

AT A MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS HELD
ON TUESDAY, APRIL 5, 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 (electronically)
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 Harris – Present; Supervisor Williams – Present; Supervisor Jessie – Present; Supervisor Koontz – Absent; and Chairman Kimbrough – Present. Four Board members were present; there was a quorum.

Review Updated State Budget Process and Outcomes

Mr. Walker said that the General Assembly had recently given localities some discretion on how they classify certain personal properties, specifically, vehicles, to allow for separation of certain classes of vehicles. Localities now have the ability to adjust rates based on those certain classes. This was put into effect to allow localities to react to the inflation on the values of vehicles. It is believed that the change was intended to give municipalities in Northern Virginia, who have very high personal property tax rates on vehicles, flexibility to reclassify certain types of vehicles and give rate adjustments for certain classes. Mr. Walker said he had discussed this with Mae Burke Diggs, Commissioner of the Revenue, who did not feel like it was something that she wanted to do here locally. Ms. Lewis gave a word of caution concerning the legislative update, saying that the Department of Taxation is giving different guidance that appears to be in direct contradiction to the statute. More investigation should take place on the subject before the Board gives it consideration. The answer is not clear cut at this time.

Mr. Walker said that it appeared that the state is moving forward with the budget pretty much as expected, with 5% for constitutional officers, which includes state-

funded deputies, and Social Services employees to some extent, and also the 10% over the biennium for K-12 SOQ-funded positions. He said that at this late day, it is expected that minor differences will be worked out. He advised the Board that flat funding for constitutional officers had been included on the revenue side of the budget, so any increase the state ends up giving will result in a slight increase to the County revenues. He said the County does fund a substantial number of deputies over the funded amount received from the state.

Board Discussion

Mr. Walker said that a draft budget would need to be advertised and sent to public hearing by April 21, 2022 in order to stay on schedule. Mr. Walker said that, since the County is coming out of a reassessment, an additional public hearing will need to be held on April 28, 2022 for setting the tax rate.

At 9:17, Supervisor Koontz asked to join the meeting electronically. Per Board policies, the Board would have to vote on whether to allow Supervisor Koontz to attend remotely by Zoom. Supervisor Koontz informed the Board he would like to attend electronically from Georgia. Per a roll call vote, the Board voted unanimously to allow Supervisor Koontz to participate electronically.

Mr. Walker said that at the previous budget meeting, the Board discussed personal property taxes on boats and land use. Today, the Board will be discussing the real estate tax rate. The Board had discussed going with \$.60, \$.61, and \$.62. At \$.60, there would be a gap of \$229,425 that would need to be moved from fund balance. At \$.61, the budget would be balanced without bringing in money from the fund balance.

Supervisor Harris asked how lowering the raises for the school employees and County employees would impact the budget. Mr. Walker said that if the Board reduced the cost-of-living raises for the school and the County employees to 5%, rather than 7%, it would reduce the total budget by \$316,000.

Mr. Walker said the budget can be advertised higher and then can be lowered, but it cannot be raised any higher after advertisement. Mr. Walker recommended advertising the budget higher, with the 7% raises, based on the rate of inflation and the economy, because the funds are available now to accommodate it. Because of inflation, it may be more challenging to do 5% next year, rather than the 3%. There is currently a healthy fund balance that the Board can tap into.

Supervisor Koontz stated that the most important thing to him is the schools. He said in looking at the last 10-year history, the Board has never exceeded the schools request, or need; occasionally, they have matched it, and other times they fall short. He said the Springstead study done five years ago indicated that the County was behind in salaries, and the County is still behind. He would like to do more than a 7% increase this year. It would actually take 16% to adjust to the Springstead study and

inflation. The Board should be looking at doing at least 8%, not 7%, and definitely not 5%.

Supervisor Williams said he did not want to take money out of the fund balance. He would like to see the boat tax raised to \$.98. He would like to give teachers a raise, but he would rather see across-the-board raises instead of percentage raises. Percentage raises continue to give more money at the top and does not get the bottom salaries where they need to be. Flat raises would benefit the lower paid salaries by getting them up closer to where they need to be while not hurting those making a higher salary. He stated that he does not want to borrow money for every project. Chairman Kimbrough said that he believes that flat raises for teachers is outside of the Board's scope of influence since the School Board is given a lump sum to do with as they see fit.

Mr. Walker said that if the boat tax was raised to \$.98, it would increase revenue by \$154,000. If the real estate tax rate is left at \$.62, there would be an effective tax increase of 7.7%. If the rate is lowered to \$.60, you would need to advertise a tax increase of 5.7%. Personal property tax revenue is increasing because values are going up, with no tax rate increase unless the Board chooses to do so. He reviewed various capital improvements that are in the pipeline.

Mr. Walker said the Sheriff had decided to buy two vehicles outright rather than going through the leasing company. Chairman Kimbrough said he had spoken to the Sheriff on the subject, and the Sheriff wanted to make that transition to address the short-term supply problem being experienced by the leasing company.

Supervisor Jessie believes the budget should be advertised high, and then changes can be made to lower it if need be. He said that the School Board is given a lump sum and they disburse it at their discretion. He said that salary is not the only benefit for working in Middlesex schools. Middlesex is a safe area to live in and a great place to raise children with a low crime rate. Rental rates and housing are not high in the area. He said that there is a healthy reserve, but it will not remain healthy if the Board keeps pulling money out of it. He would like to raise the boat tax for five-ton and over boats to \$.98. If someone can afford a five-ton boat, they can afford to pay the tax. He does not think people will move their boats to Lancaster and Gloucester. He has talked to Supervisors in those counties that say they wished they had never removed the boat tax. Supervisor Jessie said the public hearing would give the citizens an opportunity to speak their piece and for the Board to really listen. Again, he said he wanted to advertise high and at 7% for raises.

Supervisor Harris said he feels that there will be challenges coming in the future. He does not know what the final price tag will be for the sewer system, and money may need to come from the fund balance for that. The fund balance is healthy, but continuously drawing from it will have an impact. Inflation is impacting everyone, especially the large number of retired citizens in the County living on fixed retirement incomes. He stated he was for doing whatever can be done to make the school

systems better and making teachers equitable in salaries. He does not have a problem with advertising high and using the 7% increase. Whatever the Board ends up doing, it needs to be fiscally responsible.

Chairman Kimbrough said that the County has three industries, with the largest being the government, which includes the schools. Next is the boating industry and the campground industry. Campgrounds are driven by the attraction of boating. The boating population is what drives the County's hospitality. Lancaster's marinas have been expanding and growing while Middlesex's are shrinking. The revenue difference between the five-ton boats at \$.98 cents and \$.62 cents is \$145,000, which is less than half a cent on the real estate tax. Boating drives the growth in this County. As far as the schools go, he is in favor of meeting their requests, but he is not in favor of exceeding it. He said there is record inflation exceeding 7% and next year it could be even more. The County must be able to continue to grow its tax base, and he believes that leveraging the boating industry and bringing people here is the way to do that. Chairman Kimbrough recommended leaving the boat tax the way it is and meeting the School Board's request for the 7% raise.

Supervisor Koontz stated that he did not want to lower the real estate tax rate to \$.61. He wants to keep it at \$.62, not change the boat tax, and fund teachers at 8%.

The Board discussed the main topics again. On the tax rate, Supervisor Jessie said he was not in favor of \$.62. He was looking at either \$.60 or \$.61. The less money coming out of reserve, the better. He does not think that raising the boat tax will hurt the economy. He is fine with advertising the 7% for raises.

Supervisor Harris is not in favor of keeping the real estate tax at \$.62. He would like it to be \$.61, but \$.60 would be even better. If the budget could be balanced at \$.61 without going into the fund balance, he would prefer that. He is okay with advertising the budget with the 7% pay increase, but he will decide between 7% and 5% at a later date. He believes the boating industry is a vibrant part of the County, but he is on the fence on the boat tax rate at this time. He reviewed some statistics on the marinas and boats in the County that he had obtained. He does not want to draw money from the fund balance unless it is absolutely necessary.

Supervisor Williams does not want to draw any money out of the fund balance. He is okay with doing either \$.61 or \$.62 for the real estate tax. He believes that boat taxes should be raised back to \$.98 so everyone is paying their fair share. He said he would not vote for a budget that does not have the boat tax going back to \$.98. He said he had no problem with a 7% raise for employees.

Supervisor Koontz said he would like for the boat tax to be unchanged, and he would like for the real estate tax to remain at \$.62. He stated that he wanted the school raises to be 8%. He does not want to dip into the fund balance unless there is good reason.

Chairman Kimbrough said he felt that everyone understood where he stood on the boat tax, saying it needed to stay at \$.62 so the industry could prosper. He said he felt fortunate that the real estate tax rate could be lowered by \$.01 and still have a balanced budget while meeting the 7% increase in salaries. He said he was hoping for public comment at the regular meeting, with citizens voicing their opinions.

County Budget Advertisement

Mr. Walker said he had redrafted the budget based on what was said during the meeting. He had the real estate tax rate set at \$.61, which would lower the rate \$.01. The advertisement would be for a 6.7% tax increase. Even though it is a reduction in the rate, it would be considered an increase. This would be a balanced budget without any money from fund balance. Boat tax will be advertised at \$.98, but the Board can lower that if they choose. It is being advertised with the 7% salary increase.

The Board took a 10-minute break.

Mr. Walker said that if the Board decided to change the boat tax rate to \$.98, it would result in an additional \$154,000. He recommended that the money be put into contingency as a budget balancing measure. Chairman Kimbrough asked why the boat rate would be advertised at \$.98 when the tax rate is \$.62. Mr. Walker said that some of the Board members mentioned that they would like to raise the boat tax rate, and it would have to be advertised at the higher rate for it to be considered. Regardless of what rate is advertised, the Board can always go down on the rate, but it cannot go any higher than what is advertised. Mr. Walker said that there would be two separate public hearings; one for the budget and a separate one for the tax rates. The tax rate public hearing is when the Board will solicit public input on the tax rate. The Board will vote on the rate after that public hearing.

Supervisor Koontz said he is not in favor of a \$.98 boat tax, but he would be willing to agree to \$.80 if the Board also agreed to consider an 8% raise for teachers. Supervisor Jessie said he did not want to tie the two separate items together. Supervisor Koontz then said if they did not want to tie the two together, he thought the boat tax should be zero. He did not think there should be a boat tax at all. Mr. Walker said that if the boat tax were eliminated, the Board would have to come up with \$265,000 worth of revenue from somewhere else. The Board agreed, by consensus, to advertise the boat tax rate at \$.98.

Supervisor Koontz said he would like to advertise the real estate rate at \$.62, earmarking the incremental increase from \$.61 to \$.62 for the schools, not the constitutional officers, Social Services, or County employees. The change would result in the school staff getting 7% plus one step, which would equate to 8%. Supervisors Harris, Jessie, and Williams all voted no to Supervisor Koontz' suggestion.

Mr. Walker said that after reviewing the Code, he recommends that an additional 14 days of public notice be given on the tax rates. Since the County is coming out of

an assessment, additional notice must be given. Two separate ads would be published. The budget public hearing would be held on April 21, 2022, and then a separate public hearing would be held the following week, April 28, 2022 on the tax rates. At that meeting, the Board would set the rates and adopt the budget. The two separate public hearings need to be held because there is an increase in tax revenue because of the reassessment. The budget will be advertised at \$31,303,977. Supervisor Koontz said he was not in support of the budget and tax rates.

Ms. Lewis said she would be at her annual spring conference on April 21, 2022 and would be unable to attend that meeting.

A motion to advertise the draft FY2023 budget, as presented at the work session, advertising the tax rate separately with a separate public hearing, and advertising the boat tax rate for boats over five tons at \$.98 and the real estate tax rate at \$.61, with a balanced budget at \$31,303,977, was made by Supervisor Jessie, seconded by Supervisor Harris, and carried 4-1 by the following roll call: Supervisor Jessie – Aye; Supervisor Koontz – Nay; Supervisor Harris – Aye; Supervisor Williams – Aye; and Chairman Kimbrough – Aye.

RECESS

The meeting was recessed until the regular Board meeting later that same day, April 5, 2022, at 3:00 p.m.

Lud H. Kimbrough, III, Chairman
Board of Supervisors