

Joint Meeting with the Board of Supervisors and the School Board (Thursday, November 30, 2023)

Northumberland County, VA

Members present

James M. Long, Richard F. Haynie, Thomas H. Tomlin, James W. Brann, Maurice E. Johnson

Other Staff Present:

Mr. Luttrell Tadlock, County Administrator

Mr. Drew Basye, Assistant County Administrator

Ms. Morgan Wilson, Executive Assistant

Mr. Robert Headley, IT Administrator

Mr. Carl Hayden, IT Technician

1. Opening of Meeting 5:30 P.M.

The joint meeting with the School Board was convened by Chairman Haynie and held at the Northumberland Courthouse located at 220 Judicial Place, Heathsville, VA 22473.

The School Board Chair called the School Board meeting to order as this was a joint meeting. Attending the meeting was Betty Christopher, Gayle Sterrett, Denise Mazyck, Dr. Cheryl Davis, and Dana O'Bier.

Information: A. School Budget Work Session/Budget 101 Update

Superintendent Wargo explained that the Joint Finance Committee met a few weeks ago and the School and the County were both asked to present budget basics. She was asked tonight to review that same presentation to both full Boards, so they are familiar with the same information.

Dr. Wargo began her presentation with the agenda that consisted of their purpose, an overview of Major School Finance Functions, an overview of Major Budget & Planning Functions, an overview of Major Funds of a School Division, and an overview of the Budget Process.

Dr. Wargo stated that their purpose is to provide a basic understanding of public school budgeting in the Commonwealth of Virginia. The major finance functions include accounting & reporting, payroll, purchasing, student activity funds, and budgeting & planning.

Dr. Wargo continued with a description of a budget. Simply stated, a budget is the plan that structures and describes how fiscal and human resources will be allocated/utilized over a stated period of time to support the achievement of organizational goals and objectives. In many ways, a fully funded school division budget should translate the priorities, values, and the needs of the school community. This includes students, staff, parents, families, business partners, and

community partners. The budget is an estimate of revenues and expenditures for a set period of time, in this case July 1 through June 30.

Major funds of a typical School Division are the general operating fund, grants/special revenue funds, school nutrition service fund, capital improvement fund, and textbook/online instruction material funds.

Finance Director Booth explained that state funding is appropriated/provided by action of the Virginia General Assembly. She stated that the major categories of State funding for public education are as follows:

- Standards of Quality (SOQ) – 89% of all K12 funding
- Incentive Programs - 1.5% of all K12 funding
- Categorical Programs - .8% of all K12 funding
- Lottery-Funded Programs – 9% of K12 funding
- Supplemental Assistance Program - .2% of K12 funding

Mrs. Booth stated that Standards of Quality (SOQ) funding is distributed to school divisions based primarily on student enrollment (Average Daily Membership/ADM) and the division's Local Composite Index (LCI) which indicates the division/county's ability to pay. Federal funding typically includes federal grants including but not limited to: Title I, IDEA, Title II, Carl Perkins, Medicaid Reimbursement.

Finance Director Booth then went through expenditures by major program, expenditures by major function, and expenditures by major type.

Additionally, Mrs. Booth provided an overview of the school board budget review and approval process. In October 2023, a budget input survey was sent out to students, parents, teachers, staff, business partners and community members. Public hearings and School Board Work sessions are held in the months of November and December on the proposed budget in hopes of having the approved school board budget presented to the Board of Supervisors in January for their consideration.

Lastly, Mrs. Booth explained that there are several ways to achieve budget neutral funding. One strategy is to cover a program's costs by increasing revenues, usually via additional taxes. Alternatively, you can offset the costs by cutting spending in another budget area.

Superintendent Wargo referred to the school's board docs link on their website and went through their agenda for tonight's meeting. She went into detail on the school's strategic plan for the Board and explained that goal one revolves around educational excellence. Goal two focuses on student health and wellness by creating an inclusive learning environment that supports the physical and social-emotional health of all students and emphasizes the skills students need to become adaptable, resilient learners who demonstrate personal responsibility and civic

mindedness. Goal three highlight students' ownership of learning. Goal four focuses on a qualified, diversified workforce by fostering a positive working climate that values and invests in a high-quality, diversified workforce who exemplify the division's core values. Goal five consists of mutually supportive partnerships by cultivating mutually supportive partnerships, among families, schools, the division, businesses, faith-based, and other civic and county agencies, to support student well-being, enhance real-world learning, and broaden opportunities for career exploration and experience. The last goal highlights organizational effectiveness and efficiency by pursuing the effective and efficient use of division resources, operations, and processes to support the division's vision, mission, and strategic goals.

