

BOARD OF SUPERVISORS MEETING

APRIL 10, 2008

BUDGET WORK SESSION

A meeting of the Campbell County Board of Supervisors extended from April 7, 2008 convened at 7:00 p.m. on the 10<sup>th</sup> day of April, 2008 in the Board of Supervisors Meeting Room of the Walter J. Haberer Building, Rustburg, Virginia. The members present were:

Charles W. Falwell, Vice-Chairman, Presiding	Timberlake Election District
Stanley I. Goldsmith	Altavista Election District
Eddie Gunter, Jr.	Concord Election District
J. D. Puckett	Brookneal Election District
Hugh W. Rosser	Seneca Election District
Steven M. Shockley	Sunburst Election District

Absent was:

Hugh T. Pendleton, Jr., Chairman	Rustburg Election District
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Also present were:

R. David Laurrell, County Administrator  
Clifton M. Tweedy, Deputy County Administrator  
Alan Lane, Director of Management Services  
Kristin Wright, Staff Attorney  
Catherine Moore, Clerk to the Board

Vice-Chairman Falwell called the meeting to order at 7:00 p.m. and announced this was a work session on the Fiscal Year 2009 Budget. He advised that Chairman Pendleton could not be present due to a death in his wife's family.

An overview of the budget was provided at the April 7<sup>th</sup> meeting. For the work session Administrator Laurrell highlighted several key issues and concerns. The proposed budget reflects a two-cent increase in the real estate tax rate in order to cover increases in the Comprehensive Services Act (CSA) of nearly \$1 million, additional debt service and increases in VRS retirement contributions.

The budget includes a 5.3% increase in School funding when you combine capital and operating expenses with most of the increase on the capital side. The Schools received an increase of \$139,000 on the operating side as a result of the funding formula implemented by the Board several years ago. The budget received from the Schools requested an increase of more than \$3.7 million in local money. After considering adjustments made by the School Board and updated information from the State, there was a gap of approximately \$400,000. Staff was in the process of getting updated sales tax revenue information from the State to see if there was a way to lessen the impact on the School's side. He asked the Board to look at revenue projections for this year to see if there was any overage that might be built into the Schools' budget for next year.

As mentioned at the April 7<sup>th</sup> meeting, the Schools would receive about \$5 million in new funding as a result of the State's re-benchmarking process for standards of quality. There was only \$700,000 in new funding in the second year of the biennium (FY 2010). Both the County and the Schools needed to be prepared for the impact to the FY 2010 budgets due to the decreased State funding.

The costs of the CSA program continue to rise. The Board would be considering a supplemental appropriation at the April 21<sup>st</sup> meeting for close to \$1 million for this year of which approximately \$360,000 would have to come from the County's Undesignated Fund Balance. The increase was the result of expanded services ordered by the State and the State continuing to push more of those services to the local level.

In the proposed budget was a \$1.3 million reduction in the transfer to the Capital Improvement Plan (CIP) due to the savings realized from moving to a regional landfill. Staff estimated a savings of \$1.1 million per year for a total of \$5.5 million over the next five years in the CIP. A savings of nearly \$121,000 was realized in the FY 2009 budget for operating expenses.

When an agency makes a request for funding, it was not included in the budget unless it was approved for funding in the past. Should a Board member wish to include funding for an agency, it would have to be approved by the Board. The 3% salary increase was comprised of a 1% cost of living increase and a 2% merit pool effective July 1<sup>st</sup>, with the exception of Social Services. Social Services salary increases of 2% would be effective December 1, 2008 as they do not currently participate in the County's pay and classification system.

There was a question at the April 7<sup>th</sup> meeting as to how many new positions were included in the budget submission. Administrator Laurell advised that ten (10) positions would be eliminated at the Landfill due to the shift to the regional landfill and four (4) solid waste management positions would be added for the in-house construction crew (2) and full time landfill attendants (2) for a reduction of six (6) positions. The proposed new positions include an Economic Development Program Manager (1), Sheriff's Deputy (1), Part-time Fire Marshal converted to full time (1/2), IT Network Engineer (1), Human Resources Administrative Aide (1) for a loss of 1 position (-1).

