

AT A MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS HELD
ON TUESDAY, MARCH 1, 2022, 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
Betty S. Muncy, Assistant County Administrator
Ann Marie Ricardi, Assistant County Administrator
Heather W. Lewis, County Attorney

CALL TO ORDER

Chairman Kimbrough called the meeting to order at 9:00 a.m. for the purpose of conducting a budget work session.

ROLL CALL

Attendance was taken by Ms. Muncy with the following roll call: Supervisor Williams – Present; Supervisor Koontz – Present; Supervisor Harris – Present; Supervisor Jessie – Present; and Chairman Kimbrough – Present. All five Board members were present; there was a quorum.

BUDGET REVIEW

Mr. Walker reviewed the School Board's recommendation for their FY23 budget. He said that per the School Board budget request, the County would fully fund the purchase of two electric school buses for \$174,000 as well as the LED lighting project at the middle school for \$250,000, for a total of \$424,000. The other items listed on the School Board's Capital Improvement Plan would be funded through grants and ARPA. ARPA monies would be used to pave the parking lots. The School Board received ARPA monies of their own, separate from those received by the County, to use at their own discretion. Mr. Walker reminded the Board that capital improvements are funded from reserves and do not affect the operating budget, so they do not affect the tax rate.

Supervisor Williams asked how much money was in the reserves and how money was added to the reserve account. Mr. Walker said that the reserves are built up from surpluses and unspent funds. He reviewed several assigned fund balances, such as the dredging fund and the election equipment reserve. He said that the assigned balances are monies that have been set aside for specific spending that are not in the General Fund. Once the operating reserve is taken out of the unassigned fund balance, it leaves approximately \$4.9 million. However, the Board pulled \$1.3

million out last year to balance the FY21-22 budget, leaving an amount of \$3.6 million in a usable fund balance for capital improvements or whatever the Board chooses. He said this year, the Board is considering bringing in \$554,000 for capital improvements for a new set-aside fund balance for the E911 radio equipment maintenance service contract.

Mr. Walker said that this year, much discussion has been had about fire and rescue services. They have requested a \$718,500 increase, but they have not received an increase in over 10 years. The reassessment situation was also discussed, as many Board members received comments from citizens suggesting a more frequent reassessment be done so it would be more of a gradual increase rather than a large spike every four to five years. He said an increased set-aside placeholder had been established for reassessment in case the County decided to participate in a more frequent regional reassessment program. There was much discussion by the Board regarding reassessment practices.

Mr. Walker reviewed the debt service tables, saying that a lot of the debt service will be paid off in four to seven years. Even though the County has refinanced items to get a lower rate, the pay-off time has not been extended. He said approximately \$1.5 million will drop off of debt service by FY28.

The Board had a lengthy discussion around the School Board's budget request and its increases, saying that CARES Act and ARPA monies were well spent with the schools doing a good job of not setting themselves up to be dependent on those funds.

Mr. Walker reviewed some expenditures and department requests that had been increased or decreased by staff while working on the budget. He said that a County engineer/Utilities Project Manager had been included in the preliminary budget as the Board had discussed at an earlier meeting. He said the audit expense had increased slightly but some of that cost would be offset by the Water Authority. The new Treasurer's office position is also being offset by 50% from the Water Authority. The IT department requested \$358,000 which includes the maintenance and operation of items bought with CARES Act money. It would cover reoccurring costs for some of the software that was purchased as well as necessary election security upgrades. However, the IT budget was proposed and put in at \$318,000 after talking with the IT Director who said that some of the programs, once thought needed, but not needed now, were cut to reduce the budget request by \$40,000. Mr. Walker said that the Sheriff's budget request had decreased slightly because \$80,000 had been shifted to capital improvements for his proposed purchase of two police cars. The Regional Jail's request had a significant reduction after reevaluating some of the items in their request. The Emergency Services increase has \$170,000 going to offset a good portion of the E911 radio maintenance. Rescue Squad costs are going up substantially, mostly due to the cost of inflation. Solid Waste increases are primarily due to increased costs of VPPSA.

Mr. Walker reviewed the Memorandum of Understanding (MOU) between the Economic Development Authority (EDA) and the County, explaining how some of the costs are handled. 3% of the 5% lodging tax is transferred to the EDA. Staff has worked with the EDA Treasurer and Vice Chair to trim down their budget request a little. The EDA budget still has to have a line item for salaries and benefits in order to pay for the two County positions on loan to the EDA through the MOU. He said he had heard from the EDA and several Board members that the MOU may need to be revisited.

The non-departmental line item increased \$167,000 over last year because it includes the County's capital reserves for sewer. Those monies helped pay some of the soft costs of engineering and it will ultimately pay the debt service costs of the sewer projects. The Contingency line item remains the same as last year at \$20,000. A transfer will be made to the Water Authority to honor the water availability agreement. At the School Board presentation, a request for \$11,169,803 was made and their departmental request received by staff was amended to reflect that. Their departmental request for school debt service was also amended to reflect their actual numbers. He said that their textbook fund request also went up. While working on the budget, staff cut the School Board figure down to \$11.1million.

Mr. Walker said there was a \$1.5 million deficit which can tentatively be closed with the current draft budget cuts and amendments.

Mr. Walker said there was some small organic growth on the real estate books before the assessment. He said the personal property tax had a healthy increase. He reviewed several other revenues, explaining calculated increases or decreases to them. The capital improvement transfer amount is \$554,208 as of now. The Commissioner of the Revenue has estimated the current net tax collection to be \$15.4 million with an additional \$1.7 million from the new tax from the reassessments for a total of approximately \$17 million at the current tax rate of \$.62. If the tax rate was lowered to \$.61, the additional revenue would be approximately \$1.5 million, which would balance this year's budget. If the tax rate was dropped to \$.60, there would be a budget gap of approximately \$229,000; \$229,425 could be brought in from Fund Balance and the budget could be balanced at \$.60.

Supervisor Jessie said that the Board had made changes to the boat tax a few years back, making boats under five tons \$.98 and boats over five tons \$.62. He asked Mr. Walker how much more revenue could be raised if all boats were put back to \$.98. Mr. Walker said it would increase revenue by \$154,000.

Chairman Kimbrough said that 54% of property taxes in the County comes from the Pinetop District. He said that tourism is the biggest attraction and boats help draw people. He said that over the last ten years, the County had lost \$10 million in economic activity compared to a study that was done 10 years ago. The economic activity had been lost to other counties that had eliminated their boat tax. Supervisor Williams said that he believes everyone should pay their fair share of taxes, including

those on boats. Supervisor Jessie said that boats are not the only reason people come to Middlesex; they also come for the campgrounds, oyster festival, and other events. He said that people that can afford boats can also afford the tax on them. Supervisor Koontz said it appeared that everyone was pretty much in agreement on the expense side, but the revenue side needed more discussion. He said that every category should be scrutinized, from real estate to boats to land use, to see where increases in revenue could be achieved.

Much discussion was had by the Board regarding taxes, boats, economic activities and drivers, land use, and tourism. Mr. Walker asked if the Board was satisfied with the budget or if they needed more time to work on it before putting it out for public hearing. The Board asked if the numbers from the state were final, and Mr. Walker replied that they were not. The state's budget would most likely not be finalized until early April. The Board agreed that they would prefer to have accurate, final figures from the state before proceeding to public hearing. They said they also needed more time to continue revenue discussions, including land use and boat tax, as well as deciding whether to go with a \$.60, \$.61, or \$.62 tax rate.

The Board agreed, by consensus, to have another budget work session for revenue discussions on March 22, 2022, at 4:00 p.m.

RECESS

Chairman Kimbrough recessed the meeting until the regular Board meeting later that same day, March 1, 2022, at 3:00 p.m.

Lud H. Kimbrough, III, Chairman
Board of Supervisors