

**VIRGINIA:**

At a recessed meeting of the Board of Supervisors of the County of Northampton, Virginia, held in the auditorium of the former Northampton Middle School, 7247 Young Street, Machipongo, Virginia, on the 24th day of May, 2010, at 5:00 p.m.

**Present:**

Laurence J. Trala, Chairman

Willie C. Randall, Vice Chairman

Richard Tankard

H. Spencer Murray

Oliver H. Bennett

Samuel J. Long, Jr.

The meeting was called to order by the Chairman.

**County Officials' Reports:**

(A) Ms. Katherine H. Nunez, County Administrator, read the following correspondence from Davenport & Company, LLC:

**Memorandum:**

To: Katie Nunez  
Glenda miller

From: David Rose  
Courtney Rogers

Re: Usage of Undesignated Fund Balance

**Overview:**

Davenport & Company, LLC, as Investment Bankers to Northampton County (the "County"), has been asked to memorialize our observations/recommendations for the County Board of Supervisors regarding 1) the use of Undesignated Fund Balance ("UFB") for balancing the budget and 2) the credit market's (including both lending institutions and rating agencies) view of doing so, especially if the usage of such monies results in the County violating its own self-imposed Financial Policy Guideline for maintaining a minimum level of undesignated funds.

**Initial Observation(s):**

The nationwide recession has played havoc with local governments and their revenue projects/actual receipts over the past several months. The prospects for the near term (i.e., balance of FY 2010 and FY 2011) are no brighter.

Nevertheless, the embedded cost of delivering essential government services has not diminished given the many federal and state unfunded mandates and other realities (i.e. double digit medical costs, pension-retiree funding, etc.). As a result, many localities like yourself have and are looking hard at trimming where possible. However, were all other expense reduction measures are exhausted, we recognize, as does the credit markets, that using some level of UFB for a “gap filler” may be necessary.

To this end, while neither Davenport nor the credit markets are excited by this practice, nevertheless both parties understand the unique environment we are in and the inevitability of this possible short term decision. That said, it is important that such a decision (i.e. the use of UFB to shore up a budget) be followed by a Plan of Action to restore the monies, ideally over a 2-3 year period if the County wishes to remain in a favorable financial position with the credit markets.

Should the UFB be used to cover recurring operational expenditures, versus one-time capital spending, it is especially important to have a plan not only how to replace the UFB but also how the recurring operational expenditures will be funded in the subsequent budget years. Using Fund Balance, which represent a one-time/limited source of funds, to cover annually re-occurring operational expenditures (i.e., salaries, supplies, etc.) is never a positive from the credit market’s perspective. The problem with doing so is that it quickly becomes a slippery slope. Once the Fund Balance (or portion thereof) is used in a given fiscal year it is gone (all other things being equal). The operational expenditure that it funded still needs to be paid for in the next year. At some point that operational expenditure either needs to be cut or an on-going revenue stream needs to be identified to fund it or else Fund Balance will be completely exhausted.

Potential ramifications of utilizing Undesignated Fund Balance beyond the County’s Policy include:

- \* Increased debt service costs for future capital projects due to reduced credit worthiness in the credit markets assessment. We have seen instances where local banks have increased their lending rates due to lower UFB levels which do not give lending institutions comfort.

- \* Possible need to do short-term Tax/Revenue Anticipation Note via local banking institutions to mitigate loss of cash flow due to lower reserves. This could translate into several hundred thousand dollars of additional interest cost as well as costs of issuance to the General Fund. While we understand the County might still be above its policy of 8% of the combined operating expenditures of the general, social services, regional jail and school operating funds (less internal transfers), this very low compared with similarly sized localities. Many localities of equivalent size as the County have a policy of at least 10%. Generally 8% is needed just for cash flow purposes with another 2% available for rainy day funds, prefunding capital projects prior to

permanent funding and natural disaster funds (i.e., hurricane/storm related).

\* Loss of interest earnings to the General Fund. While we understand that investment rates are very low at the present, in a normal market interest earnings to the General Fund provide additional revenues to offset expenditures. A reduced UFB will also mean reduced interest earnings to help this offset.

