

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 9, 2003 at 6:30 PM.

SUPERVISORS PRESENT

Reggie W. Gilliam, Chairman
Eppa J. Gray, Jr., Vice-Chairman
Carl J. Faison
Dallas O. Jones

SUPERVISORS ABSENT

Charleton W. Sykes
Ronald W. West
Walter L. Young, Jr.

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
Susan H. Wright, County Administration Executive Secretary

Chairman Gilliam called the meeting to order at 6:30 PM and stated that Michael Johnson, County Administrator, would introduce the FY 2004 Southampton County Draft Budget.

Mr. Johnson advised he would provide an overview and highlight the main points, and they could delve into the budget in greater detail next week after having the opportunity to thoroughly review the information. He announced that as reflected in the Executive Summary beginning on page 1-2, the budget situation was not as bad as it could have been or was expected to be. They had prepared for the State budget cuts since State revenue comprised about 50% of their overall budget revenue. However, State revenue actually grew slightly. There were cuts of about \$86,000 between the 5 constitutional officers, but the County picked up those cuts with local revenue. That was easier to do than anticipated due to a substantial increase of \$270,000 in State funding to public education. He noted that per the Board's direction, they tried to keep expenses down in all areas except the Board's priority areas of economic development and public utilities.

He stated that regarding economic development, they proposed increased funding of about \$33,000 in the operating budget to help in developing marketing materials for advertising and specific site data sheets so they could have good information readily available to prospects. Regarding public utilities, they proposed a \$2,225,000 utility extension project to pick up water/sewer at the Converting Innovation Center and extend it along Rt. 671 to Rose Valley Rd. into the Turner Tract, which had been identified as a location for future economic development, and construct a 500,000 gallon elevated water tank there. They proposed to do that project with a 20-year water/sewer revenue bond. The annual debt service on the project would be funded through building fund revenues, with 6 months debt service in the first year and 12 months each year thereafter. He mentioned that the last payment on the 3-year note for the Sheriff's Office renovation project funded through the building fund would be paid in FY 2004, so they could take the money they had been paying on that debt service and roll it into the water/sewer extension note, although it would be for 20 years.

Mr. Johnson stated they had all heard the Utilities Management Plan presented by Draper Aden Associates at the retreat on March 6. He advised that the County was able to modify the plan a little and had eliminated one of the staff positions and the purchase of pickup trucks, as they had serviceable trucks in other areas that could be used. They proposed to substantially increase water/sewer fees, which he acknowledged would be difficult politically. They still intended to go with metered readings, but currently did not have a feel for how much water their customers would use. They were proposing to raise the flat rate in FY 2004 to fully fund the cost of the reorganization. They would also begin to read meters, gather data, and put together a good rate structure based on usage to be implemented on July 1, 2004 (FY 2005). The flat rates would have to increase 33% from \$45/month, which was already the highest in the region, to \$60/month. The only alternative would be to further subsidize utilities from the General Fund. They had done that historically by paying for public works to provide maintenance to the water/sewer systems. In doing that, they would have to raise the tax rate at least \$0.03. He noted he did not figure that alternative in the budget but either would be painful and the Board would have to decide where they wanted to generate that revenue. He advised that continuing to

neglect the problem was not an option, as they had aging infrastructure in poor condition and needed the personnel and equipment to maintain it.

He informed that given the Board's direction to avoid or at least defer tax increases for as long as possible, they had again relied fairly extensively on the reserve fund to balance the budget, as they included \$763,389 from that fund. He cautioned that the reserve fund was not an infinite source of funding and they had been fortunate in being able to use it. He hoped that with the implementation of proration this year, there would be substantial growth in personal property revenue that would be a good source of revenue for this year and subsequent years. Nevertheless, he thought they would be ok in taking the \$763,389 from the reserve fund this year. The worst-case scenario was the reserve fund balance could drop to \$2.5 million at the end of FY 2005, which would be below the satisfactory level of 10%-20% of the overall budget. The total budget was \$40 million, so it was desirable for at least \$4 million to be in the reserve fund. He stated that for cash flow purposes, a balance in the reserve fund as low as \$2.5 million was ok, but did not recommend it going below that.

Mr. Johnson advised that expected growth in **REVENUES** (the overall tax base) was about 3%, almost all of which came from personal property. Real estate growth was less than ½ of 1%.

He reported that they expected substantial increases in the "Fines and Forfeitures" line, as the Sheriff had been very aggressive in speed limit enforcement. As a result, they budgeted an additional \$40,000 in revenue from tickets and also budgeted revenue from the \$5 assessment that was put on every criminal and traffic case to pay for court security.

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

- 1) *General and Financial Administration* – The budget increased overall by 3.95%, primarily attributed to \$30,000 additional funding to the Commissioner of Revenue's office for implementation of proration (part-time, full-time, or overtime help). It was also attributed to the addition of the second full-time accounting position added last May.
- 2) *Judicial Administration* – Increased overall by 5.7%, primarily associated with personnel shifts in the Sheriff's Office for Bailiff services. Note: All of the increased cost was fully funded by fees generated by the \$5 assessment fee put on criminal and traffic court cases to pay for court security.
- 3) *Public Safety* – Decreased overall by 1.17%, primarily attributed to reduced state funding for law enforcement and jail operations. The daytime EMS contract would increase 3.5% on January 1, 2004 to a total cost of \$464,803 per year.
- 4) *Public Works* – Decreased overall by 1.74%, primarily based on SPSA's proposed tipping fee reduction to \$49/ton. The continuation of the current recycling program, which was the semi-automated curbside collection at roughly 1,000 homes and 7 drop-off sites in the County, was also provided for.
- 5) *Health and Welfare* – There was very little change, as they level-funded the Health Department, Senior Services Board, Senior Services of Southeastern Virginia, and the STOP Organization.
- 6) *Parks, Recreation, and Culture* – There was a modest increase for the Walter Cecil Rawls Library. They level-funded the Community Concert Association, Rawls Museum Arts, and Historical Society.
- 7) *Community Development* – Increased overall by 7.9% with the majority devoted to economic development inclusive of an additional \$33,326 for advertising and marketing materials. There was a substantial decrease of 18.25% in the Cooperative Extension budget due to the retirement of a couple of shared agents.
- 8) *Non-Departmental* – Represented the 30% share of property taxes derived from the Converting Innovation Center (CIC) shared with the City of Franklin in accordance with the 1996 revenue sharing agreement. There was a substantial increase due to the expansion of the CIC a couple years ago. (Note: This worked a year behind).

Mr. Johnson then reported the following:

PUBLIC ASSISTANCE – (Social Services) increased by \$2,223, which was a 0.67% local increase.

SCHOOLS – Local funding increased by 1.59% and overall by 2.54%. Total local funding was proposed at \$8,448,401, and when combined with the increases in State revenues, they proposed full funding of the school board budget request, which was the first time in over a decade.

E-911 – The monthly surcharge of \$1.25 was proposed to remain the same.

BUILDING FUND – This was a reliable revenue stream that funded fire/rescue capital projects, fleet replacement for the Sheriff's Office, and serviced a portion of the debt with the elementary school projects and Sheriff's Office renovation. Several new projects were included for FY 2004. They budgeted \$15,000 for a Needs Assessment for the public safety radio system and an additional \$50,000 after the assessment to develop the specifications needed to interview and compare vendors and negotiate a contract for procurement in FY 2005. They included \$150,000 for construction of a new shop and office for the proposed Public Utilities maintenance staff to be located at the old Boykins Elementary School site in the vicinity of the elevated water tower. In addition, they proposed funding (over a 20-year period) the debt service associated with the Rt. 671 water/sewer extension to Rose Valley Rd. into the Turner tract.

ENTERPRISE FUND – The budget included proceeds from a 20-year water/sewer revenue note with a principal sum of \$2,225,000 to fund the aforementioned water/sewer extension project. The annual debt service was \$171,800 funded through the Building Fund. They included Draper Aden's recommendation for 6 new full-time positions devoted to maintenance and repair of the water/sewer systems. The cost of those positions with benefits was estimated at \$221,000 annually, the initial inventory estimated at \$75,000, and debt service for start-up equipment (financed @ 4% for 7 years) was estimated at \$58,813. Those increases would be partially offset by expected savings from repairs currently being contracted out to third parties, estimated at \$50,000-\$100,000 annually. The greatest benefit would be their ability to perform their own preventative maintenance and systematically address the deterioration of the water/sewer system, which would also bring value to the enterprise system. As already stated, in order to do that, they would have to raise the flat water/sewer rates from \$45/month to \$60/month, while they located, repaired, replaced, and installed water meters as necessary. They proposed that a rate schedule associated with metered readings begin July 1, 2004. He expected considerable discussion regarding raising the already high flat water/sewer rates, but the only alternative source of funding was the General Fund, which would require raising the tax rate at least \$0.03. He suggested scheduling a public forum for their utility customers on Tuesday, May 6, 2003 at 7:30 PM. He would ask Draper Aden to provide an overview and give the customers an opportunity to ask questions and "absorb" the information prior to the public hearing on May 19.

Mr. Johnson confirmed for Vice-Chairman Gray that the City of Franklin was proposing water/sewer rate increases this year. He added that although he did not know how much of a rate increase they were proposing, Southampton County's rates were already higher than theirs and he did not think their rate increase would take them to the County's current rate.

RESERVE FUND – The budget included the transfer of \$763,389 of the unappropriated general fund reserve to pay operating expenses (in addition to \$200,000 from the Building Fund). This was necessary to follow the Board's direction of avoiding or deferring real estate tax increases. Again, the worst-case scenario was that the balance could drop to \$2.5 million by July 2004, which would require a substantial real estate rate increase in FY 2005. He reminded they did not budget additional revenue expected from proration, but if the actual revenue generated from such was near what was expected, the reserve fund would be ok.

PERSONNEL – A 2.25% salary increase was included for County employees effective July 1, 2003. He understood that State funding would be available to provide a 2.25% increase for the Constitutional Officers and their employees effective December 1, 2003. That funding was not reflected in the draft budget, as revised revenue estimates from the Compensation Board had not been received, but they proposed to specially appropriate those funds when available.

Vice-Chairman Gray asked Mr. Johnson if he knew the dollar amount that would be appropriated for the Constitutional Officers and their employees? Mr. Johnson replied no, but it would not be a big budget issue because there was little local matching.

Mr. Johnson reported that the County's share of medical insurance premiums was proposed to increase 6.67%, equating to almost \$30,000. A portion of the premium increase had been passed on to the employees as illustrated on page 1-16.

Vice-Chairman Gray asked if the employees' medical insurance premium increase was more than the 2.25% salary increase? Mr. Johnson replied no, but noted the Constitutional Officers' salary increase was effective December 1, 2003 and the insurance premium increase effective July 1, 2004. So there would be a 5-month period that their take-home pay would be less.

Mr. Johnson announced that the Sheriff was present to speak to his respective budget because he would be out of town next week when the department heads were scheduled to speak.

Mr. Vernie Francis, Southampton County Sheriff, addressed the Board. He recognized that they had just received the draft budget and had not had an opportunity to review it thoroughly. He stated there were several items concerning his budget that he wanted to explain or point out to the Board. He referred to page 2-92 regarding the Bailiff Budget. He advised that the overall increase of 11.69% resulted from the \$5.00 assessment fee for court security placed on all traffic tickets written by the Sheriff's Department or State Police, and any criminal warrant that came to the courthouse, that was collected as part of cost. He noted they were using that money to coincide with the closure of the SRO Program. They also moved the part-time salaries over to that budget. He advised he mainly wanted to point out that despite the overall expense increase, about \$20,000 less in local funding was needed in FY 2004 because of the courthouse assessment fees revenue stream. He noted that the SRO Program was grant-funded and would expire at the end of the year and the school system did not want to fund it. Officer Parker, who held the position with the program, had done an outstanding job with the program at the schools. Since it would not be funded in the future, it would be reassigned back to court security and they would use that money to keep from laying him off.

He referred to the Law Enforcement Budget on page 2-117. He pointed out that they were going to pick up through fines and forfeitures the \$22,345 in reductions from the Compensation Board, so it would not come out of the general fund money. He noted that in the prior year, they wrote roughly 12,000 tickets and the average speed was a little over 70 mph.

Sheriff Francis referred to the Detention Budget on page 2-152. Regarding the part-time salaries line item, he explained that the State-funded position of their part-time maintenance person (Cecil Edwards who retired from Sheriff's Office) was moved from the Sheriff's side of the budget to the Jail side where he actually performed his work.

He then referred to the Animal Control Budget on page 2-188 and stated it was basically level-funded. He advised that the majority of last fiscal year and so far all this fiscal year, the animal control officer position had not been filled. Animal control services were still being provided, but they were utilizing a State-funded person to do the job and leaving the County-funded position vacant as long as possible.

Sheriff Francis stated he appreciated Mr. Johnson's and Julia Williams' hard work in working with them and getting the budget together. He welcomed questions and thanked the Board for allowing him to speak.

Mr. Johnson announced that he wanted to thank Julia Williams, Finance Director, for all her hard work, and Jeanne Harness, Accountant, who ran copies and put the draft budget books together.

There being no further business, the meeting was adjourned at 7:08 PM.

Reggie W. Gilliam, Chairman

Michael W. Johnson, Clerk