

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 11, 2007 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
Susan H. Wright, Administrative Secretary

Chairman Jones called the meeting to order.

Michael Johnson, County Administrator, advised that at their places was the first draft of the FY 2008 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 make adjustments prior to adoption of the 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, including part of Easter Sunday, and Mrs. Susan Wright, who copied and assembled the budget books.

Mr. Johnson presented a brief PowerPoint presentation in which he shared the following key points with regard to the proposed FY 2008 budget:

- Proposed total budget was \$50,958,573, a decrease of \$23,487,616 from the current FY 2007 budget;
- Large capital projects that were reflected in the FY 2007 budget were removed and would be completed with FY 2007 revenues (bond proceeds) – hence the overall precipitous reduction in the budget;
- Proposed to increase the real estate tax rate by 4¢ from \$0.64 to \$0.68;
- Provided for year 2 (final) implementation of the pay & classification plan adopted in March '06;
- Provided for a 4.87% overall increase in school funding – but still \$657,198 less than the School Board requested;
- Provided an additional \$544,848 for debt service associated with Riverdale Elementary and development of new industrial park;
- Provided for two new full-time positions – Deputy Sheriff to manage the Assign-a-Highway program and the transition of a part-time accounting position to full-time;
- Provided \$75,000 for jail farm renovations;
- Provided substantial new funding for the Blackwater Regional Library and contracted Emergency Medical Services.

Mr. Johnson stated that last year's operative word with respect to the budget was "uncertainty." This year, it had to be "reality." Based on the decision in 2006 to proceed with construction of the new Riverdale Elementary School and to acquire and develop a new industrial park, \$28.8 million in long-term debt (through 2028) was issued last November. As part of last year's message, he noted that a decision to proceed with these projects was a decision to raise the real estate tax rate – perhaps as much as 5¢ in FY 2008 and another 10¢ in FY 2009. While favorable market conditions last fall may have minimized some of the immediate fiscal impact, the debt associated with these projects would require substantial resources over the next 20 years. And it began now in FY 2008. This budget proposed to increase the real estate tax rate by 4¢ from \$0.64 to \$0.68. With each incremental increase of 1¢ now producing an additional \$136,773 in revenue, the proposed rate increase would generate more than \$547,000, ALL of which would be used exclusively to service the new debt. Other operating expenses in this budget had been funded

primarily from 2 other sources – natural growth in other revenues and a greater reliance on the unappropriated general fund reserve.

Mr. Johnson discussed the following proposed revenue and expenditure tables on page 1-5:

<u>PROPOSED REVENUES</u>				
<u>REVENUE SOURCE</u>	<u>FY 2006</u>	<u>PROPOSED FY 2008</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General property taxes	\$14,678,719	\$15,677,259	\$998,540	6.80%
Other local taxes	871,562	1,427,313	555,751	63.76%
Permits, fees, licenses	152,850	115,850	(37,000)	(24.21)%
Fines & forfeitures	493,478	504,536	11,058	2.24%
Interest	80,000	185,000	105,000	131.25%
Charges for services	399,401	374,434	(24,967)	(6.25)%
Miscellaneous revenue	692,174	735,388	43,214	6.24%
Transfer - General Fund Reserve	351,676	745,929	394,253	112.11%
Other County Sources	562,500	529,680	(32,820)	(5.83)%
E-911 Fund	205,555	0	(205,555)	(100.00)%
Enterprise Fund	1,119,024	1,119,024	0	0.00%
Building Fund	2,014,998	2,326,294	311,296	15.45%
Bond Proceeds - Turner Tract	11,021,294	0	(11,021,294)	(100.00)%
Bond Proceeds - Hunterdale Elem.	16,000,000	0	(16,000,000)	(100.00)%
Revenue from the Commonwealth	23,820,774	24,743,228	922,454	3.87%
Revenue from Federal Sources	1,982,189	2,474,643	492,454	24.84%
TOTAL	<u>\$74,446,194</u>	<u>\$50,958,578</u>	<u>\$23,487,616</u>	(31.55)%

<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	1,591,546	1,746,508	154,962	9.74%
Judicial Administration	1,388,371	1,442,703	54,332	3.91%
Public Safety	5,537,193	6,000,563	463,370	8.37%
Public Works	2,132,450	2,396,722	264,272	12.39%
Health and Welfare	440,571	476,972	36,401	8.26%
Parks, Recreation, Culture	212,948	290,910	77,962	36.61%
Community Development	437,680	413,374	(24,306)	(5.55)%
Non-Departmental	90,000	70,000	(20,000)	(22.22)%
School Fund	28,451,284	29,835,692	1,384,408	4.87%
School Food	1,052,950	1,054,000	1,050	0.10%
Public Assistance Fund	2,165,149	2,312,969	147,820	6.83%
Building Fund (less transfers)	23,072,523 ¹	3,474,086	(19,598,437)	(84.94)%
Enterprise Fund	7,667,974 ²	1,444,079	(6,223,895)	(81.17)%
E-911 Fund	205,555	0	(205,555)	(100.00)%
TOTAL	<u>\$74,446,194</u>	<u>\$50,958,578</u>	<u>\$23,487,616</u>	(31.55)%

Regarding **REVENUES**, Mr. Johnson advised that state revenues, which made up almost half of the overall county operations budget, were projected to increase by 3.37% overall, much of which was attributable to proposed increases in school basic aid for FY 2008. 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, however, expected to increase by almost 25% in FY 2008, most of which was associated with three new educational initiatives – Reading First, 21st Century Community Learning, and Opportunity, Inc. On the local level, absent any increases in the real estate tax rate, total revenues were expected to rise by 7.27%. When factoring in the proposed 4¢ increase, revenues would grow by 9.8%. The principal catalysts for growth in local revenue were personal property (+\$410,000), interest income (+\$100,000) machine & tools

¹ Included \$16,000,000 for a new Hunterdale Elementary School and \$5,106,000 for non-utility related expenses associated with the Turner Tract Development.

² Included \$5,915,294 for utility-related expenses associated with the Turner Tract Development

(+\$48,000), and shared revenue from the City of Franklin for the 1-mile commercial corridor (+\$47,000).

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

- 1) *General and Financial Administration* – increased overall by 9.74% – primarily attributable to implementation of the pay & classification plan for 6 separate office staffs and the required local match for the Smart Beginnings grant for improved early childhood services.
- 2) *Judicial Administration* – increased overall by 3.91% – other than funding the pay & classification plan, there were no major changes in this part of the budget.
- 3) *Public Safety* – increased overall by 8.37% – included additional funding for volunteer fire & rescue (8%), a substantial increase in the cost of contracted EMS service (\$30,000), and an additional \$24,000 for radio and pager accessories for volunteer fire and rescue.
- 4) *Public Works* – increased overall by 12.39% – anticipated the precipitous rise in solid waste tipping fees to \$100/ton and funded one new full-time position to manage the Assign-a-Highway program.
- 5) *Health and Welfare* – increased overall by 8.26% – provided 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.
- 6) *Parks, Recreation, and Culture* – included a substantial increase for the Walter Cecil Rawls Library (in accordance with the new contract), and modest increases for the Community Concert Association and Rawls Museum Arts. Further included the \$25,000 matching grant for restoration of the Rebecca Vaughan house.
- 7) *Community Development* – decreased overall by 5.55% – primarily associated with costs associated with ordinance revisions that would be completed with FY 2007 revenues.
- 8) *Non-Departmental* – an overall reduction of \$78,260 – 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 6.83% overall, as requested.

SCHOOLS – Local funding was increased by 4.75% to a total of \$9,586,534. Combined with increases in state revenue, this budget still fell \$657,198 short of the School Board's request.

E-911 – No longer a separate fund beginning in FY 2008 – revenues and expenditures were now part of the General Fund and reflected under the public safety portion of this 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 public safety radio system.

ENTERPRISE FUND – Very little change from the current fiscal year – we were, however, evaluating the feasibility of refinancing our Series 1994A Water and Sewer Revenue Bond as a potential source of equity for the requested capital improvements to water and sewer facilities. Funding for those projects was not reflected in this draft budget and would be presented for consideration in the coming months.

RESERVE FUND – This draft budget included the transfer of \$745,929 of the unappropriated general fund reserve to pay operating expenses. Otherwise, real estate taxes would have to increase another 5.5¢ above what was presently recommended. That notwithstanding, we did not anticipate the unappropriated general fund reserve balance dipping below \$3.2 million, which should maintain a sufficient margin to meet seasonal shortfalls in cash and cover any minor revenue shortfalls that may occur.

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PERSONNEL – This draft budget provided for year 2 implementation of the pay & classification plan for 142 employees, including those of constitutional officers, as directed at their March 27, 2006 regular session. As of July 1, employee salaries would be the direct product of their respective job classifications and years of service in those positions. The marginal cost for this final phase of implementation was \$169,410. The County's share of medical insurance premiums was proposed to increase 4.14%, equating to more than \$27,000 annually.

Mr. Johnson noted that funding for a full-time planner was not included in this draft budget. There was simply no office space available for a planner to work. We needed to figure out our office space issues first and then try and budget for a planner next fiscal year.

Supervisor Felts mentioned the bid for construction of Riverdale Elementary that came in less than budgeted – actually a savings of 20%. Mr. Johnson advised that they needed to have a discussion with the School Board but not at this point. They had not saved 20% yet because the school had not been constructed. Once the school was constructed and the exact amount of savings realized, we needed to have that discussion. It would ultimately mean less debt for us or we could prepay and have that much set aside for future capital improvements.

Supervisor West advised that he had been bombarded by people about reducing the boat, motor home, etc. tax. Should they perhaps look at reducing it from \$4.00 to \$3.00? He mentioned that Mr. John Robert Harrup, Commissioner of the Revenue, had indicated that he did not think the tax should be any more than the machinery tax (\$2.40).

Supervisor Brown stated that the constituents were not going to like the 4¢ increase on the real estate tax. He was not in favor of increasing the real estate tax above 4¢. If we wanted to reduce the boat tax, we needed to look at some trade-offs. He noted that the people wanting the boat tax reduced were a special interest group.

Supervisor West commented that lots of special interest groups requested money from the County.

Mr. Johnson clarified for Vice-Chairman Young that the Board of Supervisors decided how much funding to give the schools – the School Board decided how they were going to expend it.

Chairman Jones commented that they were going to hear from the teachers that the Board of Supervisors did not fully fund the requested School Budget, so they were not going to get a raise.

Supervisor Brown remarked that he thought the long-term return on investment for the industrial park was good. Perhaps it could help reduce taxes in the future.

The Board briefly discussed the reassessment cycle. It was consensus of the Board to go with a reassessment cycle of every 4 years. Mr. Johnson noted, that accordingly, funding would need to be included in the FY 2009 budget to begin the next reassessment process.

Chairman Jones mentioned that the water pressure was down in Drewryville and the fire department also had some pressure issues. Mr. Johnson advised that the system was not designed for fire protection. He noted that Mr. Julien Johnson, Public Utilities Director, wanted to put in another well, but funding was not included in this year's proposed budget. They were, however, looking at refinancing the Series 1994A Water and Sewer Revenue Bond as a potential source of equity for requested capital improvements to water and sewer facilities.

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

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk