

**VIRGINIA:**

At a recessed meeting of the Washington County Board of Supervisors held Thursday, February 28, 2008, at 7:00 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

**PRESENT:**

Kenneth O. Reynolds, Chairman  
Jack R. McCrady, Jr., Vice Chairman  
Phillip B. McCall  
Dulcie M. Mumpower  
Odell Owens  
Paul O. Price (left at 9:16 PM)  
Thomas G. Taylor

Mark K. Reeter, County Administrator  
Lucy E. Phillips, County Attorney  
Mark W. Seamon, Accounting Manager  
Naoma A. Norris, Recording Clerk

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**1. Call to Order**

The meeting was called to order by Mr. Kenneth O. Reynolds, Chairman of the Board, who welcomed everyone in attendance.

**2. Invocation and Pledge of Allegiance**

Supervisor Tom Taylor gave the Invocation and led the Pledge of Allegiance.

**3. Approval of Agenda**

*On motion of Mr. McCall, second by Mr. Owens, it was resolved to approve the agenda as presented.*

*The vote on this motion was as follows: (7-0)*

*Mr. McCall                    Aye*  
*Mr. McCrady                Aye*  
*Mrs. Mumpower            Aye*  
*Mr. Owens                   Aye*  
*Mr. Price                    Aye*  
*Mr. Reynolds              Aye*  
*Mr. Taylor                  Aye*

**4. Presentation of Proposed and Recommended County Operating Budget for Fiscal Year 2008-2009**

Mr. Reeter reviewed with the Board the layout and materials found in the budget books provided to the Board.

Discussion ensued among the Board concerning revenue shortfalls anticipated for FY 2008-2009.

Mr. Reeter asked the Board for input as to how they would like the budget meetings to be formatted. He explained that the Board's budget policy states that the Board will review and tentatively approve each line item of the proposed budget beginning with any organization asking for \$250,000.00 or more in County funding. He explained the largest budget request comes from the Washington County School Board. Traditionally, the School Board's budget request is the first agency reviewed by the Board. However, over the last several fiscal years the Board has deferred action on the School Board's budget request until later in the budget review process. Mr. Reeter asked the Board when they would like the review of the School Board's budget request scheduled. Discussions ensued among the Board concerning the School Board's budget request. Mr. Owens inquired if the School Board needs the Board to review their budget request first. Mr. Reeter replied that because of the accelerated budget schedule and because the General Assembly is still in session it may be wise for the Board to delay review of the School Board's budget request. Mr. Taylor stated that he would like the School Board's budget request reviewed first. The Board devoted lengthy discussions to the General Assembly's proposed funding cuts to education (K-12). After further discussions about the review of the School Board's budget request for FY 2008-2009, the following action was taken:

*On motion of Mrs. Mumpower, second by Mr. Owens, the Board acted to delay the review of the School Board's budget request for FY 2008-2009 until later in the budget process to allow the Board time to gain a better understanding of the County's financial situation pending action by the General Assembly.*

*The vote on this motion was as follows: (6-1)*

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Price</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Taylor</i>	<i>Nay</i>

Further discussions ensued among the Board concerning the General Assembly's proposed funding cuts to education (K-12).

At this time, Mr. Reeter presented the County Administrator's FY 2008-2009 Proposed and Recommended County Operating Budget. The following is an overview of Mr. Reeter's presentation:

For the coming fiscal year, the total recommended County revenues and expenditures are budgeted at \$123,540,778, predicated on a recommended +0.04 real property tax increase (from the current \$0.57 to \$0.61). Of the total gross revenue, \$42,867,597 is derived from local (County) sources, with the balance of \$80,673,181 originating from state and federal dollars. With this recommended increase, the total

revenues derived from County sources are budgeted to increase by a little over \$1.5 million from the current fiscal year to FY08-09 (from \$41,280,453 to a recommended \$42,867,597). Without this recommended increase, using the total amended gross revenue estimate for the current fiscal year as of \$124,199,219, total gross County revenues for the coming fiscal year are projected to decrease approximately \$658,000.

The County normally sees about a 2.5% annual growth in local revenues. For the coming fiscal year, this has been offset by the following factors:

- A reduction in estimated machinery & tools tax receipts of \$1.4 million from the current fiscal year to FY 08-09;
- A reduction in interest earnings on funds on deposit of \$150,000 from the current fiscal year to FY 08-09;
- A reduction in estimated utility license tax receipts of \$100,000 from the current fiscal year to FY 08-09;
- A reduction in estimated public service cooperation tax receipts of approximately \$120,000 from the current fiscal year to FY 08-09;
- Reductions in a range of smaller local revenue sources, and
- A slowing in the estimated growth rate of sales tax receipts from the current fiscal year to FY 08-09.

Typically, the County experiences a need to increase the real property tax rate immediately prior to a reassessment year due to general revenue shortfalls, even after significant efforts by the Board to hold the line on expenditure increases during the budgetary process. For the coming fiscal year, however, the need is unfortunately exacerbated by the unforeseeable revenue reductions mentioned above.

The Board received at stations correspondence from the Virginia Department of Transportation indicating that the County is in a position to recover some \$970,000 in Revenue Sharing Program funds sent to Richmond between FY98 and FY03 for the now-abandoned State Route 1717 Relocation Project. Board members will recall that the construction of a new road into the Bristol-Washington County Industrial Park was estimated to cost about \$9 million, and at best the County and State could allocate only about half that amount to the project. These funds have not been factored into the recommended budget at this time. The Board will need to decide whether to inject these one-time recoverable funds into the general revenue stream or to place them in the Capital Reserve Account for a future capital project.

The estimated starting carry-over revenue balance is recommended to be set at \$2,000,000 for the coming fiscal year, an increase of \$250,000 from the starting balance for the current fiscal year. Mr. Reeter explained that he does not normally recommend adjusting the anticipated starting balance in this way, but believe it necessary to do given the revenue situation anticipated for the coming fiscal year.

The “millage rate” that is, the revenue generated from 1 penny of taxes, will increase from the current \$326,395 to \$333,335 in the coming fiscal year from real estate, manufactured housing and public service corporations. The current millage rate of \$48,387 from personal property, and machinery and tools taxes will decrease slightly to \$41,614 for the coming fiscal year.

The General Fund of the County is the second largest fund within the budget behind the General School Fund. The total recommended General Fund budget for the coming fiscal year is \$21,189,370, representing an increase of about \$639,000 over the adopted General Fund budget for the current fiscal

year of \$20,549,637. Generally speaking, recommended funding for departments and offices within the Administrative Division of the County government, the Constitutional Offices, and Judiciary have only modest increases in funding over the current fiscal year, with no new positions being recommended for funding. The Sheriff's Office budget has been reorganized into eight new budgetary departments or "divisions" within the recommended budget in an effort to provide better administration and clarity.

County volunteer fire and rescue units are recommended to be level-funded in the coming fiscal year, however, full funding for the purchase of new fire vehicles under the County's rotation funding program has been provided, as well as reduced funding for the purchase of ambulances. \$25,000 has been recommended in the budget for the coming fiscal year to provide funding to match grants obtained by fire and rescue groups for equipment purchases (a reduction from \$50,000 budgeted in the current fiscal year).

The recommended budget level-funds nearly all County senior services organizations, community centers and town recreation programs. Cultural organizations such as Barter Theatre and the William King Regional Arts Center are recommended to be reduced in support funding in the coming fiscal year, with no funding recommended for proposed capital projects.

Expenditures for major County projects and purchases are budgeted within the Capital Improvement Fund. This Fund is also comprised of the County's Capital Reserve Account. Major capital projects approved during the current or past fiscal years and recommended to be carried forward into FY08-09 include funding for improvements to the Washington County Little League field near John Battle (\$60,000); professional services and partial funding for the acquisition of property for the proposed Abingdon/County Recreation Complex Project (\$487,500); professional services and partial funding of the construction of a new Damascus Recreation Facility (\$310,000); funding for purchased services associated with the new County Government Office Complex Project (\$250,000); \$50,000 in additional local funds for improvements to the Hayters Gap Public Library (\$150,000 in County funds with an additional \$50,000 in Virginia Tobacco Commission grant funds); and \$300,000 for the proposed new Damascus Branch Library Project (with an additional \$600,000 in anticipated VDOT grant funds). It should be noted that up to \$1.6 million in County funds will be needed in FY 08-09 to fund the County's anticipated share of the purchase price of the property for the proposed Abingdon/County Recreation Complex Project (purchase scheduled to close in October of this year). Mr. Reeter recommended that the Board formally request the Town of Abingdon finance the entire purchase of this property, with the County entering into an agreement with the Town to remit its share of the purchase price over a five to ten year period. Discussions ensued among the Board concerning this recommendation and the financing of certain sports related capital improvement projects.

The County's Capital Reserve Account within the Capital Improvement Fund consists of the County's undesignated fund balance, from which the Board may set aside or "earmark" for possible future capital projects and expenditures. Earmarks recommended for FY 08-09 are as follows:

- Reserve for Capital Projects – Schools - \$145,000. This amount represents funds returned to the County by the Washington County School Board in the current and past fiscal years and recommended to be carried over into FY 08-09 for school-related capital projects and needs.
- Reserve for Damascus Library - \$127,000. This represents pledged but unappropriated additional County funding for the proposed new Damascus Branch Library Project, and
- Reserve for Southwest Virginia Regional Artisan Center - \$500,000. This represents pledged but unappropriated County funding for the Regional Artisan Center project which is expected to be called for in the coming fiscal year.

The total recommended balance of the Capital Reserve Account for the coming fiscal year is \$4,571,152 (including the previously mentioned earmarks totaling \$772,000). Altogether, the Capital Reserve Account was reduced by approximately \$310,000 from the current fiscal year's adopted budget starting balance of about \$4,882,000 for FY 08-09's recommended starting balance of \$4,571,153, due largely to the transfer of about \$1.7 million in Capital Reserve Account funds to the Utilities Fund for the purchase of wastewater treatment capacity from Bristol Virginia Utilities. The Reserve Account grows primarily from two sources of revenue: (1) return of unexpended funds by the School Board to the County, and (2) appropriation by the Board of Supervisors of unexpended and unobligated carryover funds from one fiscal year into the next. The exact amount of these carryover funds is usually determined about September of each year as the accounts of the immediately preceding fiscal year are reconciled. Mr. Reeter advised the Board that Washington County Service Authority has retained the services of a financial advisor to assist them with financing of several projects. The financial advisor has recommended to the Service Authority that they include \$1.7 million in the financing to reimburse the County for the appropriation to them for the purchase of wastewater capacity from Bristol Virginia Utilities. Mr. Reeter stated that the Service Authority seems receptive of this recommendation. He explained that the Board may be asked to adopt a refunding Resolution, which officially requests the Service Authority to finance the \$1.7 million.

The Economic Development Fund consists of funds budgeted for economic development projects such as industrial park development by the Washington County Industrial Development Authority (IDA) and Smyth-Washington Industrial Facilities Authority (SWIFA), as well as funds budgeted for performance agreements and to provide local match and incentives to new and expanding industry. For the coming fiscal year, \$457,000 is recommended for appropriation for the IDA for the first year of bond payments and \$350,000 for the first year of performance grant payments for The Highlands Commercial Development, in addition to \$120,000 to fund the fifth and final year of the IDA's performance agreement with AFG Industries (a five-year, \$600,000 total commitment). Overall, recommended funding for all departments within this category has decreased significantly from the current fiscal year's adopted budget of \$1,290,000 to a recommended \$927,000 for the coming fiscal year.

Expenditures for the operation of the Washington County Public Library system are budgeted within the Library Fund. This fund consists of local and state/federal monies for the operation and improvement of the Main Library as well as the County's four branch libraries. For the coming fiscal year, the recommended budget for the Library is \$1,463,567, a decrease of about \$65,000 over the current fiscal year's adopted budget of \$1,528,552, due primarily to the transfer of \$130,000 of capital projects funding from the Library Fund to the County Capital Improvement Fund. After accounting for this transfer, the Library funding has actually increased by approximately \$65,000 from the current fiscal year to the recommended FY 08-09 budget. Of the increased amount, \$58,000 is recommended within the Library Administration budgetary department, primarily for salary/benefits and general operational cost increases. Funding for a new Assistant Library Director's position was proposed but not recommended. About \$40,000 was proposed as a lump-sum line-item from which salary adjustments to Library personnel may be made (the second year of a proposed three-year adjustment program); \$30,000 for such adjustments has been made part of the recommended budget.

The General School Fund of the County is the largest single fund within the County Operating Budget. Fully two-thirds (66%) of all annual budget expenditures derived from this Fund alone. As of July 1 of the current fiscal year, the adopted General School Fund budget was \$70,556,888. This amount was increased by budget amendments several times during the current fiscal year and presently stands at \$73,348,803, of which \$26,161,275 is local funds. For the coming fiscal year, the Washington County School Board is requesting \$74,995,301 for the General School Fund, a \$4.438 million increase from the adopted budget for the current fiscal year. Of that amount, the School Board is proposing \$1,301,460 in

new local funds, with the balance of about \$3.137 million coming from additional state funding. The increase in new local funds requested for FY 08-09 may be compared to the \$2.298 million in new local funds requested by the School Board in the current fiscal year, of which the County provided \$1.5 million. The recommended budget for the coming fiscal year provides \$900,000 of the requested \$1.301 million in new local funding, with about \$506,000 of this new local funding directed toward increased debt-service requirements as a result of the School Board's issuance of \$5.273 million in bonds for school improvements during the current fiscal year. The balance of the additional local funds targeted toward addressing the fourth year of a proposed five-year plan to adjust teacher salaries to a more competitive level. The recommended budget fully funds the School Board's requested amounts for the School Textbook, School Construction and School Cafeteria Funds.

The recommended budget provides a 2.50% general salary/wage increase effective January 1, 2009, for all Administrative Division, Library, and Social Services employees. The typical general annual salary/wage increase for these locally-funded employees is 3.50% effective July 1; however, this year's budget situation and the uncertainty of pay increases for County Constitutional Office employees leaves the matter of any compensation increase to be decided late in the budgeting process. The average School Teacher recommended pay increase is 4.37% of effective July 1 of this year, with the average School non-Teacher increase being 5.26%, also effective July 1. County-provided employee benefits (health insurance, retirement and life insurance) will experience a major increase in the budget due to the Virginia Retirement System (VRS) increase for the coming fiscal year. Last year, the General Assembly approved mandatory Law Enforcement Supplemental Retirement, or LEOS, coverage effective July 1, 2008. Unfortunately, no state funding is currently anticipated to help cover the additional \$275,000 expense anticipated for the new benefit.

The County-provided employee group health insurance program will experience a 15% rate reduction effective October 1 of this year. In an effort to help employees with the high cost of health insurance coverage; however, the County-paid amount has been level-funded in the recommended budget. Beginning October 1 of the year, the County will change its health insurance provider from The Local Choice Program to Anthem Blue Cross/Blue Shield.

This concluded Mr. Reeter's presentation.

##### **5. Consideration of Authorization for March 10 Budget Public Hearing**

Mr. Reeter explained that on March 4 the first and only agency/departamental hearing is scheduled for the Board to receive comments on the FY 2008-2009 proposed and recommended County Operating Budget. He explained that typically there are two scheduled agency/departamental hearings; however, because of the accelerated budget schedule only one hearing was scheduled. The public hearing is scheduled for March 10. Mr. Reeter asked the Board if they wished to proceed with advertising the proposed and recommended FY 2008-2009 County Operating Budget for public hearing on March 10, or would they like to delay the public hearing to provide more time to work on the budget.

The Board devoted substantial discussions to the FY 2008-2009 County Administrator's proposed and recommended budget. Subsequently, the following action was taken:

*On motion of Mr. Taylor, second by Mr. McCrady, the Board acted to schedule an Agency/Department Hearings for the Board to receive their budget requests for FY 2008-2009, and to schedule March 10 as a second agency/departamental hearing if needed. If the second*

*agency/department hearing is not needed, March 10 would be scheduled as a budget adjustment worksession. It was further resolved to delay the advertisement of the public hearing on the proposed FY 2008-2009 County Operating Budget.*

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

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Taylor</i>	<i>Aye</i>

**6. Recess to 7:00 PM March 4, 2008 to Receive Agency and Departmental Comments on Proposed and Recommended County Operating Budget for Fiscal Year 2008-2009**

*On motion of Mr. Owens, second by Mrs. Mumpower, it was resolved to recess to 7:00 PM, March 4, 2008, to receive agency/departmental comments on the proposed and recommended County Operating Budget for Fiscal Year 2008-2009.*

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

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Taylor</i>	<i>Aye</i>

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**Prepared by:**

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Naoma A. Norris, Recording Clerk

**Approved by the Washington County Board of Supervisors:**

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Kenneth O. Reynolds, Chairman