

VIRGINIA:

At a recessed meeting of the Washington County Board of Supervisors held Monday, May 17, 2004, at 7:00 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

PRESENT:

John B. Roberts, Sr. Chairman
Phillip B. McCall, Vice Chairman
Dulcie M. Mumpower
Odell Owens
Anthony S. Rector
Kenneth O. Reynolds

Mark K. Reeter, County Administrator
Mark W. Seamon, Accounting Manager
Naoma A. Mullins, Recording Clerk

ABSENT:

Bobby D. Ingle
Lucy E. Phillips, County Attorney

1. Call to Order

The meeting was called to order by Mr. John Roberts, Chairman of the Board, who welcomed everyone in attendance.

2. Invocation and Pledge of Allegiance

Supervisor Tony Rector gave the Invocation and led the Pledge of Allegiance.

3. Approval of Agenda

On motion of Mrs. Mumpower, second by Mr. Rector, it was resolved to approve the agenda with the following amendment:

Item 5 Revision to the County Operating Budget Calendar for FY 2004-05

The vote on this motion was as follows: (6-0)

*Mr. McCall Aye
Mrs. Mumpower Aye
Mr. Owens Aye*

Mr. Rector *Aye*
Mr. Reynolds *Aye*
Mr. Roberts *Aye*

4. Presentation of Proposed & Recommended County Operating Budget for Fiscal Year 2004-2005

County Administrator Mark Reeter presented the Board with the proposed and recommended County Operating Budget for Fiscal Year 2004-2005. Mr. Reeter explained this budget should be considered a work-in-progress and will be refined during upcoming budget meetings as additional information concerning state revenues to localities are received.

The total budget for all funding requests received by the County is \$96,374,000. The total recommended budget is \$94,226,000.

The estimated starting carryover revenue balance is set at \$1,750,000, which is an increase of \$250,000 from the current fiscal year’s balance.

Mr. Reeter advised the Board that no formal budget request from the Washington County School Board has been received due to the delay caused by the extended Virginia General Assembly Session. The recommended budget presented for the School Board reflects \$20,500,000 in local funds for a total School General Fund budget of \$57,977,000, based on an early budget request proposal prepared by School Board administration. For the current fiscal year, total local funds appropriated for schools stands at \$19,754,000 of a total School General Fund of \$54,966,000. The recommended local funding for schools represents a \$745,000 increase over the current fiscal year. School Board action on a formal budget request is not expected until later in May.

The Community Organization funding that includes all fire, emergency medical services, community centers and senior services have been level-funded with the current fiscal year.

For the first time, a Capital Reserve Account has been established within the Capital Improvement Fund at \$1,500,000. This represents the County’s true available unobligated fund balance and separates it from a roughly equal amount of cash flow balance that remains off budget. As has been past practice, this balance will grow if and when surplus unexpended revenues from the current fiscal year are carried forward, less the amount budgeted as a carry-over starting balance. This account is available for unanticipated capital and economic development projects that may present themselves during the course of a fiscal year, as well as for use in emergencies. The \$1,500,000 balance of this account is considerably below par for counties with operating budgets in excess of \$90,000,000. Using traditionally accepted minimum standards, this balance should continuously hover at least 5% of the annual operating budget, or about \$5,000,000 (not including cash balances). This balance should not be viewed as available for expenditure to cover recurring costs.

A 3% across-the-board salary increase is recommended for General Government Administration, Library and Social Services employees. Increases for Constitutional Officers are included if provided by the State Compensation Board.

The County is faced with significant health insurance premium increases for the coming fiscal year that amounts to 9.7% or approximately \$400,000 more in employer-share premiums than the current year.

The County will lose approximately \$415,000 in revenue from personal property taxes in the coming fiscal year due to the anticipated estimated 7% adjustment in the NADA "Blue Book" valuation of used motor vehicles. Due to the freezing of personal property tax rates as a result of Virginia's Personal Property Tax Relief Act passed under the Gilmore Administration, there is no practical way to recover this lost revenue by adjusting the County's present \$1.55 personal property tax rate.

The millage rate (the revenue generated from 1 penny of taxes) will increase from the current \$258,600 to \$263,900 in the coming fiscal year from real estate, manufactured housing and public service corporations. The millage rate will decline from \$53,600 to \$51,000 from personal property and machinery and tools taxes as a result of the NADA devaluation.

The recommended FY 2004-05 budget is predicated on \$0.03 increase in Real Estate Tax (from current \$0.57 per \$100 of assessed value to \$0.60). This increase is estimated to generate an additional \$790,000 of revenue in FY 2004-05. This increase may be looked upon as a minimally necessary revenue increase until FY 2005-06 when the County will realize additional revenues due to real estate reassessment.

In conclusion, Mr. Reeter explained that he recommends the extension of the Consumer Utility Taxes to mobile communication devices (cellular and digital telephones). Expected additional revenues project at \$200,000+ effective in FY 2005-06. This is not expected to be a significant additional revenue source for the coming fiscal year due to a required 180-day notice period of imposition of tax to mobile communication services providers. Adoption of an ordinance after public hearing is required to implement.

Mr. Reeter reviewed with the Board the format and materials included within the proposed FY 2004-2005 budget books.

A question and answer period ensued.

Supervisor Tony Rector inquired as to what measures would need to be followed to extend the Consumer Utility Tax to cellular phones and could this tax be levied against Internet service.

Mr. Reeter explained that a public hearing and adoption of an ordinance would be required. He further explained that the Consumer Utility Tax could not be levied against Internet service.

Mr. Rector also inquired if a study has been completed on the impact of a meals or lodging tax.

Mr. Seamon explained that the County has a Transient Occupancy Tax, which only generates approximately \$33,000 per year due to most of the hotels being located in one of the incorporated towns or in the City of Bristol. He stated that a meals tax would probably not generate much additional revenue for the County.

Chairman John Roberts addressed the Board explaining that if the recommended budget of \$94,226,000 is adopted it would be nearly \$4,000,000 over the current fiscal years budget. Mr. Roberts stated that the County has been hit hard by increases in the health insurance premiums and with a poor economy. He further stated that FY 2004-05 would be a lean year for the County.

Responding to an inquiry concerning revenues that the Washington County School Board would be receiving from the Commonwealth of Virginia, Mr. Seamon explained that School Administration are

presently working to refine the figures. He further explained that some of the State's funding has conditions that must be met before the School Board would be eligible to get the money.

Responding to an inquiry, Mr. Reeter explained that the Capital Reserve Account is a separate account from Reserves for Contingencies and would be used for unanticipated capital expenditures, economic development projects and emergencies.

5. Review of County Operating Budget Calendar and Budget Public Hearing Advertisements

Mr. Reeter reviewed the revised FY 2004-05 County Operating Budget Calendar. Mr. Reeter advised the Board that today he received correspondence from School Superintendent Dr. Alan Lee requesting that the May 19 Joint School Board/Board of Supervisors meeting be rescheduled to May 24. He reminded the Board members that the first of two agency/departamental hearings would be held on May 20 at 7:00 PM.

Accounting Manager Mark Seamon addressed the Board regarding the budget public hearing advertisement and the venue for the public hearing.

It was consensus of the Board to advertise the budget with the real estate tax levy at \$0.78 per \$100 of assessed value and to conduct the public hearing at the County Administration Building in the Board of Supervisors Meeting Room.

6. Recess to May 20, 2004, 7:00 PM for First Board of Supervisors Workshop Meeting to Receive Departmental and Agency Reports Concerning FY 2004-2005 County Operating Budget Requests.

On motion of Mr. Rector, second by Mr. Owens, it was resolved to recess to May 20, 2004, at 7:00 PM for first Board of Supervisors workshop meeting to receive departmental and agency reports concerning FY 2004-2005 County Operating Budget requests.

The vote on this motion was as follows: (6-0)

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Rector</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Roberts</i>	<i>Aye</i>

Prepared by:

Naoma A. Mullins, Recording Clerk

5-17-04 13302

Approved by the Washington County Board of Supervisors:

John B. Roberts, Sr., Chairman