

County Administration

County Administrator

James O. McReynolds



Administrative/Legislative Services
Economic Development
Real Estate Assessment
Public Information
Planning

April 4, 2007

The Honorable Chairman and Members
York County Board of Supervisors
224 Ballard Street
Yorktown, Virginia 23690-0532

Dear Members of the Board:

Subject: County Administrator's Budget Message - FY2008

The County's Adopted Fiscal Year 2008 Budget represents the culmination of nearly six months of staff effort. The budget call was issued on October 9, 2006, and requests were due on November 17, 2006. Since that time, staff and I have worked with the requesting departments and agencies to develop a budget that emphasizes the priorities of the Board of Supervisors. Accordingly, significant portions of the increase in revenues are allocated to Education, Public Safety, and drainage improvements. Educated and engaged citizens, safe neighborhoods, and excellent public facilities are essential ingredients in maintaining and enhancing the high quality of life County citizens have come to expect.

Highlights are:

- Maintains the current tax rate of \$0.6975 per \$100 of assessed value.
- An increase of 5.0% in local funding for the School Operating Budget and 13.2% in local funding for School Debt Service.
- Funding for eight new personnel in the General Fund to meet the growing demand for County services.
- A compensation package based on the Human Resources Division's annual benchmarking study that helps to maintain the County's plans for competitive positions in the regional market by including a market adjustment of 2%.
- Funding in the Enterprise Funds for the Lightfoot-Newport News Waterworks Water Extension and to continue the sewer expansion project in York Point. These projects are funded from user fees and have no effect on General Fund expenditures or the tax rate.

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A Hampton Roads Community

- A Capital Improvements Program, which continues ongoing projects such as the replacement of equipment, funds maintenance and renovation projects of County facilities and park areas, and provides for renovations of Dare and Magruder Elementary Schools and site work on the athletic fields at York High School.

The Budget Process in York County

In York County, the budget serves three purposes. First, as a policy document, the budget represents the implementation of the Board's policy setting in the form of specific funding decisions. Second, the Board has the sole authority to set tax rates and authorize spending. This authority is exercised through approval of the annual operating budget. Finally, the budget is a financial planning tool through which the County ensures that the available sources of funds will be sufficient to meet the anticipated and unanticipated cost of providing services to County citizens over the coming year.

York County adopts an annual operating budget for the fiscal period beginning July 1 and ending June 30. Fixed budgets are presented for the General Fund, Special Revenue Funds, and Debt Service Funds. For control purposes, fixed budgets are also presented for the Enterprise Funds, which include the Utility Funds, and for the Vehicle Maintenance Internal Service Fund. Flexible budgets are presented for the Tourism Fund and will be used for the Riverwalk/Yorktown Operations Fund. A flexible budget is useful for funds for which it is difficult to estimate the demand for services and, therefore, the level of spending needed to meet demand.

The Capital Improvements Program is a six-year plan of which the first year represents the Capital Improvements Budget. Project-length budgets are appropriated for the projects included in the first year of the six-year plan.

In compliance with the Code of Virginia, York County's policy for the General Fund is to propose and adopt a balanced budget, whereby revenues equal expenditures. The County's revenue stream consists of local, state, federal and other financing sources. The majority of the County's revenue is derived from general property taxes. The County's expenditure budget is divided into functional areas.

TOTAL BUDGET - \$231,424,382

The total FY2008 budget for all funds is \$231.4 million, which is \$0.27 million or 0.1% lower than the current year. This decline is primarily driven by the timing of capital projects. The largest single component of the total budget is the School Division. The School Division budget is \$121.5 million or 52.5% of the total budget. The total budget, exclusive of the \$49.6 million transfers to support School Division operations and debt service (41.7% of the General Fund), amounts to \$181.8 million. After Education, the second highest General Fund function is Public Safety. This function comprises \$26.1 million or 11.3% of the total budget. The budget also includes expenses of \$15.6 million, or 6.7% of the total budget for the County's various public utilities, accounted for as Enterprise Funds.

These three programs, Education, Public Safety and the Enterprise Funds, total \$163.2 million comprising 70.5% of the total budget.

GENERAL FUND BUDGET - \$118,886,705

General Fund Revenues

General Fund revenues are derived from a variety of sources. Of the \$118.8 million in revenue estimated for fiscal year 2008, \$103.8 million or 87.3% is from local sources. The primary local sources of revenue are General Property Taxes (60.1%) and Other Local Taxes (23.8%), which combined are \$99.8 million, or 83.9% of the \$118.8 million budgeted. Additional local revenue categories include Permits, Fees and Regulatory Licenses; Fines and Forfeitures; Use of Money and Property; Charges for Services; Fiscal Agent Fees and Administration; Miscellaneous; and Local Recovered Costs. These sources account for 3.4% of General Fund revenues, or \$4.0 million. New commercial construction and the opening of several new businesses in the County are driving anticipated increases to several local tax sources. We expect to see positive impacts on the real estate and personal property taxes, local sales taxes, lodging and meals taxes, and business license taxes.

