

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 21, 2010 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
 Susan H. Wright, Administrative Secretary

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

Mr. Michael Johnson, County Administrator, presented two possible examples of closing the \$1.8 million gap in the proposed budget:

The first example utilized only expense reductions:

CLOSING THE GAP UTILIZING ONLY EXPENSE REDUCTIONS
"THE GAP" = \$1,850,483

Spreading the Pain

	<u>FY 2011 CURRENT</u>	<u>ADDITIONAL CUT*</u>	<u>FY 2011 REVISED</u>	<u>% REDUCTION</u>
Schools	29,493,734	(1,123,058)	28,370,676	3.81%
Social Services	2,489,150	(94,745)	2,394,405	3.81%
General Fund	14,027,965	(534,234)	13,493,731	3.81%
Enterprise Fund	2,585,763	(98,446)	2,487,317	3.81%
	<u>48,596,612</u>	<u>(1,850,483)</u>	<u>46,746,129</u>	<u>3.81%</u>

*Distributed equally between Schools, Social Services, General Fund and Enterprise Fund by additional overall funding reductions of 3.81%

THE IMPACTS

Schools

Equates to a 7.9% decrease in local funding and an equivalent loss of 39 positions (the 14 positions discussed last week, plus an additional 25 positions)

Social Services

Equates to a 35% decrease in local funding and an equivalent loss of 2 full time positions

General Fund

Equates to a 4.41% decrease in local funding to the General Fund
 Loss of 6 full time positions (\$321,631 including benefits)
 Removes the vacant Animal Control position
 Requires a 5% reduction to the Blackwater Regional Library
 Further reduces contributions to all outside agencies
 Further reduces travel budgets, dues and memberships, etc. across all departments
 Reduces the contribution to FSEDI by \$50,000
 Holds both Extension Agent positions vacant for the 1st quarter of FY 2011

Enterprise Fund

Will require additional water and sewer rate increases beyond what's currently proposed
 Likely loss of 1 of the new proposed positions, creating operational issues for the new plant

Supervisor West confirmed with Mr. Johnson that the above example did not utilize any additional funds from the Reserve Fund beyond the \$551,335 already proposed to be utilized.

The second example utilized a combined approach of both expense reductions and real estate tax increases:

**CLOSING THE GAP UTILIZING A COMBINED APPROACH
ONE EXAMPLE**
"THE GAP" = \$1,850,483

Additional Use of the Reserve

<u>FY 2011 CURRENT</u>	<u>ADDITIONAL</u>	<u>FY 2011 REVISED</u>
551,336	400,000	951,336

THE IMPACT

Reserve Fund balance could potentially fall as low as \$2,619,070 by the end of FY 2011
May necessitate consideration of semiannual collection of taxes to assist with cash flow and bolster the Reserve Fund

Additional 3 ¢ Increase in the Real Estate Tax Rate

<u>FY 2011 CURRENT</u>	<u>ADDITIONAL</u>	<u>FY 2011 REVISED</u>
10,374,708	414,510	10,789,218

THE IMPACT

An overall increase of 6¢ increase on the Real Estate Tax Rate
Equates to \$90 per year increase for owner of a \$150,000 home
Equates to \$600 per year increase for owner of a \$1,000,000 farm

Additional Expense Reductions

	<u>FY 2011 CURRENT</u>	<u>ADDITIONAL CUT*</u>	<u>FY 2011 REVISED</u>	<u>% REDUCTION</u>
Schools	29,493,734	(628,732)	28,865,002	2.13%
Social Services	2,489,150	(53,042)	2,436,108	2.13%
General Fund	14,027,965	(299,085)	13,728,880	2.13%
Enterprise Fund	2,585,763	(55,114)	2,530,649	2.13%
	<u>48,596,612</u>	<u>(1,035,973)</u>	<u>47,560,639</u>	<u>2.13%</u>

*Distributed equally between Schools, Social Services, General Fund and Enterprise Fund by additional overall funding reductions of 2.13%

Mr. Johnson noted that this was just one example of a combined approach. The combinations and variations were almost infinite.

Supervisor Brown confirmed with Mr. Johnson that the additional cut of \$628,732 for schools was in addition to the \$644,000 requested that was not proposed to be funded.

Mr. Johnson clarified for Supervisor Faison that regarding the illustration above of the impact of an additional 3¢ on the real estate tax rate, the \$1,000,000 farm was the land use value of the farm.

Supervisor Felts asked Mr. Johnson to elaborate on Southampton County's personal property tax revenues versus Isle of Wight County's. Mr. Johnson advised that Southampton County was seeing almost a \$700,000 decrease in personal property tax revenues, while Isle of Wight County was seeing almost a \$3 million increase in revenues. Both Southampton and Isle of Wight used the NADA method of assessment and both used the clean loan value in NADA to assess the value of vehicles. He double-checked our personal property tax revenue data and confirmed that our information was correct. NADA had dropped the values of some vehicles 30-40%. The difference between Southampton and Isle of Wight was that Isle of Wight had more pick-up trucks and SUVs (about 50%), which were valued higher. Southampton's pick-up trucks and SUVs only made up about 30-40%.

Mr. Johnson clarified for Supervisor Brown that although a mobile home may be on wheels and may be considered personal property, it was taxed at the real estate tax rate.

Supervisor Felts suggested that perhaps they could look at raising the personal property tax rate. More citizens paid personal property taxes than real estate taxes, so more citizens would share the burden.

Supervisor West asked if there was a limit as to the amount the personal property tax rate could be increased? Mr. Johnson replied that he was unsure as to where there was a statutory limit, but our current rate of \$4.50 was among the highest in the state.

Chairman Jones opened the floor for citizens who were present to briefly address the Board.

Mr. Jimmy Lee spoke. He advised that he was unprepared, as he did not think he would get a chance to speak. Our tax rates were already high and he hoped they would “hold the line.” High tax rates were a deterrent to new businesses and industries coming in. He passed out copies of the City of Norfolk’s budget approach that was in the *Virginian Pilot*. He thanked the Board for the opportunity to speak.

Mr. Ash Cutchin spoke. He stated that there was some mention at the budget workshop last week about reducing or eliminating land use. He reminded that when land use was being implemented, most of the people who spoke in favor of it, including him, were in favor of it even though they would not personally benefit from it. He encouraged them to keep the land use value taxation program in place.

Mr. Larry Whitley spoke. He advised that we needed to keep the land use program. The state and federal government were not sending down money for services that they once were encouraging. Kids were not looking to their parents for their needs, but were looking to the schools. He noted that he was not prepared to speak, as he did not think he would have an opportunity to do so.

Mr. Gary Cross spoke. He stated that the average real estate tax rate for Virginia counties was 47¢, and was 90¢ for Virginia cities. Southampton County’s rate was closer to that of cities. There were only 18 counties in the state that did not have a land use program. They needed to keep the program in place. Jimmy Lee and Larry Whitley were his friends, but he was not worried about keeping the land use program for them. They only made up about 15% of the people whose property was enrolled in land use. They were very prominent gentlemen and land use was not going to make or break them. He was worried about the other 85% of people. He believed in smaller government and talked to Mr. Johnson a couple weeks ago about that. He hoped the Board of Supervisors would have the foresight to see beyond what Mr. Johnson told them to do. Mr. Johnson did not know everything and they did not need to listen to everything he said. He noted that he thought a lot of Mr. Johnson but it was just the way it was.

Mr. Hunter Darden spoke. He advised that he was bothered by a few comments that were made at the budget workshop last week. The schools were asking for more money but there were some additional things they could do to save money. All of the schools were lit up at night. The light bill at night was not educating anybody. He heard someone say last week that a teacher was willing to give up \$1,000 of her salary. If all of the teachers did the same, they could save a lot of money. In regards to land use, he urged the Board to keep the program in place.

Mr. Bruce Phillips spoke. He stated that the County needed to cut spending. The inmates here were not spending any money in the County. If they were to take the inmate population out of our total population, it would show that Southampton County actually spent more than appeared. They needed to maintain land use. They did not need to take money out of the Reserve Fund. He noted that Floyd County’s reserve was \$70 million.

Mr. Glenn Updike spoke. He advised that those requesting money from the County could stand more cuts than they were letting on. They needed to cut total government, period, because the citizens could not keep supporting it. They were treating the agricultural industry in this County like a redheaded stepchild. Where were the public relations? International Paper was moving 35 office jobs from Franklin to Suffolk. They needed to take a look at how they were treating agriculture before they ran it out of town also. He asked Mr. Russell Schools, Chairman of the Southampton County School Board, last week how many out-of-county students were in the school system and his answer was “none of your business.” The school board had spent money that was dedicated to our children’s safety (transportation budget) and used it to renovate the auditorium at the middle school. The County Administration Office did not need to keep any persons on the payroll that we would not need for 10 years – they needed to cut them now.

Mr. Charles Turner, Division Superintendent of Southampton County Public Schools, spoke. He advised that there were numerous state and federal regulations imposed on the school system, but the funding was not there. They were receiving 2010 mandates and 2006 funding levels. He noted that sometimes special transportation was needed for children in certain situations. The auditorium at the middle school needed to be renovated because it was a safety hazard.

Vice-Chairman Young asked Mr. Turner about all the lights burning at the schools at night. Mr. Turner advised that they were looking at that.

Supervisor West asked how much did the auditorium cost? Mr. Turner replied \$420,000 including the chiller.

The Board continued with budget deliberations.

Supervisor Brown commented on the importance of providing funding to the schools. Supervisor West asked Supervisor Brown if he was advocating tax increases? Supervisor Brown asked Supervisor West if he was in favor of eliminating 39 positions in the school system?

Supervisor Brown asked Mr. Johnson what the savings would be if they did not fill the animal control position? Mr. Johnson replied \$46,571 with benefits. Supervisor Brown asked what the savings would be if they kept the cooperative extension position vacant for the first quarter of FY 2011? Mr. Johnson replied \$10,675 with benefits.

Supervisor Brown stated that they had to have a proactive vision. He did not see a problem with taking another \$300,000 out of the Reserve Fund. And he was in favor of Supervisor Felts' suggestion of raising the personal property tax rate. He personally would be in favor of a 25¢ increase.

Supervisor West mentioned that he may be in favor of a 30¢ increase, and perhaps even a 50¢ increase.

Mr. Johnson clarified for the Board that every locality had a personal property tax rate, but the way it was assessed varied. Ours was assessed using loan value. In order to compare counties, you had to look at what was known as an effective rate. He noted that out of the 95 counties in Virginia, only 8 had a higher effective rate than Southampton County.

Supervisor Brown commented that he could live with either a 30¢ or 50¢ increase in the personal property tax rate, as mentioned by Supervisor West.

Vice-Chairman Young thanked Mr. Johnson for his work. He stated that he was concerned about the schools. He also thought they should look at funding the animal control position, at least part-time.

Supervisor Faison thought they would not have any choice but to raise taxes. They may need to raise both the personal property and real estate tax rates.

Supervisor Felts commented that perhaps they should bid out grass cutting. She also thought they should look at funding the animal control position part-time.

Supervisor West advised that he was in favor of a 25-50¢ increase on the personal property tax rate, up to an additional 2¢ increase on the real estate tax rate, and transferring an additional \$300,000 for the Reserve Fund.

Supervisor Wyche remarked that they had no other choice but to raise taxes. It was not going to be a happy situation for anybody.

Supervisor Brown stated that he would like to provide the schools with half of the \$644,000 they had requested. He also thought they should implement a hiring freeze.

Supervisor West indicated that he would be ok with funding the animal control position part-time.

Supervisor Faison stated that he did not have a problem increasing the real estate tax rate by as much as 3¢. Supervisor West stated that he really did not want to go any higher than a 1¢ increase on the real estate tax rate.

After further discussion, it was the consensus of the Board to: 1) raise the personal property tax rate by 50¢, which would generate an additional \$545,036, 2) transfer an additional \$300,000 from the Reserve Fund, and 3) raise the real estate tax rate by an additional 1¢, which would generate an additional \$142,010. If you subtracted the total of those figures, \$987,046, from \$1,850,483 (which was the gap in revenues and expenses), it left a gap of \$863,437 to be absorbed by additional expense reductions. The Board directed Mr. Johnson to go through the budget once more and make cuts necessary to take care of the \$863,437 gap that remained.

It was suggested that perhaps they should look at cutting the assign-a-highway program. Supervisor Brown stated that he wanted to make sure his salary went towards school instruction. Supervisor West suggested that each Board member take a 10% salary cut.

There being no further business, the meeting was adjourned at 8:21 PM.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk

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