A SPECIAL BUDGET WORK SESSION OF THE NEW KENT COUNTY BOARD OF SUPERVISORS WAS HELD ON THE 19TH DAY OF MARCH IN THE YEAR TWO THOUSAND EIGHT OF OUR LORD IN THE BOARDROOM OF THE COUNTY ADMINISTRATION BUILDING IN NEW KENT, VIRGINIA, AT 4:00 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: FY08/09 BUDGET

County Administrator John Budesky distributed budget information to the Board which included Budget History by Major Categories; FY09 Budget Increases/Decreases; Administrative Recommended Upgraded and New Positions; Surrounding Counties' Tax Rates; FY08/09 Proposed COLA and Merit Increases; Insurance Premiums; Justification for New Positions/Upgrades Recommended for FY09; County Properties 2007/2008 v. 2008/2009; Justification for Internet Access Upgrades; Justification for Green Initiatives Assistance; and letter from Finance Committee citizen member William O'Keefe dated March 18, 2008.

Mr. Budesky commented that it would be a difficult financial year for the County and its residents, a fact that no one had "taken lightly" as the proposed budget had been developed. He pointed out that the handouts contained General Fund information only and nothing regarding the utilities or enterprise funds. He reminded that final facts and figures were still not in from the State's budget or from the reassessment, but that certain assumptions had been made.

He reported that included in the proposed base budget was an increase in funding for tax relief for the elderly and handicapped; incentives for fire-rescue volunteers; no change in the personal property tax rate; and a 50% reduction in the machinery & tools tax rate. He further reported that it had just been learned that funding cuts in the State's budget would result in New Kent Schools' receiving in the neighborhood of $453,000 less than what had been projected.

Mr. Budesky reviewed the information in the handouts, pointing out that many departments had reductions in their requests; that there would be savings in premiums for retirement, group life insurance and health insurance; and that there was projected to be some additional revenue from a variety of sources that included real estate taxes, rent for the Human Services Building, and an increase in sales tax. He advised that the proposed budget included market adjustments for fuel, an increase in funding for the Library, and commitments to various agencies. He noted decreases in revenues resulting from a loss of ABC funds, elimination of the Victim-Witness grant, and decrease in proffers from Farms of New Kent. He reported that the County was just starting to receive revenues from the Fire-Rescue Revenue Recovery, noting that it would take about a year or so for that program to stabilize, and that when those revenues were collected, they would be appropriated to part-time fire-rescue personnel to serve County residents. He pointed out that computers had been moved into the Capital budget.

Mr. Budesky indicated that the debt payments on school projects were included in the County's budget and were not in the Schools' budget. He reported that the amount budgeted for debt service on the new high school was equivalent to 4¢ on the real estate tax rate, noting that it had originally been predicted that 7.1¢ would be needed, but that amount was reduced to 4¢ after equalization, and all debt service payments were being absorbed in the base budget and would require no increase in the tax rate.

He did ask for direction from the Board on what he identified as "discretionary" items that would impact the real estate tax rate and included cost of living adjustments and merit raises for County employees; eight new positions; eight salary upgrades; some new initiatives; and increases to agencies, schools, and Human Services (CSA). He advised that these items totaled $1,841,002 -- equivalent to an 8¢ increase in the real estate tax rate (based upon 1¢ producing $232,000). He emphasized that $1.4 million in cuts had already been made in the requests by both the Budget Team and the Finance Committee.

He noted that the $187,587 proposed increase to CSA included a cut of $39,000. He also advised that staff could not support the full amount requested by the Schools and that the $810,649 recommended was after a cut of $464,000, and was equivalent to a 3.5¢ increase in the tax rate. He advised that the Schools would still receive more than they did last year and that if the Board wished to fund the Schools' request in full, it would take a 2¢ increase in the real estate tax rate.

Mr. Budesky advised that based on a $0.6475 equalization rate, an 8¢ increase would raise the real estate tax rate to $0.73. He noted that the Land Books were due on March 30, after which time staff should have a more definite figure; however, he noted that there could be some impacts resulting from actions by the Board of Equalization.

Mr. Davis spoke about the effect of the reassessment and how it would be necessary to "have a good handle" on the total taxable property. He noted that an 8¢ increase in the real estate tax rate would be about a 12% increase.

Mr. Trout stated that he felt it was important to find the correct rate.

Mr. Burrell commented that the needs and the amount of money needed from the taxpayers would be the same, no matter what the tax rate, but he did agree that some taxpayers would be more affected by the reassessment than others. He pointed out that an increase of 8¢ in the tax rate on a home valued at $200,000 would result in only $160 in additional taxes.

Mr. Evelyn noted that land values had increased an average of 75% and homes by 25% and he felt that those who owned more land would pay significantly more in real estate taxes than those who lived in a house on just a half of an acre.

Mr. Budesky indicated that the total base revenue after reassessment and equalization should be close to the revenue before reassessment at the current rate.

Mr. Sparks advised that his concern was with the 8¢ increase in discretionary spending, or $1.8 more in revenue from the taxpayers.

There was discussion on school funding.

Mr. Trout commented that he did not feel that the County could make up the entire amount that was cut by the State.

Mr. Sparks asked how the cuts made by the State ($452,636) would affect the School's budget. School Board Chairman Joe Yates distributed a handout with possible cuts to handle the State reduction, which included elimination of seven of the thirteen proposed new positions and reduction in salary increases. He clarified that New Kent ranked 107th out of 136 school divisions in the State in teacher salaries.

Mr. Sparks asked why the County had cut $464,000 from School funding. Mr. Budesky explained that it equaled a 2¢ tax rate equivalent and cutting that amount would prevent him from having to recommend a 10¢ tax rate increase, and that it was also proportionate to the cuts made in other departments.

Mr. Sparks asked how the $464,000 reduction in local funding would impact the School's budget. Mr. Yates advised that in that event, raises would be only 2% or 3% and if they were not able to get the new positions they needed, they would be in danger of not meeting Adequate Yearly Progress (AYP) next year. Dr. Geiger predicted that New Kent's ranking would sink even lower because he suspected that many of the other school divisions would give their teachers more than a 4% increase.

Mr. Sparks talked about low teacher pay and admitted that he "had issues with what was originally proposed" in light of the many other needs in the County. He stated, however, that he had a problem with teacher salaries and was embarrassed by New Kent's low ranking.

Mr. Yates reported that New Kent was having trouble filling positions with "quality teachers" and had, in fact, terminated some "bad ones" during the year. Superintendent Roy Geiger confirmed that they had let nine teachers go because of problems. Mr. Yates pointed out that most of New Kent's teachers did not live in the County and were wrestling with rising fuel costs.

There was discussion regarding the increase in health insurance premiums for teachers. Mr. Yates advised that the 13% increase in premiums was an estimate only. Mr. Davis noted that "it worked out to a 2% salary increase". Mr. Yates clarified that the cost of the increase in premiums was split between the County and the teachers, noting that many of the teachers did not participate in the school's policy because it was "pitiful". Mr. Davis suggested that it might be better to give raises than to cover the increase in the health insurance premiums. Dr. Geiger indicated that he did not want to take that risk, commenting that "good people would look at the whole picture". Mr. Sparks suggested that insurance might not be as important to young teachers. Dr. Geiger responded that colleges weren't producing enough teachers and he felt that "career switchers" did look at things like health insurance and he felt that option would be "just a quick fix" and not attractive to long-term employees. Ed Smith, Assistant Superintendent of Operations, reported that school employees paid close to 70% of the family coverage premiums.

Mr. Burrell noted that even with the reductions, the Schools would still receive more revenue this year than last.

There was discussion regarding anticipated funding from the State. Ed Smith reported that it was a "solid estimate" and explained that it was higher than normal because this was a year for re-benchmarking.

Dr. Geiger commented that he appreciated the tough job that the Board had but suggested that they consider school funding to be an investment - similar to the one made for water and sewer - which would pay off in the future. He indicated that they were now at a "critical point" where low teacher pay was affecting their ability to recruit and retain quality teachers. Mr. Yates echoed those comments, adding that he understood the Board's dilemma as he worked in the private sector where few pay increases were being given and, as a taxpayer, he would also be impacted if the tax rates were increased.

It was pointed out that there would be little change in New Kent's ranking among the Richmond area localities even if New Kent gave its teachers the increase that had been requested because all of the other localities would likely give their teachers at least a 4% increase. Dr. Geiger reminded that New Kent gave its teachers a 5% increase last year and still lost ground.

Mr. Burrell indicated he had concerns with County employee salaries as well, noting that County employees had received a lower percentage of increases over the past years compared to teachers.

Mr. Budesky noted that it was easier to make salary comparisons among teachers than it was for County employees, and that the County had tried to upgrade some positions each year in order to bring County employee pay up to market. He indicated that the new position of HR assistant would give the County the opportunity to continually do studies on County salaries.

Mr. Davis asked about the amount of revenue from new growth. Commissioner of the Revenue Laura Ecimovic advised that she had not yet calculated those figures. Mr. Budesky reported that staff had computed that figure to be only around $677,000, and that was another reason for such a tight budget.

Mr. Davis stated that times were tough and he did not think other localities would be increasing their tax rates by 12% and it was necessary to make some hard cuts. He said that he felt New Kent treated its employees well and he knew the teachers salaries were "lacking". He stated that the County was in competition with a "'moving target" when it came to teacher pay. Mr. Budesky suggested that if the Board chose to give the teachers an increase and not support County employee pay increases, then it should commit to performing a market study in the upcoming year and support employee increases next year. Mr. Sparks suggested that the study could be done in-house and Mr. Budesky indicated that could only be done in-house with the addition of the new HR assistant position.

Mr. Trout suggested asking the Finance Committee to consider how another 1¢ equivalent in revenue would help.

In an effort to put things in perspective, Mr. Burrell noted that the real estate tax on a home valued at $200,000 before the reassessment was $1,860, and the tax on that same home valued at $270,000 after reassessment would be only $111 more if the rate were increased to $0.73 per hundred dollar value. Ms. Ecimovic commented that the average home value in New Kent was no longer $200,000.

Mr. Budesky reminded that staff needed direction from the Board and that the Finance Committee could not accomplish much without more direction.

Mr. Trout stated that he was in favor of the County covering one-half of the State's recent reduction, by funding the schools the recommended $810,679 plus the equivalent of 1¢ or $232,000.

Mr. Evelyn asked about the meals tax. Mr. Budesky reported that $250,000 was being transferred to the Capital fund -- $125,000 for Parks & Recreation and $125,000 for Economic Development incentives. He confirmed that the Board did have the ability not to fund those programs and to use those funds to reduce the amount of tax rate increase; however, he indicated that he could not recommend such action as he felt it would seriously impact the County's ability to move forward with some programs and if the Board transferred those funds out of Capital fund, it would likely never put them back. Mr. Trout agreed, reminding that the meals tax was passed to fund those designated areas. Mr. Budesky reported that the revenue from meals tax doubled in the last year and staff had projected $500,000 in meals tax revenue for the upcoming year. It was reported that of the $435,000 budgeted in the current year, the County had collected $285,000 through mid-February, which put it about $20,000 ahead of projections. Mr. Burrell warned that with the change in the economy, the County might not realize as much as projected. Mr. Budesky added that staff felt comfortable with the amount projected.

Mr. Davis indicated that he felt the choice was to cut raises or new positions, and said he felt that it was up to the Board to look out for the taxpayers.

Mr. Trout indicated he was reluctant to cut County employee raises because staff was also being affected by the increase in fuel and cost of living.

Mr. Sparks agreed, saying that he would prefer to keep the raises and cut the positions.

Mr. Budesky advised that not all positions could be cut, reminding that the new position was promised to the Commissioner of the Revenue last year when she agreed to take on the reassessment duties. He indicated that additional custodial help was needed to maintain the new space that was opening up.

He did suggest that one option that could be considered dealt with the soon-to-be vacant middle school. He advised that the budget requests were based upon using the facility for community meeting space, public use and recreational activities beginning in September 2008, but that if the County chose to keep the building closed, then it would not need as much operational money and could get by with just adding the half-year custodial position. The Board questioned whether the conversion of the current high school for middle school use would even be accomplished by September 2008, to which Dr. Geiger responded that was their plan. Mr. Budesky reported that the Schools wanted to continue to use the computer lab as well as some of the office space in the middle school, but that moving the School Board offices into the facility had not yet been addressed.

Mr. Sparks indicated it would be his preference to keep the facility closed.

Mr. Davis suggested cutting the expenses to operate the middle school, commenting that little of the facility would be used in September other than the gym, and that it would take about a year to determine what the use and costs would actually be.

Mr. Evelyn asked about the request for a part-time Assistant County Attorney. Mr. Summers explained that the funds in his budget for outside counsel could be used to pay for a part-time in-house assistant and would result in more work for the same amount of money. Mr. Sparks expressed his doubts as to whether the County could completely eliminate having to pay outside counsel. Mr. Trout noted that Mr. Summers had eliminated a lot of the use of outside counsel. Mr. Summers confirmed, stating that almost no money was being spent on outside counsel and that he proposed to retain only some litigation funds to pay for major cases. Mr. Sparks agreed that Mr. Summers had done an excellent job but he was skeptical that significant reductions in payments to outside counsel could actually be made.

Mr. Trout suggested that the Budget Team could prioritize the discretionary needs.

Mr. Davis asked for a figure the Board "could live with".

Mr. Sparks suggested that the discretionary increases be cut by 30%, or $621,900.

Mr. Evelyn talked about layoffs in the job market and how a 12%-13% increase in real estate taxes would be hard on the taxpayers.

Mr. Sparks asked if the Board could designate school funding. Mr. Summers advised that it could not because the School Board was a separate political body. It was confirmed that the Board could fund by category and Mr. Smith reminded that teacher salaries "fell across" all of the categories.

Mr. Sparks asked about use of the contingency fund. Financial Services Director Mary Altemus advised that it was never a good idea to use the contingency fund to pay for recurring expenses.

Following further discussion, the Board members suggested funding the 2.5% cost of living increase and 2% merit raises for the County employees, the Real Property Field Inspector position for the Commissioner of the Revenue, $1,042,649 for the Schools ($180,649 plus 1¢ equivalent of $232,000), the one-half year custodian position, additional agency funding, and increased funding of $187,587 for CSA, with no upgrades and no other new positions, resulting in a real estate tax rate increase of 7¢. Mr. Davis noted that would be a 10% increase in the rate.

Mr. Trout suggested also looking at what impact another 1¢ increase would make.

Mr. Burrell spoke about the Treasurer's request for an accounting clerk position, noting that the Treasurer's Office had operated with the same number of employees for more than 30 years. Mr. Budesky confirmed that the Treasurer's Office was performing more collections but that no offset had been identified even though there may be one. Chief Deputy Treasurer Norma Holmes spoke about the new DMV setoff fees and fees for setoff debt but was unable to make a projection on revenues. The Board members advised that they would need to see those projections before making any decision on that position.

Mr. Sparks asked the Fire Chief about revenue from emergency response billings. Chief Hicks reported that billing began in July 2007 and that it had taken 9 ½ months for Medicare and Medicaid applications to be processed. He confirmed that the County started receiving payments last month for bills incurred in July and had collected approximately $48,000 in 20 days. He advised that payments would always be about nine months behind but should soon become a continuing revenue stream and could be appropriated as they were received.

Mr. Budesky reported that the revenue from emergency response fees for those convicted of certain traffic violations was never realized and represented a decrease in the revenue projections.

Mr. Budesky recapped what he understood to be the Board's requests, which was a 7¢ increase to include increasing school funding to $1,042,649, proposed cost of living and merit raises for County employees, the new position for the Commissioner of the Revenue, additional agency funding, CSA funding, and the half year custodian position. The Board concurred.

IN RE: ADJOURNMENT

Mr. Sparks moved to adjourn the meeting. 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.

The meeting was adjourned at 5:45 p.m.