Dr. Wargo continued to go through several items on their agenda with their supporting documentation for the Board and explained that this is the information the School Board takes into consideration during the budget process. All this information can be accessed in the School Board's board docs.

Supervisor Johnson referred to expenditures by major program, major function, and major type and asked if there is ever overlap when something that's classified as a program also has a function and gets looked at as both.

Finance Director Booth stated that there are programs under each function, and they are all separated, so overlap is not normally expected.

Information: B. County Budget 101 Update

County Administrator Tadlock explained that this is the budget 101 presentation as presented to the Joint Finance Committee earlier this month and thanked Mr. Basye for presenting this information to the committee on his behalf.

Mr. Tadlock began his presentation by explaining that the fiscal year starts on July 1 and ends on June 30th, which is established by the code of Virginia. Although the fiscal year is only a 12-month period, the work that goes into the budget process makes it more of a two-year process. Mr. Tadlock provided a sample budgeting process for FY 25. In September of this year, the Capital Improvement Plan process began, and Mr. Basye sent out the CIP letters to the department heads, requiring information back on projects. In November, budget letters were sent out to the department heads and outside agencies, and the CIP requests from the department heads were due back to the County Administrator. In January 2024, departments and outside agencies submit their budget requests to the County Administrator. Historically in March/April, the School Board has presented their budget to the Board of Supervisors, however the Joint Finance Committee is working to have that accelerated to January 2024. During April/June, the Board receives the final draft budget, work sessions are held, and the budget and CIP public hearings are held. County Administrator Tadlock continued by stating that the new budget would go into effect July 1st through June 2025 and staff would manage that budget throughout the

fiscal year. Starting in June of 2024, pre-auditing would begin and would be finalized along with a presentation to the Board on the audit between July through December.

To give an overview of the current fiscal year, Mr. Tadlock explained that we are currently in the auditing process of FY 23, managing the current fiscal year's (FY24) budget, and beginning the process of FY 25 budget.

In 2021-2022, the Board established a Capital Improvement Plan process and under Virginia Code Section § 15.2-2239: a local planning commission may, and at the direction of the governing body shall, prepare and revise annually a capital improvement program. Mr. Tadlock explained that this is part of the reason why the CIP process is done separately from the budget because there is a process that the capital improvement plan must go through aside from the budget.

Mr. Tadlock stated that the CIP is a 5-year plan that includes projects of large size, non-recurring, fixed in nature, and having a long usable life as well as vehicles and any project with a minimum cost of \$50,000 or more. The capital improvement plan is reviewed annually by a subcommittee of the Planning Commission. This subcommittee makes recommendations to the Planning Commission and then the Commission holds a public hearing in order to make recommendations to the Board of Supervisors. The Board of Supervisors then holds a separate public hearing, and the approved information gets included in the budget. It prioritizes projects, time table, and how those projects are going to be funded. Mr. Tadlock clarified that the plan does not fund the project(s) and the approved projects do get included in the County budget.

The code of Virginia requires departments and outside agencies to provide information to the governing body by April 1st, but the County's budget letters requests that each department submit their requests to the County by January 30th. In addition to the budget letter this year, the Board of Supervisors requested a budget form be sent out to the departments and outside agencies as well, so all requests are consistent in formatting. The budget request letter and new budget form were sent to the school division this year as well as requested by the Board. Additionally, staff is currently working on a new budget management platform to utilize in future budget cycles.

When it comes to budget information gathering on the expenditure side, departments and outside agencies provide information on the line item budgets that they have, however the school division is on a categorical level and not by line item. This is required by code. Mr. Tadlock stated that departments use their current fiscal year to build their budget and if there's any supporting documentation related to their requests, they include that information for the Board. Several other costs are examined when preparing the budget such as health insurance, VRS, workman's compensations/other insurance costs, debt obligations, CIP costs, and contract increases/anticipating any negotiation changes.

County Administrator Tadlock continued his presentation and stated that they work with the County Treasurer on the revenue side in order to obtain information on the undesignated general

fund balance. Additionally, staff works with the Commissioner of Revenue to discuss real estate information, personal property, machinery and tools tax, etc. Reassessment years are also considered, and the tax rate is adjusted accordingly. Mr. Tadlock explained that if the reassessment amount comes out higher, then the tax rate is lowered and vice versa. State, Federal, and Grant funding are also considered at this stage as well as estimations on EMS billing, cigarette and short-term rental taxes which are both new to this year.

When reviewing the revenues, Mr. Tadlock stated that staff does look at previous years to determine whether they should be increased or decreased depending on what that specific revenue source may be. Expenditures are also reviewed to see what the departments may be utilizing within past budget cycles. One-time expenditures are also reviewed because those can typically be reduced as they are one-time expenditures. EMS billing is estimated by looking at historical data, however short-term rental and cigarette taxes are new to the County, so there is no historical data. Localities of similar size and number of stores (for cigarette taxes) will be considered when estimating this type of revenue.

Mr. Tadlock explained that there are some budget challenges such as receiving delayed information, for example delayed health insurance rates and delayed General Assembly approval.

Once all budget information is compiled, the budget must be advertised. There is a code requirement that requires the County to advertise at least seven days in advance to the public hearing and the Board cannot take action on the budget that evening of the hearing. The board is required to wait seven days before approving the budget. During one of the Joint Finance Committee meetings, it was discussed whether the County budget hearing and the school budget hearing can be held separately, and Mr. Tadlock confirmed that they can be, however the Board still has to adhere to the advertising and approval code requirements.

Once all feedback has been received, staff reviews all the public comments and the needs of the community/departments and provides options to the Board. Staff tries to minimize the increase of any potential real estate tax and large expenses are evaluated so they can start placing monies in the budget to prepare for those ahead of time.

When it comes to finalizing the budget, there are several actions that must take place. The budget is just the plan on how the County is looking to spend those monies. The Board has to approve the appropriations resolution in a separate action so the monies cannot be expended until that appropriation is completed. Additionally, the tax rate and personal property tax relief have to be approved as well.

After the budget is adopted, expenditures and revenues are monitored, the Board receives monthly expenditure reports, and monthly check registers. In the event that the undesignated general fund balance is not able to cover the County's expenditures until tax monies come in, the County can do a revenue anticipation note which allows borrowing money to cover expenses until tax monies do come in. At any point where an amendment or supplemental appropriation

exceeds 1% of the total expenditures, a budget amendment is required which requires a public hearing advertised for one week. Mr. Tadlock stated that unlike the budget adoption, the board can take action on a budget amendment the same night as the hearing.

County Administrator Tadlock concluded his presentation and informed the Board that some items being looked into are an undesignated general fund balance policy and a line item balance policy. The line-item balance policy would allow staff to administratively adjust line items in department budgets to ensure that they are balanced, however, no new monies would be appropriated.

Supervisor Johnson stated that using last year's budget to create the upcoming tells him the budget is going to increase all the time.

County Administrator Tadlock explained that he could understand that concern, but he explained that they look at several years of historical spending and if the department went over in that line-item, they consider whether it needs to be increased. If they didn't go over, the County level-funds that line item in most cases.

Supervisor Johnson stated that while he served the government, there was a notion of use it or lose it in terms of spending the money by the end of the year. Supervisor Johnson asked if scrambling around trying to figure out where the money is going to be spent by the end of the year occurs at the County level.

Mr. Tadlock stated that in some cases that may happen, but he believes that the departments know that if funding is needed, they can come to the Board and request additional funding.

Supervisor Johnson asked Mr. Tadlock to elaborate on how the adjustments to the tax rate are made for the reassessment because he doesn't believe it's as simple as he presented it to be.

County Administrator Tadlock stated that he kept the presentation at a basic level. He created a spreadsheet for the last time the County went through a reassessment to look at all the calculations. He explained that there are code sections that relate to reassessments and if it goes above a certain percentage there are certain things that the locality must do. Mr. Tadlock informed Supervisor Johnson that he could forward more information on this to him if he would like.

Supervisor Johnson asked for clarification that he wouldn't expect an adjustment downward tax rate simply to retain the revenue level.

Mr. Tadlock stated that if an individual's property value goes up, their tax rate may go down, however they may be paying at or above what they were paying before based on that tax rate and that assessment.

Supervisor Johnson asked if expected expenditures play into what the final tax rate would be.

County Administrator Tadlock stated that during the last reassessment he created several scenarios on what the tax rate would be. There would be an equalized tax rate and there could be a potential increase on that equalized tax rate depending on whatever the cost may be associated with that particular budget. For example, the tax rate during the last reassessment to equalize may have been around 0.625 but the Board chose not to do the equalized tax rate and kept it at the 0.61, so in that particular case the tax rate was lowered instead of being equalized at that higher rate.

Supervisor Tomlin gave a scenario of an individual's property of \$100,000 and it increases 100% to \$200,000. If the tax rate on the original value was 50 cents, in order to equalize, the tax rate would be 25 cents.

Information: C. Joint Finance Committee Scope of Work

The Joint Finance Committee's scope of work was presented on the screen for the Board's and public to view.

The short-term scope for the Joint Finance Committee unanimously recommended for moving forward to the Board of Supervisors and School Board for consideration is:

Scope – the short-term focus and scope of the joint working group is the 2024/2025 Northumberland County school budget. The objectives are to complete a school year budget that is:

- a. Timely – approval of the school budget by the Board of Supervisors at the April 2024 BoS meeting provided that the School Board approved budget is submitted in January 2024 per the SB approved calendar and final appropriations may be adjusted pending state funds and,
- b. Transparent –
 - i. the school budget will be submitted with a summary at the major classification level and with line-item detail to facilitate analysis and reporting and;
 - ii. the processes used to develop, analyze, and approve the budget are fully explained and made publicly available.

Supervisor Long asked if the School Board could bring the Board of Supervisors up to date on some of their planned projects.

Vice Chairman Brann asked if he could dive into the scope of work, and it will further lead into what Mr. Long is asking.

Vice Chairman Brann stated that the Joint Finance Committee created this scope of work, but he sees it as a goal for both Boards. The School Board is working to have their budget presented to the Board of Supervisors in January. Furthermore, the School Board is requesting the Board of Supervisors approve their budget by April. Vice Chairman Brann stated that the Board needs to do a better job on approving the budgets in a timely manner. He believes this is achievable as long as all the questions have been asked and all information has been provided.

Chairman Haynie thanked Dr. Blizzard and Dr. Pica for their extra time and work put into this committee.

Supervisor Tomlin stated he has no problem with this timeline, however one of the budget challenges is approving the budgets prior to the General Assembly. Mr. Tomlin asked Mr. Tadlock to check with other jurisdictions that approved their budgets prior to the General Assembly and see what the impacts are and how they handle the uncertainty.

Supervisor Long asked if the School Board plans to stay in the old EVB building.

Mrs. O'Bier said that the School Board would need to discuss that.

Dr. Wargo passed out the letter from August 2, 2023 that outlines the projects that the School Board was looking into. They requested the Supervisors transfer the old EVB property to them once the roof replacement was completed on the old EVB building/School Board office. If that property is transferred, the School Board agreed to take the CIP money in the amount of \$1,134,172 to be used on the construction projects listed in the letter. These include flooring upgrades, replacement of the NES playground, repairs to the concrete walkways, the NES rooftop stairway, and resurfacing the athletic track. However, if something occurs in the meantime that takes greater priority, for example the boiler system, the funds may be used for that instead.

Vice Chairman Brann stated that this agreement still stands, and he asked about the School Board spending money inside the building for renovations.

Dr. Wargo explained that this was in the original request before this letter, and it had no support. She took this information back to the School Board and they decided they wanted to use this money on projects to benefit the children directly.

Mrs. O'Bier stated that they haven't had the chance to discuss the projects, but they will do so and get back with the Board of Supervisors.

Mrs. O'Bier asked if both Boards could now schedule their next joint quarterly meeting.

County Administrator Tadlock asked to consider the meeting during the budget presentation time frame, which is in January 2024.

The Board of Supervisors and School Board agreed to have their next joint quarterly meeting on Thursday, February 29, 2024 at 5:30 p.m.

Dr. Wargo stated that Mr. Tadlock was trying to suggest that the Boards may need to pick a date in January when the school does their approved budget presentation.

Chairman Haynie stated that he has something scheduled on January 25, 2024 at 6:00 p.m.

Mr. Tadlock stated that is the next Joint Finance Committee meeting.

The Board said the budget presentation could be presented at the Joint Finance Committee meeting on January 25, 2024 at 6:00 p.m.

2. Closing of Meeting

The School Board's Chair, Betty Christopher, adjourned to close the joint meeting.

Action: A. Adjournment

Motion to adjourn.

Motion by: Thomas H. Tomlin, second by: Maurice E. Johnson.

Final Resolution: Motion Carried

Aye: James M. Long, Richard F. Haynie, Thomas H. Tomlin, James W. Brann, Maurice E. Johnson