

AT A HYBRID MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS
HELD ON TUESDAY, MARCH 2, 2021, BOTH ELECTRONICALLY AND IN- PERSON
IN THE BOARD ROOM OF THE HISTORIC COURTHOUSE, SALUDA, VIRGINIA:

Present: Wayne H. Jessie, Sr., Jamaica District
Peter W. Mansfield, 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 Jessie called the meeting to order at 9:30 a.m. for the purpose of conducting a budget work session.

DECLARATION OF EMERGENCY

Ms. Muncy read the Electronic Meeting Provisions allowing the Board of Supervisors to conduct county business by electronic means, pursuant to the Board of Supervisors' Government Continuity Ordinance, #81, adopted on May 5, 2020, and re-adopted on November 4, 2020, extending the ordinance for up to an additional six months.

ROLL CALL

Attendance was taken by Ms. Muncy with the following roll call: Supervisor Koontz – Present; Supervisor Mansfield – Present; Supervisor Williams – Present; Supervisor Kimbrough – Present; and Chairman Jessie – Present. All five Board members were present; there was a quorum. Chairman Jessie led the group in prayer; Mr. Walker led in the Pledge of Allegiance.

Ms. Muncy introduced Ann Marie Ricardi; she was recently hired as a new Assistant County Administrator.

REVENUE REVIEW

Mr. Walker advised the Board that, based on the latest guidance from the reassessment firm, a healthy increase is expected on non-waterfront, interior properties. This increase is based on current sales data. The reassessments will take

effect in January 2022 which would be dealt with during the budget process for FY2023. Therefore, he is not recommending a real estate tax increase this year to help close the gap. Personal Property appears to be fairly level, but Mr. Walker recommended that the Personal Property category be considered by the Board for a tax increase, if one is desired, to close the budget gap. He said that Local Sales and Use taxes have seen a fairly solid bump; he believes that people are buying things closer to home because of the pandemic and there is a track record now showing a healthy increase in those taxes. He said that the estimated revenue amount has been bumped up \$100,000 based on that data. He said that the county was starting to see some of the benefits of changes the Board made to the Business Professional Occupation License (BPOL), so he increased the revenues some to reflect that increase. The Transient Occupancy Tax has seen some growth, so the revenue figures were adjusted slightly upward for that. He said that games of skill and chance are being sold in convenience stores and some of that tax revenue is given to the county from the state, resulting in tax revenue for the county. He said that he would not have adequate data on the state increases for constitutional officers until after the General Assembly has completed their work and the budgets are adopted. Those monies are usually pass-throughs. He said that the Compensation Board sets compensation for the constitutional officers and then funds those positions. He said that often localities will supplement those compensation levels and help cover some expenses for the running of their offices.

Supervisor Koontz asked Mr. Walker to reach out to the Planning District Commission (PDC) to see if they have updated a study they did a while back to try to determine how much the population increases in the county during the summer months.

Mr. Walker said that welfare and other aid increased substantially. The county will receive increased revenues from the state and federal government to pass-through to pay for those operations. He said that as of now, the state budget is showing a 5% increase for Social Services staff that will be passed through.

Mr. Walker discussed the fund balance for capital improvements, saying that last year \$740,000 was brought in. He advised the Board that the total departmental requests on the expenditure line add up to approximately \$1.6 million. Some of staff's preliminary recommendations will trim that back to approximately \$1.2 million. This is monies brought in from capital reserves that do not affect the budget gap in terms of taxes. Mr. Walker discussed the fund balance for reassessment, saying that the assessment firm is confident that they will be able to complete the work for \$96,000 in an October-November timeframe and it would be implemented in January 2022. Mr. Walker said the Electoral Board had made a request for electoral equipment, and he recommended that some of the funds be pulled from a set-aside reserve account that had been created several years ago. He said that every year, approximately \$11,000 gets put into that set-aside reserve account so the county does not get blindsided by the state. Mr. Walker reminded the Board about the fund balance that was brought in last year for operating expenses, as opposed to raising taxes. He said that the Board

felt that the fund balance was healthy enough to be able to do that last year. Mr. Walker reviewed the capital fund request. He said that the schools had requested \$75,000 to hire an architect to study the high school renovation of the east wing. The schools also requested \$291,500 for a lighting project and a paving and sealing project for \$185,000. Mr. Walker recommended that only the architect for the high school be funded at this time.

Mr. Walker said that some targeted cuts had been made on the expenditure side. He said that a 1% increase had not been built into the budget for county employees, but the school's budget reflected an increase for its staff of one step increase, the Sheriff's Office had a 1% increase for its staff, and Social Services has an increase for its staff, possibly as high as 5%, which will largely be funded by the state. A 1% increase for county staff would be roughly an additional \$20-25,000.

Much discussion was had by the Board and staff regarding compensation. Mr. Walker suggested that the Board hold an additional work session to discuss compensation, and he said that the school, Sheriff's Office, and Social Services could all be invited to review their requests and provide explanations for the requests. The Board agreed to hold a budget work session on Tuesday, March 16, 2021 at 6:00 p.m.

Mr. Walker reviewed some of the preliminary budget cuts that had been made, saying that the budget gap had been trimmed down to \$1.7 million. Supervisor Mansfield said he did not see the \$13,000 for a new roof on the museum annex on the budget that he had discussed with Mr. Walker. Mr. Walker said it had not been added because he was not recommending that the roof be replaced now due to the large gap. He pointed out that the county does not own that building and several other county-owned buildings are in need of repairs. He said, however, that if it were the Board's will, he would add it to the budget. He reviewed other cutbacks in the budget that he and Ms. Muncy had made. He said that the Economic Development Authority (EDA) had requested that the Economic Development and Tourism Department be transferred to the EDA and Mr. Walker said he recommended that the Board do that. If the Board does that, the county would add a contribution to the EDA in the amount of 3% of the lodging tax and a small portion over that amount, approximately \$49,000, to pay for that program. The contribution would be a new line item under Non-Departmental expenditures. The Museums of Middlesex (MOM) would be removed from the Economic Development and Tourism budget and put back under their old line item for separate funding directly from the county. The remaining \$124,086 in the Economic Development and Tourism budget would be moved under Non-Departmental expenditures and would be considered as a transfer to the EDA for them to run that department. He said that the Museum had submitted a request for \$30,000, but he had preliminarily budgeted them at \$25,000. They want to implement a new program involving the schooner, the Luna. The Parks and Recreation budget line item includes \$45,000 for a park in Cooks Corner. Mr. Walker said he had cut the high school sports travel expenses line item of \$2,000. The Board agreed by consensus to that cut. He said that the Library had been level funded. Supervisor Koontz asked if the Library would lose out on state support if they were not given a certain amount locally. Mr.

Walker responded that the State Library generally considers the in-kind support of their payroll and accounting to compensate for that.

Supervisor Koontz said he had a problem with large cuts being made to the Sheriff's Office and the schools. Mr. Walker said that it was not technically cuts being made, that the Sheriff's office and the schools were being level funded and given an additional \$120,000 of new revenue, just not as much as they had asked for. Supervisor Koontz said that the Sheriff's Office had been underfunded for a decade and he does not believe that department should be on the chopping block. The salary study done five years ago showed how far the department was behind, and it is even more so today. He said that Middlesex County law enforcement does not favorably compare with surrounding counties. He stated that his constituents had been speaking to him about law enforcement in particular. He said he did not want to see the Sheriff's Office underfunded again.

Supervisor Kimbrough suggested that the health insurance plan be studied to see about possibly offering a high-deductible insurance that could reduce the premium costs for a family of four by \$360 a month. He said that the schools offer that plan because they have more than 100 employees, and the county does not offer it because they have less than 100 employees, but perhaps something could be done to increase the net take-home total compensation.

The Board took a five-minute break at 10:55 a.m.

Mr. Walker said that Middlesex County has one of the lowest personal property tax rates of all the surrounding counties. He said this was why he had recommended in previous years raising the personal property tax rates to create revenue. He said that if the Board is considering raising taxes to close the budget gap, he would again recommend raising personal property taxes. He said that the Board could consider making changes to the Machinery and Tools tax. If the personal property tax rate was raised to \$2.25, it could generate an additional \$290,000 of revenue. A substantial amount of revenue could be gained by raising taxes on boats under five tons and boat motors. He said that keeping boats over five tons at the real estate tax rates would help keep the marinas competitive, but some simple adjustments could be made to bring in some substantial revenue. Mr. Walker said that if no taxes are raised, and the preliminary budget cuts remain, \$1.7 million would need to be brought in from the fund balance to balance the budget.

Supervisor Kimbrough stated that boats over five tons are generally used as residences. He feels the .62 cent tax rate is appropriate, but the boat owners have the choice of simply sailing across the river and paying nothing. Other counties have chosen to eliminate the boat tax. He is not advocating that Middlesex eliminate the boat tax during this stressful budgetary situation, but he believes alternatives do need to be looked at in the future to supplement revenues. He said that the county still does not have a nice facility to launch trailered boats. He believes much work still needs to be done to foster the boating industry.

Supervisor Williams said that he would like to see all the taxes that had been removed in the county in the last ten years returned to make things fairer and more equitable. He does not believe tax breaks should be given to some that cause more burden to others. He said that working class Americans that live and stay in the county are the tax base, not people living on the water in their boats as a second home. He said if the Board raises personal property taxes this year, they will most likely have to raise real estate taxes next year because some people do not want to pay any taxes and will just move their boats somewhere else. He said that the surrounding counties that keep raising their personal property taxes are doing so because they made bad decisions and then they have to cover them. He said Middlesex County does not need people that are unwilling to pay their fair share. He said the county needs to look out for the children in the county and provide recreation. He said that people living in the interior parts of the county cannot even access the water. The water needs to be accessible to everyone, not just waterfront landowners.

Supervisor Kimbrough said that one of the biggest challenges is learning to balance the present with the future. He said that the Land Use Program is still in place and it costs the taxpayers over \$450,000 a year. He said he also believes there should be an agricultural core in the county. He believes that boat launching should be promoted to encourage people to come to the county and spend money on lodging and meals.

Supervisor Mansfield told Mr. Walker that he liked the scenario that was used for the personal property tax increase at \$2.25. Mr. Walker said that amount represented a good modest increase to show the Board how much revenue could be generated. Supervisor Mansfield suggested that the Commissioner of the Revenue come to a Board meeting to discuss land use.

ADJOURN

A motion to adjourn until the regular Board meeting scheduled for Tuesday, March 2, 2021 at 3:00 p.m. was made by Supervisor Kimbrough, seconded by Supervisor Williams, and carried by the following roll call: Supervisor Koontz – Aye; Supervisor Kimbrough – Aye; Supervisor Mansfield – Aye; Supervisor Williams – Aye; and Chairman Jessie – Aye.

Wayne H. Jessie, Sr., Chairman
Board of Supervisors