State and federal revenues include Non-Categorical Aid, Shared Expenses, Categorical Aid, Grants, and Payments in Lieu of Taxes, which amount to 11.4% of General Fund revenues, or \$13.5 million.

Other sources include payments from the School Division for grounds maintenance, law enforcement and video services and amount to 1.3% or \$1.5 million.

General Fund Expenditures

The County's population has grown about 7.6% since 2002. During that same period, the school aged population has grown 5.4%. Estimated actual enrollment for FY2007 is 12,650 and projected enrollment is 12,570 for school year 2008. Residential growth continues at a slower pace than in the early part of the decade, but the increase in population and demand for service is still sufficient to drive increases in the County budget.

The FY2008 budget includes no new initiatives but focuses on maintaining County services at their current levels. Major expenditure increases are as follows:

School Operations and Debt Service Contribution	\$ 2.85 million
Employee Compensation	\$ 2.10 million
New Personnel	\$ 0.50 million
Capital Improvements and Debt Service	\$ 0.55 million
General Price Increases	\$ 0.60 million
Transfers and Contributions	\$ 1.10 million

The total General Fund expenditure budget is \$118.8 million, which is \$7.7 million or 6.9% more than the current year budget. This represents a reduction of over \$10.6 million from the amounts requested by the departments to keep the operating budget to the minimum required to continue providing services at the current levels.

Areas of special input are:

Education

The budget reflects an increase of \$2.0 million (5.0%) in the local contribution to the School Operating Fund, representing 35.6% of the General Fund budget. It also proposes an \$850,000 increase in the School Debt Fund to cover the cost of borrowings to fund school renovation and construction for total local support representing 41.7% of the General Fund Budget. In addition, I recommend that the Board continue the practice of making supplemental appropriations for technology improvements of any funds remaining at the end of FY2007 in the School Operating Fund. Should the School Division receive more Impact Aid than is budgeted for fiscal year 2007, the two Boards may again wish to discuss alternative uses for some of these funds.

Personnel

This budget increases the number of FTEs by 8.0 positions in FY2008. These positions are needed to meet the growing demand for County services in Public Safety and General Services.

The compensation in this budget include the cost of providing step increases for County employees during FY2008 as well as the cost of adjusting the County's pay plan to the market. Based on Human Resources annual benchmark analysis, a 2% market adjustment has been incorporated for July 1, 2007.

Capital Improvements and Debt

The funding included in this budget supports all of those projects planned for FY2008 in the Adopted FY2008 through FY2013 Capital Improvements Program. That program calls for spending in the General Fund for capital improvements of \$6.1 million and includes support for equipment, maintenance and renovation projects, and for drainage improvements.

PUBLIC UTILITIES FUNDS EXPENSE BUDGETS - \$15,590,197

The various funds included in this total are the Solid Waste Fund (\$4.6 million), the Water Utility Fund (\$0.5 million), the Sewer Utility Fund (\$6.7 million), and the Water and Sewer Extension Fund (\$3.8 million).

Revenue in these funds is primarily generated through user fees and connection charges. The Solid Waste Fund also receives \$1.15 million in General Fund support.

The Water and Sewer Extension Fund accounts for the water and sewer capital projects. As mentioned previously, major projects planned for fiscal year 2008 are the Lightfoot-Newport News Waterworks Water Extension project and the sewer expansion project in York Point.


COMMENTS

York County has a tradition of fiscal conservatism that has served it well. As is indicated by its excellent bond rating and highly sought after credit, the County is in an excellent financial position and has the resources necessary for sound fiscal management. I believe that the adopted budget outlined above represents a conservative estimate of the amounts necessary to continue the current level of service delivery and maintain the County's physical plant at an acceptable level.

The requirements of the Code of Virginia regarding the development, preparation, and presentation of the budget to the Board of Supervisors by the County Administrator have been met.

Staff has worked diligently to keep costs to a minimum while still meeting the expectations of our citizens. I would like to thank all County agencies and departments for their efforts. A special thanks goes to Carol White, Director of Financial and Management Services, and Sharon Day, Division Chief of Budget and Financial Reporting, along with division staff members Jody Bauer, Carolyn Cuthrell, and Lisa Swartz for a superb effort in putting this document together.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James O. McReynolds", with a stylized flourish at the end.

James O. McReynolds
County Administrator

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