

At a budget workshop meeting held at the Southampton County Office Center, 26022 Administration Center Drive, Courtland, Virginia on May 23, 2012 at 7:00 PM.

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

Ronald M. West (Berlin-Ivor)

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 stated that Supervisor West wife was sick and the he was with her so was with her tonight.

Chairman Jones said at this time we will discuss what we are going to do with the budget.

Supervisor Edwards said we have been working on this thing for over four months. We worked on a lot of different ways to do it. He didn't think we had left any leaf unturned. He thinks they listened to everything the public had to say and they are still listening. He thinks no matter what budget they come up with they all need to remember this budget process doesn't end with whatever meeting they have on the 29th if this budget is adopted then. It is going to be a week to week and month to month process throughout the year and every year because we have to continue to find ways to do things more efficiently because we are going to have less money. We put a lot of work on this budget. We listened to everybody. He knows not everybody is going to be happy, unfortunately we can't please everybody. He knows every member of this Board has lost some sleep over this budget. He thinks we have put together as well as any group of human beings could do.

Supervisor Faison certainly acknowledges that this has been a rough process. Hopefully we will come up with a budget that is good for everybody. He has some concerns still. He said he would mention those tonight; and one is the trash fee. That really concerns him. Through the trash fee they will generate about \$1.3 million dollars in revenue. This budget couldn't fly at all without that revenue so there has to be some way to come up with that revenue. Right now the budget says \$200.00 trash fee and he as he says he knows it is necessary to have that income in the budget but he's not satisfied with the way it is. He thinks by putting a \$200.00 trash fee in the budget it puts the majority of the burden on those people who are less able to pay it. He commends Mr. Michael Johnson for the work he has done to equalize it the best way we can by giving some relief to those persons who are least able to pay, but he thinks that still exist. Therefore, rather than have a \$200.00 trash fee he would rather see a \$100.00 trash fee and a raise of taxes in the amount of \$0.05 to distribute the burden more equally over all the people. Another concern he has is the school system. We have a good school system and he is afraid this budget doesn't not provide schools with the immediate funds that they need in which to continue a good system. He understands that in January when they met they gave the school system \$1.1 million dollars. That was \$530,000 dollars short of what they returned. We told them if they showed a need we would revisit that. He said he thought they had shown a need and if there is any way we can revisit that he thought we should. The place of that money is the reserve. Now do we touch that – that is the question? He knows the school needs it and he wrestles with that he would vote that the school receive the money.

Supervisor Porter said he wrestled with this budget more than any other budget that he had wrestled with in his life and there have been a lot of budgets for him. One of the things that drives him in this is that he looks down the road and he looks at our position, our financial condition and he thinks we got here because we didn't have enough long term foresight. He thinks we were too short sighted in some of the decisions that we made and we have created an environment that has been tough to attract businesses which would may significantly more revenue than the cost of the services that they would put on us and that is the only way we are going to get out of this situation. We have got to get industry in here. If we don't get industry in here we are going to be looking at ten years from now instead of looking at \$0.75 or \$0.80 tax rate we are going to be looking at a \$1.50 or \$2.00 tax rate because expenses are going to grow. You know that. Look at your own expenses. Look at where you were ten years. Look at where things were ten years ago. The only answer for the long term is to create a business friendly environment. Create an environment that when people look at Southampton County they don't just discard it because our taxes are too high. This is where our desire is. We already have one of the highest real estate taxes in the state. We are at the very top of the personal property taxes. When people say you have got leverage because you can negotiate and give the industries and companies some of that back. Well with being most of his life on the other side of the table in industry he knows that if they compared Southampton's tax rates to Isle of Wight's tax rates they wouldn't even talk to Southampton because you just aren't competitive. Businesses make decisions on economics and you have got to be able to sell the county. You have got to sell the resources that you have and you have also got to sell the economics. He feels that we have a marginal tax rate for business attraction right now. If we raise our tax rates, we are just causing our problems to get worse. He doesn't like this solid waste fee. He doesn't like this budget. He doesn't like cutting the schools, but he knows we have to take our medicine to get well. We are sick. It is just like having rabies. The treatment for rabies is horrendous, but if you don't take it you are going to die. If we don't take our medicine now, the county is going to die. We can discuss a lot of things tonight. He thinks we have to figure how to do things better. We will be establishing people to look at the way the county operates. We will be looking at trying to make it more efficient and more effective. We will consider shared resources and shared services among county departments, between the county and school systems, and yes between Franklin and the county. If we can find areas where we can share services and both benefit, we would be very foolish not to take advantage of those things. It is only by taking these approaches that we are ever going to create a viable financial sound position for the county and be able to take some of the tax burden off the individuals.

Supervisor Updike stated he was going to make his remarks fairly brief. He remembers Monday night and he thinks Mr. Richard Harris gave a pretty good overview of the county's situation. We are not a wealthy county by any stretch of the imagination. We are right down on the poverty line. We have got people under the poverty line. It seems that we are forgetting this part all together. He said what is the economic condition of the county – it is poor. There used to be a sign along Hwy. 58 and Hwy. 35 that said "Welcome to Southampton – Share the Abundance". They shared the abundance; now that sign should read "Welcome to the Poor House". That is exactly where we are. We forget about the economic conditions of our families and our communities and you wonder why people are leaving – it's because they are taxed to death. Now we go to Mr. William Worsham's comment and he wants to see and ask the Board to put off any vote on our budget until we know exactly how much money we are going to get from the state. Governor McDonnell has \$881 million dollars to be distributed to the counties. He asked how much money is coming to the county. He asked how can you set a budget without knowing how much revenue you are getting. That could be used for our constitutional officers and teachers or educational system. He doesn't think it is logical to set a budget without knowing these facts. The only other comment he has and is going to get in the doghouse for is that he has not heard the first person say we can educate every child in the State of Virginia and North Carolina – just come on in. He cannot see our tax payers paying for educating out of state or out of county students. That is very plain and simple. He asked how can we ask a citizen that is on the poverty line to come up with money to pay for students that are not living in the county or state. He said how can we ask the citizens to do this. He hasn't seen anyone out here saying bring your students on in. They are asking the question why should we be paying for out of county and state students. We are and we have for years and it is the time to look at the policy for not charging enough to cover the cost of the expenses. He is not going to vote for an increase until some of these questions are answered. So we need to look at things in the budget that can be reduced and it is a long list of things. The School Board had an opportunity Monday and they could not answer the question. The citizen asked why the School Board was should the school be paying for the health insurance. They were asked why the travel. And the questions were directed to Mr. Charles Turner and he said we will discuss that later. He said Mr. Charles Turner you are the one who said it; I didn't. So everything should be on the table

if you are going to look where to cut you have got to look at the county and the school. He said he hadn't seen anywhere that we have put up a good forth effort in solving these problems.

Supervisor Phillips said likewise this has been a long process. We have worked on this, talked about it, and prayed over it. While studying the budget he had looked at the county seal which is on the front of each one of our workshop packages and it shows farming operations, it shows trees, and it shows the sun coming up. Hopefully the sun is rising on Southampton County's future. We are a farming and forestry community but we have got to grow. Right now the burden for all the services is on the residents of the county. If we can add some industry to the county, we will be able to lighten that load. This year we are peaking for our debt services for what we have contracted for at this point – the schools and to the enterprise fund which is basically the sewage treatment plant. We have got to pay these bills; we don't have a choice. There is no question about that. You and I both whether you work or run a business you have to pay the bills. There are some tough decisions before us. With the trash fee there is a distribution of the responsibility to everyone in the county that uses the services. In the past we have used the reserve fund as a bank account that we could go into. At this point the Board has not raised the taxes. We have not opted to do the bi-annual tax collection because it would be a windfall for one year, but all that does is move the problem one year further along. We would still have \$100,000 in administrative cost every year so that would gradually eat up anything that we would gain by going to the bi-annual tax collection. As Supervisor Porter said we are going to establish a committee to examine the different departments in the county as well as meet with the City of Franklin if we can arrange it and as he said when did Steve Stewart's radio show nothing is off the table. We are here to try to make this county better. It has been a difficult process, but he is here for the next three and a half years and he plans on doing the very best job that he can and he hopes they feel like the Board is. It may not be the easiest. He thanked the schools for their comments. He agrees he knows the teachers are putting in more hours than they are paid for and they are taking money out of their own pocket. His comment was that as much money as we are putting into the school system we should be better able to compensate our teachers. He doesn't know how best to address this as this Board cannot really get into how the School Board is running. The only thing he would say in closing is that he thanked everyone for coming to these meetings and being a participant. He said he would urge you to do more of that whether it be the School Board or whatever. This is your county government and that's how you are going to change it. He said he hoped they would find some more ways to make cuts and he is still open to comments. He said we will continue through this year after this budget is approved to find ways to make improvements and they will still be very receptive to any comments that you can make.

Supervisor Edwards said he wanted to address a few things that came up. Suggesting taking money out of the reserve is not an option. Our reserve is on life support now. We can't afford to take any money out of reserve. Everybody needs to realize that. Everybody sitting up here tonight needs to realize that. As far as raising taxes we are the highest taxed county around here. It chases people away from here. It chases businesses away from here. It chases industry from here and we have got to put a stop to it. This Board has decreased because of a very high assessment that we got. They pushed the personal property tax back from \$0.77 to \$0.75 to try to make up for that. We can't keep decreasing taxes. The trash fee is \$200.00. You can call it what you want. The newspaper can call it a tax, levy, whatever they want. It is a fee that is probably pretty clear that some people can't afford to pay it as well as some other people, but this is not like a tax raise. Once you raise a tax base you have to pay for it the next year and that keeps expanding. It's like adding a new child to the family every year. You have got more expenses from that child. We are not doing that. As our tipping fees go down, and they might go down by the time we get out of this contract in 2018, this fee will come down. This fee is going to be reviewed on a yearly basis in a public hearing in front of you folks. If our tipping fees come down, this \$200.00 trash fee is going to come down in a like percentage. So that is the only good thing he can say about that. He doesn't like it, but that is the only good thing he can say about it. As far as the schools go they are doing an excellent job. The only problem he has with the schools is our teacher's pay scale is the last of any county around here – right on the bottom. He doesn't know where this money they have been putting into the schools has been going, but it is sure not going to teachers.

Chairman Jones asked if there were any other comments before make a decision. He said they had to make a decision tonight.

Supervisor Updike said he thought two things. He said didn't we get the message Monday night that people don't want the \$200.00 trash fee. He thinks it is unfair. He thinks if it goes on it will never come off. You can say 2018 because that is a lifetime for him as far as he is concerned.

That is not coming off. I can promise you that. A \$200.00 trash fee for a person with property less than \$80,000 means over half the people that have got homes. Their tax rate would be over a \$1.00 to pay for that \$200.00. That is what it amounts too. Now it is going to be raised \$0.25 to cover that \$200.00. That is by far the highest tax rate in the state of Virginia. It is as high as any city and we don't get any services like the city folks do. He said where are we going – we are kicking the can down the road. We need to make cuts now. He said he used to hope that we take last year's budget and take a 5% cut across the Board and see where we go from there. If they can't they live with a 5% cut and they are going to pick up and move from the county there interest and concerns for the county is not here. Last year this Board was begged and pleaded upon to make a one-time bonus to the employees – no less give them a 2% raise. That 2% raise last year has put us in \$430,000 in the hole this year and next year and next year. We don't think about what is happening in the future by putting these taxes on. Look at our revenue. You think our revenue next year is going to be that much more to take care of it. I don't think so. Our expenses are going up. I can promise you that. The sewage plant bills will start coming in, VCS is going to be increasing another 1%. You can go on and on. Our expenses are going up and our revenue is not. If you don't stop the bleeding right now, we won't stop it.

Chairman Jones asked if there were any other comments.

Supervisor Porter said he would like to say contrary to Supervisor Updike's belief across the Board cuts just don't work. Most of you may or may not know the other night Mr. William Worsham misquoted it but our debt service this year is almost \$6 million dollars it is not \$800,000. He asked how are you going to do an across the board cut on our debt service - are we not going to pay our bills. He asked if we are going to default. Let the county default and see what happens to your property values. See what happens to any businesses. Across the board cuts doesn't work. The biggest items in our budget we have very little control over. One you say the cost is 95% personnel costs. He asked how many people do you think work for the county. If we take the teachers in the school system out, if we take the Sheriff's Department out, and the constitutional officers out which are pretty much dictated by the state we have 38 people. We could fire all 38 people and shut the county down and we reduce the budget by \$1.8 million dollars. That is not even getting close to what we need to do and we can't even operate. Of those 38 people 16 of them work in the water and sewage department. We can't shut down the water and sewage plants. We already man those at the minimum level that the EPQ and DEQ allow us to. So now we are talking about 22 people. Of those 22 people there are six people in public works. What that means is that they are people who actually pick trash up from the dump sites and take it to SPSA. Of those six people four of them make less than \$25,000.00. So now we are down to 16 people, we just don't have the people. There is no abundance of people. We are looking at 38 people and hoping that as we learn to do things better we can reduce some of those people. As we go through our project to identify efficiencies in the county we can reduce some of those people; but even if we reduce it by 10% that is 3.8 people and if we take out the water and sewer which we can't reduce because of our regulation we are talking about 2.2 people. Well that is about \$100,000 guys. It is not people that are causing this problem. It is debt. It is the cost of operating our water and sewer system and then we have got to educate our children. He has seen five significant cuts in the company that he was working for and never once did he see anything across the board work. You have got to identify the operations and you have got to learn to them better. The way you learn to do them better you put everything on the table and you look at everything. Many counties in the state of Virginia are combining administrative functions of their school board and their county government. He asked why we need two finance/accounting departments that do basically the same thing. He asked why we need separate IT departments. He asked why we can't work together. These are things we are going to be looking at by the way. We are going to do things better. We are going get past this and we are going to be strong. One of the things you have to remember is you can't just cut mandate cuts and say I have 50 people working today and tomorrow I'm going to have 25 working and life is going to go on – it doesn't work like that. You have to go through a transition period where you identify the things you have to do and you have to figure out ways to do them better. That is the kind of process we are going to have to go through and that is the process that many of us on the Board are supporting and pushing for. In the meantime face it or not we have got to have additional revenue. We have got to make it so we can get businesses in here so we have a long time solution and not just shoot ourselves in the foot again. We have shot ourselves in the foot too many times in the past and we have got to stop it.

Chairman Jones asked if there were any other comments.

Supervisor Phillips agreed with Supervisor Porter and thanked him for his comments. We have built the infrastructure. It is the old adage that if you built it they will come. He said he trusts the Turner Tract will attract some businesses. We have as a resource the waste water sewage treatment plant. You need to have these things otherwise you don't have anything to offer to industry coming into the county. We are struggling to pay for that now and the debt service on it. Hopefully we will be able to come around this corner and again just like the county seal shows the sun rising on Southampton County. He thinks things will get better, but we have got to be fiscally responsible. He believes that if we look at the operations of this county just like Supervisor Porter said; we can find shared services and a better way to run this county.

Supervisor Faison said we are in a tough position. He said he was thankful for the Turner Tract and he was thankful for the waste water treatment plant. He would hate for us to have to face it now where we had to begin building those things being in the position we are in right now. Those things are here and will be the things industries are looking for and needing in order to come here. So he thinks we are in a good place and he is proud to be part of the Board that put them there. We do face difficulties now, but a lot of our difficulties are a result of reduced state funding. Since 2008 we received \$4 million dollars less in state funding up until today and that puts a real burden on what we have to do. The state is in a position where they can pass things on down to us. We don't have anybody to pass it to. As citizens of this county we have to work together to make this work. He doesn't like the position we are in and as he said before about the trash fee it is here, it is a part of this budget, it generates revenue. This budget would be in pitiful shape and we couldn't really operate without the revenue that it provides. Then he doesn't like the way it is distributed. As far as industry here in this county, the tax rate is certainly significant. He doesn't know in the discussions that they have had with industries that industries have singled that out as a reason. Most companies look here and see that if we have infrastructure that would accommodate them and again he is thankful that we have it. He thinks that was foresightedness. He has to pay for it; we aren't going to get something that we don't have to pay for. We have to bite the bullet as far as the things we have and go on. He said we are dealing with the budget now and again he would love to see us do something for the school system. He stated we have a good school system and he doesn't think we can devastate that school system and expect it to continue to perform as it has if we don't support it.

Chairman Jones stated our backs are against the wall right now and we are asking you to help us. The only way we can ask you is to put this \$200.00 fee on ourselves. Every year he has to pay Mr. David Britt his taxes just like you do. Whether they raise them or lower them he has to pay them. He stated he would have to pay the \$200.00; well actually he would have to pay more – he would have to pay \$400.00 because he has two houses. We are just asking you to help us right now because we can't do anything else. He asked if anyone knew of anything else they could do. He stated that Mr. Michael Johnson had worked out three different budgets this time and this is the best one that we have come up with right now. We need to go on and do what we have to do and work together and see if we can't lower what we are doing and work with Franklin and work with the School Board. We need to try to do better than what we have been doing. We just need to go ahead and pass a budget that we can work with and let that be over with so we can continue to run the county. He said he didn't want to shut the county down. He does want anybody coming through and be in a hurry to get through because they don't want to stop. He said he didn't want to pay a trash fee, but he had too. He has had some calls about will they close the trash dumps. We aren't going to close them. You are not going to have a ticket or anything to get in there. The trash system is going to be just like it is now. You are going to drive in and dump your trash whether you have paid the \$200.00 trash fee or not. You will not have to put in out by the highway or on anybody else's property. So we need to do something with this budget.

Supervisor Updike said maybe Mr. Richard Railey could answer his question. He hopes they back down but some people have said if the \$200.00 fee is being passed by this Board they were going and get a referendum to appeal. He asked what is going to happen if the citizens get a referendum to appeal the \$200.00 trash fee.

Mr. Richard Railey said there is no statutory authority for such a referendum. We don't have a pure democracy in this country. We have representative democracy. That means the people of Southampton County elect you to make the decisions within your statutory authority and they have to live with your decisions and their decision is not a referendum to take anything that you vote on and vote it down. Their decision is to vote you out at the next election.

Supervisor Edwards said any citizens who would do this would not be working for the county or anybody here. They would be working against the county. We are trying to solve a problem here. If people want to go out and try to get a referendum about this \$200.00 they would be working against we are all trying to do for the county. We are trying to build a fiscal responsibility that has been lacking here for the last eight to ten years. We have gotten ourselves in a hell of a lot of debt. We have got \$70 million dollars setting out there and our debt services are high. We are in bad shape; we are on life support. In medical terms we have got a dead foot we have got to cut off in order to save the rest of the body. Now if anybody wants to work against that \$200.00 they are not working for us, they are not working for you, they are not working for the school system, they are not working for the county.

Chairman Jones asked if there were any other comments.

Supervisor Faison said as much as he doesn't like this budget, and nobody does, he does agree that is we are going to survive we are going to have to work together. Once this Board passes this budget or whatever it is, we are all in this together. We are all in this together. Once we make a decision; that is the decision. We have all got to work together and make it work.

Chairman Jones said we are the Board. There are seven of us up here and if four of us say yes, it is the Board regardless of what the other three says. You may not like it. He doesn't like some decisions, but we are the Board. He is going with the majority, whatever they say. When he leaves here it will be the Board did it and not Supervisor Edwards and Supervisor Faison. You have to keep that in mind that it will be the Board and not an individual that makes the decision. So we are at the point where we need to make a decision tonight.

Supervisor Phillips said he thought next Tuesday night would be their time to vote on this. He thought we have made our opinions clear but he thinks next Tuesday is our actual voting time.

Chairman Jones said we can vote on it next Tuesday night, but we need some kind of consensus or something tonight so Mr. Michael Johnson will know how to prepare for next week.

Supervisor Porter said one question he has for Mr. Michael Johnson is people keep referring to all this money we might get from the state and he wanted Mr. Michael Johnson to comment on that.

Mr. Michael Johnson said he could tell you that our estimates of state revenue are current. He is not anticipating any additional state revenue beyond what is included in this budget.

Supervisor Porter said so that is based on everything that is in the news and in essence that you know about right.

Mr. Michael Johnson said correct.

Chairman Jones asked if we have a consensus tonight on this last budget that Mr. Michael Johnson has prepared for us.

Supervisor Edwards made a motion that we go with this budget.

Chairman Jones asked if he could get a second on it.

Supervisor Porter seconded the motion.

Mr. Michael Johnson said just as a point of clarification we are not actually voting on the budget we are just suggesting no further revisions will be made.

Supervisor Edwards said we are taking the budget to be voted on May 29th just as it is.

Chairman Jones asked if there was any other discussion before he called for the vote.

Supervisor Updike said he thought we were in the same boat we had been in for years and that is the citizens don't count. He asked why did we have a meeting on Monday to listen to the citizens and not a single discussion has been made on what they came up with. We are leaving out the public. He thought we were supposed to be an open government and listen to the public and we

May 23, 2012

have not discussed a single item that was brought up on Monday. So he will definitely not support it because we are not taking the citizens concern into consideration.

Chairman Jones asked if there was any further discussion. Chairman Jones called for a vote on the motion to present the budget as prepared by Mr. Michael Johnson to be voted on Monday, May 29h. The motion carried with Supervisor Updike voting nay.

Chairman Jones said the majority rules. He said he heard the citizens just like you did Supervisor Updike but we are asking them to help us with the \$200.00. That is all that we are asking.

Supervisor Updike said that is a lot to be asking.

Chairman Jones said if there is nothing else to come before us, we are adjourned.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk