

THE FRANKLIN COUNTY BOARD OF SUPERVISORS HELD A BUDGET WORK SESSION MEETING ON MONDAY, MAY 4, 2020, AT 2:00 P.M., IN ROOM B75 LOCATED IN THE GOVERNMENT CENTER, 1255 FRANKLIN STREET, SUITE 104, ROCKY MOUNT, VIRGINIA.

THE MEETING WAS CONDUCTED IN COMPLIANCE WITH (ORDINANCE #02-04-2020)
EMERGENCY ORDINANCE TO EFFECTUATE TEMPORARY CHANGES IN CERTAIN DEADLINES
AND TO MODIFY PUBLIC MEETING AND PUBLIC HEARING PRACTICES AND PROCEDURES TO
ADDRESS CONTINUITY OF OPERATIONS ASSOCIATED WITH PANDEMIC DISASTER

THERE WERE PRESENT: Mike Carter
 Tommy Cundiff
 Leland Mitchell
 Ronald Mitchell
 Lorie Smith
 Tim Tatum
 Ronnie Thompson

OTHERS PRESENT: Christopher Whitlow, County Administrator
 Jim Guynn, Legal Counsel
 Madeline L. Sefcik, Clerk

Chairman Mitchell, called the meeting to order.

MODIFIED FY 2020-2021 COUNTY PROPOSED BUDGET, CHRISTOPHER WHITLOW, COUNTY ADMINISTRATOR

Mr. Whitlow, County Administrator presented the below modified budget.



**“Modified” Proposed
Franklin County
2020-2021 Budget Work Session**

May 4, 2020



Finishing FY 19-20 During COVID

□ Revenues

- General Property Tax Collections (Real Estate, PP, M&T)
 - Real Estate Collections 99.3% of Budget
 - Personal Property 109.62% of Budget
 - Growth over FY 19 of 12.2% or \$1.3 million
- Other Taxes (Sales, Meals, Transient Occupancy)
 - Declining Sales Tax Trend from prior fiscal years: February (-2%)
 - Meals Tax Revenue: March Decline (-21.9% or -\$19,569)
 - Transient Occupancy Tax Revenue: March Decline (-30.7% or -\$1,121)

□ Expenditures

- Curtail Non-Essential Spending Remainder of Fiscal Year
- Continual Monitoring

Revenue projections as of April 2020 and subject to change due to volatile market conditions

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Projecting FY 21 Prior to COVID

- Projected Discretionary Revenue increase of \$3.1 million or 4.43%
 - Estimated 5% growth from reassessment
 - Limited growth of new real estate of approximately 0.50% annually in new construction; reassessments only equate to 1.25% per year
 - Modest growth in personal property with an average of 3-4%
 - Softening sales tax revenue from 20% increase in FY 19; more modest growth of 5% was projected
 - Flattening interest income; interest income was anticipated to drop significantly if the Fed Funds rate stays at 0% - 0.25%

Revenue projections as of Mid March 2020 and subject to change due to volatile market conditions

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Projecting FY 21 During COVID

- ❑ Anticipated Declines
 - ❑ Real estate collection ratio decline of 97% to 95.7%
 - ❑ Personal property reduction of once anticipated new growth
 - ❑ Sales tax revenue reduction of 15%
 - ❑ Meals tax revenue reduction of 25%
 - ❑ Lodging tax revenue reduction of 50%
 - ❑ Interest Income reduction of 10%
 - ❑ Total Loss of Once Projected Local Revenue Increase (\$2,666,657)
- ❑ Any new revenue absorbed by those revenue losses
- ❑ Modified Projection Discretionary Revenue \$458K or 0.65%

Revenue projections as of late April 2020 and subject to change due to volatile market conditions

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Projecting FY 21 During COVID

- ❑ Over 50% of the County's budget is funded by State and Federal funds
- ❑ Virginia Secretary of Finance projecting \$1 billion loss in revenue in both fiscal year 2021 and 2022
 - ❑ State funding reductions are likely coming as with prior recession
 - ❑ County & School state revenue budget impact is unknown at this time
- ❑ General Assembly to convene Special Session this summer
- ❑ Drop in Real GDP in 2nd quarter 2020 with growth not expected to resume until 4th quarter 2020 or 1st quarter 2021
- ❑ Proposed FY 21 Budget presented on March 17 now in "strategic pause" until local and state revenue picture becomes more clear
- ❑ "Modified" FY 21 Budget now the course

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Modified FY 21 Budget

- ❑ Almost all new spending has been subtracted from the FY 2021 budget proposed on March 17
- ❑ Hiring freeze implemented and elimination of all non-essential spending effective March 19
- ❑ Proposed discretionary revenue has dropped from \$3.1 million to \$458K (loss of \$2.6 million)
- ❑ Budget Subtractions
 - ❑ 3% COLA for employees - \$664K
 - ❑ \$900K new funding to Schools
 - ❑ \$200K new County CIP funding and \$200K new School CIP funding
 - ❑ New Positions - \$300K
 - ❑ Additional reductions to operating budgets of approximately \$1 million

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School Budget FY 20-21 Review

- ❑ State Revenue Increases (***Revised Projections TBD - Summer*)
 - ❑ State Funding increase of \$1,831,120 or 5.4%
 - ❑ State Sales Tax increase of \$241,026 or 2.7%
- ❑ Continued Drop in School Student Population
 - ❑ FY 19-20 ADM Loss of 182 Students
 - ❑ FY 20-21 ADM Projected Loss of additional **175** Students
- ❑ Modifications to School Budget TBD
 - ❑ Summer Session of General Assembly should provide more clarity

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Modified Local Funding FY 20-21 - FCPS



- Level Funding Operations \$32,390,187
- Level funding Capital \$1,220,000
 - \$880,000 Capital
 - \$340,000 Bus Replacement
- Special Education (CSA Private Day) \$428,914

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Modified FY 21 Budget

- Maintenance Strategic Pause Budget with No Tax Rate adjustments
- Absorbs significant revenue losses of approximately \$2.7 million
- Almost all new spending has been subtracted from the FY 2021 budget.
- The proposed “modified” \$146,937,882 FY 20-21 Budget increases 2.19% from last year. **The slight increase is almost solely due to current projected increased State funding to schools, CSA, and Social Service programs. Such figures likely to change this summer.*

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Modified FY 21 Budget Next Steps

- ❑ Budget Work Session - May 4th
 - ❑ Schedule Budget & Tax Rate Public Hearings (May 19th)
 - ❑ Adopt School Budget – Month of May
 - ❑ Additional Budget Work Sessions (as needed)
 - ❑ Budget Adoption (required by June 30th)
 - ❑ Summer & Quarterly Reviews
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Additional FY 21 Budget Possibilities

- ❑ General Assembly to likely reconvene this summer to address revised Commonwealth of Virginia budget projections
 - ❑ Adopted Budgets are Fluid and can be Amended as needed
 - ❑ FY 21 Budget once adopted will be continually re-assessed
 - ❑ Improving revenue picture late summer, fall or winter could allow flexibility to add back funding for prior budget initiatives
 - ❑ Declining revenue picture would require further budget reductions
 - ❑ Significant revenue decline would necessitate core service discussions and associated operation level reductions and / or service eliminations
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Appreciation to County Staff for Assistance in the
Development of This Budget

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General discussion ensued.

(RESOLUTION #01-05-2020)

BE IT THEREFORE RESOLVED by the Board of Supervisors to advertise for a Public Hearing on May 19, 2020 on tax rates remaining identical to the current year budget and the proposed 2020-2021 budget as modified and presented today.

MOTION BY: Lorie Smith
SECONDED BY: Tim Tatum
VOTING ON THE MOTION WAS AS FOLLOWS:
AYES: Carter, Cundiff, L. Mitchell, R. Mitchell, Smith, Tatum

Mr. Whitlow wanted to leave the Board with the fact that 53% of the locality's budget is funded by State dollars. This means that if the numbers change in an upcoming special General Assembly session, the Franklin County Board of Supervisors budget discussion is not over.

BANK FRANCHISE TAX REFUND, BRIAN CARTER, DIRECTOR OF FINANCE

Mr. Carter, Director of Finance presented the letter below to the Board.



COMMONWEALTH of VIRGINIA
Department of Taxation

TO: Commissioners of the Revenue & Other Local Officials
FROM: C. Keven Wright
Director of Special Taxes and Services
SUBJECT: Bank Franchise Tax Refunds for Branch Banking and Trust Company
Tax Years 2012-2014
DATE: February 27, 2020

I wanted to make you aware of a large refund request that may impact your locality. Branch Banking and Trust Company filed revised Bank Franchise Tax (BFT) returns for tax years 2012 through 2014. Virginia Tax conducted an audit of the amended returns. Branch Banking and Trust Company appealed the audit to the Tax Commissioner. The ruling is attached for your review. The table below indicates the original refunds requested and the approved refunds, exclusive of interest, based on the Determination.

Original Refund Requested	Adjusted Amended Refund
2012 - \$3,906,439	\$3,590,372
2013- \$3,569,940	\$3,050,539
2014- \$4,662,551	\$3,679,331
Total- \$12,138,930	\$10,320,242

Attached you will find a Local Tax Apportionment Schedule for 2012 –2014, with the Department's computation of the local refunds.

If you have questions, please contact Becky Akers at rebecca.akers@tax.virginia.gov or at (804) 225-4410.

Save Time, Go Online - Visit www.tax.virginia.gov

The County received a memorandum from the State Department of Taxation dated February 27, 2020. The memorandum included a copy of a letter from the State Tax Commissioner, Craig Burns, dated October 1, 2019.

Essentially, the memo and letter alerted County staff that Branch Banking & Trust Company (BB&T) filed for a refund of the bank franchise taxes assessed and paid in tax years 2012, 2013, and 2014. Mr. Burns approved a modified refund amount and directed the State portion of the refund to be remitted to BB&T. The letter also directed the localities in which BB&T has a branch to issue refunds, plus interest. While the County bank franchise tax is a local tax, there was some concern as to the authority of Mr. Burns to require a refund. However, the County does not have a tax refund process in County Code to justify withholding payment, and a small notification was placed in BB&T's 2015 tax filing that an appeal had been filed for the 2012-2014 tax years with the State. A public hearing needs to be held to address the shortfalls in the County Code. BB&T is willing to forego the interest and is only requesting the actual taxes paid be refunded. At this time, staff, and the County Attorney, believe payment is due to BB&T in the amount of \$58,295 as

calculated by the Department of Taxation for the County's portion of a refund of bank franchise taxes to BB&T for tax years 2012, 2013, and 2014.

Supervisor Thompson is not in support of paying the bill as explained today.

(RESOLUTION #02-05-2020)

BE IT THEREFORE RESOLVED by the Board of Supervisors to advertise and proceed with the Public Hearing for the tax amendment as presented.

MOTION BY: Ronnie Thompson
SECONDED BY: Tim Tatum
VOTING ON THE MOTION WAS AS FOLLOWS:
AYES: Carter, Cundiff, L. Mitchell, R. Mitchell, Smith, Tatum

Sheriff Overton spoke to the Board regarding his Office and the constraints they are facing regarding funding for the replacement of protective and tactical equipment used by officers.

Supervisor Tatum asked if the Sheriff's Office could send a weekly update, so the Board is able to stay "in the know" and to keep in touch.

Supervisor R. Mitchell wanted to voice that he supports the seniors in the school system and wants them to get the congratulations they deserve.

Chairman Mitchell recessed the Board until the regularly scheduled May 19, 2020 Board of Supervisors Meeting.