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 28, 2010 at 6:30 PM.

<u>SUPERVISORS PRESENT</u>
Dallas O. Jones, Chairman (Drewrvyille)
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)

<u>SUPERVISORS ABSENT</u>
None

<u>OTHERS PRESENT</u>
Michael W. Johnson, County Administrator (Clerk)
Julia G. Williams, Finance Director
Susan H. Wright, Administrative Secretary

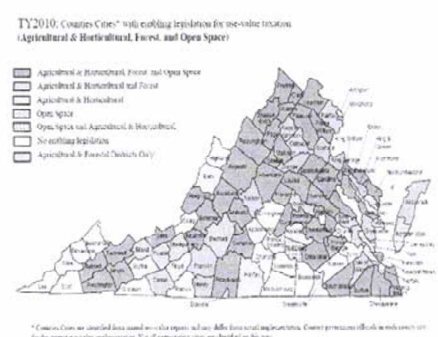
Chairman Jones called the meeting to order. After the *Pledge of Allegiance*, Supervisor Faison gave the invocation.

Mr. Michael Johnson, County Administrator, advised that during budget deliberations following the regular meeting on Monday, the Board asked him to evaluate, if they were to consider eliminating the land use taxation program, what corresponding decrease in the real property tax rate would they be able to provide, and what would that impact be.

Mr. Johnson presented the following brief PowerPoint presentation to demonstrate the impact:

Land Use Taxation

- Authorized in Virginia since 1972
- Intent is "to foster the preservation of real estate for agricultural, horticultural, forest and open space use"
- Currently adopted in 75 of 95 Virginia counties



Land Use Taxation

- Commissioner of the Revenue determines eligibility:
  - At least 5 acres for agricultural land
  - At least 20 acres for forested land
  - Bonafide agricultural use
- 2,249 parcels qualified and enrolled
- 865 beneficiaries

Land Use Taxation

<u>FAIR MARKET VALUE</u>	<u>USE VALUE</u>
The value of a particular parcel in its "highest and best" use.	The amount that one would expect to sell the land for if it were restricted to one particular use (i.e. agriculture, forestry, etc.)

The Equalized Rate $0.61

WITH LAND USE	WITHOUT LAND USE
Assessed Value 2010 $1,369,802,997	Assessed Value 2010 $1,696,262,526
$1,369,802,997 x (0.75) / 100	$1,696,262,526 x **(0.6056564)** / 100
=	=
$10,273,522	$10,273,522

Equalized Rate

- Simply put, in the absence of the land use program, a tax rate of $0.61 generates revenue that is comparable to a tax rate of $0.75 with the program;
- But that still doesn't account for "the gap"

Closing the Gap

The "Gap"	$ 1,850,483
Additional Use of the Reserve	(300,000)
50¢ Increase in Personal Property Rate	(545,036)
Remaining Gap	$ 1,005,447

$\frac{\$1,005,447}{\$169,626}$ = 5.93 or 6¢

The "Adjusted Rate"

$0.67

The Equalized Rate	$ 0.61
Real Estate Increase to Close the Gap	0.06
	$ 0.67

The Impact

Impact on a Hypothetical Home/Lot – $150,000

WITH LAND USE	WITHOUT LAND USE
$150,000/100 x $0.75 = $1,125	$150,000/100 x $0.67 = $1,005

Annual decrease of $120 (saves $10/month)

The Impact

Hypothetical Farm – 249 acres – all cropland

2010 USE VALUE	2010 FAIR MARKET VALUE
249 ac. x $625 = $155,625	249 ac. x $2,500 = $622,500
$155,625/100 x $0.75 = $1,167	$622,500/100 x $0.67 = $4,171

Annual increase of **$3,004**

+257%

The Impact

Hypothetical Farm – 200 acres

110 acres in open land, 90 acres in timber

2010 USE VALUE	2010 FAIR MARKET VALUE
110 ac. x $625 = $68,750	110 ac. x $2,500 = $275,000
90 ac. x $733 = $65,970	90 ac. x $2,000 = $180,000
$134,720/100 x $0.75 = $1,010	$455,000/100 x $0.67 = $3,049

Annual increase of **$2,039**

+ 202%

Bottom Line

Elimination of the Land Use Program:

- Reallocates the cost of service delivery to property that generates virtually no demand for services
  - Farms and forests produce no children to educate or solid waste to dispose of, create no conditions requiring public assistance, and generate little demand for emergency services
- Will cause the rental rate of farmland to rise substantially, threatening producers and adding stress to an already fragile agricultural economy
- Removes the economic incentive for rural landowners to preserve agricultural/forested land (which was the impetus for the program in 2005), ultimately serving to encourage development in areas that are unplanned for growth
- Places the burden of closing the gap on less than 900 rural property owners by more than tripling their tax responsibility

Based on the "Bottom Line" illustrated above, it was consensus of the Board to keep the land use taxation program in place.

Chairman Jones asked the Board members for their thoughts.

Supervisor Felts indicated that she was pleased with the proposal to close the gap presented by Mr. Johnson at the last meeting. (That particular proposal proposed to utilize an additional $300,000 from the Reserve, raise the personal property tax rate by 50¢, and raise the real estate tax rate an additional 1¢ for a total of 4¢. Additional expense reductions of 1.78% for Schools ($524,020), Social Service ($44,208), General Fund ($294,274), and Enterprise Fund ($45,935) were also proposed.)

Supervisor West agreed.

Supervisor Wyche commented that although he would like to provide more funding for the schools, we were all in this together.

Supervisor Brown stated that he was not in favor of the proposal presented by Mr. Johnson at the last meeting. There was no way he could approve a budget that would cut the Schools an additional $524,020. We needed to keep teachers in this County working. Just one additional cent on the real estate tax rate was not going to do it.

Supervisor Faison agreed. We needed to do whatever it takes to fund the Schools. If we burdened ourselves with whatever was necessary now, it would pay off in the long run.

Supervisor Felts suggested perhaps increasing the personal property tax rate by another 50¢ in addition to the 50¢ they proposed at the last meeting for a total of a $1.00 increase. She noted that more people would share in the burden.

Mr. Johnson advised that raising the personal property rate an additional 50¢ would generate an additional $545,036. He clarified for Supervisor Brown that farm equipment would not be affected, as it was taxed at a different rate.

Supervisor West stated that he did not think they should favor one entity over another. We all had to tighten out belt this year and share the pain. We could not assume that the laying off of teachers would be the direct result of the Schools receiving less money. Mr. Turner was a creative gentleman and the School Board was a creative organization. We all had to tighten our belt this year. He could perhaps see raising the personal property tax somewhere in between 50¢ and $1.00 total, although he had not quite sold that to himself.

Supervisor Brown stated that he did not think it was fair for them to ask the public education system, which had achieved such a standard of excellence, to be creative with a $1.1 million deficit. We were already not funding $644,000 requested by the schools, and the current proposal would further reduce funding to the schools by an additional $524,020.

Vice-Chairman Young advised that he would be in favor of an additional 50¢ increase in the personal property tax rate for a total of a $1.00 increase, as more people would share in the burden.

Chairman Jones remarked that he would be in agreement with that.

Supervisor Faison confirmed that another 50¢ increase on personal property would still not cover the school's deficit. He was in favor of that increase, but would also be in favor of raising the real estate tax rate by an additional 1¢ for a total of 5¢.

Supervisor West commented that we were spending money at an unreal rate and next year was still unknown. We already had another 3¢ increase in the real estate tax rate planned for next year to pay for the additional debt service. We had the highest rates for trash and may end up having the highest personal property rates. We had gotten ourselves pushed against a wall and there was no place else to go.

Supervisor Brown advised that the schools were dealing with an enormous cut. They were provided funding at year 2006 levels.

Supervisor Wyche stated that he understood people may be upset that we had some of the highest rates, but we didn't have anything to help us out. We were doing what we could with the industrial park to try and get some industry in here to help our tax base.

Vice-Chairman Young asked Mr. Johnson to calculate how much more money the schools would receive if they were to raise the personal property tax an additional 50¢, which would be an overall increase of $1.00 from $4.50 to $5.50.

Mr. Johnson advised that all other things remaining as proposed (additional $300,000 from the Reserve and an overall increase of 4¢ in the real estate tax rate), an additional 50¢ increase on the personal property tax rate, for a total of a $1.00 increase, would generate $1,090,072. It still left a gap of $318,401 to be absorbed with expenditure reductions. If distributed equally, it would result in the following expenditure reductions:

Schools	$(193,238)
Social Services	(16,302)
General Fund	(91,922)
Enterprise Fund	(16,939)
Total	$ 318,401

Supervisor Brown stated that he did not think it was fair for the expenditure reductions to be shared equally. We allocated more money to the schools than any other entity because they required more of us. It was not fair to say we were going to raise the personal property tax rate by an additional 50¢ to try and help the schools get well, but then we distribute the gap of $318,401 equally across the board in expenditure reductions.

Vice-Chairman Young commented that he could live with the schools being short only $193,238.

Supervisor Faison confirmed with Mr. Johnson that an additional 1.5¢ - 2¢ increase on the real estate tax rate would take care of the $193,238 in expenditure reductions for the schools. Supervisor Faison advised that he thought they needed to do whatever was necessary as far as increasing both the personal property and real estate tax rates to ensure the schools did not have any further expenditure reductions (beyond the $644,000 in state cuts).

Supervisor West commented that we could sit here all night. We kept upping the ante. He could not see further increasing the real estate tax rate.

Supervisor Faison advised that raising the personal property and real estate tax rate affected everyone – it did not single out a specific group. It was a way for everyone to share. He was in favor of raising the real estate tax rate to the point that the schools would receive the $193,238 they would otherwise be short, which would probably be an additional 2¢ increase.

Supervisor Brown agreed.

Supervisor Felts advised that she was for education, but we could not keep taxing and taxing. When your budget was cut at home, you had to find a way to make ends meet.

Supervisor Wyche stated that the schools being $193,238 short was a whole lot better than what was originally proposed.

Vice-Chairman Young agreed.

Supervisor Brown stated that it was not about favoritism for the schools – it was about making the best decision for this County. He did not want to see the educational system in this County compromised. The schools were already short $644,000 due to state cuts. He did not want to see them cut any further.

Supervisor Faison agreed.

Chairman Jones advised that the state cut the schools $644,000 – we did not. And there was no way in the world we could make that up. We were doing the best we could, but we had to stop somewhere.

Vice-Chairman Young advised that if we were to raise the real estate tax rate an additional 1¢ for a total of 2¢ (above the 3¢ that was already built in for debt service for a cumulative total of 5¢), it would generate an additional $142,010. If we designated that additional revenue to the schools, the schools would only be short $51,228. He would be in favor of that.

The Board was in agreement with Vice-Chairman Young’s suggestion.

In summary, the following was proposed:

- An additional $300,000 from the Reserve
- $1.00 increase in personal property tax rate from $4.50 to $5.50
- 5¢ increase in real estate tax rate (2¢ increase in addition to 3¢ that was already built in)

Vice-Chairman Young moved, seconded by Supervisor Wyche, to advertise the proposed budget for a public hearing on Monday, May 17, 2010, incorporating the summary above. All were in favor.

There being no further business, the meeting was adjourned at 7:32 PM.

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk