

# County Administrator's Budget Message

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## **To: The Members of the Board of Supervisors**

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I am pleased to present to you and the residents of James City County the proposed FY 2010 Annual Budget. The budget has been crafted to continue to serve the residents and taxpayers of the County and to respond effectively to the guidance provided by the Board of Supervisors. The Board's guidance was determined through interviews with Board members and comments and directions received at the Board's budget retreat on January 24, 2009:

### **No Increase in Tax Rates**

None are included – the average real estate and personal property tax bills will be less in FY 2010 than they were in FY 2009.

### **Open to Changing or Adding Fees Where We Are Behind Surrounding Localities**

Increases in building inspection, planning and environmental fee schedules to match those in other communities are suggested. Fee increases for the collection of delinquent taxes, ALS/BLS billings to 3rd party insurers, inspection and permit fees, and recreation program fees are also recommended.

### **Level Funding to Schools Given State Budget Reductions**

Much of the anticipated State budget reductions for the Williamsburg-James City County Schools were not realized and while a \$300,000 (0.4 percent) reduction in the County's contribution to operating spending is included in the budget, investments in school capital projects continue.

### **Avoid New Programs and Spending**

No new operating programs or spending are proposed except for funding that would allow the Board to begin to develop and adopt ordinance changes needed to implement 2009 revisions to the County's Comprehensive Plan. A Police Crime Analyst position, previously funded with grants, is now included in the General Fund.

### **Willing to Consider Program Reductions**

I have attempted to limit reductions in services in the community but a few, including the elimination of the curbside leaf collection program and the VA Tech Turf Love program, are included. Schedules and frequency have also changed for grounds maintenance and custodial services.

### **Eliminate Leased Space Wherever Possible**

Relocating the School Board administrative offices from the Government Center to James Blair Middle School and the construction of a Police Building will allow the FY 2011 elimination of current leased space for School Central Office, Stormwater, School Student

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Services, the Academy for Life and Learning, and Fire Department Training and Administration.

### **Support a New Police Building and Renovated LEC for Fire Department**

Borrowing is included in the FY 2010 Capital Budget for both projects which are currently being designed.

### **No Performance Increase for Employees**

There are no performance increases, market adjustments, or reclassifications for employees in the FY 2010 proposed budget.

### **Try to Protect Employees from Layoffs by Redesigning Healthcare or Reducing Hours**

This budget contains the net elimination of 34 positions (31.5 FTE) without layoffs through reassignments, resignations, and retirement. This continues the trend from FY 2009, when nine positions were eliminated, and further reductions are projected in FY 2010 as position vacancies occur.

Benefit costs were also contained. Health insurance has been renegotiated and a premium increase has been reduced by increasing employee co-pays, increasing employee premiums for health insurance, and eliminating long-term disability coverage. Costs of other employee benefits remain flat or decline.

### **Involve the Economic Development Authority in Funding a Greater Share of Regional Economic Development Programs**

The Economic Development Authority has agreed to fund the County's contributions to the Hampton Roads Economic Development Alliance, the Small Business Development Center, and the Virginia Electronic Commerce Technology Center (VECTEC) and continues to fund the business incubator and certain marketing/promotion events.

## **BUDGET SUMMARY**

This has been one of the most challenging economic environments encountered in recent decades. Recent newspaper headlines have been dominated by unprecedented and tumultuous disclosures of economic failures, financial failures, and sagging consumer confidence. The current recession officially began in December 2007, and the effects of the current downturn are expected to linger into 2010. The recovery is projected to be a slow one. County revenues have declined in this economic climate and as a result, the development of this budget has been difficult.

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	<u>General Fund Revenues</u>		<u>Local General Fund Revenues</u>	
Initial (May 2008) FY 2009	\$170,107,024		\$144,667,923	
Amended/adopted FY 2009	167,358,805		142,069,704	
Projected (March 2009) FY 2009	165,272,043		140,832,227	
Budget FY 2010	164,134,657	-3.5%	138,675,002	-4.1%

Two core concepts have dominated in preparing this budget, based on guidance from the Board of Supervisors: (1) refrain from increasing the tax burden on County property owners and residents; and (2) reduce spending to balance a budget with declining revenues.

The first goal has been met. The Board's focus on limiting the tax burden on County residents and property owners resulted in a financial plan that is balanced within the County's existing tax structure and no new burden has been placed on James City County property owners resulting from changes in tax rates. With an expansion to the tax exemption program for the elderly and the disabled and with average real estate and personal property tax bills declining in FY 2010, the taxes paid by most County residents will be less than those paid in FY 2009.

The second goal has also been met. The budget continues an on-going evaluation and examination of both staffing and services. A recent Organizational Effectiveness and Efficiency Study, prepared by Municipal & Financial Services Group (MFSG) from Annapolis, Maryland and released in February 2009, concluded that the County provides ". . . very good to excellent quality of services to the citizens of James City County" and operates with ". . . a very high level of efficiency . . .". Under the leadership of the Board of Supervisors, County employees have responded with energy, imagination, initiative, and dedication to the task of reducing spending while preserving, if not improving, quality services for the community.

The FY 2010 budget continues what began last year when 8.5 full-time equivalent positions were eliminated without layoffs. This budget includes the net elimination of 34 positions overall (31.5 full-time equivalent positions) without layoffs. Almost every department has seen a staffing reduction. The following chart shows where the reductions have occurred:

Community Services	6 full-time, 6 part-time, 1 full-time to part-time
Development Management	6 full-time, 1 full-time to part-time
General Services	6 full-time
Financial/Management Services	3 full-time, 1 part-time
Citizen Services	2 full-time, 2 part-time
Constitutional Offices	1 full-time
JCSA	1 full-time
Human Resources	1 full-time to part-time
Police	1 full-time to part-time

As the fiscal year progresses each vacancy will be evaluated and possible reassignments will be made to either fill the position or to find alternatives to make sure that services continue. If the position vacancy can be frozen, it will be, and the expectation is that some of these frozen positions will eventually be eliminated.

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There is no pay raise for County employees included in the budget. Most benefit costs are level funded, some show a slight decrease, long-term disability insurance is recommended for elimination, and health insurance prescription drug co-pays and contributions will go up for employees.

Modest service reductions have been initiated based on participation and cost. As an example, the curbside leaf collection program and the County's share of the VA Tech Turf Love program funding have been suspended. These changes impact on only a few County residents. Mowing, landscaping, and other grounds maintenance chores have been trimmed. Contributions to many outside agencies and to capital projects have also been reduced after a thorough review of budget requests and resources.

I am confident that the FY 2010 budget, however constrained, remains consistent with the County's Strategic Management Plan and its five basic directions:

### **Manage Finances Wisely and Encourages a Balanced Economy**

The FY 2010 budget reduces spending to a declining revenue target. The budget avoids a draw on the County's "rainy day" funds or reserves to balance the budget. This budget actually proposes adding to reserves, including additional funds set aside as a "shock absorber" for FY 2011 when new elementary and middle schools will open. Setting aside funds in FY 2010 is part of the Board's strategy to open the schools (with the additional operating spending) in FY 2011 without an increase in the real estate tax rate.

This budget also continues to invest in public facilities, taking advantage of the County's excellent AA+ bond rating to borrow and invest in a new police building, and possibly, sports facilities for the community and the three high schools. Recent County capital projects have resulted in very competitive bids from a growing number of construction companies. The County is trying to take advantage of low interest rates and competitive construction costs to invest in needed facilities and improve core services, even in a period of time when recurring revenues are declining.

The budget is balanced with a larger-than-usual contingency amount serving as a cushion in case the local economic climate worsens more than is now expected. The budget also allows the County to provide the local matching funds if, as an example, we qualify under the COPS (Community Oriented Police Services) program for Federal grants.

Shared services between the Williamsburg-James City County Schools and the County are being expanded, looking for cost efficiencies. The FY 2010 budget includes an agreement to outsource custodial work in many of the County's buildings to the Schools, saving between \$10,000 and \$15,000 a year. Additional services now being shared include plumbing services, with the Schools providing services to the County.

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## **Improve the Lives of Citizens and Foster a Sense of Community**

Investing in public education continues to be a major priority in this budget. Despite a \$3.4 million decline in local revenues since November 2008, the County's contribution to the operating budget of the Williamsburg-James City County (WJCC) Schools drops a modest \$300,000 or 0.4 percent. Investments in the Capital Budget for schools continue, funding is proposed for a significant portion of the project costs included in the WJCC capital request. \$3 million is also dedicated as a "set aside" in the Debt Service Fund to fund the net operating cost increases of a new elementary school and a new middle school opening in August of 2010.

The FY 2010 budget also makes public safety a priority with continuing investments in facilities, equipment and staffing. FY 2010 County revenues are not sufficient to fund all the staff additions included in the FY 2010 fiscal plan recommended by Municipal and Financial Services Group (MMSG) to Police, Fire, and Emergency Communications but every effort is being made to find alternative funding. The Federal COPS program, as an example, may offer the County the ability to add up to six new police officers some time in FY 2010. Over \$1 billion in Federal funds has been set aside for this program and I am hopeful that the James City County application will be received favorably.

I am unable to recommend the addition of the four new positions originally planned in Fire and Emergency Communications in FY 2010. Workload is not growing as quickly as originally thought, a fact attributed to declines in visitation (hotels, motels, and timeshares) and reduced vehicle traffic volume, particularly on the interstate.

In these challenging economic conditions this budget attempts, as much as possible, to maintain current funding for "safety net" services. These include social services, public health and mental health services, and initiatives focusing on the needs of an increasing number of homeless individuals and families in the community. The safety net also includes a number of nonprofit agencies that perform important functions in our community, depending to a great degree on the work of volunteers. These services have been increasing, food stamp clients, as an example, have increased 34 percent from February 2008 to February 2009. Other benefits programs have seen similar surges from families in need of services.

## **Plan Responsibly for the Needs of a Growing, Diverse Community**

Planning efforts continue as revisions are being presented and discussed as part of 2009 review of the County's Comprehensive Plan. Funding is budgeted to allow the implementation of several of the major anticipated revisions, including changes to current County ordinances, policies and regulations, and special studies to set the framework for key strategic initiatives.

Drafts of a new Parks and Recreation Master Plan are now being reviewed as is "Shaping Our Shores," a series of proposals that focus on potential improvements to three County-owned properties (Jamestown Beach Campground, Chickahominy Riverfront Park, and the

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Jamestown Marina). No funds are included in this budget except for health and safety improvements.

The six-year Capital Improvement Plan (CIP) focuses on facility needs, including Schools. The CIP includes funding to implement a proposal to temporarily use James Blair Middle School as the location of a consolidated School central office, the Academy for Life and Learning (ALL) program and Student Services. Each of these functions is currently housed in inadequate leased space. When additional grade middle school classroom space is needed, James Blair will retain the ability to return to full-service.

Fire administrative and training functions will leave leased space and be consolidated in a renovated Law Enforcement Center (LEC). The LEC will become vacant when the Police Department moves to a new Police Building.

The MSFG consultants recommended that Stormwater and Environmental Services co-locate as part of the Department of Development Management. I agree with the co-location recommendation and this is expected to occur in FY 2011, using Building D at the Government Center. Building D will be vacated when the School central office relocates to James Blair. I am evaluating several alternatives before recommending which department or agency should house the Stormwater Division.

The CIP also includes funding in either FY 2011 or FY 2012 for an expanded/renovated Fire Station No. 4 (Olde Towne Road), improvements to Kidsburg and other facilities at Mid-County Park, and the replacement of Building C at the Government Center.

### **Steward the Natural Environment and Historic Heritage**

The capital improvement and debt service programs include plans to borrow \$14 million approved by a November 2005 referendum for the acquisition of greenspace and property development rights. FY 2010 spending includes a greenspace “balloon” payment that completes the County’s acquisition of Mainland Farm, the oldest continuously-farmed property in the United States.

Significant new investments are also included for stormwater and drainage improvements and a new Stormwater citizen committee is working to develop criteria that will be used to rank stormwater, flood management, and drainage projects.

Under the Board’s leadership, the County continues to evaluate “green” site and building features and is actively using green design techniques in new buildings. The two new schools incorporate many green functions, including geo-thermal HVAC systems, and the design for the new Police Building includes sufficient functionality to qualify for Leadership in Energy and Environmental Design (LEED) certification. Green standards are also expected to be included within revisions to the Comprehensive Plan and in ordinances and regulations that will implement the Plan.

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The center piece of the James City Service Authority (JCSA) Capital Budget is an investment in improvements to wastewater lines, pump stations and other sewer system components, attempting to eliminate illicit and accidental wastewater discharges.

The results of energy-saving efficiencies and fuel savings programs initiated under the Board's leadership have begun to bear fruit. Utility costs in the FY 2010 operating budget are projected to remain flat across all departments despite an average 19 percent increase in municipal electric rates granted to Dominion Virginia Power.

### **Provide Outstanding Customer Service**

The FY 2010 budget has been developed with the goal to minimize impacts to core service areas. Funding reductions were absorbed across the organization in varying proportions, though top-tier priorities such as education and public safety experienced comparatively smaller declines.

Consolidating various divisions into a new Citizen Services is proposed in reaction to one of the recommendations of the MSFG study. Neighborhood Connections, Extension Services, the Satellite Office and Communications will be consolidated and managed by the Assistant County Administrator. The Office of Economic Development will continue to be managed directly by the County Administrator, in concert with the Economic Development Authority.

After-school offerings at the middle schools are being reorganized, elements of current programs including Beyond the Bell, STRIVE, and the middle school before-and after-school programs are being consolidated. These programs will augment after school programming delivered by the Schools and by other agencies, like the Community Action Agency (CAA), Avalon, or Big Brothers/ Big Sisters.

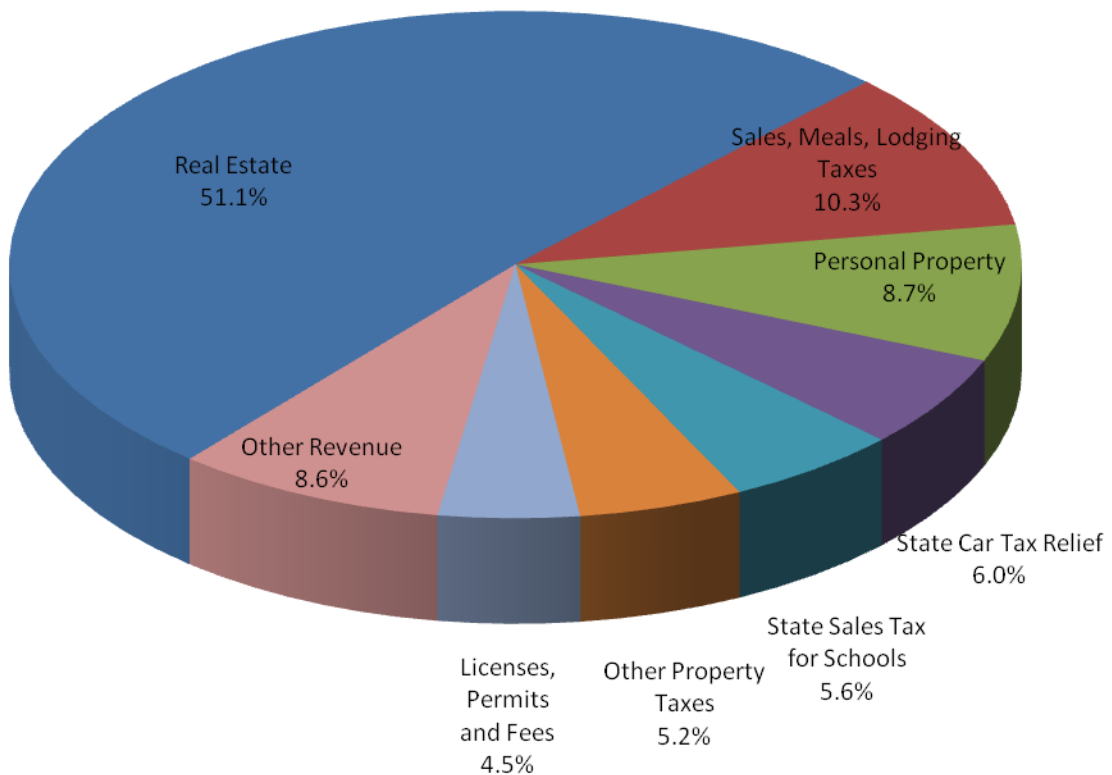
The James City/Williamsburg Community Center is currently undergoing a \$1.8 million facelift with HVAC, roof, locker room, hot tub, and pool improvements. Those should be completed by September 2009.

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## BUDGET SUMMARY – GENERAL FUND REVENUES

<u>Revenue</u>	FY 2010 General Fund Sources of <u>Revenue by Category</u>	<u>Percentage</u>
Real Estate	\$83,868,503	51.1
Sales, Meals, Lodging Taxes	16,850,000	10.3
Personal Property	14,305,574	8.7
State Car Tax Relief	9,770,137	6.0
State Sales Tax - Schools	9,146,161	5.6
Other Property Taxes	8,607,500	5.2
Licenses, Permits and Fees	7,389,750	4.5
Other Revenue	<u>14,197,032</u>	<u>8.6</u>
	<u>\$164,134,657</u>	<u>100.0</u>

**FY 2010 General Fund Sources of  
Revenue by Category**



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	FY 2009 <u>Budget</u>	FY 2010 <u>Budget</u>	Change <u>(Percentage)</u>
Real Estate	\$83,124,054	\$83,868,503	0.9
Sales, Meals, Lodging Taxes	18,280,000	16,850,000	-7.8
Personal Property	15,454,263	14,305,574	-7.4
State Car Tax Relief	9,770,137	9,770,137	0.0
State Sales Tax - Schools	9,010,937	9,146,161	1.5
Other Property Taxes	8,526,070	8,607,500	1.0
Planning, Zoning, Environmental Fees	1,359,500	1,049,750	-22.8
Other Licenses, Permits and Fees	6,605,500	6,340,000	-4.0
Other State Revenue	6,502,159	6,537,489	0.5
Charges for Services	4,678,036	4,733,175	1.2
Investments/Lease Revenue	1,315,000	780,000	-40.7
Other Revenues	<u>2,733,149</u>	<u>2,146,368</u>	<u>-21.5</u>
	<u>\$167,358,805</u>	<u>\$164,134,657</u>	<u>-1.9</u>

Real property taxes increase slightly due to new construction. The January 1, 2009, reassessment reduced the average value of existing properties, both residential and commercial. A reduction of 7.4 percent in personal property taxes reflects the falling value of older cars, particularly SUVs, and a decline in the number of new registrations. Local sales and meals taxes show the impact of sluggish consumer spending although some retailers, such as the Prime Outlet stores, continue to experience growth in sales. More dramatic reductions are seen in lodging taxes, a portion of which are re-invested in tourism promotion. The significant decline in local construction and realtor activity is seen in falling estimates of licenses, permits and fees as well as planning, zoning and environmental fees. State revenues are flat, reinforced by Federal stimulus money. Sales Taxes for Education, which has been recalculated based on a recent census of school age children in the County increases 1.5 percent.

Investment income drops, a direct casualty of the current market upheavals, but user fees and charges increase slightly, primarily due to fee increases in both the ALS/BLS program (billings targeting insurers for ambulance transports) and Recreation program fees.

Some fees increase or new fees are proposed, including an increase of \$25 to the current base rate and \$1.25 increase in the per mile rate for ALS/BLS fees. Recreation fee charges include the addition of a Combo pass that will be offered to include access to the Community Center facility and fitness classes. Rec Connect fees are increased \$5 per week and the middle school program will increase \$9 per week.

New fees are proposed for Home Occupation Applications, Amusement Device Inspections, Environmental review of a site amendment and Land Disturbing permit renewals. The Environmental subdivision per lot fee is also proposed to change.

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Overall, General Fund revenue drops from FY 2009 by \$3.2 million (1.9 percent), all in local revenues.

Some revenue alternatives now imposed by most Peninsula localities were considered but are not included in this budget proposal. More than likely they will be re-evaluated for the FY2011/FY 2012 biennial budget.

- Increase the \$10 charge for local vehicle registrations to \$30 and make it an annual fee, a potential increase of \$1.5 million a year.
- Increase the personal property tax rate on vehicles by 25 cents to \$4.25, a potential increase of \$1 million a year.
- Impose a consumer utility tax (up to \$3 a month on residential users) on both residential and commercial gas and electric which could produce \$2 million a year in additional recurring revenue.

Despite the MFSG recommendation that a stormwater utility fee be reinstated, based on guidance from the Board of Supervisors, it was not considered as a revenue alternative. Nor is the alternative of a one-cent increase in the real property tax with the proceeds dedicated to stormwater.

Two revenue alternatives that the County cannot even consider are a cigarette tax and an admissions tax, the State would have to provide specific authority for the County to impose those taxes and it has not done so.

Stimulus funding provides opportunities for the County, particularly for one-time capital projects.

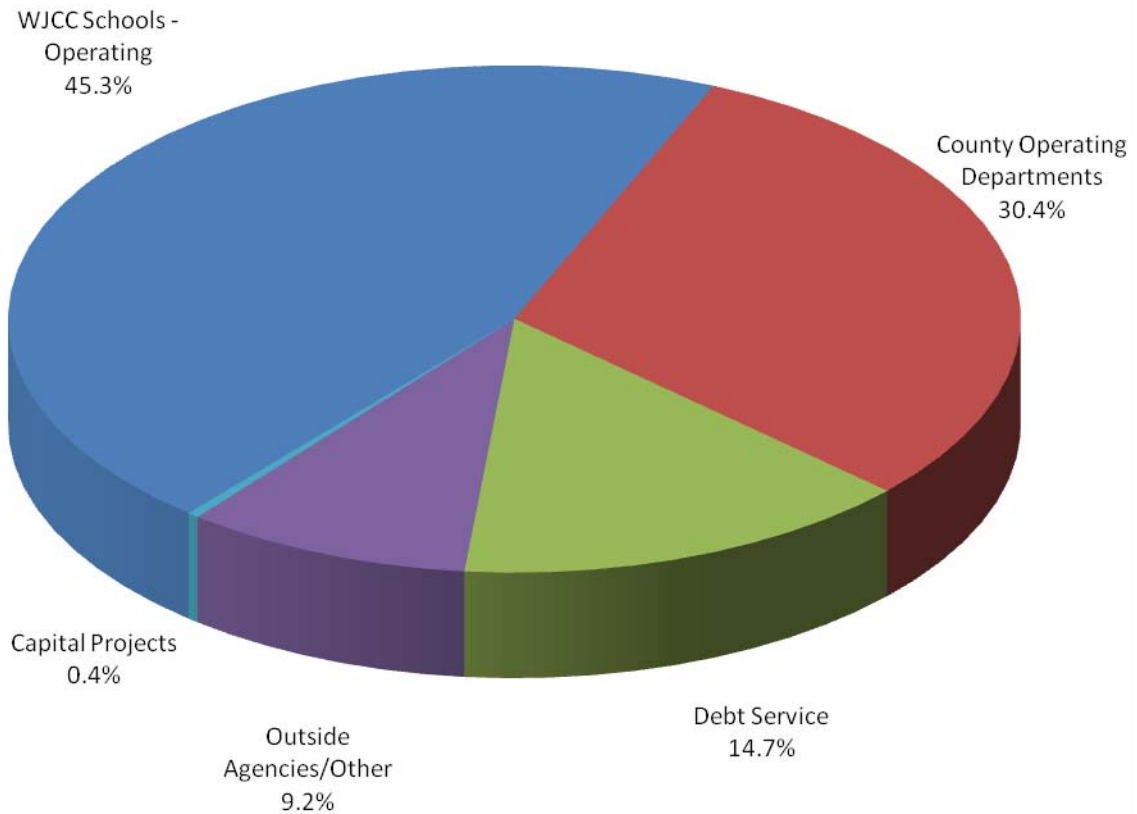
I have not shown any stimulus funding for projects in the General Fund budget, although agencies dependent on State funding (WJCC Schools and Social Services) have included some funding in theirs. If actual funding does become available for a project that the Board endorses, a budget amendment will be recommended. The County General Fund has not yet been a direct recipient of monies from the American Recovery and Reinvestment Act (ARRA). Additional ARRA program and facility funding could become available in the summer of 2009 and budget amendments could be forthcoming.

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## BUDGET SUMMARY – GENERAL FUND SPENDING

<u>Expenditures</u>	<u>FY 2010 General Fund Sources of Revenue by Category</u>	<u>Percentage</u>
WJCC Schools - Operating	\$74,394,700	45.3
County Operating Departments	49,924,512	30.4
Debt Service	24,167,170	14.7
Outside Agencies/Other	15,048,275	9.2
Capital Projects	<u>600,000</u>	<u>0.4</u>
	<u>\$164,134,657</u>	<u>100.0</u>

**FY 2010 General Fund Spending  
by Category**



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<u>Expenditures</u>	<u>FY 2009 Budget</u>	<u>FY 2010 Budget</u>	<u>Change (Percentage)</u>
WJCC Schools	\$74,694,700	\$74,394,700	-0.4
County Operating Departments	52,428,868	49,924,512	-4.8
Debt Service	21,830,000	24,167,170	10.7
Outside Agencies/Other	15,410,237	15,048,275	-2.3
Capital Projects	<u>2,995,000</u>	<u>600,000</u>	<u>-80.0</u>
	<u>\$167,358,805</u>	<u>\$164,134,657</u>	<u>-1.9</u>

Spending for County operating departments drops by about \$2.5 million or 4.8 percent while the contribution to the WJCC Schools operating budget drops by \$300,000 or 0.4 percent. This follows the guidance adopted by the Board that every effort would be made to provide approximately the same level of funding in FY 2010 to the WJCC Schools as was provided in FY 2009.

During this recession with declining revenues, I am proud that our employees are working together to provide the best possible services with available resources. Almost half of the \$2.5 million drop in spending in County operating departments comes from reductions in salaries and benefits.

We are focused on the priorities of avoiding layoffs while trimming the number of County positions to achieve a balanced budget without a tax increase. This budget contains the net elimination of 27 General Fund positions from a variety of departments and seven additional positions from other County Funds. This has been accomplished without layoffs by holding positions open throughout the year and transferring employees to fill critical vacancies. This not only achieves the Board's goal of avoiding layoffs, if possible, it also avoids costs associated with layoffs such as unemployment insurance and other post-employment benefits. Also eliminated are non-core mission vacant positions where services could be reduced or where workload is down.

Another part of balancing the budget was working with employees to manage salary and benefit costs. There are no performance increases, market adjustments, or reclassifications in the FY 2010 budget. The only salary changes will be for those employees who complete the requirements to advance along a career ladder, such as a Police Officer advancing to Senior Police Officer.

Benefit costs were also contained. Through negotiations with health insurance vendors and changing our prescription drug plan design to increase co-pays, a 10.5 percent premium increase was reduced to 6.5 percent. Additionally, employee committees, focusing on core benefits, agreed to forego long-term disability coverage provided at County expense so the money could be used instead to help offset health insurance premium increases. The result is a planned County contribution increase that is reduced by more than half and an increase in

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the employee portion of \$2 to \$24 per month depending on the coverage. That the employee increases are modest is helpful since there are no performance increases programmed. The County contribution also declines as the number of full-time positions with benefits decreases. Other employee benefits remain flat or decrease.

With the Board's commitment to employees and the employees' commitment to service, we have been able to reduce the budget while continuing most services and avoiding layoffs.

Some community services are being restructured. Examples include County-funded programs for middle school students. The Beyond the Bell Program which focuses on at-risk youth is proposed to be merged with the Middle School Before/After School and Summer Camp programs. The emphasis of these merged programs will be homework, good citizenship, and recreation. The two Full-time Regular employees of the Beyond the Bell program will be reassigned.

Another example is the County's Kid Quest/STRIVE program, a case management program for at-risk youth. Caseloads are declining and as a result, I am eliminating three full-time positions. One is currently vacant and the other two soon will be with the transfer of the two full-time employees to vacant positions in the Division of Social Services where workload is increasing. The result will be a reconstituted program that will continue to serve at-risk youth and their families, under a different program design with 2.5 employees, while youth with the greatest needs will be provided enhanced services through the Division of Social Services.

Both of these changes illustrate a continuing effort by County staff to both improve services and save money.

Spending in County operating departments for costs other than salaries and benefits dropped by \$1.4 million or 13.2 percent. Significant reductions were realized in travel, recognition, clothing, supplies, advertising, contractual services and printing. Postage and equipment maintenance were among the few operating costs that had unavoidable increases.

Reductions are also included in contributions to outside agencies:

- \$200,000 less in lodging tax revenues devoted to tourism.
- \$70,000 less in support of agencies promoting economic development, although the EDA has agreed to pick up most of this funding shortfall.
- \$80,000 in net reductions to community service agencies although \$25,000 of that reduction in support of homeless residents is being shifted to the Department of Social Services.
- \$70,000 in reductions in funding for the Peninsula Public Health District which represents a reduction in local funds to correspond with reduction in State funds.

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Contributions to outside agencies emphasize the use of regional partners to deliver a variety of public services. These include, in addition to the Joint School System, a regional jail, juvenile detention center, courthouse, public/mental health services, public transit, and a regional library.

Many of these regional entities are operated under charters or contracts that focus on usage and changes in funding are more difficult to make in a short timeframe. Requests from other outside agencies were reviewed thoroughly and requests from nonprofit community service agencies were evaluated by a staff/citizen Allocation Review Team (ART).

Funding reductions are necessary for many of these service providers, given the \$6 million drop in local revenues, and those with the seven largest funding reductions are:

Williamsburg Convention and Visitors Bureau	- \$150,000	-17.6%
Olde Towne Medical Center	- \$35,000	-10.0%
Bacon Street	- \$19,848	-44.3%
Jamestown-Yorktown Foundation	- \$15,000	-9.0%
Hospice of Williamsburg	- \$12,012	-55.0%
Assoc for the Preservation of Virginia Antiquities	- \$12,000	-10.7%
Williamsburg Regional Arts Commission	- \$11,710	-16.2%

These funding reductions are not recommended lightly. Without exception these seven organizations contribute in many positive ways to the community. The recommendations were based primarily on limited revenues and, particularly, those from lodging taxes. Other factors included a review of financial statements, contributions from other localities, the range of services provided, County “in-kind” services provided in lieu of cash and a re-examination of the assumptions that originally committed County taxpayer support to these agencies. For two of these organizations, Hospice and Bacon Street, I will recommend that County tax contributions be eliminated entirely in FY 2011.

Transfers are made each year from general operating revenues to the Debt Service Fund, included in Section F of this document. Bond principal and interest are paid from the Debt Service fund each year for the indebtedness the County has incurred. Planned debt service payments are shown for debt the County anticipates it will sell over the next five year period.

Transfers are also made each year, funding permitting, from general operating revenues to the Capital Budget, shown in Section D of this budget. These funds are used for capital facilities and capital maintenance.

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## CAPITAL PROJECTS FUND

The FY 2010 Capital Budget, found in Section D of this budget, is approximately \$29.2 million. This is split between maintenance (19.5 percent) and new facilities (80.5 percent) and between Schools (28.5 percent) and other County needs (71.5 percent). Five projects comprise a majority share of the FY 2010 capital budget:

**Police Building** - \$13.7 million. A new 40,000-square-foot building, designed and scheduled to be built on the Warhill tract, is proposed for the Police Department. Project costs also include the renovation of the current Law Enforcement Center for Fire Administration and Training and HVAC/roof work at Fire Station No. 3.

**Gymnasiums** - \$7.2 million. Two separate gymnasiums – a multi-use space at Jamestown High School and a community gymnasium serving Warhill High School and Lafayette High School and located in the Warhill Sports Complex.

**Berkeley/Blair Middle School Renovations** - \$3.9 million. Mostly for Berkeley, emphasis on HVAC, roof, and refurbishment. The James Blair component will facilitate relocation of the central office functions, student services and the ALL program, when the new middle school opens in August of 2010.

**Stormwater/Drainage** - \$1.2 million. Part of a multi-year funding package for a growing list of stormwater and drainage projects.

**Classroom Technology** - \$1.2 million. Multi-year extension of the current classroom technology standard in place at the secondary schools to a larger number of elementary school classrooms.

## OTHER FUNDS

The County has established separate funds for three activity centers where the primary funding comes from Federal and State revenues. These three are the County's Department of Social Services (DSS), Housing and Community Development (HCD), and Special Projects/Comprehensive Services Act (CSA). The General Fund budget shows only the amount transferred by the County to these three funds, the full budgets are include in Section F of this document. General oversight of DSS, HCD, and CSA comes from the Department of Community Services. The budget for the Williamsburg Area Transit Authority (WATA) is no longer included as a component of the County's budget.

DSS works to provide safety net services to County residents. Staff also determines eligibility for benefit programs such as Food Stamps, Medicaid, Energy Assistance and Temporary Assistance to Needy Families. These programs have seen almost 35 percent increases in the past year due to the recent economic situation that has created job losses. The budget does not contain the estimated \$22 million dollars of Federal and State funds that are direct payments and/or services to residents that is spent in our community.

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There is a significant reduction in the local General Fund contribution to DSS largely due to restructuring positions. Certain employees in the Social Services budget have been moved into vacant Social Service positions yielding higher State and Federal reimbursement levels, one prevention position was eliminated and two positions were transferred to the Parks and Recreation budget.

Housing and Community Development operates County-wide low- and moderate-income housing programs. Not included in these budgets are several million dollars of Federal and State loan and grant funds that are provided to first-time homebuyers through the County's participation in the VHDA SPARC Loan Program and the Hampton Roads Regional Loan Fund Partnership.

The CSA funding includes a portion of the local match for programs focusing on children at risk. Special Projects includes two grant-funded employees in the Police Department and grant funded half-time employee in the Office of the Commonwealth Attorney.

### **JAMES CITY SERVICE AUTHORITY**

The James City Service Authority (JCSA) budget for FY 2010, found in Section E of this document, presents the financial plan for operating and capital costs of water and sewer utilities that the utility provides to certain areas of the County. The JCSA is financed entirely by user fees and receives no tax money from the County. No rate increases are proposed for FY 2010 for either consumption charges or availability/connection fees. The decline in new construction in the County has reduced connection fee revenue which has been dedicated to capital spending.

Beyond the normal operations of a water and sewer utility, the FY 2010 budget focuses on debt service for funds previously borrowed under a water supply agreement with the Newport News Waterworks. The Capital Budget primarily is targeted to fund additional engineering and construction costs related to the Environmental Protection Agency and the Department of Environmental Quality Sanitary Sewer Overflow consent order. These mandated sewer system improvements are affecting not only the JCSA but the entire Hampton Roads region. One JCSA position is also eliminated.

### **THE FUTURE – FY 2011 AND BEYOND**

The National Bureau of Economic Research (NBER) has officially determined that the U.S. economy is in recession, starting in December of 2007, and that it will continue through calendar year 2009. Calendar year 2010 is projected to see an increase in the Gross Domestic Product and an increase in consumer spending, even as unemployment edges slightly higher. The NBER projects that full recovery will begin in calendar year 2011 but both interest rates and inflation will increase.

According to the Virginia Employment Commission, the Virginia economy will mirror the Federal trends but less severely. Federal-government related employment, including contracted business services and information technology, will not decline as quickly. Health care services

## County Administrator's Budget Message

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are relatively stable, higher education is an export industry and Virginia doesn't have large numbers of residents employed in troubled financial institutions.

Projections for Hampton Roads suggest that the region will out-perform the State over the next two years. Locally, with the significance of the leisure and hospitality industry and construction employment, there is some uncertainty that the County's recovery will be as positive as that of the region, but it is still anticipated that the recovery will come more quickly than it will for the State as a whole.

The current County budget focus is on riding out the storm. The FY 2011 budget is expected to be even more challenging because the County will not see what we now project in FY 2010, a surge of Federal recovery package monies passing through the system and erasing many of the budget deficits forecast for the FY 2010 budget for the Commonwealth.

The FY 2009 and FY 2010 budgets, sometimes painful, have provided opportunities to re-evaluate the County's core services and spending priorities. The FY 2011 budget will focus on the inability of slowly rising local revenues to offset sharp reductions in State spending for aid to localities, education, transportation, and Medicaid. These State funding reductions have been tempered in FY 2010 and have been delayed a year by one-time Federal stimulus funds. I empathize with those in other public agencies, most notably in the School system, who believes that the ARRA monies can be used to "save" positions that otherwise would be dropped. I do not believe it is good fiscal policy to use one-time money for recurring spending. Reductions in State aid to localities in FY 2011 are anticipated unless the newly-elected Governor and the General Assembly develop new sources of revenue.

The FY 2010 budget is an annual budget that is part of a multi-year financial plan. The Debt Service Fund covers the next five years and the Capital Improvement Plan covers the next six. Both include estimates of the impacts of decisions made in FY 2010 on both revenues and spending for the next five years. The longer-term view, beyond FY 2011, is positive. The County's business, economic, workforce, and financial resources are fundamentally strong and diverse. The improving business and employment prospects of our largest neighbor, the City of Newport News, are expected to contribute a positive "spill-over" to both business services and retail sales within the County. Expansions at Busch Gardens and at industrial properties such as AVID Medical are also positives in the County's economic and fiscal future.

Investing current energies in planning for the future is the key behind several recent initiatives, including the revised Comprehensive Plan, the Parks and Recreation Master Plan, "Shaping Our Shores," and the recently published Organizational Effectiveness and Efficiency Study. As implementation plans are adopted by the Board of Supervisors over the next several months, future budgets and multi-year financial plans will be revised to include those priorities.

## County Administrator's Budget Message

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Members of the Board of Supervisors and many County employees and residents see this community as a wonderful gem entrusted to our care for our children and grandchildren. Planning and investing for our future are important parts of our roles as conservators. It is my hope that the FY 2010 Budget, however constrained by the temporary decline in on-going revenues, will continue the investments in programs, services and infrastructure to meet community expectations.

Respectfully submitted,



Sanford B. Wanner  
County Administrator