The Board also asked how many taxpayers in FY 2008 saw a reduction in their real estate tax bills due to last year's reassessment and resulting reduction in the real estate tax rate from 52 cents to 43 cents of \$100 assessed value. Approximately 30% of taxpayers actually saw a reduction in their tax bills due in December 2007 versus December 2006. About 14% of County residents were 65 years and older, thus 86% of County residents were younger than 65 years of age.

The Board was also provided several charts indicating the impact on the average property owner of a one (1) cent, two (2) cents, three (3) cents, etc., increase in real estate taxes. A taxpayer with \$100,000 in assessed value would owe \$430 in taxes at a tax rate of 43 cents. At 44 cents, the tax bill would increase to \$440. The bill would increase by approximately \$10 for each one cent added. The median selling price for homes in the Lynchburg area which includes Campbell County was \$124,000 in 2007. On an assessed value of \$124,000 each penny of real estate tax rate generates an increase in the tax bill of \$12.40 for the property owner. Each penny of the real estate tax rate generates \$333,000 a year of revenue. There were 2,321 parcels in the land use program with an estimated land use credit of \$1,033,847 which would equal about three cents on the tax rate.

At this time the estimated revenue reduction from the State is \$325,000. Added to that were reductions in revenue from ABC taxes, wine taxes and interest earned on investments for a total reduction of \$500,707. The State would be requiring localities to provide where the deductions would be made. Staff would provide a final recommendation once final information has been received. Staff may recommend that all State funding for the Commissioner of the Revenue and Treasurer's Offices be eliminated. Then those offices would be 100% locally funded, and this may provide more flexibility in the operations of these offices. The good news was the State has indicated that sales tax revenues would be increased by \$289,299. This would leave a net revenue budget deficit of \$211,408. The current proposed budget was balanced by using \$109,000 from the General Fund Undesignated Fund Balance, and Administrator Laurell was not comfortable recommending using more from the Undesignated General Fund Balance to offset the decrease of \$211,408 due to the recent decline in economy driven revenue. The Undesignated Fund Balance acts as a buffer for leaner years. Staff provided a list of items the Board might wish to consider to offset the State revenue cuts.

There were a number of questions and suggestions from the Board. Supervisor Puckett referred to an expenditure in the Solid Waste Management Fund for \$140,000. Administrator Laurell indicated \$50,000 was for transfer site improvements and \$90,000 for post closure testing and costs. Supervisor Puckett suggested the \$50,000 to gate and man other sites was not needed right now in light of the economy. Currently there were five gated sites and four sites that were not gated. Mr. Tweedy believed it would take approximately \$50,000 to gate the

remaining four sites. Supervisor Puckett added that if citizens had to tighten their belts, he felt the County should make an effort to tighten its belt.

In light of the new hotels being built in the County, Supervisor Shockley asked if the Board might wish to consider a lodging and meals tax. Administrator Laurrell advised the Board could implement a lodging tax, but a meals tax would have to be approved by a referendum supported by the voters. This may be a consideration for FY 2010. Supervisor Puckett commented this would be a good source of revenue from those traveling through the area and would not place a bigger burden on the taxpayers. Supervisor Puckett requested an estimate on expected revenue from a lodging and meals tax. The remainder of the Board was supportive of looking into implementation of both taxes. Supervisor Gunter added the Board would have to be committed to supporting the meals tax referendum or it would fail.

Supervisor Gunter also pointed out that Campbell County continues to have one of the lowest tax rates in Central Virginia, and the citizens received a value for what was provided. Very few citizens were aware of this information. He believed the FY 2010 budget would be an even greater challenge than this year's budget. At the public hearing he asked staff to stress the point that the State was continuing to pass along costs to local government, and the County was facing a deficit in this year's budget as a result.

The proposed budget includes converting the part-time Fire Marshall position to full-time. Supervisor Gunter advised that when he was on the Public Safety Committee, he learned the Fire Marshall spent most of his time inspecting schools and was unable to inspect other businesses. He believed not providing this service to businesses was a threat to the citizens' safety. Supervisor Shockley concurred adding the Fire Marshall had over 600 pending inspections, but was only able to respond to more immediate hazard situations.

There was a question regarding where the proposed new deputy would serve. Administrator Laurrell answered this was part of a long-range plan to add five deputies. One was added last year, and a second was proposed in the FY 2009 budget. The first deputy provided additional coverage in the airport area, but staff was not positive what area the new deputy would cover.

Supervisor Gunter questioned if steps were being taken this year to lessen the impact on the Schools' budget next year. Administrator Laurrell indicated the Schools had routinely depended on carryovers and encumbrances to fuel its budget from year to year, but beginning two years ago the new staff was working diligently to provide a more realistic budget. The real gap this year was \$400,000, and if the County could not help close the gap, the Schools budget would have to be reduced by that amount. The gap may be closed some by adjusted sales tax revenue information.

Supervisor Goldsmith noted there was no allocation for Altavista Rescue. He was hoping to resolve this issue by the end of the year and have their funds reappropriated. Also, there was no funding proposed for Altavista on Track and the Altavista Chamber of Commerce. Supervisor Goldsmith has talked with the President of the Chamber of Commerce who indicated their long-range goal was to support the entire County and not just the Town of Altavista. Based on the shortfalls in the budget, he would not ask the Board to support funding for the Chamber of Commerce, but he would encourage the Board to consider funding for Altavista on Track. The revitalization of the Town was a long term process and an investment in the Town would be an asset to the entire County in terms of potential economic growth. He asked the Board to consider reinstating \$20,000 per year for Altavista on Track.

Supervisor Falwell raised a question about the new position proposed for IT Network Engineer. He confirmed that currently outside services were being used and performing the services in-house would save about 1/3 of the current costs. In answer to moving the part-time position at the Staunton River Library from part-time to full-time, Nan Carmack, Library Director, indicated there were currently three people at Staunton River – one full-time position and two part-time positions. One of the part-time employees was planning to retire July 1 leaving on 1 ½ positions for the time it takes to fill the position. The Staunton River Library was a high use branch and having so small a staff stretches them rather thin. Many times there was only one person at the library which was unsafe.

Supervisor Falwell commented he would support the implementation of lodging and meals taxes. The two-cent increase in the real estate tax rate would cost the average taxpayer about \$26.00 per year. While he understood the impact the current economy has taken on citizens, he did not feel the increase was unreasonable.

There was further discussion about the state of the economy that was creating hard times for many people. In an effort to keep taxes down, Supervisor Rosser was in favor of using more from the Undesignated Fund Balance. He realized \$26.00 may not seem to be a lot, but it was to the person who could not afford to buy gas or medicine. Administrator Laurell was concerned about using the Undesignated Fund Balance for operating expenses, but was comfortable using those funds for one-time operating expenses. Supervisor Puckett commended the staff on the work that went into preparation of the budget, but added the Board had an obligation to the citizens to hold the line on tax increases as much as possible.

The next work session was scheduled to follow the April 21<sup>st</sup> meeting at which time the Board would need to determine the tax rate to be advertised. The public hearing on the budget was scheduled for May 5<sup>th</sup>.

On motion of Supervisor Puckett, the meeting was adjourned at 8:55 p.m.

The vote was: Aye: Falwell, Goldsmith, Gunter, Pendleton, Puckett, Rosser, Shockley  
Nay: None  
Absent: None

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HUGH T. PENDLETON, JR., CHAIRMAN

Approved: \_\_\_\_\_