

At a budget workshop meeting of the Southampton County Board of Supervisors held in the Board Room of the Southampton County Office Center, 26022 Administration Center Drive, Courtland, Virginia on May 22, 2013 at 6:30 PM.

SUPERVISORS PRESENT

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

SUPERVISORS ABSENT

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)  
Beth Lewis, Director of Community Development  
Lynette C. Lowe, Finance Director  
Richard E. Railey, Jr., County Attorney  
Cynthia J. Edwards, Administrative Secretary

OTHERS ABSENT

Julien W. Johnson, Jr. Public Utilities Director

Chairman Jones called the budget workshop meeting to order.

After the Pledge of Allegiance, Supervisor Faison gave the invocation.

Chairman Jones asked the Board members if they had anything at this time. He called on Supervisor West.

Supervisor West said he had just one thing, perhaps two. One thing he had been contacted by the Sheriff concerning some funding that he needed some understanding on and that would be the Comp Board compensation apparently the 3% may require some local match. I'm not sure. But I need an understanding if you understand what that is about. I said I would present that tonight.

Mr. Michael Johnson said sure. Back in 2005-2006, the last time we redid our pay classification plan we went through the exercise of having the consultant evaluate the positions in the offices of the constitutional officers. At the conclusion of that study, the constitutional officers at that time had the option of whether they wanted to come on board with the county pay classification plan or if they wanted to remain independent and funded basically under the State Compensation Board. All five of the Constitutional Officers at that time opted to come under the county pay classification plan. One of the provisions of that is that they no longer will be directly subject to raises given by the Comp Board. The flip side of that was that they would be entitled to any raises that were granted by this Board in years when the Comp Board did not. So having full knowledge of that all five of the Constitutional Officers at the time opted to go under the county pay plan. That started with fiscal year 2007 I believe. Since fiscal year 2007 this Board has granted raises three times to its work force which included raises for the employees of the Constitutional Officers. The State Compensation Board had not given any raises over that same period of time so those raises had been 100% locally funded. This fiscal year, fiscal year 2014, is the first year in which the Compensation Board has approved raises, but the county did not. But, the deal was when they came on our county pay plan that if that happened even though we will receive that money from the state, we have already given the raises in advance. You won't get an additional raise. You follow the same thing as the rest of our employees so that is where we are.

Supervisor Edwards asked Mr. Michael Johnson if he could give him an idea of what those percentages were for the group.

Mr. Michael Johnson said yes.

Supervisor Phillips said the 13.47%.

Supervisor Edwards said according to Supervisor Phillips here 13.4 almost 13 and one-half percent.

Mr. Michael Johnson said correct.

Supervisor Phillips said this was over the same period of time the state raises were 7%.

Supervisor West said right. He said with that being said he will come back to it in its way. His second question is, and Dr. Alvera Parrish good evening; I'm glad to see you, I understood that there was an amount of money that you would receive from the State for teacher raises, 2%.

Dr. Alvera Parrish said yes, sir.

Supervisor West said his question is where did that money come from that we have to put up a certain amount for and it's not really matching funds this year, but it is an amount that requires a greater amount for the teachers, okay. My first question is where did that money come from by you and his second question is how is it being handled to make sure that they get this money because he has heard through rumor that they will not get that unless we grant the raise through this Board so that money has to come back through the School Board to us to be redistributed. What is the story?

Mr. Michael Johnson stated he would share with you his understanding. He said they had a conversation just prior to the meeting in which was shared something that we need to confirm or rebuke one way or another, but unless something is very unique with this legislation this year it will work like it has always worked. This Board makes a decision on how much local money it will appropriate to the school system and you can appropriate that money categorically which you have done in your published budget so much to instruction, so much to administration, so much to transportation, so much to debt service, but after that your involvement with how that money is budgeted on a line item basis your involvement is done. That is a School Board decision. And, it would be a School Board decision on whether or not they are able to grant those raises based on the local revenue that you have appropriated.

Supervisor West said the scuttlebutt is has that been done. Did you find that money from that source to access that State money? Is that the way it is?

Mr. Michael Johnson said I think your question is under the budget that has been published as the proposed budget, will that fund the teachers raises.

Supervisor West said yes.

Mr. Michael Johnson said Dr. Alvera Parrish will have to answer that for you.

Supervisor Edwards asked if they could go back a little bit. Can we finish with the Sheriff 3%?

Supervisor West said we can go back and do that in a little bit, but he has answered exactly what I needed to hear because I had been getting conflicting information.

Supervisor Edwards said he just wanted to see if we could get one confusing thing done at a time.

Supervisor West said well let's finish with the Sheriff then. Then I will come back to Dr. Alvera Parrish. By speaking to the Sheriff today he wants if from both sides is the way I am seeing that. Is that correct? But, in fact he has agreed to the grading system that we use when he came on board with us. Now that the Comp Board is able to come down with a raise is he eligible for that if it requires matching funds or is it automatic or what?

Mr. Michael Johnson said you are already funding every position in that Sheriff's office at higher levels than the Comp Board funds. So, you are under no obligation for providing an additional raise.

Supervisor West said so that answers that question. The second question goes back to Dr. Alvera Parrish and that goes back to the planning that will be needed to access the raises for all the teachers in the system. I presume that you would be candid enough to provide whether you have found that money and where did it come from.

Dr. Alvera Parrish said at this point we have not found the money. I thought your question was where is the money coming from the state which is from their incentive fund that they are sending down the money to provide for the match to be done. If you are talking about us leaving that amount in our budget, I assume that is what you are speaking about to say that we are still wanting to make a decision about whether we were able to. We did not know what this Board would do or has done because a decision has not been made by this Board. Then I would have to take that back to the School Board and then they would have to look at that. We are just looking at what could we do. Our question to the state department was could we fund, if you all couldn't do the match could we do the match, was that an allowable function.

Supervisor West said and the answer was.

Dr. Alvera Parrish said the answer was yes.

Supervisor West said so the answer is yes.

Dr. Alvera Parrish said if we have the funding. We don't have the funding.

Supervisor Edwards said the answer that he got today from our representative, Mr. Rick Morris, was that is not the case. That the money cannot come from you that it has to come from us.

Supervisor West said that is where he had been.

Supervisor Updike said that is the same answer that Mr. Rick Morris gave me a month ago.

Dr. Alvera Parrish said Mr. Rick Morris?

Supervisor Updike said yes, Mr. Rick Morris. He said that was a mandate coming down from the State for you all to pick up. It is up to you all to approve it and fund it. If you don't want it, decide that you don't want it. It is not something that they are going to fund next year. It is a one-time deal and the Board of Supervisors has to put up the funding and approve it. You have got to look at what is going to happen in future years on the total budget of the county. It's not just one year. That is a quote from him.

Dr. Alvera Parrish said she can't speak on what Mr. Rick Morris said because I don't know what his source of information is, but I made sure that we talked to the appropriate people at the state department because I am not going to make a decision and even contemplate something like that unless I am sure, that I am sure, that I am sure that it can be done because I am not going to put the school division in that kind of compromising situation. But, that is the information that I received.

Chairman Jones said we have an attorney and we need to use him. He asked Mr. Richard Railey if he could find that out for us before the next meeting and get the answer that we need.

Mr. Richard Railey said he would be happy to. He stated that he intended on calling him in the morning and asking him to show me in the name of legislation in black and white where it says that this Board has to approve it. If he shows me that then I will tell you that is what it says. I will show it to you.

Chairman Jones said we need to know.

Mr. Richard Railey said I think you do need to know.

Chairman Jones said we need to know because we don't know what is right. One is saying one thing and one is saying another.

Supervisor Edwards said we are just saying what Mr. Rick Morris told us.

Chairman Jones said I understand.

Supervisor Edwards said he asked for confirmation and his office called Richmond and got back with him about two hours later and said we checked with the appropriate authorities and here is the story.

Chairman Jones said alright.

Supervisor Edwards said well he could be wrong.

Mr. Richard Railey said let's see what is in black and white.

Chairman Jones said alright.

Supervisor Faison said his question might be ludicrous now. You are saying that even if you have the authority to use funds that you have you are saying that you don't have those funds to match.

Dr. Alvera Parrish said they have not discovered those funds at this point.

Chairman Jones called on Supervisor Porter.

Supervisor Porter said he didn't have anything.

Chairman Jones called on Supervisor Edwards.

Supervisor Edwards said he didn't have anything else to add.

Chairman Jones called on Supervisor Phillips.

Supervisor Phillips said they had a difficult time this year. It has been a learning experience, but he thinks they have done the best that they can do with what they have. They have to present a balanced budget. This issue with the Sheriff's Department is something that has come up in the last day. I think it has been addressed and I'm sorry that it wasn't resolved before now. At this point I have no further comment.

Supervisor Faison said as far as the funds from the Compensation Board they came to the county.

Mr. Michael Johnson said they will come to the county.

Supervisor Faison said then once they come to the county they can be used at the Board's discretion.

Mr. Michael Johnson said it can be used only to pay salaries for deputy sheriffs.

Chairman Jones said that we are already paying.

Supervisor West said I assume that was already budgeted based upon expectations.

Mr. Michael Johnson said correct.

Chairman Jones called on Supervisor Porter.

Supervisor Porter said his understanding is, and maybe Mr. Richard Railey can clarify this, we have all the county employees on the pay system so we have to be consistent on how to apply that system. We cannot take individual groups of employees and treat them differently. In other words

the decisions we make on pay effect all the employees across the board is his understanding. So we can't give just a group like the Sheriff's Department a raise without giving everybody else a raise. We have to be consistent. I think we made the decision that we aren't in a position right now to give a raise to all the employees. We wish we could, but we aren't. Consequently, and I have talked to the Sheriff on this and I have talked to Mr. Michael Johnson, and I don't think we are violating anything because we do pay the supplement and there are instructions that came with the money from the Comp Board saying clearly that you may get a raise because certain portions of these funds the locality has the right to reduce the local supplement by a certain amount and apply these funds to it. So, everything we are doing is on Board. The thing is we have to treat all the employees alike in his mind and if you can't give everybody a raise then you can't give anybody a raise.

Supervisor West said I am ditto with what you said. Saido, I am ditto with what you said and this issue has just become an issue yesterday afternoon and today.

Chairman Jones said it was before that.

Supervisor West said well that was when I was notified.

Chairman Jones said alright, but it was before that.

Mr. Richard Railey said as Mr. Michael Johnson stated so well you have a Comp Board in Virginia and that is kind of an acronym, but you had a choice. You go with the Comp Board or you go with the county plan with everybody else. You can't have our cake and eat it too.

Chairman Jones said right.

Mr. Richard Railey said if you take what the advantages are from going with everybody else is then you can't go back to the Comp Board when that is more advantageous.

Supervisor Faison said you are exactly right. He said it was obvious as far as the Sheriff's Office is concerned we have done what was needed and correct to do. But, I guess I'm not clear still that if the money is coming into the county and we certainly give it to the Sheriff's Department because they are under the same plan as the other Constitutional Officers and everybody else. He said what he wasn't clear on then was what happens to the money.

Mr. Michael Johnson said say a deputy Sheriff makes \$30,000 a year and let's say the Comp Board sends \$25,000 and we are paying \$5,000 currently. Let's say the Comp Board raise that they are sending is an additional \$500 dollars. So, next year what that means is the Comp Board would be paying \$25,500 and our local supplement would go down from \$4,500. The employee gets the same amount of money; it's just the local supplement we are putting into that money is reduced.

Supervisor West said but the decision was made in 2007.

Mr. Michael Johnson said yes, when they came on our plan.

Chairman Jones said when they came on our plan. All of them were asked.

Supervisor West said so when they came into it.

Supervisor Porter said all the money we get from the Comp Board goes to them and in addition we have more global money that we supplement with.

Mr. Michael Johnson said right.

Supervisor Edwards said it looks like they made the right decision in 2007 because they got 14% versus 7%.

Mr. Michael Johnson said they did; they are better off.

Chairman Jones said alright Supervisor Updike I didn't get to you.

Supervisor Updike said you saved the best for last.

Chairman Jones said okay.

Supervisor Updike said everything now looks like it is fairly under way, but there is one thing that concerns me is that we are advertising that we are not raising the personal property tax. The only thing that we have done is borrowing money so that we don't have to raise the tax rate this year. The citizens have to pay that borrowed capital plus interest whether it is this year or next year or down the road, you are going to pay that 4% on borrowed money. So, we didn't have a balanced budget as far as he was concerned because we borrowed money to cover it. It is sort of like your credit card. When you go out and buy on your credit card you don't have to pay today, but you are going to have to pay tomorrow. And, that is exactly what we have done just kick the can down the road so that you can pay more money in future years with the interest on it. I think the public has been mis-lead from the standpoint that we have got to be able to live within our means. How can you be living within your means when you are borrowing capital for operating expenses? The second point I think we need to work on, even Congress before they can have a budget they have got to raise their debt ceiling so that their budget wouldn't exceed the amount of money in their limits. Here we are borrowing money and putting it in our budget and we haven't had a hearing or discussion on borrowing this capital to be put in the budget for the coming year. We haven't approved a cent to be borrowed. We haven't discussed a cent to be borrowed or at least we haven't voted on it. I think we are putting the cart before the horse and not doing things by following proper procedure. If we are going to borrow money, know how much the cost is, have a hearing on it, a voting on it, and then put it into your budget. So that is the hang-up that he has.

Chairman Jones said Supervisor Updike I'm trying to figure out the money that you are talking about. We are borrowing money for the buses.

Supervisor Updike said okay.

Chairman Jones said but...

Supervisor Updike said you can call it anything that you want to. You can call it operating cost. You can put any kind of name on it; it is still borrowing capital money, period. And, buses are operating expense.

Chairman Jones said I understand that but, Supervisor Updike do you think that we can let the School Board go and try to save enough money so that we can buy the number of buses while the kids are out there on the road with the buses broke down, somebody gets hurt, then we get sued and it will be a whole lot more money gone. So I don't know of anything that has a large number on it that most people in this United States don't borrow money on.

Supervisor Updike said what I am saying is, and that wasn't the issue, the issue is the procedures of borrowing money without a hearing, without an approval. It's about the procedures. You are borrowing money. You can call it anything that you want, but you are borrowing money.

Chairman Jones said Mr. Michael Johnson can you address that.

Mr. Michael Johnson said you will go through those procedures when you are prepared to borrow the money. Keep in mind that a budget is a financial plan. Approval of the budget doesn't appropriate any funds. That is done by resolution of this Board. This is simply a plan so that you can see the next twelve months ahead of you how much money we are going to bring in and how much money goes out. That is all the budget is. You will clearly go through the process that you have described before you borrow any money. You will have a public hearing. You will vote publicly. You will know the exact terms of the deal, but this budget simply says we recognize that we have got a need. We recognize that we need to finance an asset and we set aside a certain amount of funding to be able to service the debt on those assets in the following fiscal year. That is all this says.

Supervisor Updike said but when you put it in your budget then you almost have to approve the borrowing because if you don't...

Mr. Michael Johnson said you don't have to.

Supervisor Updike said you don't have to, but if you don't you are going to leave yourself a half of million dollars short if you don't borrow the money. So, your hands are tied if you put it in that budget. Either reduce spending or raise the taxes. They are the two choices as far as he is concerned. It is not for borrowing money for operating costs.

Chairman Jones called on Supervisor Faison.

Supervisor Faison said as far as us borrowing money or whatever, in what we do we have a choice. I think a lot of people made a choice. They said they are not going to raise taxes. That is a choice a lot of you have made. So if that is a choice that you have made then we are stuck with other alternatives. What it is, is the fact that we have to have a balanced budget. We have to have the revenue to balance that budget. If we are not going to raise taxes for the revenues, then where is it coming from? We end up borrowing it. So that is a decision that we make.

Chairman Jones called on Supervisor Porter.

Supervisor Porter said you know I keep hearing people say that the reason that we are in trouble is because we are in too much debt. You know people confuse what that is. It is not the debt that can get you in trouble or not get you in trouble; it is the decision to do something else that requires you to fund it. Let's not confuse the two issues. There are two issues. One is that we have a decision as whether to buy something that is necessary, needed and proper. Well, I urge you to say that these buses are necessary and proper and we need to buy them. Then there is a second decision. Once you make the decision to do something you have to find a way to have the cash flow to effect that decision. There are two ways to do that. If you are generating enough cash flow out of your operating fund if you are a company and your tax revenues if you are public like we are. Then you have the money to do it. If you don't have the money out of your revenue then you are either going to have to raise taxes or you are going to have to finance it. The reason people finance houses and cars is not because they necessarily make a bad decision. They make a decision to buy a car or a house. Unfortunately it is not an operating decision per say; it is more properly classified as a capital decision which means it has a long life. All the financing does is that it chooses to pay for that asset over the life of the asset. When you have a capital asset debt is not bad. Debt might be the best way to do it. If you are anticipating improving cash flows in the future debt is absolutely the way you want to go instead of shooting yourself in the foot today. So remember there are two decisions. The first decision is do we buy buses. In his mind, the answer is yes. The second decision is how do you finance them. Do you finance them with a tax increase when we don't have current revenues or do we finance them with debt looking at where we are going and the plans that we are striving for in the future I think the proper decision in this case is to go the debt way.

Chairman Jones thanked Supervisor Porter. He asked if there was anyone else wishing to speak. He called on Supervisor Updike.

Supervisor Updike said as long as we are borrowing more money every year than we are paying off, we are never going to get out of debt. We are still paying a huge debt and you have got about 15 or 20 years before it is going to be paid off. Be man enough to stand up and say we are short of cash and if we spend it there is going to have to be a 4% increase, period. Stand up and take all the responsibility of your debt. If you are using it, you pay for it. That is his two alternatives. Kicking the can down the road is the American way is letting somebody else pay for it, and he doesn't buy that philosophy at all. If I use it, I am responsible to pay for it.

Chairman Jones asked if anybody else had anything.

Supervisor Porter said just one more. First of all the debt is going down next year even with incremental borrowing. We are going to pay off roughly \$2 million dollars of debt and we are going to put \$ 500,000 new out there so we are going to reduce the debt. We do have the debt looking like it is going down in the future. But there is a plan to do that. Now to get back to the decision, the decision is that we need to buy the buses. We need to implement a plan to refresh the bus fleet on a responsible basis. This is not kicking the can down the road. If we were borrowing

money to pay salaries to operate you are right, that is kicking the can down the road. When you are buying an asset that is going to last 15 years I have no problem with paying for the asset over the life of the period of that asset especially when we have favorable financing for it rather than right now raising the tax rate to a level that makes us even more of a competitive disadvantage. I think our savior is increasing industries. That will bring us the revenues for the things that we need to do in the future. Unless we focus on that we are going to end up being a dying county.

Chairman Jones asked if there were any other comments.

Supervisor Edwards said he thought everybody needed to realize this is \$8.1 million dollars over the next twelve years. He said he wondered where the system went haywire all of a sudden. This is the first time. He asked if they remembered buying buses before.

Chairman Jones said oh yeah, we have bought buses before.

Supervisor West said to our thought we purchased buses in the school budget before. Whether they were purchased or not has an entirely different meaning. Again, we can appropriate the money, but how the schools use the money we cannot force that. Designating this to the knowledge that these buses will be purchased. Yes, that is part of their capital improvement plan now, under their heading and not the county.

Chairman Jones asked if there was anything else.

Supervisor West said unless you are ready, I'm going to say simply this. I don't see that anything has changed; there is no more money. You said it best last night. We are looking for next year, Dr. Alvera Parrish, but we will only be as good as what we are next year. We don't have it; and we as a collective group have made a decision to hold the line or toe the line. You can look around and see the number of issues that other Boards are facing and if there is anything I can say we faced it last year sooner than most of the neighboring areas did. If it doesn't get better, there is nothing that we can do. The number of people with a burdened load is so great now. You can take from those who have to those who don't. I'm not going to accept that as an appropriate way of handling or distributing wealth. I'm not. That is not my style. I think nothing has changed; there is no new income. I think we need to move forward to the budget Tuesday night and I am prepared to vote on it at that time, in favor of the proposed budget that has been advertised in the Tidewater News.

Chairman Jones asked if there were any other comments.

Dr. Alvera Parrish asked if she was in order. She asked if she could speak.

Chairman Jones asked if there was a question or comment.

Dr. Alvera Parrish stated that she wanted to make one very brief comment.

Chairman Jones said alright.

Dr. Alvera Parrish stated that of course everybody here knows that this is her first year here as Superintendent. I really can't speak for anything that happened before I came and I won't do that because I haven't walked a mile in anybody else's shoes.

Supervisor West said Amen.

Dr. Alvera Parrish said I can say this for sure and I just feel like I need to say this to this Board and that is if the money is approved for the buses we will purchase buses. You have my word on that; we will purchase buses if the money is approved for the buses. We will continue to do what we have to do to educate the children in Southampton County Public Schools. But, my request was made because it is needed.

Supervisor West said in good faith.

Chairman Jones thanked Dr. Alvera Parrish.

Supervisor Porter said he would like to make a comment. He stated that sometimes we dwell too much on history and that is what history is. What happens is that we have to start today and move forward to make the best decisions to make the best life possible for the people in this county starting today and moving forward and not dwell on what happened five years ago. I would prefer to focus in that direction. And, yes some people are going to be happy and some people are going to be unhappy because we don't have the resources to buy everything that people want or need, but we are going to fund everything that we can afford to. And, that is going forward.

Supervisor Edwards said you know there are no surprises here, we all knew at the beginning of this year what we had and what we didn't have.

Supervisor Porter said we have \$52 million in revenue; that's the bottom line.

Chairman Jones asked if there were any other comments. There being none, the meeting was adjourned.

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk

May 22, 2013