

Budget Overview

History

York County, Virginia, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was also given the name of the then Duke of York. York County has played a major role in the development of this nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

Form of Government

The County of York, Virginia (the County) is organized under the traditional form of government (as defined under Virginia Law). The governing body of the County is the Board of Supervisors that establishes policies for the administration of the County. The Board of Supervisors comprises five members: one member from each of five districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County.

Location

York County consists of approximately 108 square miles, with federal landholdings constituting nearly 40% of the land. The County is located in the Virginia Coastal Plain on a peninsula formed by the James and York Rivers and the Chesapeake Bay. The Peninsula includes James City County and the cities of Hampton, Newport News, Poquoson and Williamsburg, all of which adjoin York County. The County and the Peninsula are part of the greater Hampton Roads region. The boundaries of Hampton Roads correspond fairly closely with the boundaries of the Virginia Beach-Norfolk-Newport News VA NC Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau.



Population

York County is home to approximately 64,700 people and ranks 18th in population among the state's 95 counties and 29th among the 134 cities and counties. In land area, however, the County is the 3rd smallest county in Virginia, making it the 6th most densely populated county. The County's population has grown steadily for decades, and so far in the first decade of the 21st century, the annual average is 2.2%. The vast majority of the growth, approximately 75% in recent years, is due to net migration, which is the difference between the number of people moving into a community and the number of people moving out.

Age

The 2000 median age in the County was 36.5 years, almost 4 years older than in 1990. The population is getting older, on average, as it is all over the country, because of the aging of the post-war baby boom generation born between 1946 and 1964. The baby boom was followed by a “baby bust” period that brought lower fertility rates, causing a “bulge” in the age distribution of the population. Meanwhile, medical advances have increased the average life expectancy and the Census Bureau projects that it will increase to almost 78 by 2010. The cumulative effect of these trends has been a significant rise in the median age both in York County and nationally.

Race

The racial composition of the County's population has been fairly stable, with whites representing 81% of the population in 2000. Although the number of black residents increased 14% between 1990 and 2000, the black proportion of the non-white population fell from 83% to 67% while the Asian population grew from 12% to 16% of the minority population.

Households

About 2/3 of the County's estimated 22,350 households are married-couple families, despite an increase in other types of living arrangements such as single-parent families, unrelated people living together, and people living alone. This prevalence of married-couple families in York County is reflected in its relatively large average household size, which, at 2.78 persons per household, was the highest on the Peninsula in 2000 and higher than averages for both the state (2.54) and the metropolitan area (2.60). This is partly attributable to the County's large proportion of on-base military households living in housing.

Labor Force and Unemployment

The civilian labor force is well educated. York County leads its Peninsula neighbors with 92% of its adult population holding at least a high school diploma. Of the high school graduates, 40% hold a bachelor's degree and 16% of adult residents hold a graduate or professional degree. The high level of education in the County is reflected in the types of jobs its residents hold. Forty percent of the County's employed residents in 2000 held professional or managerial occupations.

York County has one of the lowest unemployment rates in the metropolitan area, and it consistently trails the regional, statewide, and national rates. In 2007, the County's average unemployment rate was 2.6%.

Income

York County is one of the most affluent localities in Hampton Roads, with a median household income, as reported in the 2000 census, of \$57,956. York County has the lowest poverty rate on the Peninsula as reported in the 2000 census, with 3.5% of the population living below the poverty line.

Quality of Life

In 2004, York County ranked in the top 2% of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. The County ranked 37th among the nation's 3,141 counties and independent cities. The study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment, commute times for residents and high school graduation rates.

Economic Development

Economic development remained strong and diverse in fiscal year 2008. York County's newest and largest retail development "The Marquis" opened two stores in November 2007, JC Penney and Kohl's. Construction on three additional anchors, Best Buy, Dick's Sporting Goods and Target will be complete by the summer of 2008. The project's public infrastructure is being funded through a Community Development Authority that successfully issued bonds in the amount of \$32,860,000 in November 2007. York County has provided additional support for the project by leasing 21,000 sq. ft. for a public library. The library will be on second floor space above retail space in the "downtown" section of the project. This same area will provide the County with another 100,000 sq. ft. of second floor office space and a new 114 room, Hyatt Place Hotel.

