

TO: The Board of Supervisors

Submitted for your consideration is the recommended financial plan for James City County for the 1997-98 fiscal year (FY 1998), beginning July 1, 1997. This plan includes the budgets and work programs for funds over which the Board of Supervisors of James City County exercises control, and also includes the annual contribution to school operations and capital projects. It is intended to strike an appropriate balance between service demands and financial consequences for County residents and businesses.

FUNDS

The County generally groups expenditures into funds. The following categories of funds are included in this proposed budget:

General Fund: This is the County's major operating fund, and is where tax dollars are deposited. Most ongoing activities, such as police and fire services, are accounted for in the General Fund.

Capital Improvements Fund: The fund is used to account for the cost of major, one time infrastructure or equipment investments, except for those related to water and sewer service.

Proprietary Fund: The James City Service Authority, which is responsible for providing sewer and water service to certain areas of the County, has its own fund, which is supported solely by user fees. Both ongoing operations and capital investments are accounted for in this fund.

Special Revenue Funds: Programs where the major sources of revenue are not local tax dollars are classified under these funds. Such programs include Social Services and Transit operations.

BUDGET CHALLENGES

When I issued guidance to departments and outside agencies in November 1996, I recognized that the FY 1998 budget year would be one of the more challenging years the County has faced. The opening of several new public facilities will require substantial operating resources. These facilities include the new Jamestown High School, the Regional Jail, the regional Juvenile Detention center, and the expansion of the James City County/Williamsburg Community Center. The Board of Supervisors and County Staff always recognized that FY 1998 would be a difficult year in terms of funding requirements, as it would include the culmination of long term facility planning that began with the 1994 Referendum. We began setting aside funds for paying debt service (principal and interest payments) and operating costs of these facilities in FY 1996 and FY 1997, but we will be funding a full year of operating costs, and an increase in debt service, beginning in FY 1998. In addition to the above public facilities, the County continues planning for the funding of its share of the new Courthouse. While the major focus was finding resources to fund the personnel and support structure necessary to operate our new public buildings, we also wanted to continue to strengthen the County's overall delivery of public services.

Here is how we met the challenge:

1. We examined revenue sources, to see where additional resources might be available without raising the real estate tax rate. Included in this proposed budget is an increase in the transient occupancy tax and E-911 tax, and extension of the E-911 tax to apply to cellular telephones. Parks and Recreation User Fees are proposed to increase in order to recover more of the program costs. These revenue changes are discussed in detail later in this message.
2. Early in the budget process, budget guidance was issued to both internal departments and outside agencies. We asked departments to thoroughly scrutinize how they do business, and to look for ways to accomplish their objectives within existing resources. New positions or increases in hours were considered only if they could be accommodated within a department's existing resources, or if a new revenue source could be identified that paid for at least 75 percent of the cost. All operating and capital costs were justified from the ground up.

These measures have resulted in a budget that meets the challenge without requiring a general tax increase. The proposed budget presented herein focuses on the four County Goal areas adopted by the Board of Supervisors:

I. Balance Service Demands With Available Resources

In many ways, this goal area overarches every aspect of County operations. It has been an ongoing theme in past budgets, and becomes increasingly critical as we face the challenge of meeting the needs of a fast growing and diverse population. The County ensures that resources are managed effectively by examining services, procedures and organizational structure; using methods such as bench marking and continuous process improvement. Opportunities for cost savings and improved services are identified through regional cooperation, private sector involvement, and partnerships. Departments and County funded agencies are encouraged to identify alternative resources; such as grants, user fees and volunteer assistance, in order to provide services. Finally, the County's Neighborhood Connections program has been successful in educating citizens and citizen groups, helping them to address some of their service needs through self help.

II. Enhance the Character of the Community

James City County offers a high quality of life to its citizens, which is what makes it an attractive community. We want to preserve and enhance the County's character by balancing the natural environment and rural atmosphere with appropriate growth and economic development. This budget provides resources for acquiring Greenspace, expanding the landscaping of road medians, and revising the Zoning and Subdivision ordinances so they are consistent with the newly adopted Comprehensive Plan.

III. Ensure Broad-Based Citizen Involvement in Decision Making

The County has expanded its efforts to encourage broad citizen participation in decision making. During the update of the Comprehensive Plan, community meetings were held at various locations in the county, and citizens provided input as to their vision of the County. In addition, the County continues to expand its successful Neighborhood Connections program, which provides another forum for interacting with both elected officials and professional staff. Based on feedback from citizens, the Board of Supervisors began last year to allocate money for Greenspace, and that effort continues in the Capital Improvements Program included with this proposed budget.

IV. Promote a Healthy Community

This goal area focuses on providing for a community that is not only safe, but which has a robust environmental and economic health. One of the major focuses in the FY 1998 budget is in the area of Criminal Justice Services. In response to citizens' concern, a new Regional Jail will open in June, 1997, and will provide for incarceration of local prisoners. In addition, a new Regional Juvenile Detention facility is under construction, and is expected to open in September, 1997. The County and City have increased resources available to both the Commonwealth Attorney's office and the Colonial Group Homes Commission, which is a regional court alternatives program. Public Safety expenditures for Police, Fire, Emergency and related services, continue to consume a large percentage of the General Fund budget.

The environmental and economic health of the County is addressed in several areas. The James City Service Authority will make improvements to and expand its water delivery and wastewater disposal services. The economic development budget includes funding for assisting small business development. Community Services will provide loan and grant assistance to low and moderate income households for housing improvements. The Fire Department will conduct an audit to identify potential environmental hazards in the community, and funding is included in the Refuse Disposal budget for household hazardous chemical collection and disposal.

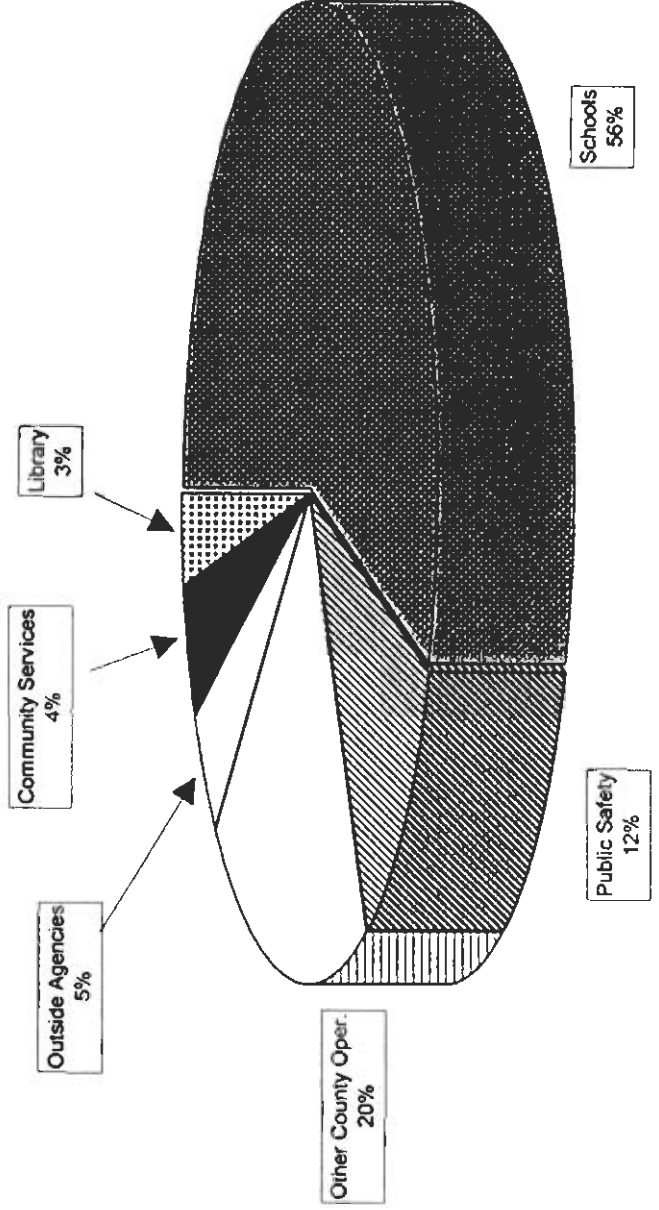
This budget does not include any changes to the existing residential solid waste collection program.

GENERAL FUND

The total recommended General Fund budget for FY 1998 is \$69,953,431, an increase of \$5,932,785, or 9.3 percent over the FY 1997 Budget of \$64,020,646. The broad categories of spending are depicted below:

	Budget FY 97	Recommended FY 98	\$ Change	% Change	% of Total Increase
Contribution to Schools	\$36,129,850	\$39,097,553	\$2,967,703	8.2%	50.0%
Contribution to Outside Agencies	615,940	1,337,654	721,714	117.2%	12.2%
Regional Jail	413,096	783,137	370,041	89.6%	6.2%
Contribution to Regional Library	2,040,000	2,221,947	181,947	8.9%	3.1%
Other County Spending	24,821,760	26,513,140	1,691,380	6.8%	28.5%
	<u>\$64,020,646</u>	<u>\$69,953,431</u>	<u>\$5,932,785</u>	<u>9.3%</u>	<u>100.0%</u>

General Fund Expenditures By Category



Schools

The recommended contribution to the Williamsburg-James City County School system, which includes funding for both ongoing operations and debt service for school facilities, is \$39,097,553, which represents 56 percent of the County's proposed operating budget, and is an 8.2 percent increase over the FY 1997 contribution of \$36,129,850. The \$2,967,703 increase in this amount consumes 50 percent of new revenues for FY 1998.

This proposed County funding level fully funds the request by the School Board, and is sufficient to fund the opening of the new Jamestown High School, the extended day Middle School program, staff compensation, and enrollment growth. The Superintendent and the School Board worked hard to fit the school budget within the revenue targets and were particularly cooperative in a joint effort to match needs and resources. I would like to extend my thanks for their participation in a successful, collaborative budget process.

Transfers to Other Programs

Transfers to programs other than County operations and the school system amounts to \$4,846,612 for FY 1998, which is a \$599,107 or 14 percent increase over the FY 1997 budget of \$4,247,505. The single largest item in this category, both in total budgeted dollars and in the amount of increase, is the County's contribution to new Regional Jail.

Regional Jail

The County is a member of the Virginia Peninsula Regional Jail Authority, which is completing the construction of a new jail, slated to open in June, 1997. This budget includes the County's share of operations for the FY 1998 fiscal year. When the new jail opens, the two existing regional jails in Williamsburg (for the City of Williamsburg and James City County) and in Yorktown (serving York County and Poquoson) will close. The County's cost for inmate incarceration will increase by \$370,000 for FY 1998, reflecting the overall focus on Criminal Justice and Public Safety.

Library

In July, 1996, the new County Library opened. This additional library was approved by the voters of ICC as part of the 1994 bond referendum. The County began funding the cost of operating this new Library, as the second branch of the Williamsburg Regional Library, in FY 1997. The City of Williamsburg and James City County share the cost of Library operations, based on their respective share of circulation. James City County's relative circulation increased with the opening of the new Library, so its share of operating expenditures for FY 1998 is higher than that of the City.

Parks and Recreation

An Account Clerk position is proposed to be upgraded from part time temporary to full-time permanent. This position will support the department's expanded program offerings, and will be funded by additional user fees. A vacant Management Assistant position is being redesigned to focus on revenue development. That effort is programmed to identify and develop sources of additional revenue other than general tax dollars, to fund Recreation programs; and it is expected that the cost of the position will be offset by such revenue.

Treasurer

(2) Account Clerk positions are recommended to handle the additional responsibilities associated with twice a year collection of property taxes. The change to twice a year will provide a one time source of revenue, which will be used to pay for capital expenditures. Also, the increased cash flow from receiving tax payments twice a year will generate additional investment income. The County will avoid having to borrow for those large projects it is able to finance with the one time proceeds, thereby saving on debt service costs. The debt service savings and additional investment income more than offset the cost of additional staff needed to implement the change.

Sheriff

(6) Positions will be transferred from the City of Williamsburg in January 1998, when the City and County Sheriffs' offices will be combined. The City of Williamsburg and the State Compensation Board will contribute funds in support of these positions.

In order to maintain this market based pay plan, adopted by the County two years ago, this budget includes funding for a 3 percent structure adjustment in the County's pay ranges. Only those employees whose salary falls below the minimum of the new range would receive any salary adjustment, and the total cost for this adjustment is therefore \$5,769.

This proposed budget retains pay for performance, funded at an average level of 4 percent. This percentage is consistent with the raises being proposed by surrounding communities and by the State. The total cost of this recommendation is \$448,850.

The County, like other localities and the State of Virginia, participates in the Virginia Retirement System. Beginning in FY 1998, the Virginia Retirement System will have to prefund cost of living allowances, which results in rate increases for all of its members. For the County, this rate increase will cost \$82,000 for FY 1998.

Operating Expenditures

Two Percent Room Tax

The County currently levies a two percent tax on hotel and motel room sales, and rental condominium units. The General Assembly passed legislation which allows the County to levy up to an additional three percent room tax, but there are certain restrictions on how the proceeds from that additional tax can be used. This budget proposes to increase the room tax from 2 percent to 4 percent, with the proceeds of \$903,049 targeted to increasing visitation in the area. The 4 percent tax is consistent with that of surrounding localities.

Public Safety

In response to citizen concerns about public safety, this budget provides a significant amount of resources for criminal justice services. Spending for the Regional Jail, Juvenile Detention; Police, Fire and related services; and judicial activities total \$10,080,585, or 14.4 percent of the total General Fund for FY 1998. These activities consume 16.8 percent of the total increase in General Fund Revenue.

Refuse Collection and Disposal

This budget contains funding to maintain the County's refuse collection and disposal program as it currently exists, with the exception of funding for a full year of household chemical collections and disposal. The transfer station and convenience centers are not generating the volume of garbage originally anticipated, so the associated user fee revenue budgeted for FY 1998 is reduced to reflect the expected level of usage.

Parks and Recreation

The majority of the increase in the Parks and Recreation budgets is targeted to fund a full year of operating the new expanded Community Center. In FY 1997, monies were budgeted to fund four months worth of operations. This expanded Community Center was approved by the voters as part of the 1994 Bond Referendum. The costs associated with opening this expanded center are included in the Parks and Facilities budget. In addition, the Recreation Services budget reflects an enhanced level of service, targeted at programs for youth. Principal activities are instructional classes, summer playground, after-school programs, and a summer day camp.

Maintaining Existing Services

Beyond the funding required to operate the new High School, expanded Community Center and Regional Jail for a full year, there are few other initiatives included in this budget. Fully 82 percent of the \$5,932,7853 in new revenue for FY 1998 is consumed by additional funding for Schools, the Williamsburg Regional Library, the Jail, Parks and Recreation, and the additional room tax money targeted for tourism. Funding for increased debt service costs related to the Referendum debt and other obligations, along with increased costs for judicial services such as juvenile detention, consume an additional 8.8 percent of the new revenue. The majority of the remaining monies fund the pay for performance increase, the household chemical disposal program, and combining the City and County Sheriff's departments. Funding is included to continue the drainage initiative that began last year and to provide a full year of household chemical collection and disposal. The Neighborhood Connections program will be extended to additional neighborhoods within the County.

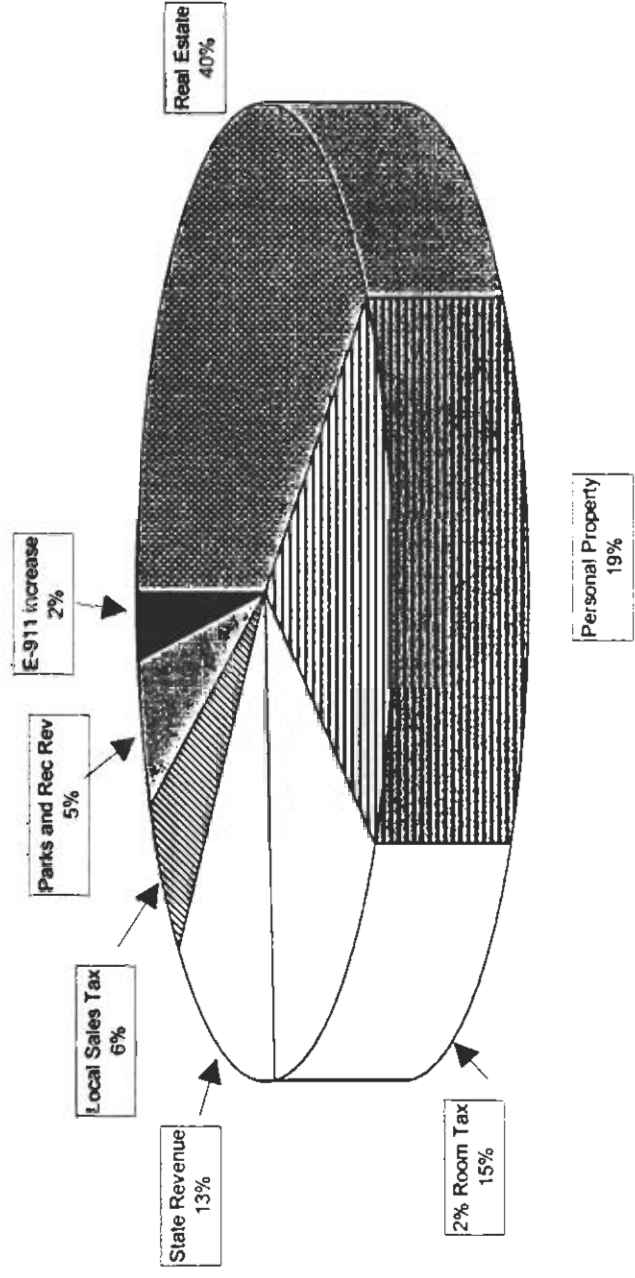
REVENUES

The FY 1998 budget includes four revenue initiatives. Two of these initiatives are increases in existing tax rates, for the E-911 and room taxes. The third initiative is a continuation of an effort that began last fiscal year, to recover costs of certain services through user fees. The fourth is the billing of real and personal property taxes twice a year.

1. The E-911 tax rate is recommended to increase by 30 cents, from its current level of 90 cents per telephone line per month, to \$1.20. In addition, the E-911 tax will apply to all cellular phones sited within the County. With these two initiatives, this tax will support 50 percent of the cost of operating the central dispatch function. Localities in Virginia are authorized to set a rate for the E-911 tax sufficient to recover the direct costs of equipment for and maintenance of this service, including salaries. For James City County, the rate needed to recover all of the eligible costs would be \$2.38.
2. A increase in the room tax, from two percent to four percent, will generate \$903,000 in revenue, which will be directed at increasing visitation. Over half of the estimated proceeds would be contributed to the Williamsburg Area Convention and Visitors Bureau, in support of their marketing efforts for the area. The proposed distribution of the additional 2 percent tax is discussed on page C-51 of this document.
3. User fees for certain Parks and Recreation programs are proposed to increase for FY 1998. The Board of Supervisors is interested in reviewing user fees, and recovering the costs for certain services through fees rather than general tax dollars. Overall, Parks and Recreation revenue is estimated to increase by 32 percent from FY 1997 to FY 1998, but some of this increase will come from additional participation and expanded program offerings.
4. Billing property taxes twice a year produces a one time capital revenue source, resulting from the collection of eighteen months of tax proceeds in the fiscal year the billing change is introduced. That one time cash allows the County to avoid debt, and ongoing debt service spending, for capital

projects which it would otherwise borrow to finance. The projects include the courthouse, schools, fire station, greenspace and district park improvements.

Components of Revenue Increase



CAPITAL PROJECTS FUND

The County's Capital Projects Budget for FY 1998 is \$18,347,803, and reflects the County's commitment to the four goal areas mentioned at the beginning of this message. A change to twice a year collection of property taxes will produce a one time source of cash that is proposed to be used to fund certain public facilities without having to borrow money, thereby reducing future debt service:

- * Courthouse -- A 65,000-square foot, five-courtroom courthouse is now being designed for a site off Monticello Avenue extended. The plans were developed in concert with the City of Williamsburg to replace the existing City/County Courthouse.
- * The County will continue its investment in the Greenspace fund, which was created by the Board of Supervisors, in response to community feedback, to finance the acquisition of property or easements that would create permanent greenspace in several areas of the County.
- * Fire Station -- A new fire station is proposed to be constructed in the Centerville/News/Brick Bat Road area to better respond to the service requirements in the Route 5 corridor.
- * Fire Training Facility -- This will be a regional training center, and expected to be partially funded through a regional/state partnership.
- * School Projects -- These include:
 - Rawls Byrd Elementary School Renovation/Expansion
 - Berkeley Middle School Renovation
 - Matthew Whaley School Renovation
 - Lafayette High School Renovation
 - School Bus Replacements

Other investments funded as part of the FY 1998 Capital Budget include:

- Road Matching Funds -- Upgrading existing County roads and improved Route 199 landscaping by matching additional State dollars
- Regional Drainage Basins -- To better manage runoff from existing development that occurred prior to stormwater management regulations
- Sidewalk Improvements -- The list includes the Centerville Road, Ironbound Road, Strawberry Plains Road, and John Tyler Highway areas, as well as others.

James River Commerce Center -- This project will develop a 220-acre industrial park, and is a partnership among James City County, the Industrial Development Authority, and Williamsburg Developments, Inc., a subsidiary of Colonial Williamsburg;

Community Networking -- Over the next two years, the emphasis will be on connecting the four County fire stations, the new jail and juvenile detention facility, and the law enforcement center to the fiber network;

District Park -- Begin development of access roads and athletic fields.

PROPRIETARY FUND

The James City Service Authority (JCSA), found in Section E of this document, represents the financial plan for operating and capital costs of the water and sewer programs, which are provided to certain areas of the County. The JCSA is financed entirely by user fees and receives no revenue from the County.

Within the FY 1998 water fund, revenues are projected to increase by \$437,777, or 15.4 percent, primarily due to an expected increase in interest income, along with growth in the numbers of users served.

Within the sewer fund, revenues are expected to grow by \$99,482, or 2.9 percent, primarily from customer growth.

Two Utility Operations Assistant positions are proposed in the FY 1998 JCSA Water Fund budget in order to keep pace with growth in demand.

The JCSA Capital Budget is dominated by renovation/rehabilitation projects for both water and sewer, in a continuing effort to maintain and improve the systems

SPECIAL REVENUE FUNDS

The majority of support in the Special Revenue Funds, which are found in section F, comes from State and Federal Grants. The County General Fund contributes to these funds, though; which include Transit, Community Development, and Social Services operations. The Transit budget is increasing, funding a full year of operations for the new Tourist Shuttle initiative. The Social Services fund declines slightly from the FY 1997 funding level, and the Community Development Fund maintains the current level of service.

CONCLUSION

I am pleased to submit a proposed budget for FY 1998 which balances the demands created by growth with available resources. Even though this budget proposes new revenue initiatives in order to respond to growth, we have attempted where possible to meet the challenges created by this growth within existing resources. One of these revenue initiatives, the change to twice a year collection of property taxes, will provide a one-time source of cash which the County can use for one-time capital expenditures; however, since these revenues are nonrecurring, they cannot be used to fund ongoing, General Fund expenditures. These proceeds will, however, reduce future debt service requirements, since the County will avoid having to borrow for projects funded by the one-time proceeds. The County will continue to face funding challenges as the community continues to grow quickly.

To mitigate increasing tax burdens as we move forward, the County continues to focus effort in the area of economic development, so that we can maintain a diversified tax base. Moreover, we remain committed to continuing to provide high quality services at a reasonable cost.

Respectfully submitted,



Sanford B. Wanner
County Administrator