

AT A HYBRID MEETING OF THE MIDDLESEX COUNTY BOARD OF SUPERVISORS
HELD ON TUESDAY, APRIL 6, 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.

UPDATED STATE BUDGET PROCESS AND OUTCOMES

Mr. Walker advised the Board that the Compensation (Comp) Board had made some changes in how it was handling all Compensation Board-position salaries. The guidance this year indicates that the 5% increase will go straight through to the employees on their base Comp Board-funded salaries. In several offices, one being the Sheriff's Office, there are several county-funded positions. He said that Ms. Muncy had prepared two options in light of the recent state guidance from the Comp Board. The first option calls for the 5% being passed through to the Comp Board-funded

positions, and all other county employees getting 1%. Still in the budget is one step increase for the schools which equals about 1%. The other option would be to give every county employee a 5% increase uniformly, avoiding internal conflicts within departments, for a cost of \$97,000.

The Board discussed the budget line items and why they were listed in the budget the way they were. Supervisor Koontz said he did not believe the Sheriff's Department should be micromanaged. The Board should be discussing the Sheriff's salary and his budget request and leaving the breakdown of that request up to the Sheriff. Supervisor Kimbrough asked if the Courthouse Security officers were included in the Sheriff's budget request. Mr. Walker said the request did not include the Courthouse Security staff. He said the Courthouse Security staff was listed under Judicial. Much discussion was had about the Sheriff's budget request and the Comp Board funding.

Supervisor Koontz stated that he wanted to fully fund the Sheriff's budget request and asked how the other Board members felt. Supervisor Kimbrough said he was not ready yet to agree to the full request, but he was very close and just needed to look at a few more details to come up with his final figure. Supervisor Mansfield said he did not feel knowledgeable enough to make a recommendation at this time. Supervisor Williams said he needed some additional information. Chairman Jessie said that he was close, but not fully there right now. Mr. Walker recommended that the Board go to public hearing with the 5% uniform increase, saying that the Board can always decrease that after public hearing, but it cannot go up. He said that some money could be put into the Sheriff's contingency line item that could be used to smooth out some of the inequities that exist in that office that several Board members are concerned about. The Sheriff's contingency line item is currently at zero, but the Board could add money to it if they chose to. The Board agreed, by consensus, to add \$125,000 to the Sheriff's contingency.

Mr. Walker reminded the Board that the budget calendar had the budget public hearing scheduled for April 22, 2021 and the budget adoption scheduled for April 29, 2021. Ms. Muncy said the budget public hearing ad would need to be sent to the paper by Monday, April 12, 2021, to be advertised in the April 15, 2021 and April 22, 2021 papers.

Mr. Walker said that the Board is trying to close a \$1.99 million gap and there is \$1.977 million that can be appropriated from fund balance while still maintaining a healthy operating reserve. The auditors have said that the county needs to maintain an operating reserve of \$6.6 million. The reassessment group has projected that the county could potentially see as much as a 20% increase on real estate values. Mr. Walker said he felt comfortable with anticipating at least a 10% increase, which would result in potentially \$1.3 million in additional real estate revenues. One-half of that would be collected in the June 2022 collection, and then the full collection amount would be collected the following year. He suggested bringing in \$1.3 million from the fund balance. He said that after all other capital projects get appropriated, that would

leave a budget deficit of about \$677,000. Supervisors Koontz and Kimbrough agreed that using a 10% rather than a 20% figure was smart. Mr. Walker said that the county had discussed for years the possibility of joining with other counties and hiring in-house tax assessors. It could be a localized option that could be done on an ongoing basis, perhaps every two years.

Supervisor Kimbrough reviewed the expenditures making up the \$677,000 budget deficit. Mr. Walker revisited the 5% across-the-board increase for employees and the mandated Election Office requirements. He reviewed the IT and Social Services changes in the budget that the Board had discussed previously. To cover the remaining budget gap, Mr. Walker suggested adjusting the personal property tax rate to \$2.60 on automobiles, jet skis, recreational vehicles, airplanes, and apportioned trucks, which would close the gap and create a positive revenue amount of \$17,000.

Supervisor Kimbrough said that the county's airplane personal property tax seems to be out of line with other counties. Some discussion was had about whether to increase the personal property tax on airplanes. Chairman Jessie said he thought the personal property tax rate should be left alone, and Supervisor Koontz agreed. The increase would only bring in a minimal amount of revenue. Mr. Walker said he would not include a rate increase on airplanes, but all other categories he mentioned would be set at \$2.60. He said that mobile homes are tied to the real estate tax rate. He said that leaving the airplane personal property tax rate unchanged would reduce the positive amount of revenue to approximately \$14,000. Mr. Walker said the proposed draft budget had the schools at mostly level funding plus one step, which would cost \$147,000.

Mr. Walker advised the Board that he was vigorously looking into the new Cigarette Tax. The General Assembly gave localities the option of pursuing this, and he believes that the county should pursue this within the capabilities and confines and what could be done with a regional Cigarette Board.

Supervisor Koontz suggested that, since the average personal property tax rate of surrounding localities is \$3.31, he thought the Board should consider raising the personal property tax to \$2.90-\$2.93 to raise enough money for the schools to use to leverage the state funds that were being offered. He said it would still leave Middlesex County lower than surrounding counties. Supervisor Williams said he did not want to raise personal property taxes on vehicles at all. He feels it is unfair to citizens of the county who have to travel back and forth to work. He said the county had a 49-50% poverty level and he thinks it would be a hardship on people. He said the county used to require a sticker on the bottom of the license plate that cost \$20. He would rather see that fee reinstated, which would increase tax revenue in a roundabout way, but it would be equal for everyone. People with better vehicles could pay \$20 and less-nice vehicles could pay \$10. He said the state used to give some of that money back, and, if the state still does that, when the state gives the money back, it could be split fairly among the taxpayers. He does not like comparing Middlesex County to other counties with higher tax rates. He said those counties had made mistakes, and with Middlesex

County following suit, Middlesex County would also be making a mistake. He thinks the tax rate should stay at \$2.10 and the stickers should be reinstated. He said that by doing that, it would actually increase the revenue more than increasing the rate to \$2.60. Mr. Walker said he could check with Mae Burke, Commissioner of the Revenue, on the county stickers to see what a flat rate would need to be to bring in enough revenue to offset the difference of leaving the tax rate at \$2.10. He said that raising the personal property tax rate would impact every vehicle based on its valuation. Supervisor Koontz asked if there were any discounts in place for lower-value vehicles, similar to the elderly and disabled discounts. Mr. Walker said he believes that those vehicles are valued lower, on the whole, but he does not know of any other discounts.

Supervisor Kimbrough said it was his understanding that Middlesex County has a 24% poverty rate. He does not see where adding a flat rate sticker price to everyone will help those in need. Their tax rate is paid on a vehicle by valuation, so lower-value vehicles will pay less, and more expensive cars will pay more. Adding a sticker cost will cost the poor even more.

The Board took a five-minute recess at 11:18.

After returning from recess, 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.

Mr. Walker stated that he believes the county will receive approximately \$2 million in federal money in the next phase of the CARES Act. The CARES Act funding has been kept separate from the General Fund and has been accounted for very strictly. Great care must be taken in utilizing federal dollars for intended purposes and documented accordingly. Mr. Walker said this latest round of funds appears to be able to be used for water and sewer, surprisingly, and broadband. He is fairly sure the funds will need to be tied to the pandemic response in some meaningful fashion. It will probably not be allowed to be used for projects that are already budgeted or for plans that are already underway. He said this would be examined, and if it turns out the money can be utilized for some of the projects, the county will certainly do so.

Supervisor Kimbrough wants the language of the new phase of CARES money examined carefully to see if there are any opportunities within this budget where the money could be spent. Emergency Services had incurred higher fees for ambulance staff because of COVID because many members were volunteers that were at high risk and reluctant to serve. He said he believes that falls into the appropriate category. He believes that this round of money is being considered as COVID plus infrastructure and he sees that as a great opportunity.

Mr. Walker asked Ms. Ricardi to report the amount of potential revenue that the Cigarette Tax could bring to the county. Ms. Ricardi said that at the maximum tax

increase of two cents per cigarette, she estimated that between locals and visitors, the county could see as much as \$156,000 more money in the coffers.

Mr. Walker summarized by saying that the budget, as it is now, would be \$29,087,902, with a small amount of \$14,877 being put into the contingency line item.

Supervisor Koontz said he would see it as a huge, missed opportunity if the Board moves forward with a budget that does not go after the state dollars. He believes there are solutions available to help fill the gap and meet the state threshold.

Mr. Walker advised the Board that he had been in touch with the bond counsel and financial advisor, and the revised debt service for the Cooks Corner Office Complex renovation and the HVAC system at the school is built into the proposed budget.

Supervisor Kimbrough said he was not ready to take this proposed budget to the public hearing yet. He said that the biggest area that would influence him to add to the school budget would be a study about how the county may be able to apply a million dollars of federal funding to replace otherwise-designated spending set for next year. If half of it could be identified, it would cover the school with this budget.

Mr. Walker suggested that the Board have another budget work session on Friday, April 9, 2021, at 1:00 p.m. Supervisor Koontz asked Mr. Walker to invite Dr. Gretz, School Superintendent, so he could answer any last-minute questions the Board may have while considering the budget. The Board agreed, by consensus, to invite Dr. Gretz, and also decided to invite Mickey Sampson, Sheriff's Office, so he could be available to answer any of the Board's questions.

Chairman Jessie said that he knows that the county has a good reserve fund, and he hates having to touch it, but it is the taxpayers' money, and the funds will have to come from somewhere. He said the Board would have to come to a consensus at Friday's budget meeting and move forward.

ADJOURN

A motion to adjourn until the regular Board meeting scheduled for Tuesday, April 6, 2021 at 3:00 p.m. was made by Supervisor Williams, seconded by Supervisor Koontz, and carried by the following roll call: Supervisor Koontz – Aye; Supervisor Mansfield – Aye; Supervisor Williams – Aye; Supervisor Kimbrough – Aye; and Chairman Jessie – Aye.

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