

AT A MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS HELD
ON TUESDAY, FEBRUARY 7, 2023, IN THE BOARD ROOM OF THE HISTORIC
COURTHOUSE, SALUDA, VIRGINIA:

Present: Wayne H. Jessie, Sr., Jamaica District
Don R. Harris, Saluda District
John B. Koontz, Jr., Hartfield District
Reginald A. Williams, Sr., Harmony Village District
Lud H. Kimbrough, III, Pinetop District

Matthew L. Walker, County Administrator
Ann Marie Ricardi, Assistant County Administrator
Heather W. Lewis, County Attorney
Tammy-Lynn Gilbert, Deputy Clerk

ROLL CALL

Attendance was taken by Ms. Ricardi with the following roll call: Supervisor Williams – Present, Supervisor Koontz – Late (arrived at 10:00 a.m.), Supervisor Harris – Present, Supervisor Jessie – Present and Chairman Kimbrough – Present.

BUDGET REVIEW

Mr. Walker provided the Board with a notebook containing information on all County owned property for their review and future discussion, he explained the budget request notebooks and asked the Board to bring the notebooks with them for Friday's work session.

Mr. Walker addressed the possibility of investing in Treasury bills to earn a higher interest rate, adding the Treasurer would have to agree and take the lead. He mentioned the available fund balance for appropriation in FY23 to be \$7.5 million with a set aside of \$750,000 in fund balance reserve.

Mr. Walker proposed allocating an extra \$250,000 for dredging to maintain a \$1 million reserve and mentions an election equipment reserve estimated to be \$42,071.00 at the end of FY23.

Mr. Walker addressed capital improvements requested by the school district for \$1,050,000.00 and another \$250,000.00 for LED lighting replacement and the EPDM roofing system replacement, and notes that these projects will be presented to the board by the School Board at a later date.

Mr. Walker said the County's capital improvements plan is robust, and the addition of the County engineer to assist in the completion of the long-standing capital improvement projects.

Mr. Walker mentioned the funds allocated in the budget for the Puller Center Renovation, Sheriff's Office project and said the engineers are still working on the design. He also said the plan includes \$320,000.00 for the Rappahannock Central Elementary roof repairs.

Mr. Walker addressed the waste water collection system project and said there is \$2 million to help pay for the soft costs upfront to help avoid high interest rates in the future. He also mentioned the issues with the fuel pump station at Hummel Field and the \$125,000.00 that has been set aside for the project. Mr. Walker clarifies the funds for these projects come from the fund balance and will not raise taxes.

Mr. Walker said \$1,014,000.00 will be needed to pay HRSD for its proportionate share of the pump stations they are building for the County adding, although this isn't included in this year's budget plans are needed for the funding in the near future. He explained they have negotiated cost sharing agreements with HRSD to share some of their capacity instead of the County having to build their own, saving the County millions of dollars.

He mentions a starting gap of close to \$600,000 between revenues and expenditure requests, and the gap is expected to reduce once the budget is finalized. He presented the budget requests for each department, including the debt service, airport, county administrator's office, county engineer, county attorney, auditor, and Commissioner of Revenue. The increases are mainly due to the cost-of-living increase that has been proposed and built into the department requests. He mentions recently learning that the state is not funding the 2% raise for constitutional officers and will have to look at the budget again to make the necessary adjustments.

Mr. Walker said the proposed budget includes a 5% compensation increase for county employees except for the Sheriff's department, which has a 10% increase, and for the school board, which has a 3.5% compensation increase and a 1.5% step increase. Mr. Walker said that a 5% compensation increase is required to receive a state match. The county is also considering a regional reassessment of property values and possibly creating an in-house assessment office. The goal would be more accuracy, equity, and fairness in how properties are assessed.

Mr. Walker addressed information technology and recognized Mr. Kevin Gentry, IT Director, for his dedication and hard work he does for the County. He said there is \$45,000.00 for a position that Mr. Gentry could delegate work to and help alleviate some of his workload. Mr. Kimbrough asked if the position would be full or part time. Mr. Walker stated all positions advertised are for either full or part time and explained that an applicant may be retired and not want to work full time but could maintain the assigned workload as part time but he wants to be flexible.

Mr. Kimbrough asked if a health insurance increase was built into each department's budget. Mr. Walker said, a 10% health insurance increase was built in.

Mr. Harris noted the Emergency Management's budget increased. Mr. Walker said the County has not provided an increase in a while. He noted, during Mr. Layman's presentation last year, he showed what other counties provide to their rescue squads and fire departments as well as the difficulty finding volunteers to work. He said other counties are having to pay staff to respond to calls due to the lack of volunteers. Mr. Jessie added there is so much specialized equipment, the County can't afford to give any less. He said currently due to the volunteer shortage, volunteers may have to respond to a call at the other end of the county.

Mr. Walker proceeded to provide a brief overview of the remaining department budget requests. He addressed the County's aging vehicle fleet and the possibility of developing a county lease program with Enterprise.

Ms. Ricardi mentioned in the past year the County has received \$26,000.00 for opioid remediation and the Sheriff and Social Services have requested the County budget for them to help with the opioid crisis.

Mr. Walker informed the Board about the Library's request for increased funding which is largely to fund two librarians, one in Deltaville and one in Urbanna. He also mentions the increase funding request for the planning and zoning departments, the decrease in state supported funding for the cooperative extension department's 4-H programs and the relocation of the extension services office to the professional center.

The Board further discussed the need to increase the capital reserve set aside for the sewer system. Mr. Walker discussed adjusting the budget for the sewer debt service, which had been set at \$854,000.00; however, due to the pandemic and inflation, consideration should be given to increase the amount to \$1 million. There was discussion on the grant money for the sewer project and when the final numbers will be known.

Mr. Walker briefly covered the school's budget request, including a 5% COLA, a 14.2% increase in health insurance, three new positions and a debt service estimate which he said is slightly down. He said the requested budget is \$30,158,000.00, including \$87,000.00 of a budgeting error from the state. The Board discussed the importance of meeting the schools budget requests.

REVENUE DISCUSSION

Mr. Walker presented some preliminary estimates for real estate and public service corporations revenue and also talked about the estimated revenue for personal property after adjusting for a potential decrease in used car values. Mr. Koontz asked Mr. Walker to follow up with the Commissioner of Revenue about real estate tax relief for the elderly.

Mr. Walker spoke on personal property and said he is not proposing any rebates but is estimating an 8% decrease in value. Mr. Walker explained the valuation tools set by

the code requires the use of the JD Power book to value vehicles. Mr. Walker responded to concerns about the personal property taxes in the County. He said that Middlesex County's tax rates are still relatively low in comparison to other counties in the region except for Lancaster County, which has a lower fund balance.

Mr. Kimbrough discussed the personal property tax assessment that significantly increased due to JD Power's valuation service and said the valuations are objective and official's only decision is what rate to assign taxes at. Mr. Walker said if the rate was abnormally high compared to the surrounding counties, he would recommend adjusting the rates, but since the rates are relatively low, he does not recommend an adjustment. He said the airplane tax has increased based on values, and a rate is not applied. Local sales and use tax have increased due to people buying more at home, and every time a sale is made online, the county receives the sales tax. He mentioned that food and beverage tax is down based on the Commissioner of Revenue's estimates, and the consumer utility tax is also down.

Mr. Walker continued to discuss tax revenues and how they are affected by Airbnb, cigarette sales, and games tax; however, he added there is uncertainty about the revenue from games tax due to a lawsuit and changes in the law. He said the revenue from lottery ticket sales goes directly to education. The Board discussed the popularity of these activities. Mr. Walker also discussed the campgrounds popularity is helping revenues grow. Mr. Koontz suggested tracking the percentage of transient occupancy tax revenue to better understand any trends.

Mr. Walker discussed how to generate more revenue from the fund balance and suggests investing a portion to earn more interest. Mr. Kimbrough explains the County could generate \$337,000.00 of income next year if it puts \$7.5 million in four week Treasury Certificates which would make a major dent in the budgetary shortfall of \$600,000.00. Mr. Koontz supports the idea. Mr. Walker said the Treasurers office will need to take the lead on the investments.

Ms. Ricardi suggested the LGIP account as an alternative since it has comparable interest rates and is equally secure. She also informed the Board that LGIP is allowed under Virginia law related to investments of public funds. Mr. Koontz suggested an outline of the different options available and steps needed to get started. Mr. Walker said the Treasurer will need the Board's approval before proceeding with the investments.

Mr. Walker discussed various health insurance options, including a high deductible plan. Mr. Walker added currently there is \$247,000.00 of ARPA money available to fund the health savings accounts and added not all employees will choose that plan. The Board had mixed opinions on the proposed health plan. Some Board members said it is a valuable tool for recruiting and retaining staff; however, other Board

members are concerned with the initial cost, potential complications, the plan may set some individuals up for failure or require ongoing financial support from the County.

Mr. Walker briefly spoke about the possibility of the County and Schools joining healthcare and discussed the history of claims for both the County and Schools and how it affects the decision to merge. Mr. Kimbrough added if the County and schools were to join, there would be three healthcare plan options for employees to choose from.

RECESS

Chairman Kimbrough recessed the meeting until the regular Board meeting later that same day, February 7, 2023, at 3:30 p.m.

Lud H. Kimbrough, III, Chairman
Board of Supervisors