

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 8, 2009 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)  
Moses Wyche (Capron)

SUPERVISORS ABSENT

None

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)  
Julia G. Williams, Finance Director  
Sandi P. Plyler, Information Technology Manager  
Susan H. Wright, Administrative Secretary

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

Michael Johnson, County Administrator, advised that before getting into the budget, he hoped everyone received the memo he sent out last week with regard to the SPSA and VRA restructuring. Included with that memo was a resolution in which he would like the Board to consider tonight. The resolution committed Southampton County to provide its moral obligation pledge on roughly 6.8% of the principal sum that would be restructured. Our share could be up to \$4.87 million. The resolution also committed Southampton County to the equivalent of a tipping fee increase from \$104/ton to \$170/ton, retroactive to February 1. An approved copy of the resolution needed to be provided to VRA no later than April 14, 2009.

The resolution is as follows:

**RESOLUTION OF BOARD OF SUPERVISORS OF SOUTHAMPTON COUNTY  
APPROVING THE RESTRUCTURING OF CERTAIN OUTSTANDING BONDS OF THE  
SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA AS PROPOSED BY THE  
CHIEF ADMINISTRATIVE OFFICERS OF THE EIGHT MEMBER JURISDICTIONS,  
INCLUDING AN INCREASE IN MUNICIPAL TIPPING FEES AND A MORAL  
OBLIGATION PLEDGE OF THE COUNTY OF SOUTHAMPTON IN SUPPORT OF SUCH  
RESTRUCTURING, SUBJECT TO CERTAIN ADDITIONAL UNDERSTANDINGS  
REQUESTED BY THE  
VIRGINIA RESOURCES AUTHORITY**

**WHEREAS**, The Southeastern Public Service Authority of Virginia ("SPSA") was created pursuant to the Virginia Water and Sewer Authorities Act by its member jurisdictions (the "Owner Communities"), which are the Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Portsmouth, and Franklin, and the Counties of Southampton and Isle of Wight; and

**WHEREAS**, SPSA is currently indebted to the Virginia Resources Authority ("VRA") in the amount of approximately \$129 million on bonds issued for various capital expenditures (the "SPSA Local Bonds"); and

**WHEREAS**, the Chief Administrative Officers of the Owner Communities (the "CAOs") have presented to VRA's Executive Director and the Portfolio Risk Management Committee of the VRA Board (the "VRA Portfolio Risk Management Committee") a proposal dated March 16, 2009, and entitled "Financial Assistance Plan for the Southeastern Public Service Authority (SPSA)" (the "CAO Proposal"), which proposal has been presented to this meeting; and

**WHEREAS**, the CAO Proposal advances a number of measures intended to address SPSA's short- and long-term financial distress, including, among other things, (i) a proposal for VRA to restructure certain outstanding SPSA debt (the "VRA Restructuring"), (ii) the imposition of increased municipal tipping fees to be paid by the Owner Communities and (iii) a moral obligation pledge by the County of Southampton (the "County"), and a general obligation pledge by the Cities of Franklin, Portsmouth and Suffolk, and the County of Isle of Wight in support of the VRA Restructuring; and

**WHEREAS**, on March 27, 2009, the VRA Portfolio Risk Management Committee adopted a resolution (the "VRA PRMC Resolution"), which resolution has been presented to this meeting, recommending to the full VRA Board of Directors that it approve the VRA Restructuring in accordance with the CAO Proposal, subject to certain additional understandings as set forth in the VRA PRMC Resolution (the "Additional VRA Understandings").

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SOUTHAMPTON, THAT:**

1. The Board of Supervisors of Southampton County (the "Board") finds that the undertaking of the CAO Proposal subject to the Additional VRA Understandings will further the following three objectives:

(a) Ensuring that SPSA can continue to provide service to the Owner Communities under the existing use and support agreements and remain current on its debt service payments; and

(b) Provide adequate time to reform the SPSA business model, including time to properly evaluate proposals to change SPSA facility ownership or operations; and

(c) Provide cash flow relief to Owner Communities by facilitating the establishment of lower tipping fees than SPSA currently has under consideration.

2. The Board further finds that it would be in the best interest of the citizens of the County for the County to undertake its respective obligations set forth in the CAO Proposal subject to the Additional VRA Understandings and hereby approves such undertaking.

3. This resolution shall take effect immediately.

The undersigned Clerk of the Board of Supervisors of the County of Southampton, Virginia, certifies that the foregoing constitutes a true, complete and correct copy of the Resolution adopted at a budget workshop of the Board of Supervisors of the County of Southampton, Virginia, held on April 8, 2009.

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Clerk, Board of Supervisors,  
County of Southampton, Virginia

Chairman Jones stated that they had been talking about this for a while and knew it was coming.

Supervisor Brown advised that the only concern he had was with the Governor appointing a new SPSA Board. Who was to say that the \$170/ton tipping fee would not increase with a new Board? Mr. Johnson confirmed for Supervisor Brown that they really had no control over it.

Supervisor West stated that as bad as that sounded, the current SPSA Board did not control it so he did not think it would be any worse. He was not trying to be negative, but whenever you outspent what you took in, sooner or later it was a day of reckoning and that was exactly what this was.

Supervisor Wcyhe reminded that they needed to come up with 3 people to recommend to the SPSA Board.

Chairman Jones stated that the Supervisors needed to talk to the people in their respective districts and see if there was anyone willing to work for free.

Supervisor Felts noted that the person would have to pretty much be on call, because SPSA could meet more that just the regular monthly meeting.

Mr. Johnson advised that there were some minimum qualifications a person must meet in order to be appointed to the SPSA Board that he would be sharing.

Supervisor Brown stated that it would be a learning process for the new members and there would likely be a lot of meetings upfront.

**Vice-Chairman Young moved, seconded by Supervisor Felts, to adopt the resolution. All were in favor.**

Mr. Johnson advised that historically tonight's meeting was fairly brief. He would like to simply provide them the first draft of the FY 2010 annual budget and give them a very quick overview of what was included in the budget. He wanted to give them a week to look at the budget at their leisure and then begin work on it next Wednesday night. He directed everyone to page 1-2. The total proposed budget was \$56,885,219, which was actually \$2,208,848 more than last year. He was sure they were wondering why the budget was more when they had asked to cut the budget. There were a couple of reasons why the budget was more. The primary reason was that the debt service increased substantially – the water and sewer debt service was over \$1.6 million. The other reason was the cost of solid waste disposal – with the tipping fee increasing to \$170/ton, it would cost \$735,000 more. The budget did go down, but those two items caused the overall budget to go up.

Mr. Johnson shared the following salient points with regard to the proposed FY 2010 budget:

- Proposed no tax rate increases for FY 2010;
- Included no salary increases for county employees – increases in medical insurance premiums were shared between the County and the employee;
- Provided an additional \$1.6 million for debt service associated with the Courtland wastewater treatment plant and sewer extension to Riverdale Elementary;
- Provided an additional \$735,000 for solid waste disposal in FY 2010 based upon tipping fee increases at SPSA;
- Again provided \$100,000 for legal fees associated with the Outlying Landing Field (OLF);
- Again deferred initiation of the real property reassessment;
- Relied upon up to \$1.73 million from the Unappropriated General Fund Reserve to avoid tax rate increases
- Proposed to increase the incremental rate for water and sewer customers that use more than 4,000 gallons per month.

Mr. Johnson emphasized that relying on \$1.73 million from the Unappropriated General Fund Reserve was a lot of money, and it would put a strain on the Reserve. But, the Reserve Fund was a "rainy day" fund, and it was raining, and it was an appropriate use of that fund at this time. However, it was a one-time fix and that fix would not be available next year. It was not a solution to longer term problems. It would simply help us to get over the hump. Hopefully, the economy would begin to recover and revenues would begin to grow again.

Mr. Johnson advised that of the 51 departments or programs included in the General Fund, the vast majority would experience reduced funding. He discussed the following General Fund Summary of Changes on page 1-8:

GENERAL FUND SUMMARY OF CHANGES

	2008-2009	2009-2010	Change	%
<b>General Government Administration</b>				
Board of Supervisors	\$ 258,549	\$ 261,563	\$ 3,014	1.17%
County Administration	342,140	334,654	(7,486)	-2.19%
Commissioner of the Revenue	292,006	274,401	(17,605)	-6.03%
Board of Assessors	8,100	7,600	(500)	-6.17%
Treasurer	266,112	276,516	10,404	3.91%
Delinquent Tax Collection	26,000	20,000	(6,000)	-20.00%
Accounting	232,636	233,543	907	0.39%
Data Processing	227,529	217,407	(10,122)	-4.45%
Insurance/County Code	142,355	168,300	25,945	18.23%
Registrar	151,557	151,411	(146)	-0.10%
	<u>1,945,984</u>	<u>1,945,395</u>	<u>(589)</u>	<u>-0.03%</u>
<b>Judicial Administration</b>				
Circuit Court	73,888	72,865	(1,023)	-1.38%
Combined District Court	25,943	24,866	(1,077)	-4.15%
Special Magistrates	1,438	1,366	(72)	-5.01%
Clerk of Circuit Court	471,357	469,273	(2,084)	-0.44%
Sheriff - Bailiff	432,986	430,666	(2,420)	-0.56%
Courthouse Security	66,816	69,008	192	0.28%
Commonwealth's Attorney	544,950	509,580	(35,370)	-6.49%
Victim Witness Assistance Program	67,427	68,154	727	1.08%
	<u>1,686,804</u>	<u>1,645,668</u>	<u>(41,136)</u>	<u>-2.44%</u>
<b>Public Safety</b>				
Sheriff - Law Enforcement	1,659,318	1,665,682	6,364	0.38%
Enhanced 911	163,689	156,513	(8,176)	-4.99%
Wireless 911	47,568	44,375	(3,193)	-6.71%
School Resource Officer	47,573	48,482	909	1.91%
Volunteer Fire Departments	305,030	293,413	(11,617)	-3.81%
Volunteer Rescue Squads	927,394	920,879	(6,515)	-0.70%
State Forestry Service	18,560	23,367	4,807	25.90%
Sheriff - Detention	2,667,250	2,667,937	687	0.03%
Probation	78,140	106,614	27,474	35.16%
Inspections	119,237	120,838	1,601	1.34%
Animal Control	103,765	98,571	(5,194)	-5.01%
Medical Examiner	500	500	-	0.00%
Emergency Services	89,489	93,123	3,634	4.06%
	<u>6,227,513</u>	<u>6,238,294</u>	<u>10,781</u>	<u>0.17%</u>
<b>Public Works</b>				
Streetlights	44,000	45,987	1,987	4.52%
Assign-A-Highway	53,415	53,415	-	0.00%
Refuse Collection	732,773	730,810	(1,963)	-0.27%
Refuse Disposal	930,370	1,665,582	735,192	79.02%
Buildings & Grounds	475,154	470,948	(4,206)	-0.89%
	<u>2,235,712</u>	<u>2,966,722</u>	<u>731,010</u>	<u>32.70%</u>
<b>Health &amp; Welfare</b>				
Health Department	316,606	316,606	-	0.00%
WTCSB	80,637	76,605	(4,032)	-5.00%
State & Local Hospitalization	3,568	-	(3,568)	-100.00%
Senior Services	14,550	13,825	(725)	-4.98%
Comprehensive Services Act	82,007	80,882	(1,125)	-1.37%
STDP Organization	1,706	1,621	(85)	-4.98%
	<u>499,074</u>	<u>489,539</u>	<u>(9,535)</u>	<u>-1.91%</u>
<b>Parks, Recreation &amp; Cultural</b>				
Community Concert Association	6,000	5,700	(300)	-5.00%
Rawls Museum Arts	15,000	14,250	(750)	-5.00%
Historical Society	30,000	28,500	(1,500)	-5.00%
W.C. Rawls Library	266,772	253,433	(13,339)	-5.00%
	<u>317,772</u>	<u>301,883</u>	<u>(15,889)</u>	<u>-5.00%</u>
<b>Community Development</b>				
Planning	252,081	279,376	27,295	10.83%
Economic Development	150,000	150,000	-	0.00%
Soil & Water Conservation	10,280	9,766	(514)	-5.00%
Cooperative Extension	56,095	52,939	(3,156)	-5.63%
	<u>468,456</u>	<u>492,081</u>	<u>23,625</u>	<u>5.04%</u>
<b>Non-Departmental</b>				
Non-Departmental Operating	70,000	36,000	(34,000)	-48.57%
	<u>70,000</u>	<u>36,000</u>	<u>(34,000)</u>	<u>-48.57%</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$ 13,451,315</b>	<b>\$ 14,115,582</b>	<b>\$ 664,267</b>	<b>4.94%</b>

Mr. Johnson noted that overall the total General Fund expenditures were up 4.94%, but that was based primarily on the tipping fee increases.

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

<u>PROPOSED REVENUES</u>				
<u>REVENUE SOURCE</u>	<u>FY 2009</u>	<u>PROPOSED FY 2010</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General property taxes	\$16,275,857	\$16,278,240	\$2,383	0.01%
Other local taxes	1,534,000	1,540,000	6,000	0.39%
Permits, fees, licenses	118,550	98,190	(20,360)	(17.17)%
Fines & forfeitures	534,778	554,554	19,776	3.70%
Interest	120,000	87,000	(33,000)	(27.50)%
Charges for services	355,398	374,401	19,003	5.35%
Miscellaneous revenue	773,703	763,705	(9,998)	(1.29)%
Transfer - General Fund Reserve	1,521,512	1,738,796	217,284	14.28%
Other County Sources	529,680	529,680	0	0.00%
Enterprise Fund	1,159,315	2,845,045	1,685,730	145.41%
Building Fund	2,448,937	3,897,635	1,448,698	59.16%
Revenue from the Commonwealth	26,854,142	24,608,253	(2,245,889)	(8.36)%
Revenue from Federal Sources	2,450,499	3,569,720	1,119,221	45.67%
<b>TOTAL</b>	<b><u>\$54,676,371</u></b>	<b><u>\$56,885,219</u></b>	<b><u>\$2,208,848</u></b>	<b>4.04%</b>

<u>PROPOSED EXPENDITURES</u>				
<u>EXPENDITURE SOURCE</u>	<u>FY 2009</u>	<u>PROPOSED FY 2010</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General & Financial Administration	1,945,984	1,945,395	(589)	(0.03)%
Judicial Administration	1,686,804	1,645,668	(41,136)	(2.44)%
Public Safety	6,227,513	6,238,294	10,781	0.17%
Public Works	2,235,712	2,966,722	731,010	32.70%
Health and Welfare	499,074	489,539	(9,535)	(1.91)%
Parks, Recreation, Culture	317,772	301,883	(15,889)	(5.00)%
Community Development	468,456	492,081	23,625	5.04%
Non-Departmental	70,000	36,000	(34,000)	(48.57)%
School Fund	31,885,575	31,795,467	(90,108)	(0.28)%
School Food	1,093,000	1,093,000	0	0.00%
Public Assistance Fund	2,521,307	2,496,400	(24,907)	(0.99)%
Building Fund (less transfers)	4,240,804	4,197,635	(43,169)	(1.02)%
Enterprise Fund	1,484,370	3,187,135	1,702,765	114.71
TOTAL	<u>\$54,676,371</u>	<u>\$56,885,219</u>	<u>\$2,208,848</u>	4.04%

Mr. Johnson advised that the School Fund was down \$90,108. While that may not seem like much of a cut, the debt service for Riverdale was in the school budget this year, and the federal stimulus money was rolled into the school budget this year. And even with the stimulus money, the schools had about \$700,000 less to spend on operational expenses in FY 2010 than in the current year. He further explained that although the numbers did not look that different, last year the debt service for Riverdale was not in the school budget, and this year it was, so the schools had less discretionary money of that \$700,000 to spend in FY 2010.

Mr. Johnson again stated that tipping fees and the debt service were the two big numbers – otherwise, most of the other expenses were down.

Mr. Johnson discussed page 1-9, Projected FY 2010 Revenue. Local Revenue comprised \$28,707,246 or 50.5%, State Revenue – \$24,608,253 or 43.3%, and Federal Revenue - \$3,569,720 or 6.3%. The Local Revenue breakdown was as follows:

Building Fund Revenue	\$3,897,635
Water & Sewer Fees	2,846,045
Transfer-In from Reserve	1,738,796
School Food Sales/Tuition	527,680
Shared Revenue from Franklin	763,705
Charges for Services	374,401
Interest	87,000
Fines & Forfeitures	554,554
Permits, Fees & Licenses	98,190
Other Local Taxes	1,540,000
Other Property Taxes	215,503
Machinery & Tools Taxes	500,074
Personal Property Taxes	5,577,547
Real Estate Taxes	9,985,116

Mr. Johnson noted that Local Revenues were flat, and state revenues were down.

Mr. Johnson discussed page 1-10, Projected FY 2010 Expenditures. Schools comprised \$31,795,467 or 55.9%, General Fund – \$14,115,582 or 24.8%, Capital Projects - \$4,197,635 or 7.4%, Enterprise Fund – \$3,187,135 or 5.6%, Public Assistance – \$2,496,400 or 4.4%, and School Food - \$1,093,000 or 1.9%. The General Fund breakdown was as follows:

Non-Departmental	\$ 36,000
Community Development	492,081
Parks, Recreation, & Culture	301,883
Health & Welfare	489,539

Public Works	2,966,722
Public Safety	6,238,294
Judicial Administration	1,645,668
General & Financial Administration	1,945,395

Supervisor Brown asked, what about FY 2011 when there would not be any federal stimulus funds? Mr. Johnson replied that FY 2011 loomed for a number of reasons, and that was one of them, especially for the schools. The schools plugged in the stimulus funds for FY 2010 to help cover operational shortfalls. That money would not be there in FY 2011 and they would have to make some hard choices.

Supervisor Brown asked, regarding relying on \$1.73 million from the General Fund Reserve, how did they plan to get “well” from that? Mr. Johnson replied that they would only get well in proportion to the way the economy improved. If the economy did not improve, they would not get well, and they would either have to make dramatic cuts or raises taxes and fees precipitously.

Supervisor Faison asked, if \$1.73 million were taken out of the Reserve, where would that leave it? Mr. Johnson explained page 7-3, Unappropriated Reserve Balance. He advised that the estimated reserve fund balance on 6/30/10 could potentially be as low as \$2,002,809. He clarified that a healthy general fund balance would be \$5 million or greater – \$2 million was the bare minimum to avoid cash flow problems.

Supervisor Wyche asked about the capital funding plan for fire and rescue, which would end after 2010. Mr. Johnson discussed page 5-4. He advised that \$175,000, plus the money carried over that had not been drawn down, had been set aside for FY 2010, which was a total of \$337,500. The plan was to continue funding the program in perpetuity.

Mr. Johnson directed everyone to page 2-2. He advised that included under the Board of Supervisors budget was a new line item entitled Youth Activities. The amount of \$10,000 was budgeted for youth recreational funding requests. He would like to put together some guidelines for a competitive grant process, solicit applications either once or twice a year, have a committee review the applications and decide which ones were the most meritorious, and then the Board would decide how they would like to appropriate the \$10,000.

Mr. Johnson clarified for Vice-Chairman Young that the local share of the funding for a new Cooperative Extension Agent was included in the budget (Page 2-435).

Supervisor Brown stated that in looking at the overview of the budget, he was actually expecting worse. However, 2011 would tell the story. Mr. Johnson agreed that 2011 would be difficult.

Supervisor West stated that the draw down of the General Fund Reserve scared him. He confirmed with Mr. Johnson that a 1¢ increase in the real estate tax rates was now equivalent to about \$139,000. He was not comfortable with the Reserve potentially reaching as low as \$2 million. Optimists may see the economy turning around and everything being fine, but he did not see it that way at the present time.

Mr. Johnson advised that it would be great if they had a vehicle or tool in which they could pass the cost of solid waste disposal on to the generators of the waste, which were the households. It would require some special legislation by the General Assembly in order to do that effectively. He had included a copy of the statute in the *Code of Virginia* that expressly granted a limited number of counties the authority to impose a fee for the disposal of solid waste, and empowered them to contract with power companies to collect the fee on their behalf. He had talked to Isle of Wight County and thought they were very interested in looking at the same thing. Perhaps over the next several months, they may want to join hands with Isle of Wight County and ask Delegates Barlow and Tyler to introduce legislation next year on our behalf. They would want to have some conversations with the power companies first and make sure they would be willing to enter into contract with us to collect the fee before they went too far.

Mr. Johnson advised that he made the recommendation to withdraw \$1.7 million from the Reserve with hesitation. If that bothered them and they wanted to look at somewhere else to raise revenue, he would suggest that they not look to the real estate tax, but perhaps to the personal property tax. He did not think they had raised the rate of personal property taxes in 20+ years. They were

currently at \$4.00/\$100. If they raised it \$4.50/\$100, that would be the equivalent of 4¢ - 5¢ on the real estate rate.

Mr. Johnson clarified for Supervisor West that the state was frozen, as far as the amount they would pay towards personal property taxes, so the incremental increase would go directly to the owner of the property.

Mr. Johnson advised that a 1¢ increase on the personal property rate would generate just less than \$13,000.

Mr. Johnson clarified for Supervisor West that he had not looked at the personal property rates of our neighbors specifically, but there were many communities in the state with personal property rates of \$4.50/\$100.

Mr. Johnson clarified for Supervisor Brown that he had worked for the County for 23 years and did not ever remember an increase on the personal property tax during that time.

Mr. Johnson stated that although increasing the personal property tax would hit some of the same people that also paid real estate taxes, it would also hit other people. It would hit people that rented and did not own real estate.

Supervisor West advised that he liked it when the Reserve Fund was \$6 million. He was not comfortable at all with a Reserve of \$2 million.

Mr. Johnson advised that they were already looking at a 3¢ increase on the real estate tax next year, 3¢ the following year, and 1¢ the year after that (due to debt service).

Supervisor West noted that the situation with SPSA was not going to get better – the debt had to be paid off.

Chairman Jones stated that he hoped they did not have a disaster because it would kill us.

Supervisor West stated that increasing the personal property tax seemed to be the fairest way to raise revenue. He would be in favor of it. The more expensive a car you drove, the more taxes you would pay.

Supervisor Brown asked if he had an idea of what the solid waste disposal fee might be if they were to impose one? Mr. Johnson advised the County's disposal cost in FY 2010 at \$170/ton would be \$1,665,562. Assuming in round numbers, that there were 7,000 households in Southampton County,  $\$1,665,562 / 7,000 = \$19.83/\text{month per household}$ .

Supervisor West pointed out that the disposal cost of \$1,665,562 was equivalent to about 12¢ on the real estate tax rate.

Supervisor West advised that twice a year billing/collection of taxes would be an opportunity to build up the Reserve. Mr. Johnson stated that they may want to look at that next year. The one time windfall next year may be what they need to get over the hump.

It was consensus of the Board to look at increasing the personal property tax rate from \$4.00/\$100 to \$4.50/\$100.

It was also consensus of the Board to have discussions with the power companies to see if they would be willing to collect a waste disposal fee on our behalf. If so, contact Delegates Barlow and Tyler this summer and ask them to introduce legislation on our behalf.

Mr. Johnson 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.

April 8, 2009

There being no further business, the meeting was adjourned at 7:34 PM.

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk