care and residential placement of juveniles (Comprehensive Services Act) was anticipated.
- 6) *Parks, Recreation, and Culture* – included an 11.2% increase for the Walter Cecil Rawls Library (in accordance with the 2007 contract), and level-funded the Community Concert Association, Rawls Museum Arts, and the Southampton County Historical Society.
- 7) *Community Development* – increased overall by 4.14% – primarily attributable to costs associated with hiring a full-time planner.
- 8) *Non-Departmental* – level-funded at \$70,000 – this was revenue shared with the City of Franklin derived directly from International Paper’s Converting Innovation Center in accordance with our 1996 agreement.

Mr. Johnson shared the following **OTHER EXPENDITURES**:

PUBLIC ASSISTANCE (Social Services) – Funding was proposed to increase by 9.01% overall, as requested. The entire increase was fully state funded – local funding would actually reduce by 0.26% in FY 2009.

SCHOOLS – Local funding was increased by 6.51% to a total of \$9,881,647. Combined with increases in state revenue, this budget still fell \$567,113 short of the School Board’s request. Please note that the Building Fund included an additional \$1.1 million for debt service on Riverdale Elementary, which was not reflected in the School budget.

BUILDING FUND – This revenue stream was the source of funding for fire and rescue capital improvements/equipment replacement, fleet replacement for the Sheriff’s Office, and serviced a portion of the debt associated with elementary school projects and the public safety radio system. Included \$100,000 for Courthouse security improvements in FY 2009.

ENTERPRISE FUND – Proposed to increase the base rates for water and sewer by \$1 each per month – from \$22 to \$23 for the first 4,000 gallons of water, and from \$30 to \$31 for the first 4,000 gallons of wastewater. The 3.85% rate increase was expected to generate slightly less than \$30,000 annually, necessary to cover the anticipated 2.79% increase in operating expenses next year.

RESERVE FUND – Included the transfer of up to \$1,515,654 of the unappropriated general fund reserve to mitigate additional tax rate increases. Otherwise, real estate taxes would have to increase another 11¢ above what was presently recommended. That notwithstanding, they did not anticipate the unappropriated general fund reserve balance dipping below \$3.3 million, under the worst of conditions, which should maintain a sufficient margin to meet seasonal shortfalls in cash and cover any minor revenue shortfalls that may occur.

PERSONNEL – Provided for a 2% cost of living adjustment (COLA) beginning July 1, 2008 for all full-time employees (144). Individual salary schedules were included with each departmental budget.

The budget further provided for an increase in the Virginia Retirement System (VRS) contribution rate, from 6.49% to 9.82%, which equated to an overall budgetary increase of more than \$200,000.

A comprehensive personnel complement was provided on page 1-8, followed by a schematic listing of job classifications and associated salary ranges.

The County’s share of medical insurance premiums was proposed to increase 2.48%, equating to more than \$17,000 annually overall. The employee share of medical insurance premiums was proposed to rise as well, 3.77% for employees with family coverage, 3.54% for employees with dual coverage, and 2.13% for single employees.

Mr. Johnson shared the following new requests and considerations for FY 2009, denoting those that were proposed to be funded along with the proposed funding amounts:

Additional School Funding Request	\$195,114	762,227
Additional Debt Service (School & Industrial Park)	√	690,000
State Revenue Reductions (General Fund)	√	229,761
Increase in VRS Contribution Rate (5.93% to 9.70%)	√	205,189
State Revenue Reduction (School Fund)		132,604
Legal Defense (OLF)	√	100,000
Building Maintenance Code		93,086
Fire & Rescue	\$19,201	70,772
New Position Planner (Salary & Fringes)	\$17,601	54,000
New Position Deputy Treasurer I (Salary & Fringes)	√	35,100
Library Contract		26,862
Court Appointed Special Advocate		18,000
Courtland Community Center		15,000
Planning/Redevelopment Study – Ivor Elementary	√	15,000
Courthouse Security Improvements	√	100,000
TOTAL	\$1,598,728	2,447,601

Chairman Jones advised that he did not think they could do any better than what was proposed in this draft budget – the belt had really been tightened.

Supervisor West stated that he thought people had known for at least a year that the tax rate would have to be increased by 4¢ to fund the additional debt service for Riverdale Elementary and the Industrial Park. He was pleased that the proposed budget did not recommend an increase above the 4¢.

Supervisor Brown advised that he wished they could give more money to the schools, but that was just not possible this year. Supervisor Faison agreed.

The Board as a whole indicated that they thought the proposed budget was a good budget and they needed to “hold the line”.

There being no further business, the meeting was adjourned at 7:25 PM.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk