

April 6, 2005

The Honorable Board of Supervisors
SOUTHAMPTON COUNTY
Courtland, Virginia 23837

Dear Lady and Gentlemen:

Pursuant to § 15.2-1541 (4), *Code of Virginia*, 1950, as amended, I am pleased to submit for your consideration this balanced budget for Southampton County for the fiscal year ending June 30, 2006. It is the purpose of this document to fully inform the Board of the fiscal affairs of Southampton County and provide sufficient information for you to ultimately adopt a budget which will effectively implement your policies and programs for operations, maintenance, capital improvements and debt service.

This document includes an enormous amount of detail and supporting data for the reader who is interested. For the more casual reader, interested primarily in the bottom line, an executive summary is included, beginning on page 1-2.

A table of contents and alphabetized index are provided as a preface to this document to direct you to the appropriate page for information associated with a chosen program, agency or department.

It is important to note that this budget is a *first draft*, developed as a point of beginning for your deliberations — the first pitch of a nine-inning game, if you will. It is understood and expected that the Board will make adjustments throughout prior to adoption of a final budget.

Finally, I would like to extend my personal gratitude to Mrs. Julia Williams, Finance Director, and Mrs. Susan Wright, Administrative Secretary. Preparation and distribution of this budget would not have been possible without them.

Respectfully submitted,



Michael W. Johnson
County Administrator

EXECUTIVE SUMMARY

BUDGET MESSAGE

This is not the budget I wanted to present. I had hoped to dig in, hold the line, and await completion of next year’s reassessment before even considering programmatic increases. Wishful thinking. With no growth in revenue, a declining fund balance, and substantial operational increases beyond our control, I regret having to recommend a 5¢ increase in the real property tax rate for FY 2006. Unfortunately, the proposed increase *will not help* to build new schools, prepare new sites for economic development, or implement land use value taxation — it’s needed to simply continue paying the bills.

For almost a decade, we’ve played with “house money,” bridging the shortfall between annual operating expenditures and revenues with the unappropriated general fund reserve. We all agree that’s bad public policy, but as long as adequate funding is available, it’s an attractive alternative to raising taxes. Unfortunately, our declining fund balance will not allow this practice to continue, at least at the levels we’re accustomed to. And that means the money has to come from somewhere else.

REVENUES

In a word — flat. There has been virtually no growth in the tax base over the past year, with total property assessments up less than seven tenths of one percent (0.63%). Growth in the real estate tax base, in actual dollars, has been slightly more than \$6.4 million, equating to only \$43,000 in new revenue. Each 1¢ on the real estate tax rate now generates \$97,923.

Increases in the real estate property tax should never be considered lightly. Regrettably, the Commonwealth of Virginia leaves you few options. By way of comparison, in FY 2003, the average Virginia county derived 51% of its local revenue from the real property tax—in the same year, Southampton County generated 37% of its local revenue from this source. Also in FY 2003, the average Virginia county, collected \$655.72 per capita in real estate taxes—Southampton County collected \$298.80 per capita. With a revised tax rate of \$0.72, Southampton County’s rate would equal the 2003 statewide county average.

State revenues, which make up half of the overall county budget, are expected to increase by 6.07% overall, most of which is attributable to modest increases in school basic aid for FY 2006. The Board has little, if any, discretion in how state funds are spent.

EXPENDITURES - GENERAL FUND

| | |
|--|-----------------------|
| Southampton County | |
| Total Budget | |
| Proposed | \$42,334,531 |
| Current | \$44,822,243 |
| | <u>\$ (2,487,712)</u> |
| Salient Points: | |
| <ul style="list-style-type: none"> ■ Requires a 5¢ increase in the real property tax rate to fully fund the proposed budget; ■ Includes \$233,600 for ambulance service fees ■ Continues to rely heavily on unappropriated fund reserve to balance (\$754,144), but overall, includes \$223,692 less than last year in fund transfers ■ Exclusive of capital projects, the overall cost of county operations increased 5.17% ■ The largest areas of general fund increase are Public Safety (EMS, two new dispatcher positions), Public Works (20% increase in refuse disposal) and Community Development (mandated Comprehensive Plan update) ■ Provides 4.4% salary increases for county employees ■ Provides a 4.2% overall increase in school funding—but still \$289,677 less than the School Board requested ■ The Building Fund is now substantially encumbered, with two-thirds being used to service existing debt (schools, fire/rescue, new radio system) | |

- 1) *General and Financial Administration* - shows an overall decrease of 6.3% — primarily because the majority of cost associated with the general reassessment was budgeted in FY 2005 and does not need to be rebudgeted.
- 2) *Judicial Administration* - an overall decrease of 0.6% — based upon partial restoration of state funding in the Clerk of the Circuit Court's office.
- 3) *Public Safety* - increased overall by 15% — includes the two new EMS contracts approved earlier this year by the Board — one with the City of Franklin and one with Medical Transport for 24/7 ALS coverage out of Courtland.
- 4) *Public Works* - increased overall by 10.92%, primarily based upon escalating rates for refuse disposal.
- 5) *Health and Welfare* - very little change; provides modest increases for the Health Department and the Western Tidewater Community Services Board and level-funds Senior Services of Southeastern Virginia, and the STOP Organization.
- 6) *Parks, Recreation & Culture* - includes relatively modest increases for the Walter Cecil Rawls Library and the Community Concert Association; level funds Rawls Museum Arts and the Historical Society.
- 7) *Community Development* - shows an overall increase of 18.1%, much of which is attributed to funding for the state-mandated Comprehensive Plan update.
- 8) *Non-Departmental* - includes an additional \$74,620 above last year's total to service the debt associated with award of a \$350,000 incentive grant from the Southampton County Industrial Development Authority to Narricot Industries for a proposed plant expansion in Boykins — assumes terms of 4% for 5 years.

PUBLIC ASSISTANCE

The local share of public assistance increased by \$15,789 to \$355,319 this year representing a 4.65% local increase.

SCHOOLS

Local funding for schools was increased by 2.06% to a total of \$8,690,027. Combined with increases in state revenue, this budget still falls \$289,677 short of the School Board's request.

E-911

The monthly 9-1-1 tax is proposed to remain at \$1.75 per month. One new dispatcher position will be funded from this source.

BUILDING FUND

This reliable revenue stream is the source of funding for fire and rescue capital improvements/equipment replacement, fleet replacement for the Sheriff's Office, and services a portion of the debt associated with elementary school projects and public safety radio system. The fund is now almost entirely encumbered for the foreseeable future. In addition to the projects above, modest funding is included for continued site development of the Turner Tract. A complete list of projects is on page 6-1.

ENTERPRISE FUND

Very little change from the current fiscal year — metered rates will be presented for your consideration in the next 3-4 months, once enough data is collected to develop usage trends.

RESERVE FUND

Against my better judgment, this draft budget includes the transfer of \$754,144 of the

unappropriated general fund reserve to pay operating expenses. Otherwise, real estate taxes would have to increase another 8¢ above what's presently recommended. Please, never wait 6 years again for a general property reassessment — average annual growth of less than 1% just won't pay the bills. Hopefully, this will be the last year you'll even consider this poor policy.

PERSONNEL

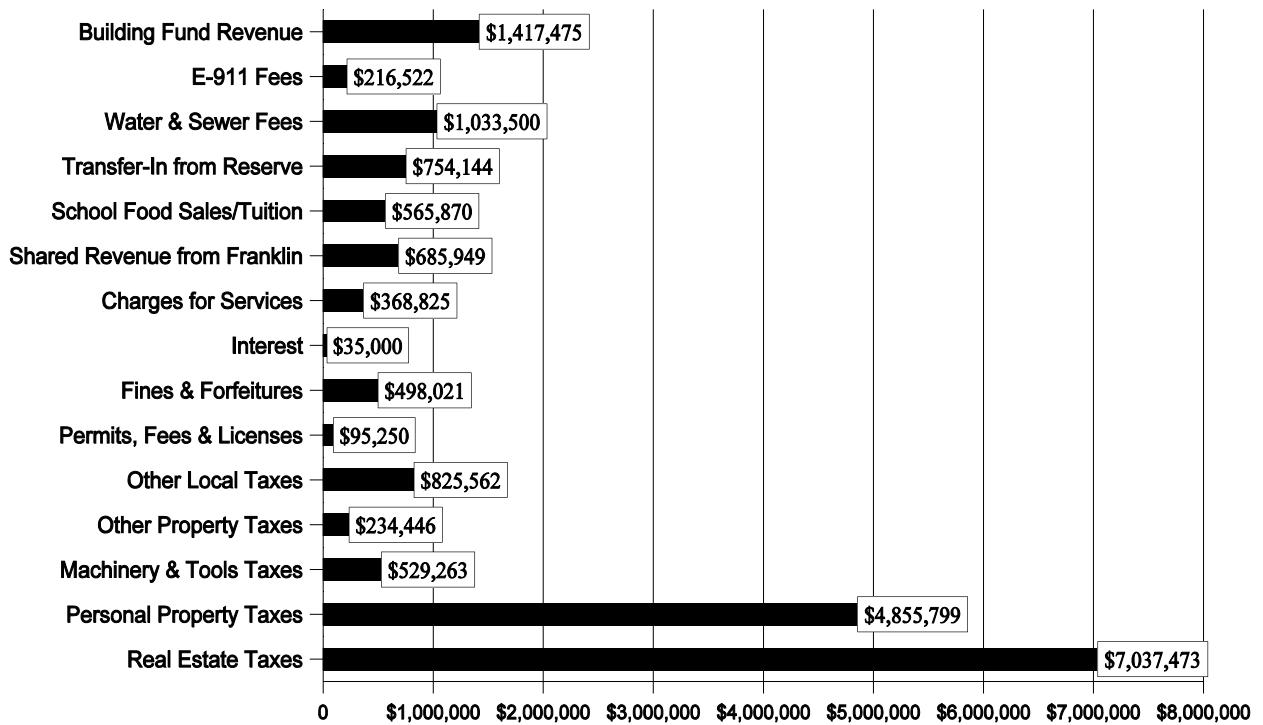
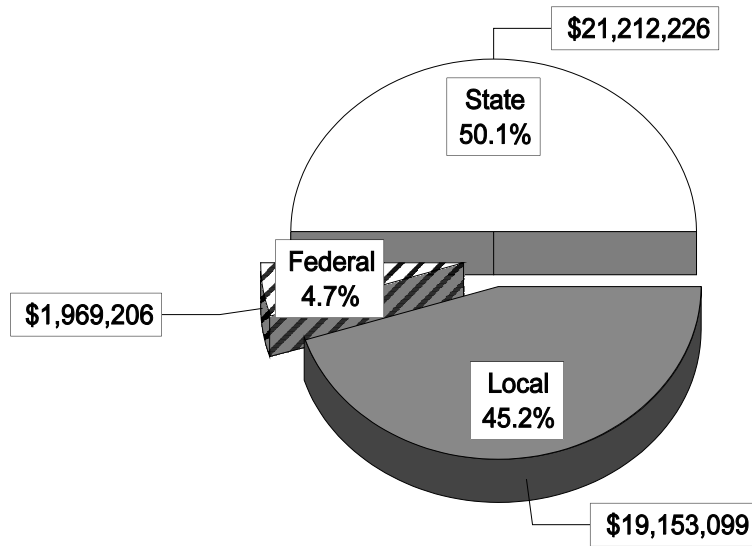
This draft budget provides for 4.4% salary increases for full-time county employees beginning July 1, 2005, and for employees of Constitutional Officers on December 1, 2005.

The County's share of medical insurance premiums is proposed to increase 13.1%, equating to almost \$72,000. Comparable premium increases have also been passed on to the employees - a single subscriber will pay \$60 more, a dual subscriber will pay \$348 more and a family subscriber will pay \$576 more.

| <u>PROPOSED REVENUES</u> | | | | |
|-----------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------|
| <u>REVENUE SOURCE</u> | <u>FY 2005</u> | <u>PROPOSED FY 2006</u> | <u>INCREASE (DECREASE)</u> | <u>PERCENT CHANGE</u> |
| General property taxes | \$11,918,110 | \$12,656,981 | \$738,871 | 6.20% |
| Other local taxes | 770,583 | 825,562 | 54,979 | 7.13% |
| Permits, fees, licenses | 91,250 | 95,250 | 4,000 | 4.38% |
| Fines & forfeitures | 462,507 | 498,021 | 35,514 | 7.68% |
| Interest | 25,000 | 35,000 | 10,000 | 40.00% |
| Charges for services | 131,378 | 368,825 | 237,447 | 180.74% |
| Miscellaneous revenue | 663,284 | 685,949 | 22,665 | 3.42% |
| Transfer - General Fund Reserve | 824,488 | 754,144 | (70,344) | (8.53)% |
| Transfer - Building Fund | 153,348 | 0 | (153,348) | (100.00)% |
| Other County Sources | 565,870 | 565,870 | 0 | 0.00% |
| E-911 Fund | 201,510 | 216,522 | 15,012 | 7.45% |
| Enterprise Fund | 998,222 | 1,033,500 | 35,278 | 3.53% |
| Building Fund | 1,478,629 | 1,417,475 | (61,154) | (4.14)% |
| Public Safety Radio Capital Lease | 2,320,000 | 0 | (2,320,000) | 100.00% |
| Water & Sewer Revenue Note | 2,250,000 | 0 | (2,250,000) | - |
| Revenue from the Commonwealth | 19,998,858 | 21,212,226 | 1,213,368 | 6.07% |
| Revenue from Federal Sources | 1,969,206 | 1,969,206 | 0 | 0.00% |
| TOTAL | <u>\$44,822,243</u> | <u>\$42,334,531</u> | <u>(\$2,487,712)</u> | (5.55)% |

| <u>PROPOSED EXPENDITURES</u> | | | | |
|-------------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------|
| <u>EXPENDITURE SOURCE</u> | <u>FY 2005</u> | <u>PROPOSED FY 2006</u> | <u>INCREASE (DECREASE)</u> | <u>PERCENT CHANGE</u> |
| General & Financial Administration | 1,582,787 | 1,483,129 | (99,658) | (6.30)% |
| Judicial Administration | 953,091 | 947,355 | (5,736) | (0.60)% |
| Public Safety | 4,366,752 | 5,021,840 | 655,088 | 15.00% |
| Public Works | 1,701,845 | 1,887,637 | 185,792 | 10.92% |
| Health and Welfare | 409,678 | 409,814 | 136 | 0.03% |
| Parks, Recreation, Culture | 189,188 | 201,377 | 12,189 | 6.44% |
| Community Development | 348,860 | 412,001 | 63,141 | 18.10% |
| Non-Departmental | 94,000 | 168,620 | 74,620 | 79.38% |
| School Fund | 24,882,482 | 25,926,302 | 1,043,820 | 4.20% |
| School Food | 1,057,625 | 1,057,625 | 0 | 0.00% |
| Public Assistance Fund | 2,018,914 | 2,088,845 | 69,931 | 3.46% |
| Building Fund (less transfers) | 3,314,234 | 1,026,909 | (2,287,325) | (69.02)% |
| Enterprise Fund | 3,701,277 | 1,486,555 | (2,214,722) | (59.84)% |
| E-911 Fund | 201,510 | 216,522 | 15,012 | 7.45% |
| TOTAL | <u>\$44,822,243</u> | <u>\$42,334,531</u> | <u>(\$2,487,712)</u> | (5.55)% |

Projected FY 2006 Revenues



Projected FY 2006 Expenditures