**Summary/Conclusion:**

Although Davenport does not condone the usage of UFB for meeting a near term budgetary problem, we are pragmatists and understand the current environment in which we are working. Thus in the event that all other budgetary savings and/or debt restructuring measures have been exhausted, using UFB may be considered as the last option. However, this option should be recognized for its potential downside effects. A Plan of Action to quickly rectify a locality's structural imbalance **and** replenish the UFB to again meet the County's self-imposed Financial Policy Guideline will be two keys to a solid credit standing in the marketplace.

\* \* \* \* \*

Ms. Nunez distributed a revised Annual Budget by Organization report which indicated that the deficit at this time was projected to be (\$139,389.35). This figure has been much improved after further review of the finalized state budget regarding jail per diems. The County's revenue stream is being increased by \$257,511 which reduces the transfer needed from the General Fund and allows that dollar amount to be applied to the outstanding deficit.

The County Administrator noted that there were three issues to be addressed: (1) how to fund the revised deficit; (2) do we increase the school local contribution (currently funded at a 10% reduction from the request or \$779,888 less than the FY 10 level); and (3) the need to establish tax rate structure for solar generation plants. She provided the following breakdown of proposed tax rate increases and the results thereof:

- 1 cent =
  - (1) funds general fund deficit of \$139,385
  - (2) provides additional \$105,532 (for school?)(still leaves school reduction at 8.7% from FY 10 level)
  
- 2 cents =
  - (1) funds general fund deficit of \$139,385
  - (2) provides additional \$350,453 (for school?)(still leaves school reduction at 5.54% from FY 10 level)

3 cents = (1) funds general fund deficit of \$139,385  
(2) provides additional \$595,374 (for school?)(still leaves school reduction at 2.38% from FY 10 level)

4 cents = (1) funds general fund deficit of \$139,385  
(2) provides additional \$779,880 (restore all school funding?)  
(3) provides additional \$60,407 (add to fund balance?)

<u>At start of FY 10</u>	<u>UFB</u>
Use \$377,359	8.85%
<u>Amended 5/24/10</u>	
Use \$253,457	9.08%
<u>Balance FY 11 Budget</u>	
Use \$139,389	8.72%

Mr. Long suggested the use of undesignated fund balance to cover the \$139,389 deficit remaining in the FY 2011 budget. He also asked the Board to be thinking about restoration of \$10,000 in cuts made to the fire and rescue stations.

Mr. Randall said that he supported level funding of the schools as requested with the resulting 3.18 cent tax increase.

Mr. Tankard read the following comments:

**Goal:** 2010 Board of Supervisors

Short Term: Make uniform all benefits packages for County, school, and constitutional office employees.

School system benefits not shared by County of Const. officer employees are the following:

- Retirement health care insurance partial payment (\$158 per month).
- Part-time employees receive Health insurance (\$300 per month).

Options:

1. Do we now extend these benefits to all County employees and Const officer employees?
2. Or, do we discontinue these benefits for all School employees?
3. Or, do we continue with a two tier system?

\* \* \* \* \*

Mr. Randall indicated that he agreed with the sentiment expressed in Mr. Tankard's comments, but for Fiscal Year 2012, not the upcoming fiscal year.

Mr. Murray read the following comments:

Northampton County Board of Supervisors  
Comments on the 2010-2011 Budget Process  
May 24, 2010

H. Spencer Murray, Supervisor, District #4

Mr. Chairman and Fellow Board members:

I would like to express my concern about the process aspects of how this board has proceeded with 2010-2011 budget planning.

My feeling is that we have not been consistent and clear about our budget guidance across all county divisions, including the school board. I fear we have sent various and mixed messages through individual conversations and meetings.

The County Administrator and the Director of Finance have worked closely with all divisions and achieved almost \$1.0 million in budget reductions. No one expected to receive the same funding as last year in these economic conditions and many have absorbed increased medical costs, salary loss due to furlough days, no cost of living increases, and cuts from state reductions.

The County Administrator and the Director of Finance have also been clear in their guidance to the school board in requesting cuts to the local funding level. This guidance started last year when we knew stimulus funding was going away, but we did not know that it would be more than replaced by our reduction in the local composite index (LCI).

On March 22<sup>nd</sup> and April 8<sup>th</sup> this board was told of the requested cuts to the school board budget. After meeting with the school board on April 26<sup>th</sup>, this board asked the school board to go back to their budget and adjust their base 2010 spending by the \$377,317 and the \$342,000 error in the school bus lease. The school board was told if they could not find a full 10% reduction, to do the best they could and return to us. This was the unanimous guidance of this board.

The school board met three days later on April 29<sup>th</sup> and their minutes show that both Chairman Trala and Vice Chairman Randall were present. The minutes are brief and the tape has been

routinely destroyed as the minutes have been approved.

While it is certainly true that any supervisor is free to attend any meeting they desire, I have to ask, “Did the school board receive any guidance from the Chairman or Vice chairman that went against the guidance given the school board three days earlier by this full board?” Have other supervisors met with members of the school board, formally or informally, and given them guidance different from that of the County Administrator or this full board? At the conclusion of the meeting the Chairman and Vice Chairman attended the school board concluded that they did not need to adjust their base or submit further cuts to their request for level funding.

Is this the process that will get the best budget for our county and best represent the interest of all our citizens? I think not. This public meeting is the place for supervisors to air our differences, agree where we can, but most importantly, speak with one voice.

Mr. Chairman, I hope we can begin to do so,

Respectfully,

H. Spencer Murray

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In response to the concerns expressed by Mr. Murray, Mr. Trala indicated that he provided no guidance to the School Board. Mr. Randall indicated that he told the school board to see if additional cuts, especially to technology funds, could be made. Mr. Bennett said that he urged school board members to make any cuts they could.

Mr. Murray said that in response to an earlier comment in support of a 3+ cent tax increase to provide full funding to the school system, that he was not in favor of this. Mr. Tankard agreed, noting the he was especially not in favor of supporting items that don't affect the students, such as health insurance for part-time bus drivers.

Mr. Bennett indicated that he supported a tax increase for the schools as requested.

Mr. Long said that he was opposed to a tax increase in this economy, and was worried that revenue projects might not materialize. But, with that said, he noted that the Board of Supervisors should demonstrate trust in the school board which they appointed. He said that he

was willing to trust the school administration to do its best and that the budget would improve next year. He supports funding for the school system at the requested level.

Mr. Trala also indicated that he favored level funding for the school system as requested and that he has confidence in the school board.

To the foregoing Board members, Mr. Tankard asked what in the budget document, gives them full faith and confidence in the school board? Mr. Trala responded that he believed the school board was looking out for the best for the students.

After hearing the Board’s guidance, the County Administrator proposed the following tax rates for 2010:

	<u>Tax Year 2009</u>	<u>Tax Year 2010</u>
Real Estate	.49	.521843
Mobile Homes	.49	.521843
Tangible Personal Property	4.10	4.10
Boats	.99	.99
Machinery & Tools	2.25	2.25
Merchants Capital	0.00	0.00
Farm Machinery & Equip.	1.43	1.43
Heavy Const. Equipment	2.86	2.86
<i>New addition:</i>		
<i>Solar Generation Plants</i>	---	.521843

Mr. Long suggested that the proposed real estate tax rate be rounded up to fifty-three cents (.53), providing for a small addition to fund balance. It was noted that the four-cent tax rate increase (from .49 to .53) represents an 8% increase.

It was the consensus of the Board to proceed to public hearing with the aforementioned tax rate schedule.

The County Administrator then called the Board’s attention to a paragraph included in the Appropriations Resolution for last two fiscal years as follows:

“Any unspent appropriations in the School Operating Fund for FY 09 will be recorded as reserved fund balance within that fund for the purpose of funding projects in the adopted School’s Capital Improvement Plan.”

She noted that a request has been received from the school system to consider allowing them to carry over funds designated for the Sick Leave Payout from year to year similar to the foregoing paragraph. The County Administrator indicated that she would recommend a change in policy so that unspent health insurance premiums could be allocated for this purpose.

Another request has been received from the Department of Social Services requesting establishment of a reserve fund to access in times of emergency such as sick leave or vacation leave pay-outs. The County Administrator indicated that she was not in favor of the Social Services’ request.

Mr. Randall indicated that he does not support roll-over of unspent funds, saying that all of these unspent funds should be returned to the County.

Mr. Murray replied that while all funds should be kept in the control of the County, there are unfunded liabilities to be considered.

Mr. Randall responded that the Board should be providing guidance of this nature to the school board now for future years’ planning to ensure standardized benefit packages and policies.

Mr. Tankard said that the Board does not have to wait for future years.....he has brought up many irregularities which can be addressed now.

Motion was made by Mr. Randall, seconded by Mr. Bennett that the Board schedule a public hearing for the FY 2011 County Budget for June 8, 2010, commencing at 7:00 p.m., with the proposed tax rates as set out above and contributions to the school system as denoted below:

Instruction	\$14,020,895
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Administration, Health	\$2,013,821
Pupil Transportation	\$1,457,015
Operations/Maintenance	\$2,101,416
Food Services	\$844,314
Technology	\$430,772

All members were present and voted “yes,” with the exceptions of Mr. Murray and Mr. Tankard who voted “no.” The motion was passed.

Mr. Tankard read the following comments:

We didn’t have to have a proposed budget with a tax increase. Unfortunately, this Board has been setting the stage for just such an increase since its first meeting of the year. Three Board votes taken earlier this year denied the County much needed revenue. They were:

1. Approval of the an AFD for a perpetually delinquent taxpayer.
2. Extension of the lease on vacant land at the now vacant landfill to the Golf Association rather than sell this valuable asset.
3. Approval of all EZ applicants, even those that owed the County tax monies.

Money generated from these lost opportunities could have patched the revenue hole that we have today. Maybe these were just freshmen mistakes.

Those votes were opportunities to consult the most experienced Board members in terms of fiscal knowledge, myself and Mr. Murray. My five years experience on this Board and in the business world has shown me to plan for the worst, especially when you are in the worst economic recession in 80 years. I knew, and others on the Board knew that tax money would be tight, and adjustments had to be made well before we got to this junction. The County Administrator and Finance Committee had been conveying the dire fiscal condition of the Commonwealth and County to the School Administration and its finance committee since way back at the beginning of the school year.

Let’s not make a fourth mistake and give the school administration their poorly reasoned and spendthrift budget requests. A balance budget without a tax increase is still possible. But only if we demand that the school administration pass along savings of close to a million dollars from increased State funding and the VRS retirement payment “holiday”. Demand that they create no new technology initiatives and more burdensome hospitalization benefits. Demand that they find ways to combine duplicate staff functions with the County staff. And, demand that they utilize the same financial software that all of the other County offices do.

I look at this budget with an eye toward running the County like a business. Businesses pay for their mistakes in the bottom line. I don’t think it is fair or fiscally sound to make the taxpayer pay for these kind of mistakes and lapses in judgment.

If you remain hell bent to make this fourth mistake, then, know this: the budget red is on

your hands, not mine.

\* \* \* \* \*

At this time, the Chairman called for a brief recess. At 7:15 p.m., the Chairman reconvened the meeting.

Public Hearing:

Chairman Trala called to order the following two public hearings concurrently and asked if there were any present desiring to speak.

(B) Zoning Map Amendment 10-03: The Northampton County Board of Supervisors has filed to rezone 3.80 acres from TE-1 Town Edge-1 District to TE-2 Town Edge-2 District. The property, owned by Canonie Atlantic Company, is described as Tax Map 58A2, double circle A, parcel 60 and is located at the corner of Rockefeller Lane and Indiantown Road in the area known as Eastville Station.

(C) Special Use Permit 10-06: The Northampton County Board of Supervisors has filed to operate a temporary public waste collection center on property described as Tax Map 58A2, double circle A, parcel 60 owned by Canonie Atlantic Company. The parcel is located at the corner of Rockefeller Lane and Indiantown Road in the area known as Eastville Station.

On behalf of the Board as applicant, the County Administrator presented background information on this petition, noting that the former greenbox site located at Eastville Supermarket was no longer available to the County through action of the property owner. Despite many years of searching, no site for a permanent waste collection site has been found to date. These petitions would seek to provide a temporary waste collection site until a permanent site can be found.

Ms. Sandra Benson, Director of Planning, indicated that the Planning Commission was recommending denial of these petitions.

Ms. Shelley M. Beasley read the following comments into the record:

Mr. Chairman and commissioners:

I am here tonight to speak in opposition of the rezoning and special use permit that the County is requesting for the railroad property located at Eastville Station for the purpose of placing dumpsters there.

In the Comprehensive Zoning Ordinance Section 154.002 Intent & Purpose Subsection B Purposes, it partially states in #2 Reduce or prevent congestion in public streets

#3 Facilitate the creation of a convenience, attractive and Harmonious community

#5 Protect against destruction of or encroachment upon historic Areas

#6 Protect against danger & congestion in travel & transportation, etc...

My concerns:

1. The smell from not only the trash but from fish and animal carcasses that will be dumped. I have seen first hand at the dumpsters deer carcasses and drum fish carcasses discarded. Which will then attract flies, buzzards and seagulls.
2. The dogs and cats that will be dropped by people no longer wanting them. Eastville Station will be overrun by feral cats and wild dogs.
3. The wild animals the dumpsters will attract looking for food. Such as rodents, rabid raccoons, foxes. Do we really want to take that chance in residential neighborhood filled with children?
4. Eastville Station floods fairly easily. With just a couple of inches of rain it sits for days. So then the water from the dumpsters mixed with the rain water would drain into the bay.
5. The unnecessary traffic that would go up and down Rockefeller Lane, which is a dead-end street.
6. Do you the commissioners realize that at that very corner of Rockefeller and Willow Oak or Indiantown Road that it is a bus stop for elementary and high school children? Why would the County want children getting on and off school buses next to dumpsters?
7. People hanging out around the dumpsters. Before the Bayview dumpsters were removed and replaced with a convenience center which is manned during operational hours people used to sit out near the dumpsters in chairs and you could ride by there and see them making drug deals. We the citizens of Eastville Station do not the chance of that happening in our community.

If this rezoning and special use permit are passed it will be a serious safety and health issue for our neighborhood and especially our children. Do we really want to take that chance? I don't!

Please think about our children and the citizens when you make your recommendation to the

Board of Supervisors. Please make this a recommendation of denial.

Sincerely,

Shelley M. Beasley

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She also referenced a petition signed by 32 persons, twenty of whom live in the Eastville area.

Mr. Bob Meyers, a member of the County Planning Commission, referenced an e-mail dated May 21<sup>st</sup>, which he had provided to County staff and District Four Supervisor Spencer Murray, providing an alternate location (portion of the parking circle in front of the new courthouse) for the temporary site.

Mr. M. E. Duff cited the need for a major access road to service the proposed site as well as drainage issues.

It was also noted for the record that a letter of opposition had also been received from Denise Drayton as set out below:

May 16, 2010

To: Sandra Benson

From: Denise Drayton  
P. O. Box 792  
16495 Rockefeller Lane  
Eastville VA 23347

Subject: Temporary public waste collection center

Dear Ms. Benson:

I received a certified letter recently dated May 5, 2010 regarding A. Zoning Map Amendment 10-03: The Northampton County Board of Supervisors has filed to rezone 3.80 acres from TE-1 Town Edge 1 District to TE-2 Town Edge 2 District and B. Special Use Permit 10-06: The Northampton County Board of Supervisors has filed to operate a temporary public

waste collection center on property described as Tax Map 58A2, double circle A, parcel 60. The property is owned by Canonie Atlantic Company.

I have quite a few concerns because I live at 16495 Rockefeller Lane which is located on a no outlet road. I am not in favor of having a public waste collection center so close to residences on Rockefeller Lane and Indiantown Road in the area known as Eastville Station. The volume of traffic would increase tremendously in this residential community creating a safety hazard for residents. There are children in the neighborhood and also a daycare center located on the street. The speed limit is 35 mph on Willow Oak Road, near the daycare center and increases to 45 mph on Indiantown Road. There would be an increase of litter and trash on this property. It would attract wild and stray animals to the area endangering children. The summer heat is fast approaching; therefore, there would be an increase of trash and garbage smells. Another concern is the property is low lying and does not drain. In the summer months when there is a lot of rain you would have unsanitary conditions and poor access.

I ask how long is temporary? Temporary could be any period of time and I think the residents deserve some assurance of just how long this temporary situation would last. A temporary public waste collection center is open 24 hours a day and 7 days a week with loud collection trucks that come late at night or early in the mornings to empty the green boxes. On holidays and weekends the greenboxes would overflow. What is someone wanted to sell their house or property before the center is removed – what impact would it have on land value with a temporary public waste collection center at the corner of the road.

I recognize a need for a public waste collection center in the Eastville/Machipongo area but I do not think the corner of Rockefeller Lane and Indiantown Road is a safe or sanitary alternative. I do oppose the Zoning Map Amendment 10-03 and the Special Use Permit 10-06.

Please enter into record.

Sincerely,

Denise M. Drayton

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Mr. Murray referenced the numerous calls he had received from residents who were concerned with the lack of waste collection services, both temporary and permanent, within District Four but that he was opposed to this particular site due to residents' concerns. Mr. Bennett, who represents District Three (the proposed site is just over the District line from Four to Three), said that he believed a better site could be found and referenced the offer of a site south of Machipongo from Planning Commissioner Marshall Cox. Mr. Randall also referenced

his opposition.

Motion was made by Mr. Tankard, seconded by Mr. Bennett, that Zoning Map Amendment 10-03 and Special Use Permit 10-06 be denied in keeping with the Planning Commission's recommendation. All members were present and voted "yes." The motion was unanimously passed.

In light of the area residents' concerns, it was the consensus of the Board not to spend any more time considering Eastville Station as a potential waste collection site location.

Mr. Murray suggested that a temporary greenbox site could be located on the School Bus garage parcel at the intersection of Willow Oak and U. S. Route 13.

Mr. Long suggested that the Eastville Town Council be solicited for ideas on locations of temporary and/or permanent waste collection sites on or near Business Route 13.

Action Items:

(D) Consider award of audit contract for FY 2010

On the recommendation of the County Administrator and the Director of Finance, motion was made by Mr. Murray, seconded by Mr. Bennett, that the FY 2010 audit contract be awarded to Robinson, Farmer, Cox in accordance with its proposal and County bid specifications. All members were present and voted "yes." The motion was unanimously passed.

(E) Consider approval of the Abstracts of Votes Cast in the May 4, 2010 General Election and spreading same upon the minutes of this meeting.

Motion was made by Mr. Long, seconded by Mr. Murray that the Board approve the Abstracts of Votes Cast in the May 4, 2010 General Election and spread same upon the minutes of this meeting. All members were present and voted "yes." The motion was unanimously passed.

(F) Consider award of contract for asbestos and lead paint abatement.

On the recommendation of the Clerk of the Works and DJG Architects, motion was made by Mr. Murray, seconded by Mr. Bennett, that the asbestos and lead paint abatement contracts be awarded to the low bidder, Macsons Demolition & Environmental Services of Norfolk, Virginia, for a base bid of \$170,580.00, an alternate #1 bid of \$36,270.00 (abatement of lead based paint in the interior of the old jail), and at a unit price as contained in their bid proposal for any additional work that might be required during the Administration Renovation project as well as an additional unit price to remove the raised platform on the second floor of the 1899 courthouse (\$2.39 per square foot) and the vinyl asbestos tile below the raised floor (\$3.40 per square foot). All members were present and voted “yes.” The motion was unanimously passed.

While there was a Closed Session item on the agenda, it was the consensus of the Board to hold this item until the meeting tomorrow night.

Recess:

Motion was made by Mr. Murray, seconded by Mr. Bennett, that the meeting be recessed to 5:00 p.m. on Tuesday, May 25, 2010, in the auditorium of the former Northampton Middle School, 7247 Young Street, Machipongo, Virginia, for discussions relative to Riverside Shore Memorial Hospital. All members were present and voted “yes.” The motion was unanimously passed.

The meeting was recessed.

\_\_\_\_\_ CHAIRMAN

\_\_\_\_\_ COUNTY ADMINISTRATOR