

At a **budget workshop meeting** 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 7, 2004 at 6:30 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman  
Walter L. Young, Jr., Vice-Chairman  
Carl J. Faison  
Anita T. Felts  
Charleton W. Sykes  
Ronald W. West  
Moses Wyche

SUPERVISORS ABSENT

None

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)  
J. Waverly Coggsdale, III, Assistant County Administrator  
Julia G. Williams, Finance Director  
Cynthia L. Cave, Community/Economic Development Director  
Julien W. Johnson, Jr., Public Utilities Director  
Susan H. Wright, County Administration Executive Secretary

Chairman Jones called the meeting to order at 6:30 PM.

Michael Johnson, County Administrator, advised that he would provide a very broad overview of the proposed FY 2005 budget. They should be prepared to delve into the detail at next week's budget workshop after having the opportunity to take the budget books home and review them. He thanked Julia Williams, Finance Director, who had put in a lot of time, including nights and weekends, in the development and preparation of the budget. He also thanked Susan Wright, Executive Secretary, who made all the copies and assembled the books.

Mr. Johnson referred to the Executive Summary beginning on page 1-2. He stated that it was another tough year. With little growth in revenue and substantial operational increases expected, particularly with increased hospitalization premiums, the cost of conducting the property reassessment, and ever-increasing volumes of solid waste, he was compelled to recommend a 3¢ increase in the real property tax rate for FY 2005. He pointed out that they took a step backward in again recommending a substantial transfer from the Unappropriated General Fund Reserve to balance the budget. But, had they not, the real property tax rate would have had to increase by another 10¢. He informed that it was essential that they begin now to plan for alternative revenue resources in FY 2006 – waste generator fees, twice-a-year tax collection, ambulance billing, etc. All of those matters were complicated policy issues that would take substantial time to explore and implement. But without change, they could expect the burden to get substantially heavier in years to come on real property owners.

Regarding **REVENUES**, Mr. Johnson advised that overall, there had been little growth in the tax base, with total property assessments up less than 1.5%. The only significant area of growth was in personal property, which was the result of implementation of proration in 2002. Given the chronic structural imbalance between operating revenues and expenses, the draft budget proposed an increase in the real property tax rate from \$0.65 to \$0.68 as a stop-gap measure until the property reassessment could be completed. A six-year reassessment cycle created a number of problems including the need for mid-cycle rate increases. He noted that new assessments would not affect revenues until FY 2007. The proposed increase in the tax rate would generate roughly \$290,000 in additional revenue. He pointed out that notwithstanding the proposed tax increase, the draft budget continued to rely heavily on transfers from the unappropriated General Fund Reserve – more than \$919,000. Increases in the real estate property tax should not be considered lightly. Regrettably, the Commonwealth left them few options. He reported, for comparison, that in FY 2002, the average Virginia county derived 49% of its local revenue from the real property tax, while Southampton County generated 39% of its local revenue from that source. That same year, the average Virginia county collected \$695.96 per capita in real estate taxes, while Southampton County collected \$289.39 per capita. With a revised tax rate of \$0.68, Southampton County would remain below the statewide county average of \$0.72 and right at the median of \$0.67. He informed that State revenues were expected to increase by 2.68% overall, almost all attributable to projections of modest increases in school enrollment for FY 2005. Federal

revenues would increase by 4.38% but must be targeted for specific educational initiatives. In other words, the Board had no discretion in their use.

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

- 1) *General and Financial Administration* – Showed an overall increase of 17.46%, but with qualification. The vast majority of the increase was directly associated with the mandatory property reassessment. Also included funding for an updated pay & classification study for all county employees including those of constitutional officers. Discounting those two items, the overall increase for General and Financial Administration was only 2.08%.
- 2) *Judicial Administration* – Increased overall by 6.23%, primarily associated with salary increases approved by the State last December for employees of constitutional officers, in addition to substantial increases in FY 2005 hospitalization premiums.
- 3) *Public Safety* – Increased overall by 4.24%, primarily attributable to salary increases approved by the State last December for employees of constitutional officers and increases in FY 2005 hospitalization premiums. Also continued to fund the daytime EMS contract at \$464,803 annually.
- 4) *Public Works* – Increased overall by 14.54%, primarily based upon substantial increases in the amount of refuse collected and disposed of. Quantities of trash were up almost 30% since 2002.
- 5) *Health and Welfare* – Very little change, as the Health Department, Senior Services of Southeastern Virginia, and the STOP Organization were level-funded. Provided a modest increase for the Western Tidewater Community Services Board.
- 6) *Parks, Recreation, and Culture* – Included relatively modest increases for the Walter Cecil Rawls Library, Community Concert Association, Rawls Museum Arts, and Historical Society.
- 7) *Community Development* – Very little change, overall. Included increases in the per-diem rates for Planning Commissioners and BZA members and an increase in the per-capita contribution to the Hampton Roads Planning District Commission.
- 8) *Non-Departmental* – This represented the 30% share of property taxes derived from the Converting Innovation Center shared with the City of Franklin in accordance with the 1996 revenue sharing/annexation immunity agreement.

Mr. Johnson then reported the following:

**PUBLIC ASSISTANCE** (Social Services) – The local share increased by \$3,258 to \$339,530 representing a 0.97% local increase.

**SCHOOLS** – Local funding was increased by 2.66% to a total of \$8,673,208. Combined with increases in state revenue, the budget still fell \$462,970 short of the School Board's request.

**E-911** – The monthly 9-1-1 tax was proposed to increase from \$1.25 to \$1.75 per month to fund substantial increases by Verizon for lease and support of 9-1-1 equipment and trunk lines.

**BUILDING FUND** – This reliable 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. A number of new projects were also included in FY 2005. It proposed a \$2.32 million capital lease for the public safety radio system. It also included funding for 1 new refuse collection truck, 5 new containers, and new voting machines to meet the requirements of the *Help America Vote Act*. A complete list of projects was on page 6-1.

**ENTERPRISE FUND** – Very little change from the current fiscal year. Again it included proceeds from a 20-year water and sewer revenue note in principal sum of \$2,250,000 to fund the Rt. 671 water and sewer extension to Rose Valley Road. Annual debt service was estimated at \$171,800 and would be funded through revenues transferred-in from the Building Fund.

**RESERVE FUND** – Included the transfer of \$919,343 of the unappropriated general fund reserve to pay operating expenses (in addition to \$153,348 from the Building Fund). This was largely based on the Board’s directive that increases in the real estate tax rate should be mitigated to the maximum extent possible. In doing so, in a worst-case, the fund balance could drop to as low as \$2.1 million by July 2005. If that happened, the structural imbalance between operating revenues and expenses would leave few options, necessitating a steep increase in the real estate tax rate in FY 2006.

**PERSONNEL** – Provided for 3% salary increases for full-time county employees beginning July 1, 2004. With the ongoing budget impasse by the General Assembly, salary increases for employees of constitutional officers were not budgeted. Once the impasse was resolved, salary increases, if any, would be specially appropriated. The County’s share of medical insurance premiums was proposed to increase 15.4%, equating to more than \$73,000. A portion of the premium increase had also been passed on to the employees as illustrated on page 1-15.

Mr. Johnson went over the following charts on page 1-5:

<b>PROPOSED REVENUES</b>	<u>FY 2004</u>	<u>PROPOSED</u>	<u>INCREASE</u>	<u>PERCENT</u>
REVENUE SOURCE		<u>FY 2005</u>	<u>(DECREASE)</u>	<u>CHANGE</u>
General property taxes	\$11,126,988	\$12,013,902	\$886,914	7.97%
Other local taxes	760,583	770,583	10,000	1.31%
Permits, fees, licenses	95,250	91,250	(4,000)	(4.20)%
Fines & forfeitures	434,069	462,507	28,438	6.55%
Interest	95,000	25,000	(70,000)	(73.68)%
Charges for services	99,461	131,378	31,917	32.09%
Miscellaneous revenue	641,170	663,284	22,114	3.45%
Transfer - General Fund Reserve	811,560	919,343	107,783	13.28%
Transfer - Building Fund	200,000	153,348	(46,652)	(23.33)%
Other County Sources	544,625	565,870	21,245	3.90%
E-911 Fund	185,304	201,510	16,206	8.75%
Enterprise Fund	1,035,522	998,222	(37,300)	(3.60)%
Building Fund	1,579,172	1,478,629	(100,543)	(6.37)%
Public Safety Radio Capital Lease	0	2,320,000	2,320,000	100.00%
Water & Sewer Revenue Note	2,250,000	2,250,000	0	-
Revenue from the Commonwealth	18,665,789	19,165,368	499,579	2.68%
Revenue from Federal Sources	1,886,541	1,969,206	82,665	4.38%
<b>TOTAL</b>	<b>\$40,411,034</b>	<b>\$44,179,400</b>	<b>\$3,768,366</b>	<b>9.33%</b>

<b>PROPOSED EXPENDITURES</b>	<u>FY 2004</u>	<u>PROPOSED</u>	<u>INCREASE</u>	<u>PERCENT</u>
EXPENDITURE SOURCE		<u>FY 2005</u>	<u>(DECREASE)</u>	<u>CHANGE</u>
General & Financial Administration	1,345,207	1,580,130	234,923	17.46%
Judicial Administration	897,173	953,091	55,918	6.23%
Public Safety	4,189,186	4,366,752	177,566	4.24%
Public Works	1,517,775	1,738,469	220,694	14.54%
Health and Welfare	398,716	409,678	10,962	2.75%
Parks, Recreation, Culture	179,065	189,188	10,123	5.65%
Community Development	340,755	348,860	8,105	2.38%
Non-Departmental	98,461	94,000	(4,461)	(4.53)%
School Fund	23,493,420	24,205,672	712,252	3.03%
School Food	1,057,625	1,057,625	0	0.00%
Public Assistance Fund	1,982,250	2,018,914	36,664	1.85%
Building Fund (less transfers)	1,029,620	3,314,234	2,284,614	221.89%
Enterprise Fund	3,696,477	3,701,277	4,800	0.13%
E-911 Fund	185,304	201,510	16,206	8.75%
<b>TOTAL</b>	<b>\$40,411,034</b>	<b>\$44,179,400</b>	<b>\$3,768,366</b>	<b>9.33%</b>

Mr. Johnson referenced a pie graph on page 1-6 which illustrated the projected FY 2005 revenues. State revenue comprised 43.4%, Local Revenue – 41.8%, Debt – 10.3%, and Federal Revenue – 4.5%.

He referenced a pie graph on page 1-7 illustrating the projected FY 2005 expenditures. Schools comprised 54.8%, General Fund – 21.9%, Enterprise Fund – 8.4%, Capital Projects – 7.5%, Public Assistance – 4.6%, School Food – 2.4%, and E 911 Fund – 0.5%. He noted that public safety and public works comprised most of the General Fund at \$4.3 million and \$1.7 million respectively.

Supervisor West stated that he could not be pleased in any way with the 3¢ real estate tax increase, especially in light that it was only a stop-gap at best. And they had not even gotten to the point of reassessment, which would be a major cry. He thought it would be difficult for people to absorb. However, he acknowledged that the county was not growing and bringing in revenue.

Supervisor Young asked, weren't property values after the reassessment supposed to go down since the peanut quota was gone? He commented that it had gone down in other states. Mr. Johnson replied that he could not answer that. They would hire a certified appraiser to appraise it at fair market value.

Supervisor West asked if a (State) budget more in line with the Senate projections in Richmond would help them towards school funding? Mr. Johnson replied that the Senate version of the (State) budget would help schools substantially. Whether or not this Board would choose to reduce local contributions to schools based on the additional State revenue would be a decision they would have to make. He noted that the FY 2005 local proposed increase for schools was 2.66%.

Supervisor West asked if the 30% increase since 2002 in the quantities of trash collected and disposed of was all related to Hurricane Isabel? Mr. Johnson replied no, and referred to a table on page 2-163, which illustrated the amount of tonnage for every month since FY 2000. The average monthly tonnage in FY 2000 was 1,223 tons, 1,149 in FY 2001, and 1,187 in FY 2002. In FY 2003, the monthly average increased to 1,350. He noted that the hailstorm last May might have had a little bit of effect on the month of June. In the current fiscal year, they were currently averaging 1,526 tons per month. He acknowledged that there was an impact from Hurricane Isabel, but they were seeing monthly tonnages consistently above those of previous years.

Supervisor West commented that maybe they should try manning the county's busiest dump site for a year to see if the tonnage at that particular site would decrease. Mr. Johnson remarked that perhaps they needed to start rethinking how the county should handle solid waste.

Supervisor West asked how much the per-diem rates of Planning Commissioners and Board of Zoning Appeals members were proposed to increase? Mr. Johnson replied double. He added that the proposed increase was based on an informal telephone poll of neighboring localities. He noted that this was the first increase he could remember since he had been employed with the county.

There being no further business, the meeting was adjourned at 7:05 PM.

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk