

At a budget workshop meeting (discussion focused on Public Works, Health & Welfare, Culture, Community Development) held in the Southampton County Administration Center at 23350 Southampton Parkway, Courtland, Virginia on April 11, 2012 at 7:00 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman (Drewryville)  
Dr. Alan W. Edwards, Vice-Chairman (Jerusalem)  
Glenn H. Updike (Newsoms)  
Carl J. Faison (Boykins-Branchville)  
Barry T. Porter (Franklin)  
Ronald M. West (Berlin-Ivor)  
S. Bruce Phillips (Capron)

SUPERVISORS ABSENT

None

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)  
Jon Mendenhall, Assistant County Administrator  
Lynette C. Lowe, Finance Director  
Cynthia J. Edwards, Administrative Secretary

Chairman Jones called the meeting to order.

After the pledge of allegiance Supervisor Faison gave the invocation.

Chairman Jones asked how they wanted to proceed – if they wanted to follow the agenda.

Supervisor Faison said follow the agenda.

Chairman Jones asked Mr. Michael Johnson to go ahead with his presentation.

Mr. Michael Johnson gave the following presentation:

**Fiscal Year 2013  
Budget Workshop**

Wednesday, April 11, 2012  
7:00 p.m.



## Budget Approval Process

January 26, 2012	Budget request forms issued
February 15, 2012	BOS/School Board Workshop (compensation/benefits)
February 17, 2012	Budget request forms returned
<del>February 20, 2012</del>	<del>BOS/School Board Workshop (state revenue estimates)</del>
March 14, 2012	BOS/School Board Workshop (state/local revenue estimates)
March 21, 2012	BOS Budget Workshop (department/agency presentations)
March 28, 2012	BOS/School Board Workshop (finalize draft school budget)
April 4, 2012	BOS Budget Workshop (initial draft budget distributed) Focus on General & Financial Administration, Judicial Administration, Public Safety
April 11, 2012	BOS Budget Workshop Focus on Public Works, Health & Welfare, Culture and Community Development
April 18, 2012	BOS Budget Workshop <del>School Budget Public Hearing</del> ; Focus on Social Services
April 23, 2012	BOS Regular Session Focus on Building Fund

## Budget Approval Process

April 25, 2012	BOS Budget Workshop <del>Adopt School Budget</del> ; Focus on Enterprise Fund, <del>Finalize Draft Budget</del>
May 21, 2012	Public Hearing on FY 2013 Budget and Tax Rates
May 23, 2012	BOS Budget Workshop (if necessary)
May 29, 2012	BOS Regular Session Board adopts final budget and tax rates

## What's New Out of Richmond

- Conferees have reached agreement on budget
- Won't be made public until Sunday, April 15 – will be voted on next week
- Have a preliminary indication on school funding
- Nothing yet on constitutional officers
- Governor amends VRS Bill

**2012-2013 Direct Aid to Public Education Estimated Distribution - Conference Report**

School Division	Key Data			Update the K-3 Primary Class Size Program Funding Based on Oct. 2010 Free Lunch Percentage	Regional Vocational Education Center Teacher Positions	Fund Support COCA (full COCA divisions @ 22.70% and partial COCA divisions @ 5.67%)	Expend 3rd Grade Early Reading Intervention Initiative to 62.5%	Block Funding Additional Assistance with VRS, Inflation, and Preschool	FY 2013 Estimated Distribution	Additional Funding Amount Above HB1501, As Introduced
	2012-14 Comp Index	FY 2013 Proj Unadj ADM	HB 1301 FY 2013, as Introduced							
SMYTH	0.2178	4,598	29,736,484	176,481	3,734	(14,937)	9,799	307,264	39,217,845	482,351
SOUTHAMPTON	0.3171	2,173	16,189,879	30,672	1,898	(7,894)	8,399	119,873	16,399,876	201,243
SPOTSYLVANIA	0.3329	23,139	118,024,320	747,978	18,393	694,899	40,372	1,195,839	120,699,200	2,644,890
STAFFORD	0.3305	26,779	130,408,123	483,993	17,994	774,071	44,953	1,259,823	132,668,146	2,579,569
SUBURY	0.7642	821	2,764,888	11,170	202	(806)	738	25,378	2,801,567	36,680
SUSSEX	0.3375	1,119	7,338,793	81,021	29,141	(3,199)	4,137	93,740	7,543,624	204,841
TADSWELL	0.2695	6,278	35,861,134	58,963	4,713	(18,959)	11,420	227,429	36,144,767	283,633
WARREN	0.3880	5,278	29,059,821	150,257	3,273	134,311	11,730	284,035	29,639,307	583,506
WASHINGTON	0.3533	7,102	36,540,171	199,028	9,303	(23,486)	8,079	337,769	37,070,900	530,779
WESTMORELAND	0.4649	1,582	8,271,791	0	61,990	(3,493)	3,341	100,894	8,434,329	162,532
WISE	0.2045	5,685	37,454,193	68,408	4,904	(19,403)	19,869	357,821	37,869,623	431,442
WYTHE	0.3204	4,277	22,720,844	103,480	2,907	(11,872)	8,489	218,692	23,132,349	411,500
YORK	0.4049	12,281	54,723,894	139,178	85,049	(21,996)	14,863	532,993	55,484,092	760,097
ALEXANDRIA	0.8000	12,239	32,768,980	24,959	2,524	449,451	7,544	748,551	34,001,610	1,233,029
ARISTOL	0.3190	2,264	14,753,496	18,699	1,598	(6,423)	4,262	102,102	14,873,729	120,227
BEVERA VISTA	0.1889	1,311	8,740,851	0	1,071	(2,136)	5,060	93,168	8,799,019	57,160
CHARLOTTESVILLE	0.6881	3,684	15,972,309	(701,843)	45,413	(5,079)	1,990	224,089	16,136,850	164,541
COLONIAL HEIGHTS	0.4448	2,821	13,024,798	(14,835)	1,587	(8,397)	3,499	111,819	13,020,244	(4,514)
COVINGTON	0.2775	805	5,912,775	34,713	39,092	(2,411)	2,299	44,292	5,930,666	117,819
DANVILLE	0.2653	5,829	38,202,848	247,028	4,896	(18,748)	18,351	414,169	38,969,312	665,465
FALLS CHURCH	0.8000	2,239	5,071,892	0	447	80,535	3,429	26,409	5,182,411	110,819
FREDERICKSBURG	0.6511	3,122	15,420,134	69,329	1,132	48,395	1,119	58,452	15,596,517	176,384
GALAX	0.2725	1,257	7,495,455	0	968	(3,339)	4,543	56,872	7,553,790	58,335
HAMPTON	0.2912	20,684	122,443,127	431,651	178,870	(90,406)	57,539	1,291,315	124,339,994	1,894,766
HARRISONBURG	0.4274	4,844	26,422,818	199,355	89,390	(11,726)	10,729	307,595	27,018,159	595,341
HOPWELL	0.2378	3,958	24,743,561	144,298	3,236	(12,944)	11,901	234,149	25,124,169	380,600
KITCHENBURG	0.3727	8,252	45,228,763	253,566	5,351	(21,406)	18,999	469,992	45,947,925	722,162
MARTINSVILLE	0.3175	3,128	13,822,711	41,148	1,777	(7,112)	3,329	124,854	13,969,809	169,098
NEWPORT NEWS	0.2934	27,181	161,046,530	869,457	174,058	(79,127)	72,800	1,813,866	163,697,515	2,650,984
NORFOLK	0.3102	30,321	182,320,925	914,648	21,951	(87,904)	99,099	2,089,089	185,357,352	3,036,448
NORTON	0.3274	908	4,794,095	0	601	(2,522)	3,269	7,395	4,791,687	7,592
PETERSBURG	0.2658	4,123	28,208,748	0	3,308	(13,294)	11,683	324,722	28,536,166	326,419
PORTSMOUTH	0.2795	14,885	88,000,233	391,803	10,999	(43,999)	52,025	812,752	89,223,814	1,223,583
ROADFORD	0.2630	1,540	8,827,828	0	1,182	(4,692)	2,301	87,819	8,713,959	86,431
RICHMOND CITY	0.4779	20,684	117,587,785	347,837	11,792	(47,186)	49,752	1,851,427	119,879,106	1,504,322
ROANOKE CITY	0.3728	12,262	69,376,318	183,120	8,164	(32,654)	29,373	563,093	70,127,364	791,048
STAUNTON	0.3987	2,548	15,960,744	36,074	110,335	(8,129)	5,632	103,900	16,210,163	249,418
SUFFOLK	0.3530	13,786	72,939,789	89,400	241,412	(38,452)	26,280	731,077	73,895,675	955,886
VIROUNA BEACH	0.4110	68,951	318,868,239	548,420	42,999	(122,999)	110,335	3,476,228	322,922,210	4,054,971
WAYNESBORO	0.3490	3,106	15,254,251	216,510	78,779	(8,176)	7,880	190,818	15,703,098	448,807
WILLIAMSBURG	0.8000	917	3,600,794	28,143	1,288	(395)	625	12,828	3,643,221	42,427

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## Initial FY 2013 Public Schools Budget

Revenues	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Increase	%
	Actual	Actual	Actual	Budgeted	Requested	(Decrease)	Change
State	\$ 19,353,500	\$ 16,838,779	\$ 15,893,495	\$ 16,039,646	\$ 16,426,202	\$ 386,556	2.41
Federal	1,807,990	4,168,870	2,708,679	1,773,908	2,005,423	231,515	13.05
Local	9,230,800	9,432,482	11,568,060	11,076,473	12,281,829	1,205,356	10.38
Other	985,058	554,127	1,016,490	2,000	35,700	33,700	1,685.00
	\$ 31,377,348	\$ 30,994,258	\$ 31,186,724	\$ 28,892,027	\$ 30,749,154	\$ 1,857,127	6.43

Original Estimate	\$ 16,426,202
State Revenue to School Food	25,148
Estimated Distribution (including School Food)	(16,390,820)
Shortfall	\$ 60,530

The Gap Widens - \$3,265,153 + \$60,530 = **\$3,325,683**

## Changes to VRS

- Governor's amendment allows you to phase-in the 5% pay increase over 5 years
- Conferees' budget allows you to fund the "Employer Contribution" at last year's rate and ramp- up to the rate prescribed by VRS Board of Trustees over 6 years (I think)

## 5-YEAR PHASE-IN

### ALL AT ONCE

Current Salaries	Adjusted Salaries (+5%)	FICA (7.65%)	VRS "Employer" (14.55%)		VRS "Employee" (5.0%)		Group (1.32%)	COUNTY TOTAL
			County	Employee	County	Employee		
\$ 5,521,893	\$ 5,797,988	\$ 443,546	\$ 843,607	\$ -	\$ 289,899	\$ 76,533	<b>\$ 7,161,674</b>	

### 5-YEAR PHASE-IN

FY	Salaries	FICA (7.65%)	VRS "Employer" (14.55%)		VRS "Employee" (5.0%)		Group (1.32%)	COUNTY TOTAL	ANNUAL SAVINGS
			County	Employee	County	Employee			
FY 2013 (1%)	\$ 5,377,712	\$ 420,546	\$ 811,970	\$ 223,024	\$ 5,111	\$ 73,813	\$ 7,117,922	\$ 447,411	
FY 2014 (1%)	5,502,552	430,916	819,354	185,966	112,656	74,254	7,120,724	34,251	
FY 2015 (1%)	5,629,212	439,225	827,750	113,754	170,676	74,096	7,141,029	20,576	
FY 2016 (1%)	5,748,104	449,377	836,056	57,461	239,544	73,549	7,155,049	6,626	
FY 2017 (1%)	5,802,965	449,973	844,419	-	290,172	72,607	7,165,264	0	
								<b>\$ 111,822</b>	

## Employer Contribution Rate

"The proposed budget adopted by Assembly conferees last week includes an option for local governments to use the legislative rates for local employees over the next two years to help offset the cost of the "5 for 5" swap and big increases in contribution rates for teacher pensions in 2012-2014."

"Localities have the option of paying the same rates for their employees as they do this year or they could pay the higher rates certified by VRS, which represent an average increase of 3 percent. Previously, local governments have had to pay the VRS rates."

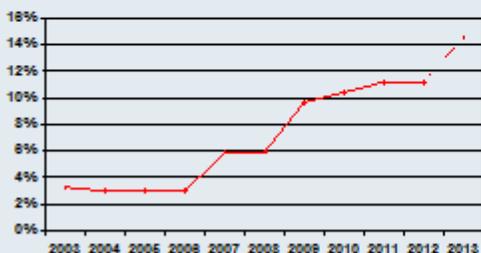
"Schultze warned local officials in the conference call that **any locality that opts to pay the lower rates the next couple of years will end up paying higher rates down the road. That's just basic math.**"

## Employer Contribution Rate

- Conferees' budget allows localities to phase-in their "employer contribution" rate
- FY 2013 and 2014 - 70% of VRS rate or last year's rate (whichever is higher)
- FY 2015 and 2016 - 80% of VRS rate
- FY 2017 and 2018 - 90% of VRS rate
- FY 2019 and beyond - 100%

# Employer Contribution Rate

- Contribution rate established using an actuarial basis established by statute and approved by the VRS Board of Trustees



# Contribution Phase-In

## Recommended Rate

	Salaries	FICA (7.65%)	VRS "Employer" (14.55%)	VRS "Employee" (5.0%)		Group (1.32%)	COUNTY TOTAL
				County	Employee		
FY 2013 (1%)	\$ 5,577,112	\$ 426,649	\$ 811,470	\$ 223,054	\$ 55,771	\$ 73,618	\$ 7,111,933
FY 2014 (1%)	5,632,883	430,916	819,584	188,998	112,858	74,354	7,126,724
FY 2015 (1%)	5,689,212	435,225	827,780	113,754	170,876	75,098	7,141,099
FY 2016 (1%)	5,746,104	439,577	836,058	57,461	229,844	75,849	7,155,049
FY 2017 (1%)	5,803,565	443,973	844,419	-	290,173	76,607	7,168,964

## Phased-In Rate

	Salaries	FICA (7.65%)	VRS "Employer" (14.55%)	VRS "Employee" (5.0%)		Group (1.32%)	COUNTY TOTAL	ANNUAL SAVINGS
				County	Employee			
FY 2013 (11.28%)	\$ 5,577,112	\$ 426,649	\$ 811,470	\$ 223,054	\$ 55,771	\$ 73,618	\$ 6,929,562	\$ 182,372
FY 2014 (11.28%)	5,632,883	430,916	819,584	188,998	112,858	74,354	6,942,325	154,195
FY 2015 (11.84%)	5,689,212	435,225	827,780	113,754	170,876	75,098	6,975,543	165,556
FY 2016 (11.84%)	5,746,104	439,577	836,058	57,461	229,844	75,849	6,987,837	167,212
FY 2017 (12.1%)	5,803,565	443,973	844,419	-	290,173	76,607	7,054,112	\$ 54,152

# Contribution Phase-In

- Be careful!
- Despite fully funding the actuarially determined rates, our pension is currently funded at less than 77%

**ACTUARIAL VALUATION SCHEDULE OF PENSION PROGRAM FOR COUNTY**

Year	Actual Valuation (\$)	Actuarial Value of Assets (\$)	Actuarial Value of Liabilities (\$)	Actuarial Deficit (\$)	Percentage of Actuarial Value of Assets (\$)	
						2010
Southampton County						
June 30, 2010	\$2,385,762	\$ 27,332,107	\$ 1,145,380	\$8,991,765	48.21%	
June 30, 2011	24,244,282	25,454,231	4,213,224	6,271,029	54.75%	
June 30, 2012	26,020,017	22,851,283	1,280,000	4,988,716	58.95%	
Southampton County						
Actuarial Board						
June 30, 2010	\$ 1,214,288	\$ 1,443,761	\$ 1,475,076	111,757	\$ 9,517,747	47.85%
June 30, 2011	1,474,222	1,553,422	1,284,752	107,345	1,562,245	26.76%
June 30, 2012	1,544,222	1,553,422	1,280,000	107,345	1,562,245	6.85%

Notes to Required Supplementary Information

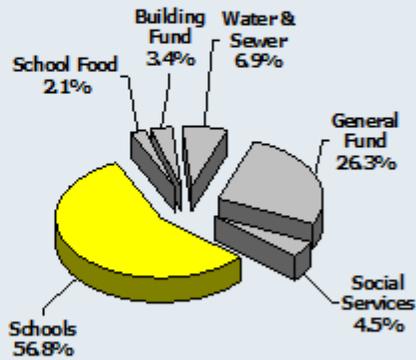
This information presented in the required supplementary schedules was determined as part of the actuarial valuations of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	County		Component Unit
	June 30, 2010	June 30, 2011	Actual/Board
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	
Amortization Method	Level Percent of Pay Open	Level Percent of Pay Open	
Payment Growth Rate	3.00%	3.00%	
Membership Inclusion/Exclusion Period	20 years	20 years	
Asset Valuation Method	5 Year Smoothed Market Value	5 Year Smoothed Market Value	
Actuarial Assumptions			
Investment rate of return <sup>1</sup>	7.00%	7.00%	
Proposed salary increases <sup>2</sup>	3.75% to 5.00%	3.75% to 5.00%	
Normal Retirement Office Employees	3.00% to 4.75%	3.00% to 4.75%	
Leave Encumbrance Office Employees	3.00%	3.00%	
Contributing adjustments	0.00%	0.00%	
Tranche inflation of 10%			

## Initial Draft FY 2013 Budget

### Expenditures

General Fund	\$14,225,444
Social Services	2,430,304
<b>Schools</b>	<b>30,749,154</b>
School Food	1,137,620
Building Fund	1,836,203
Water & Sewer	3,731,690
	\$54,110,415



## Initial FY 2013 Public Schools Budget

### Revenues

	FY 2008 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budgeted	FY 2013 Requested	Increase (Decrease)	% Change
State	\$ 19,353,500	\$ 16,838,779	\$ 15,893,495	\$ 16,039,646	\$ 16,428,202	\$ 388,556	2.41
Federal	1,807,990	4,168,870	2,708,679	1,773,908	2,005,423	231,515	13.05
Local	9,230,800	9,432,482	11,568,060	11,076,473	12,281,829	1,205,356	10.88
Other	985,058	554,127	1,016,490	2,000	35,700	33,700	1,685.00
	\$ 31,377,348	\$ 30,994,258	\$ 31,186,724	\$ 28,892,027	\$ 30,749,154	\$ 1,857,127	6.43

## Initial FY 2013 Public Schools Budget

### Expenditures

		FY 2012 Budgeted	FY 2013 Requested	Increase (Decrease)	% Change
61000	Instruction	\$ 15,950,784	\$ 18,088,141	\$ 2,135,357	13.39
62000	Administration	1,220,657	1,201,463	(19,194)	(1.57)
63000	Transportation	2,818,191	2,928,764	110,573	3.92
64000	Maintenance	3,392,690	3,354,960	(37,730)	(1.11)
65000	Food Service	129,818	64,909	(64,909)	(50.00)
66000	Facilities	154,026	154,026	-	-
68000	Technology	409,236	458,972	49,736	12.15
67000	Debt Service	2,524,381	2,297,795	(226,586)	(8.98)
	Textbooks	78,175	166,342	88,167	112.78
	Technology	206,000	206,000	-	-
	State Programs	245,661	320,126	74,465	30.31
	Federal Programs	1,762,408	1,509,656	(252,752)	(14.34)
		\$ 28,892,027	\$ 30,749,154	\$ 1,857,127	6.43

## Initial FY 2013 Public Schools Budget

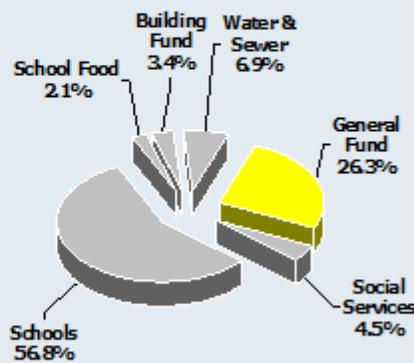
Local Funds for Operating (Total Less Debt Service)						
FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budgeted	FY 2013 Requested	Increase (Decrease)	% Change
\$7,414,063	\$8,764,514	\$8,628,330	\$8,552,092	\$9,984,034	\$1,431,942	16.74

Reduced Debt Service	\$	226,586
Unspent FY 2011 Funds		530,709
Additional Local Funds		674,647
	\$	<b>1,431,942</b>

## Initial Draft FY 2013 Budget

### Expenditures

<b>General Fund</b>	<b>\$14,225,444</b>
Social Services	2,430,304
Schools	30,749,154
School Food	1,137,620
Building Fund	1,836,203
Water & Sewer	3,731,690
	<b>\$54,110,415</b>



## Initial Draft FY 2013 General Fund Budget

GENERAL & FINANCIAL	FY 2012	FY 2013	Variance	Percent Change
Board of Supervisors	\$ 188,732	\$ 177,328	\$ (11,404)	-6.0%
County Administrator	307,871	307,098	(773)	-0.3%
Commissioner of the Revenue	286,717	301,358	14,641	5.1%
Property Assessment	211,212	8,839	(202,373)	-95.8%
Treasurer	274,817	323,039	48,222	17.5%
Delinquent Tax Collection	5,000	10,959	5,959	119.2%
Accounting	211,721	226,931	15,210	7.2%
Data Processing	312,012	342,613	30,601	9.8%
Insurance/County Code	227,800	296,203	68,403	30.0%
Registrar	174,462	160,472	(13,990)	-8.0%
	<b>\$ 2,200,344</b>	<b>\$ 2,154,840</b>	<b>\$ (45,504)</b>	<b>-2.1%</b>

## Initial Draft FY 2013 General Fund Budget

JUDICIAL	FY 2012	FY 2013	Variance	Percent Change
Circuit Court Judge	34,890	34,535	\$ (355)	-1.0%
General District Court	22,839	22,559	(280)	-1.2%
Magistrates	908	658	(250)	-27.5%
Clerk of Circuit Court	472,498	502,463	29,965	6.3%
Sheriff - Bailiff	388,181	363,199	(24,982)	-6.4%
Courthouse Security	239,975	237,156	(2,819)	-1.2%
Commonwealth's Attorney	497,105	515,240	18,135	3.6%
Victim-Witness Program	70,091	73,990	3,899	5.6%
	<u>\$ 1,726,487</u>	<u>\$ 1,749,800</u>	<u>\$ 23,313</u>	1.4%

## Initial Draft FY 2013 General Fund Budget

PUBLIC SAFETY	FY 2012	FY 2013	Variance	Percent Change
Sheriff - Law Enforcement	1,647,790	1,674,722	\$ 26,932	1.6%
Enhanced 911	163,880	175,771	11,891	7.3%
Wireless 911	46,022	47,796	1,774	3.9%
School Resource Officer	50,528	52,637	2,109	4.2%
Volunteer Fire Departments	301,647	302,396	749	0.2%
Volunteer Rescue Squads	929,278	951,112	21,834	2.3%
State Forestry Service	21,730	21,730	-	0.0%
Sheriff - Detention	2,657,239	2,811,708	154,469	5.8%
Probation	102,701	91,669	(11,032)	-10.7%
Inspections	131,379	131,187	(192)	-0.1%
Animal Control	98,031	99,327	1,296	1.3%
Medical Examiner	500	420	(80)	-16.0%
Emergency Services	113,073	127,876	14,803	13.1%
	<u>\$ 6,263,798</u>	<u>\$ 6,488,351</u>	<u>\$ 224,553</u>	3.6%

## Initial Draft FY 2013 General Fund Budget

PUBLIC WORKS	FY 2012	FY 2013	Variance	Percent Change
Streetlights	\$ 45,987	\$ 48,000	\$ 2,013	4.4%
Assign-A-Highway	54,379	52,437	(1,942)	-3.6%
Refuse Collection	715,488	763,504	48,016	6.7%
Refuse Disposal	1,274,300	1,116,000	(158,300)	-12.4%
Buildings & Grounds	474,537	499,874	25,337	5.3%
	<u>\$ 2,564,691</u>	<u>\$ 2,479,815</u>	<u>\$ (84,876)</u>	-3.3%

## Initial Draft FY 2013 General Fund Budget

HEALTH AND WELFARE	FY 2012	FY 2013	Variance	Percent Change
Health Department	\$ 304,000	\$ 304,000	\$ -	0.0%
WTCSB	68,944	68,944	-	0.0%
Senior Services	13,000	12,700	(300)	-2.3%
Comprehensive Services Act	180,147	288,146	107,999	60.0%
STOP Organization	1,540	1,540	-	0.0%
	<u>\$ 567,631</u>	<u>\$ 675,330</u>	<u>\$ 107,699</u>	<u>19.0%</u>

## Initial Draft FY 2013 General Fund Budget

PARKS, RECREATION, CULTURE	FY 2012	FY 2013	Variance	Percent Change
Community Concert Association	\$ 5,400	\$ 5,300	\$ (100)	-1.9%
Rawls Museum Arts	14,000	14,000	-	0.0%
Historical Society	24,750	23,500	(1,250)	-5.1%
W.C. Rawls Library	228,686	234,224	5,538	2.4%
	<u>\$ 272,836</u>	<u>\$ 277,024</u>	<u>\$ 4,188</u>	<u>1.5%</u>

## Initial Draft FY 2013 General Fund Budget

COMMUNITY DEVELOPMENT	FY 2011	FY 2012	Variance	Percent Change
Planning	\$ 202,319	\$ 225,697	\$ 23,378	11.6%
Economic Development	100,000	100,000	-	0.0%
Soil & Water Conservation	9,768	9,768	-	0.0%
Cooperative Extension	41,015	45,661	4,646	11.3%
	<u>\$ 353,102</u>	<u>\$ 381,126</u>	<u>28,024</u>	<u>7.9%</u>

## Partial List of Sensitivities

### Revenues

- Utilize additional reserve funds (\$500,000)
- Leave the tax rate at 77¢ (\$290,000)
- Consider semiannual collection (\$4,800,000)
- Consider a Solid Waste Disposal Fee (\$1,000,000)

### Expenditures

- Reduce school request (up to \$1,431,942)
- Reduce general fund expenditures (???)
- Reduce enterprise expenditures (???)

Mr. Michael Johnson asked if there were any questions on the VRS.

Supervisor Porter asked if the return is calculated on individual localities or determined on the whole fund.

Mr. Michael Johnson stated he couldn't answer that because all he sees is the actuarial that they have prepared for us but his assumption is that it is the same for everybody because they have one group managing all of it.

Supervisor West said obviously they are using the lower figures.

Mr. Michael Johnson stated that the current actuarial is assuming a 7% annual return.

Supervisor Porter what percentage was it before.

Mr. Michael Johnson stated 7 ½%.

Supervisor Porter said and they still got that far behind.

Mr. Michael Johnson stated that we had not been fully funded since 2004. You can see they are trying to make it up in every actuarial.

Supervisor Porter stated that scenario caused two car companies to go bankrupt and then the government bailed them out.

Mr. Michael Johnson asked if there were any other questions about VRS.

Supervisor West stated that the school wanted \$2.1 million dollars which includes the \$531,000. They need to bite the bullet because next year it would be even greater.

Mr. Michael Johnson stated they would get to that. He said it was a great point. He said if you take that total monthly number and back out the debt service because the debt service is declining, you end up with a total amount for operations of \$9,984,034 which is an increase of \$1,431,942. Debt service is actually going down by \$226,586. Now don't let that get lost in the shuffle. That is going down. They will ask to hold that but it won't be going to debt services it will be rolled into operations. They are also asking you for the money from fiscal year 2011 that they didn't spend.

Supervisor West said if you put that \$226,000 into their regular budget then we incur that in the building fund forever. It doesn't go away and then it hurts.

Mr. Michael Johnson stated well you have the unspent money that they want to roll in it will also become a recurring number and they are asking for an additional \$674,647 dollars. So that is above and beyond what they had in FY 2011.

Supervisor Edwards said he would like to see what that \$2.1 million is going for on the school budget. We have no idea what it is going for.

Supervisor Porter said that is to pay for something that was not budgeted in prior years. They had 30 teachers or something like that they covered with their carryover.

Supervisor West asked was that with stimulus money.

Supervisor Porter said that was part of the stimulus plan. Now they don't have stimulus any more.

Mr. Michael Johnson said once you roll these in they are looking for you to sustain them not just for 2013 but beyond.

Supervisor West said it's being sustained with the building fund.

Mr. Michael Johnson said you aren't sustaining them with the building fund that was long exhausted its coming right out of the general fund. He stated in addition to that, which he pointed out in the draft budget, they have also plugged in over \$400,000 dollars of federal money, grant money to be used in FY 2013. That is there in the equation. That won't be there in FY 2014 so there will already be a \$400,000 dollar hole starting out next year.

Supervisor said that is recurring.

Mr. Michael Johnson said yes.

Supervisor Porter asked if we are allowed to have specific set-asides in reserves.

Mr. Michael Johnson said yes.

Supervisor West said then again you may not want to take that \$273,000 and add in the reserve all of a sudden we are going to be flat, flat, flat, boom, flat, flat, flat, boom.

Mr. Michael Johnson said good idea; you are just moving that gap in the wrong direction.

Mr. Michael Johnson said it had worked that way for six years.

Supervisor West said we are doing the same thing with funding. You may not want to wait six years with the housing values. You may want to go four years. You need to have a reoccurring amount built in then you can talk about going with a staff person as full time to do this. We need to be realistic.

Supervisor Porter said if Supervisor West keeps talking he will make our gap \$5,000,000 dollars.

Supervisor West said if you want \$5.00 dollars from me or you want \$10.00, he doesn't have either one so it doesn't make any difference to him.

Mr. Michael Johnson said we need to look at this to generate some ideas as to how you might balance this budget. Mr. Michael Johnson stated they needed to continue to work on this budget from both sides the expenditure and revenue side. The first thing he thinks is that we need to look at the bottom because you need to think about that accrual and see how you want to pare that down. On the revenue side we talked about the reserve we are still healthy. He wouldn't encourage dipping into it too hard, but right now the only thing built into it that is reserve that could be coming out of it is the \$530,00 from the school money.

Supervisor Faison asked how much money we had in the reserve now - wasn't it six million.

Mr. Michael Johnson said a little over six. Keep in mind we already gave one back to the school board this year, budgeted \$1.4 million for the current fiscal year. We projected it down about \$3.5

million. Then it would come down to about \$3 million. If you leave the tax rate at \$0.77, it would generate about another \$290,000.

Supervisor Porter said that is assuming there isn't any significant reduction in tax rates from the Board of Equalization.

Mr. Michael Johnson said that is right. They are going to reduce it some.

Mr. Michael Johnson said we talked about semi-annual collection and what that does. It is like a one-time cash advance. That will generate potentially \$4.8 million dollars. Another idea we had talked about was a solid waste disposal fee. Right now solid waste disposal fee comes right out of the general fund. If you establish a solid waste disposal fee per household that would generate potentially \$1 million. You are looking at an annual fee of \$150.00 per household. He stated we are spending just over \$1 million on trash disposal a year. The average residence generates 2.2 pounds of garbage per day. He feels that the \$150.00 per year is a good number.

Supervisor Porter stated that we pay about \$75.00 a ton too much now.

Supervisor West said the cost will have to be passed on from the owner of the property to the renter one way or another.

Supervisor Updike asked if they were going to talk about that now or later.

Mr. Michael Johnson said this was the end of what he had to present.

Chairman Jones asked if anyone had any questions for Mr. Michael Johnson.

Supervisor Updike said on this refuse collection that is the highest tax he had ever seen to be written off to people who didn't have jobs, who were living on fixed income, people at minimum wage. He said what we heard last month is very simple about the trash on the roads. If you put \$150.00 fees on people that trash is going to wind up on the roads and in the woods. This is defeating the whole purpose of trying to keep the county clean. This is really defeating the purpose of no tax increase. This is a huge tax increase on the people that can least afford it. He can't see anyway the people in the county are going to accept this. Over the years people have been expecting something from the money they are being charged for their taxes and trash collection is just one of them. You just charged people for their taxes back in the fall and now you want to charge us another \$150.00 per family. He can't see people in the county accepting that whatsoever. That is a huge tax increase.

Chairman Jones asked if anyone else had any comments.

Supervisor Phillips stated the jail for Camp 20 was closed now back open. He asked why do we have a jail farm.

Mr. Michael Johnson said it is saving money. It generates revenue. We can put these people to work. Some work at Virginia Diner, Edwards Ham. In the absence of Camp 20 we would have to build a new jail or go to a regional jail. We could use a regional jail, but we would have to add employees to do the transportation.

Supervisor Edwards stated he was going to put Mr. Michael Johnson on the hot seat right now because he wanted to know how much of a tax increase we would have to have to cover the budget as it is now.

Mr. Michael Johnson said you take the \$3.2 million divided by \$145,000 = \$0.24 cents tax increase.

Chairman Jones said we need to talk about this and see what you want to do.

Supervisor Edwards stated we hadn't seen a school budget yet based on what they are getting from the state. He can't see how we are not going to have to cut the school budget. He stated that when the hospital was bought out they cut 38% of their employees. The sun came up the next morning and they took just as good of care of the patients. Fifty-eight percent of the budget is for the schools. They are going to have to take a cut. He stated his voters supported him based on the

fact he would not vote to raise taxes. He stated he was sorry, but there were going to have to be a lot of cuts. He said look at Botetourt County. They are closing an elementary school, everybody on the staff took a 3% cut, they laid off eight teachers, and they made sports pay if you want to play. If you want to play football you pay for your uniform and everything involved with it. Now everybody is doing this and if you sit here tonight thinking we don't have to make any cuts you are wrong. We need to cut where we can cut. The taxpayers in this county are going to revolt. He hates to see when tax time comes around in this county because you have got people making \$33,000 average in this county and they stop taking their medicines because they have got to decide whether to take their medicines, eat, or come to the doctor. We are probably going to get a lot of criticism, but we have to make some cuts. We are going to have to hold the line. We need to take a look at last year's budget and see what can be trimmed out of that even. If we don't hold the line now what's going to happen. You don't get out of a hole by digging a deeper hole.

Supervisor Updike said he thought Supervisor Edwards hit every point right head on. He is with him 100%. We cannot continue to spend money that we do not have and that people out here in the county can't afford.

Supervisor Faison stated that he recognizes the problem and there are only two ways to fix the problem and that is to increase taxes or cut spending. The only way to increase revenue is to increase taxes. He stated he is not in favor of laying people off. By increasing taxes we are spreading the burden across the board. If we lay people off, we are putting the burden on those people. He stated he had rather see taxes go up than lay people off.

Supervisor Edwards stated we have to do what is best for the majority of the people. He feels sorry for the people that would be cut, but 99% of the people in this county can't afford to pay more taxes.

Supervisor West said he agrees with what Supervisor Edwards said. He is not in favor of increasing taxes. He said if you don't bite the bullet this year you are going to be facing it again next year. He does see one way out of it and that is the semi-annual collection of taxes. He does know that some people will have a hard time making a November and May payment. He knows the farmers and land owners will be affected. Somehow to him two payments are easier than one. He is hoping some funds will be generated by the new company coming into the county in addition to Dominion Power. He would like to see the money taken from the semi-annual collections to keep the county going.

Supervisor Updike said the widows, and farmers have a hard time paying whether it is once a year or twice a year. They cannot afford for us to increase taxes.

Supervisor Phillips said he heard what Supervisor West said and what Supervisor Edwards said. He stated that his wife worked at the hospital and retired from the hospital. He said he had followed that transition. With the short fall that we have he thought all departments needed to go back and sharpen their pencils again. He thought we needed a proposed budget with flat funding for a draft budget. With the proposed budget as it stands now would require a \$0.24 cent tax increase and no one can stand that. He thinks we need to send that message across the board.

Supervisor Porter said he didn't know of anywhere in the state of Virginia that had a tax rate like Southampton County does. He stated we could not afford to give the schools any more money. He agreed with Supervisor Phillips that we have going to have to take a hard look at where we are. We need to see the impact of a balanced budget. Mr. Michael Johnson needs to give them a list of cuts that would have to be made to balance the budget. We are just going to have to swallow the pill.

Chairman Jones stated the school budget is the biggest part of the budget. We need to give Mr. Michael Johnson some direction.

Supervisor Porter stated that Mr. Michael Johnson needs to tell them how much they are going to have to cut to balance the budget.

Supervisor Edwards said he agreed 100%.

Supervisor Updike stated that the employees might have to take a one to two day furlough per month or a salary reduction, but at least they would still have a job. If you don't want to lay off

this would be a way to generate some more money and you wouldn't have to lay anyone off. Usually when you lay people off you usually get the persons on the low end of the totem pole. When you take furloughs you get some of the high paid individuals also.

Mr. Michael Johnson stated that you can furlough some, but when you get to the wastewater treatment plant for example you have got to have someone there 365 days a year, seven days a week.

Supervisor Updike said if he is right the county gets 12 days of holiday leave a year and this county doesn't shut down because of holidays. So that is the responsibility of the manager. He asked what about the sick leave. He asked if they were going to shut down because somebody was sick. He said no that is management.

Mr. Michael Johnson said he would be glad to show you the Armageddon scenario but you will not solve this problem by cutting. I guarantee you that. You will not do it. You have got to be thinking on the revenue side.

Supervisor Porter said he understood that but you have got to put it on the table and look at where we are. Some libraries have started closing a couple of days a week because they can't fund them. We may be forced to take that kind of approach. There may be services that we can't provide. He stated like Supervisor West said last week we may see revenue coming in down the road, but if we spend it and dedicate it before we get it, we know something else will be coming up. We have got to get a scenario that we can live with and it may be very painful.

Chairman Jones said what I am hearing from you tonight is that you want to see a balanced budget at the tax rate of \$0.77 cents.

Supervisor West said what he heard them saying was that they don't want to go to semi-annual collections. You are looking at Armageddon and you show that scenario you are looking at creating chaos. Spending next year's money is never a good idea; however we are going to use up to x amount of dollars out of 4.8 that still leaves 3.8 and we will still have revenue left over to help build up the reserve fund. It is something that helps the vast majority of people in the county to pay taxes twice a year. We have got to get over this hump. This didn't happen in one year and we can't get out of it in one year.

Supervisor Porter said he understands that, but we need to look at this scenario. He said he needs to know what it is.

Supervisor West said he thought it was going to be chaotic and whatever is said the "Tidewater News" is going to repeat it.

Supervisor Edwards said we still need to know what it is. We need to know what the worst synopsis is.

Supervisor West said he understands you want it all taken from the schools.

Supervisor Edwards said no what we are saying is we want a balanced budget.

Supervisor Updike said we want a shared contribution at solving the problem.

Supervisor Porter said it is not that we are going to do it, but unless we know all the alternatives and know all the extremes he doesn't know how they can make the best decision.

Supervisor Edwards said they wanted to see the worst case scenario.

Supervisor Updike said on twice a year collections what have you done. You just kicked the can down the road farther. For a collection twice a year we are going to start off with \$123,000 dollar expense. The following year we have got \$125,000 because they are going to add personnel on it so it inside a couple of years we are going to be over \$200,000 in debt to try to solve a problem instead of biting the bullet today and accepting it we are just putting more expenses on a future generation if we make this selection.

Supervisor West said he was hoping to see more business and money in the county. He does not anticipate that things are going to be this bad forever. He does believe that things will turn around and he hopes we have some revenue coming into the county. We can do the semi-annual collection or do cut, cut, cut to get this budget down.

Supervisor Updike said you all are overlooking one thing and that is what created this problem. The state mandates and the federal government mandates and they are going to cut. You can't sit here tonight and tell me they are going to put more mandates on the county budget. Then he will spend some of that extra money that you think is coming down the road. You don't know that the state is not going to put more mandates on us and the presentation tonight indicates that they will. The federal government is the same way. We are going to have to pay the piper one day or another. He can't see spending money that somebody is going to pay him \$1 million next year when the federal government is probably going to cut it \$2 million. We have got to get our budget in line.

Supervisor Faison said he thought it was a good idea for Mr. Michael Johnson to provide the worst case scenario budget, but we don't need to put ourselves in a position by cutting, cutting, and cutting to the point where we can't operate.

Supervisor Edwards said you do what you have to do. He stated that ten years ago he worked 62 hours a week and he worked 75 hours a week now and make less money than he did ten years ago. He did what he had to do. Probably everybody in here has had to make some changes. The farmers out here are faced with higher chemical prices and higher gas prices. When you get in this situation it is all about the people who work harder. You talk about the doom and gloom, but he doesn't think that is going to happen. We have got to bite the bullet and take the hit now and get this budget down to where if next year some glorious thing happens and we get money fine we have got more money that is fine but if next year things are tighter and we are sitting on a bigger budget we are going to be in worse trouble. You can't speculate. Speculation is no good.

Supervisor West said he was not in favor of big budget cuts. He wants to see the worst case scenario. He understands that the four newly elected board members were elected in on a platform not to increase taxes.

Chairman Jones again stated they needed to let Mr. Michael Johnson know what they wanted and give him some direction.

Supervisor Edwards said he thought Mr. Michael Johnson had heard what they wanted – a balanced budget. He asked if Mr. Michael Johnson could provide that.

Mr. Michael Johnson said yes sir.

Supervisor Porter said we have seen what the tax payers think. Once we see a balanced budget we will have both pieces we can make a rational decision.

Supervisor Faison asked if we are asking Mr. Michael Johnson to tell them what cuts to make in each department of the department heads to make the cuts.

Supervisor Edwards said that Mr. Michael Johnson knows about these departments so he can make the cuts.

Chairman Jones asked if there were any other questions. He said what he was hearing was that they wanted Mr. Michael Johnson to present them a balanced budget. He asked if that was correct.

Supervisor Updike said he thought his hearing was pretty good.

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Supervisor West said that anything else would be non-productive until they see the balanced budget.

Chairman Jones said the meeting was adjourned.

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk