

A SPECIAL WORK SESSION OF THE NEW KENT COUNTY BOARD OF SUPERVISORS WAS HELD ON THE 14th DAY OF APRIL IN THE YEAR TWO THOUSAND EIGHT OF OUR LORD IN THE BOARDROOM OF THE COUNTY ADMINISTRATION BUILDING IN NEW KENT, VIRGINIA, AT 4:30 P.M.

IN RE: ROLL CALL

Thomas W. Evelyn	Present
David M. Sparks	Present
James H. Burrell	Present
Stran L. Trout	Present
W. R. Davis, Jr.	Present

The Chairman called the meeting to order.

IN RE: FY09 BUDGET

County Administrator reported that there were two items for discussion: the equalized rate/reassessment and the real estate tax rate to be advertised. He pointed out that both the Commissioner of Revenue Laura Ecimovic and the Re-assessor Bill Coalson were present to answer questions.

He reviewed that the previous proposals had been based upon projections and upon the land book and reassessment figures that had been received on March 31. He recounted that since that time there had been additional cuts announced by the State, and staff had realized that AFD reductions and the Re-assessor's adjustments had not been factored into revenues. He reported that the equalized rate now appeared to be \$.665 rather than the \$.6475 previously reported.

Mr. Budesky advised that, pursuant to State Code, the County could adjust the Equalized Rate to \$.67 (which was in the parameters of what State Code permits) and that the value of one penny on the real estate tax rate was now computed to be \$227,928.

Mr. Evelyn asked how the impact of the AFD reductions could have been missed. Staff clarified that the AFD reductions had been projected, but that the projections had not been accurate. Ms. Ecimovic reported that the actual amount could not be calculated until the new assessments were received, and then her office had to "back out" each parcel individually.

It was also pointed out that, as a result of hearings with property owners, the Re-assessor had made changes on individual properties and subdivisions that substantially changed the projections.

Mr. Budesky reviewed some of the steps that the County had taken to absorb many of the budgetary impacts, including the high school debt service and addition in County office space and properties, and he pointed out the reductions made in department base budgets and the cuts made by both the Budget Team and Finance Committee, totaling \$1.4 million which equated to 5.47 cents on the tax rate.

He advised that with the change in the land values and the equalized rate, the Budget Team and the Finance Committee had made additional changes, which included a 1% reduction in employees' merit raises, elimination of some of the new positions and requested upgrades, elimination of green initiatives, reduction in school funding, and a reduction in the amount

in the contingency account, after which there remained a need for a 7 cent increase in the real estate tax rate. He pointed out that the Board had the ability to make further changes as it deemed necessary.

Mr. Budesky advised that in the revised proposed budget, the Schools would receive an additional \$814,721 in local funding (plus about \$1 million from the State, all over and above what they received last year) which equated to 3.5 cents on the real estate tax rate. He reported that although he had not had an in-depth discussion with School officials, he had advised them of the latest recommendation. He stated that he was not comfortable with supporting the full amount that they had requested, adding that it was his understanding that with the proposed funding they would have to reduce teacher raises from 6.7% to around 4.7%. He advised that to fully fund the Schools' requests would take another 2 cents on the real estate tax rate and he felt that with citizens already facing increased assessments, the County needed to be cautious.

He advised that the increased CSA expenditures equaled 0.82 of a cent on the tax rate, and represented an 18% increase. He noted that CSA was the County's fastest growing cost center, pointing out that around 60% of those expenditures were for school students. The Board was reminded that the amount budgeted for CSA was an estimate only and that one new child could "eat up" the funding. Mr. Davis noted that CSA spending was 250% higher than what it was in FY05/06.

Mr. Budesky warned that adjustments made by the Board of Equalization could also impact revenues. Ms. Ecimovic reported that over 100 calls had been made so far and the hearing schedule notice had not yet been advertised. Mr. Budesky noted that \$128,000 had been budgeted for those adjustments, which was double the amount of the impact from the last reassessment, and equaled 0.56 of a cent on the real estate tax rate.

He stated that County operational needs equaled 2.05 cents on the real estate tax rate, and that covered a 2.5% Cost of Living Adjustment for employees, a few new positions and position upgrades; and four new initiatives including signs for the second Eltham Battlefield site and internet access upgrade. He reported that a 1% employee merit increase equated to \$65,000.

Mr. Budesky advised that a decision was needed as to what rate to advertise. He suggested that if the Board was comfortable with an Equalized Rate of \$.67, then an increase of 7 cents would result in a rate of \$.74; however, if the Board was inclined to increase expenditures, or concerned that adjustments made by the Board of Equalization would have an impact of more than \$128,000, he would suggest an advertised rate of \$.75 or an 8 cent increase to allow some "wobble room". He noted that there would be additional opportunities to further dissect the budget and to reduce the rate before adoption, but that it was necessary to decide upon a maximum rate in order to meet the 30-day advertising requirements.

He noted that the April 29 and May 27 work sessions could be used for further budget discussions, but suggested that the Board hold a special meeting on May 28 for public hearings on fees, equalized rate, tax levies and budget, and plan on adoption at its June 9 meeting. He admitted that this was later than what was preferred and there were implications to waiting until June for adoption, but there was no alternative. He indicated that additional budget work sessions could be scheduled as needed.

Mr. Budesky noted that the revised budget proposal had been reviewed by the Finance Committee and that citizen representative Bill O'Keefe was present to provide his comments.

Mr. O'Keefe stated that his views were based on his 30-year responsibility as "budget hawk". He advised that he was impressed by the dedication and hard work on the part of the staff, who was focused on keeping expenditures low and being cost effective. He stated that the proposed budget was reflective of great deal of hard work, an effort to strike a balance between a significant amount of competing needs, and good stewardship of taxpayer money. He admitted that no one wanted their real estate taxes to increase, but that he was supportive of the overriding investment in the County's future and providing high quality services for everyone. He acknowledged that there was a lot of concern about teacher pay, but advised that he had been unable to validate the information contained in the recent report in the Richmond Times Dispatch that New Kent's teachers were one of lowest paid in the State and had seen no data to support that assertion. He indicated that he felt the proposed \$814,000 in new local funding for schools was "on the generous side". He conceded that higher taxes would not be easy for some of the residents but he felt it was the right thing to do, that the proposed budget was responsible and responsive, and he hoped the Board would support it.

Mr. Burrell thanked Mr. O'Keefe for his comments and his participation on the Finance Committee.

The Chairman invited comments from Commissioner of the Revenue Laura Ecimovic. She stated that Mr. O'Keefe's eloquent comments had reflected her own. She indicated that she had looked hard at the budget and knew that reassessment would be a challenge for some of the County's taxpayers in a very difficult economy, but she felt that what was recommended was very responsible and gave funding to everyone. She commented that the County could not rely on growth for revenue.

Treasurer Herbert Jones, Jr. was offered an opportunity to address the Board. He advised that he agreed 110% with the comments by both Mr. O'Keefe and Ms. Ecimovic.

Mr. Burrell indicated that he had participated in meetings with the Finance Committee, felt they had been diligent in making cuts, and agreed with the recommendation to advertise a rate increase of 8 cents. He acknowledged that there were many citizens on fixed incomes and reminded that the Board had expanded the tax relief limits so that more would be eligible. He pointed out that the advertised rate could be reduced before adoption and that an 8 cent increase would give the County a "cushion" for any impact that might result from adjustments by the Board of Equalization.

Mr. Trout commented that much could happen before the budget was adopted on June 9 and noted that a similar situation had occurred two years earlier when the rate was reduced from what was advertised.

Mr. Davis asked when the impact from Board of Equalization adjustments would be known. Ms. Ecimovic advised that the Board of Equalization had hearings scheduled in May and June and she expected that they would make immediate decisions on most issues, except for those where they needed additional information. She indicated that her staff was being pro-active in calling people to schedule hearings but there may be some additional callers once the notice was advertised in the local newspapers.

Mr. Budesky noted that the Board of Equalization was not required to be finished its hearings by June 9, but he felt that staff would have a better idea by that date as to whether \$128,000 would be sufficient to cover the impact of adjustments.

Ms. Ecimovic reported that the appeals covered a "little bit of everything" but there were more questions about land values than values of improvements. It was noted that the reassessment contract was based upon 18,000 parcels.

It was clarified that although the \$959,000 in new debt service covered all capital projects, the majority of it was for the new high school.

Mr. Evelyn advised that he was concerned that the equalized rate was different than what was sent out with the reassessment notices. Mr. Budesky reminded that the information provided was an example and clearly set forth that it was not the adopted rate.

Mr. Davis conceded that he felt the Board had little choice but to advertise a rate of \$0.75.

Mr. Trout moved to approve a real estate tax rate of \$0.75 for advertising purposes. The members were polled:

Thomas W. Evelyn	Aye
David M. Sparks	Aye
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye
James H. Burrell	Aye

The motion carried.

IN RE: CONTINUANCE

At 5:30 p.m., the meeting was suspended to host a reception for the Jamestown 2007 Committee members and volunteers, to be re-convened at 6:00 p.m.