The Rt. 17 business corridor continued to redevelop as the last two vacant gas stations were demolished for new retailers and Big Lots leased the last large vacant shopping center space. Kiln Creek added a new upscale retail center (Pavilion at Kiln Creek) and a new office building of 23,700 sq. ft. behind Super K-Mart is under construction.

Improvements along Bypass Road continued to reinvent the hospitality offerings along the corridor. The current construction of a new 102 room Hampton Inn, and the demolition of the former Howard Johnson hotel are the latest projects. Plans for the former Howard Johnson site include two restaurants, a bank and a two story office building. Timeshare activity remained strong with active expansions at King's Creek Plantation and Colonial Crossings. A brand new timeshare development, Landmark Resorts, initiated construction adjacent to the Williamsburg Country Club.

On the industrial front, Philip Morris is nearing completion of adding 38,000 sq. ft. to its manufacturing facility on Merrimac Trail. The expansion represents a \$100 million investment in the facility and new equipment. The Economic Development Authority sold its 60,000 sq. ft. industrial building in the York River Commerce Park to CAO Properties. In addition to netting a profit and freeing up capital, the sale will ultimately result in additional light industrial space being constructed on the property.

Delta-T completed the renovation of its new headquarters building on Waller Mill Rd. The company purchased and renovated the multi story 38,000 sq. ft. office building at a cost of \$3.5 million. The company has fully occupied the building and now has over 250 employees.

Statistical Information

Top Employers

<u>Employer</u>	<u>No. of Employees*</u>
Naval Weapons Station/Cheatham Annex	2,217
York County School Division	1,602
Wal-Mart	948
York County Government	920
United States Coast Guard Station	798
Sentara Williamsburg Regional Medical Center	792
Water Country USA	736
Great Wolf Lodge	500
Fairfield Resorts	465
Kings Creek Plantation	281

Source: Comprehensive Annual Financial Report as of June 30, 2007

*Includes full-time and part-time positions.

Population, Per Capita Income and Unemployment Rates

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2007	63,800	\$ 40,385	2.6%
2006	63,300	38,632	2.8%
2005	62,400	36,964	2.9%
2004	61,800	35,572	2.9%
2003	60,600	33,913	3.1%

Source: Comprehensive Annual Financial Report as of June 30, 2007

Top Taxpayers

<u>Taxpayer</u>	<u>2006 Assessed Valuation</u>	<u>% of Total Assessment</u>
Virginia Power Company	\$ 283,926,006	3.38%
Lawyers Title/Fairfield Resorts	161,377,170	1.92%
Giant Industries/Amoco Oil	83,621,055	0.99%
City of Newport News	80,970,587	0.96%
Anheuser Busch Companies	65,188,275	0.78%
Great Wolf Lodge	50,182,145	0.60%
Kings Creek Plantation	46,899,465	0.56%
Wal-Mart	33,853,680	0.40%
Verizon Virginia	22,194,438	0.26%
Virginia Natural Gas	21,411,374	0.25%
	<u>\$ 849,624,195</u>	<u>10.10%</u>

Source: Comprehensive Annual Financial Report as of June 30, 2007

School Division

Due to State law, the York County School Division is fiscally dependent upon the County. State law prohibits the School Division from entering into debt that extends beyond the current fiscal year without the approval of the local governing body. The governing body in York County is the Board of Supervisors. The Board of Supervisors approves the annual school budget, levies taxes to finance a substantial portion of the School Division's operations and approves the borrowing of funds and the issuance of debt used for school capital projects.

The York County School Board is responsible for elementary and secondary education within the County. There are five school board members, one from each electoral district. The School Division's instruction program encompasses kindergarten through 12th grade. There are nineteen schools in the Division: 4 high schools, 4 middle schools, 10 elementary schools and 1 charter school.

Student performance and meeting the state's Standards of Learning (SOLs) remains the pinnacle of achievement for the York County School Division. Based on the spring SOL test results, the school division continues to be a leader in student performance across the state with 100% of our schools meeting the SOL requirements for full accreditation. Furthermore, students consistently exceed the state average on the SOL test and the Scholastic Achievement Tests (SAT).

Education Statistical Data

<u>School Year</u>	<u>School Facilities</u>	<u>Student Avg Daily Membership</u>	<u>Annual Costs</u>	<u>Cost per Student</u>
2007	19	12,649	\$ 112,429,279	\$ 8,888
2006	19	12,797	103,877,688	8,117
2005	19	12,442	95,355,488	7,664
2004	19	12,363	85,675,590	6,930
2003	19	12,184	79,744,280	6,545

Source: Comprehensive Annual Financial Report as of June 30, 2007

Goals and Objectives

The quality of life in a community cannot be measured by statistics. It can only be expressed in terms of the collective experiences enjoyed by the residents. It includes such things as a comfortable climate, recreational and entertainment opportunities, educational and cultural life, and an aesthetically pleasing living environment.

York County is best defined by its quality of life. Mild temperatures, a low crime rate, hundreds of miles of coastline, and abundant flora and fauna contribute to the County's reputation as a desirable place to live. To preserve and enhance this high quality of life is the overriding purpose of the York County *Comprehensive Plan*, which is a long-range plan to the physical development of the County. The *Comprehensive Plan* is necessary to ensure the efficient use of land in recognition of environmental constraints and the capacity of the public infrastructure. It seeks to provide an appropriate mix of residential, commercial and industrial development; to guide such development to appropriate areas of the County based on the carrying capacity of the land, the existing development character, and the presence of infrastructure and public facilities; to preserve the County's natural and historic resources and aesthetic quality and to prevent the overburdening of the County's roads, utilities, facilities and services.

The *Comprehensive Plan* is updated every five years, with the last update in December 2005. The plan is divided into chapters or elements dealing with various aspects of the County's physical development. The matrix below outlines which departments are responsible for the implementation of the goals. Within the budget document, the divisions responsible for fulfilling these goals provide a narrative outlining their respective objectives and implementation strategies. The narrative that follows this matrix is an excerpt from the *Comprehensive Plan*.

Department	Community Facilities	Economic Development	Environment	Historic Resources	Housing	Transportation	Land Use
General Admin	x	x	x	x	x	x	x
Judicial Admin	x						
Public Safety	x						
Environmental & Development Svcs	x		x	x			
Finance & Planning	x	x	x	x	x	x	x
Education Educational Svcs	x						
Human Services	x				x		
General Services	x						x
Community Svcs	x				x		
Capital Outlay	x	x				x	x

Source: Charting the Course to 2025 – The York County Comprehensive Plan

Community Facilities

Goal: York County should be a community where the citizens feel safe from crime, receive prompt and effective emergency services when needed, and have convenient access to public facilities at appropriate locations to serve them economically and efficiently.

Objectives:

- Coordinate the location and timing of public facilities in recognition of existing and anticipated needs and characteristics, including the age distribution and location of present and projected future populations.
- Avoid wasteful duplication of effort in the construction and operation of public facilities.
- Maintain historic Yorktown as the seat of County government.
- Make optimum use of existing court and office space.
- Provide greater opportunities for the training of County personnel, in particular specialized training for law enforcement and fire and rescue personnel.
- Provide Sheriff's facilities to accommodate manpower levels sufficient to provide prompt and effective crime protection, prevention and law enforcement to all areas of the County.
- Provide detention/correctional facilities of sufficient capacity to house securely and safely the County's future adult and juvenile inmate population.
- Provide fire stations to accommodate manpower levels sufficient to provide prompt and effective fire and emergency medical response to all areas of the County.
- Maintain a five-minute average fire and emergency response time to at least 90% of the County's land area.
- Achieve higher levels of excellence in library service.
- Provide convenient library service to all areas of the County.
- Protect the natural environment and preserve open space.
- Provide for a range of recreational facilities and activities adequate in number, type, size, and location to accommodate the needs of County residents.
- Ensure that athletic fields and other recreational facilities are well maintained.
- Increase public recreational, fishing and boating access to waterways.
- Provide a learning environment that is conducive to the education of all present and future school-age children in the County.
- Achieve and maintain the following overall student/classroom ratios and program capacity guidelines at each school: Kindergarten 20:1, 350-700 students; First-Second 22:1, 350-700 students; Third-Fifth 25:1, 350-700 students; Middle 25:1, 700-1000 students; High 25:1, 1200-1800 students.
- Optimize use of school facilities and grounds.
- Promote lifelong learning.

Economic Development

Goal: Build a healthy and diverse economic base that provides well-paying jobs and generates sufficient revenue to pay for the service needs of both businesses and the citizenry without degrading the County's natural resources or the overall quality of life.

Objectives:

- Continue to expand York County's commercial and industrial tax base.
- Enhance the long-term visual attractiveness of the County's major commercial corridors.
- Expand job opportunities for York County residents.
- Increase visitation to York County.
- Promote York County as an attractive location for economic development.
- Encourage mixed-use development in appropriate areas.
- Encourage creativity in the design of economic development projects.

Environment

Goal: Establish and preserve a balance between York County's natural and built environment that contributes positively to the quality of life of current and future generations.

Objectives:

- Preserve and protect environmentally sensitive areas and natural resources from the avoidable impacts of land use activities and development.
- Enhance public awareness and understanding of the importance of environmental conservation and preservation.
- Continue to implement special development regulations to protect natural resource areas, including low-lying areas, areas with steep slopes, tidal and nontidal wetlands, Chesapeake Bay Preservation Areas, and areas identified by the Virginia Department of Conservation and Recreation, Division of Natural Heritage in the Natural Areas Inventory of the Lower Peninsula of Virginia.
- Reduce danger to persons, property, and the environment caused by stormwater runoff from developed areas.
- Reduce or eliminate the loss of life and property damage from natural hazards.
- Achieve and maintain regional attainment with the National Ambient Air Quality Standards.
- Ensure that land development occurs in recognition of the ability of the land to support such development without environmental degradation.
- Preserve open space for purposes of wildlife habitat and the preservation of ecologically sensitive areas.
- Ensure the conservation and enhancement of adequate and safe future water supply areas.
- Reduce the incidence of failing septic systems.
- Ensure existing and proposed public and private access facilities (docks and piers) do not have a negative impact on water quality.
- Protect coastal wetlands, marshes, rivers, inlets and other bodies of water from degradation associated with land development.
- Protect shoreline property from erosion in a cost-effective manner that preserves and enhances shoreline resources, water quality, wetlands, riparian buffers and wildlife habitat.
- Minimize the need for streambank and shoreline erosion controls.
- Limit noise associated with nonresidential development and highway traffic.
- Promote compatible land use and development in areas where aircraft noise exceeds acceptable levels as determined by the Department of Housing and Urban Development.
- Achieve a 50% recycling rate.
- Provide for the convenient, efficient, and safe removal and disposal of leaves and yard debris.
- Expand markets for recycled and recyclable products.

Historic Resources

Goal: Identify, preserve, protect and enhance the County's existing and future historical resources.

Objectives:

- Update inventories of known archaeological and architectural resources on a regular basis.
- Continue efforts to coordinate the sharing of information (as through VDHR) as inventories are conducted on the large percentage of the County's riverfront property, especially rich in historic resources, owned by the federal government.
- Increased attention should be given to the documentation, inventory and evaluation of African-American resources.
- Initiate a regional survey and evaluation study of mill sites, particularly those that played an important role in the maintenance of the historic plantation system.
- Explore funding options for preservation activities.

- Consider establishment of historic or neighborhood protection districts in historically significant communities.
- Maintain a local historic archives repository.
- Promote public education and awareness of County historic resources for persons of all ages. Utilize these resources for the educational, civic, and economic benefit of the County and its citizens.
- Participate in the Virginia Historic Landmarks and National Register of Historic Places programs.
- As was done with architectural resources, complete a comprehensive archaeological resources inventory to identify archaeologically sensitive areas of the County.
- Promote heritage tourism in the County.

Housing

Goal: Ensure that decent, safe, sanitary, and affordable housing is available to all County residents.

Objectives:

- Promote the development of pleasant and attractive living environments.
- Establish land use and development policies and regulations that provide opportunities for housing construction, rehabilitation, and maintenance of affordable housing that addresses the current and future needs of all income levels in the County and that considers the current and future needs within the Hampton Roads Planning District.
- Provide for a range of housing types and densities corresponding to the needs of a diverse population.
- Protect residential areas from encroachment by incompatible land uses that adversely affect the quality of life.
- Increase opportunities for safe and convenient walking and bicycling in residential areas.
- Encourage mixed-use development in appropriate areas.
- Prevent neighborhood blight and housing dilapidation.

Transportation

Goal: Provide for the safe and efficient movement of people and goods within York County and throughout the Hampton Roads region.

Objectives:

- Promote the development of a regional multi-modal transportation system.
- Maintain adequate levels of service on County roadways (i.e., LOS C or better).
- Increase funding for transportation improvements critical to the mobility of York County's citizens.
- Promote development and land use strategies that enhance roadway safety and preserve the carrying capacity of the roadway network.
- Reduce crash rates on York County roadways.
- Utilize technology to enhance mobility and safety.
- Promote the development of improved air transportation service convenient to York County residents.
- Increase the number of bicycle lane miles in the County in accordance with the *Regional Bikeway Plan* for Williamsburg, James City County, and York County.
- Provide a safe and convenient walking environment for pedestrians.
- Provide for the particular mobility needs of the senior population when planning transportation programs and facilities.

Land Use

Goal: Provide for orderly and efficient land use patterns that protect, preserve, and enhance the natural and physical attributes of the County that define and contribute positively to its appearance and character.

Objectives:

- Provide for residential growth that would allow the County population to reach a maximum of approximately 80,000 residents.
- Establish and maintain a balanced diversity of land uses, with minimal conflicts among different uses, in recognition of the physical characteristics of the County and the capacity of the land and public services and infrastructure to host different types of uses.
- Consider development patterns and plans established in adjoining jurisdictions when making local land use decisions and designations.
- Preserve open space throughout the County such that these areas will become an integral part of the community.
- Preserve and protect certain lands near the shoreline that have intrinsic value for the protection of water quality in the Chesapeake Bay and its tributaries.
- Enhance the visual appeal of the County's major transportation corridors.
- Encourage the adaptive reuse of existing blighted properties.
- Encourage beautification of existing development to improve its visual quality and appeal.
- Preserve, protect, and enhance cultural, environmental, and historic areas.
- Protect unspoiled vistas and views of the water.
- Minimize the visual obtrusiveness of telecommunications towers.
- Pursue and/or continue regulatory, non-regulatory and incentive-based programs that help preserve and enhance the positive character-defining attributes of the County such as abundant open space, tree-lined road corridors, attractive "gateway" entrances, well-landscaped commercial areas, and pleasant residential settings.
- Encourage the use of cluster development techniques and conservation easements to help preserve open space.
- Maintain higher development performance standards at major "gateway" entrances and along major "gateway" corridors.

Budget Process

The County has a separate unit within the Department of Financial and Management Services, the Division of Budget and Financial Reporting (BFR), dedicated to the budget and financial reporting processes. Each fall, BFR drafts and distributes a Procedures Manual outlining the departments' responsibilities for the upcoming budget year. As outlined in that document, all budget requests must be prepared using the standard electronic files distributed by BFR and departments are responsible for adhering to the established due dates. Afterwards, a series of departmental meetings are held.

During the spring, the County Administrator submits a balanced budget to the Board of Supervisors for the next fiscal year to begin July 1. After a series of work sessions with the Board of Supervisors and public hearings, the budget is amended as necessary and an appropriations resolution by functional level is adopted. Tax rates are established prior to the beginning of the fiscal year. The budget is required to be adopted by a majority vote of the Board of Supervisors prior to the end of the current fiscal year. The budget may be amended by the Board of Supervisors through supplemental appropriations or transfers as necessary. The legal level of budgetary control rests at the fund level with the exception of the general fund, which is appropriated at the functional level.

Performance Measurement

The budget process incorporates the Program Effectiveness Process (PEP). As called for in a Board of Supervisor's goal, PEP is a County program utilized to assist with the assessment process to ensure that services provided are operationally effective and efficient and that expenditures are essential. It provides the information necessary to evaluate service delivery options and to determine if programs are responsive to the needs and priorities articulated by the Board of Supervisors and citizens.

A mission statement, goals, objectives and measures are developed for each budget activity and submitted with the budget request. In addition, departments are responsible for submitting quarterly updates to their PEP reports.

Budget Calendar

The following timeline outlines the general budget process for the County for the forthcoming fiscal year:

July	Departments submit requests for New Personnel, Programs and Equipment (PPE). Meetings are held with departments to discuss their requests.
October	Budget Call Session is held for the departments. This informational session is to obtain instructions regarding the preparation of their respective budgets.
November	Departments are required to submit their budgets to the Division of Budget and Financial Reporting.
December	Funding Request Letters for contributions are due from outside agencies. A summary of New PPE and the Capital Improvements Program (CIP) requests are submitted to the County Administrator.
January	Revenue projections and expenditure estimates are provided to the County Administrator. A Public Forum is held. A preliminary budget outlook is presented at a joint work session with the County's Board of Supervisors and the School Board. Meetings are held with departments to discuss their operational and capital needs.
February	Work session with the Board of Supervisors to present and discuss New Personnel, Program and Equipment requests and CIP requests. Final adjustments to the Proposed Budget are made. Media briefing and formal presentation of the Proposed Budget are held. Advertise budget, tax assessment and tax rate.
March	Public hearings on the budget and tax rates are held. Various work sessions are held to discuss the Proposed Operating and CIP budgets.
April	Operating and CIP budgets are adopted.

Financial Policies

York County's policy, in compliance with the Code of Virginia, is to propose and adopt a balanced budget for the General Fund, whereby revenues equal expenditures. The general, special revenue, debt service, and capital projects have legally adopted budgets.

Proprietary funds with activity in addition to depreciation are also appropriated, with the exception of the Yorktown Operations Fund, which utilizes a flexible budget, where the demand for services is difficult to estimate.

The Comprehensive Annual Financial Report includes the additional proprietary funds not budgeted for the reasons outlined above and trust and agency funds. The County, acting as fiscal agent, would not legally adopt the budget for these funds.

Investments

The Treasurer of York County is an elected Constitutional Officer whose responsibility, in part, is to invest York County funds in an expedient and prudent manner, meeting or exceeding all statutes and guidelines governing the investment of public funds in Virginia. This policy applies to the investment of all funds, excluding the investment of employees' retirement funds.

Proceeds from certain bond issues, as well as separate foundation or endowment assets, are not covered by this policy. Significant excerpts from the investment policy are outlined below.

Except for cash in certain restricted and special funds, cash and reserve balances from all funds will be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. Credit risk is the risk of loss due to the failure of the security issuer or backer, by limiting investments to certain types of securities or diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity or investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities shall generally be held until maturity with the following exceptions: a security with declining credit may be sold early to minimize loss of principal, a security swap would improve the quality, yield, or target duration in the portfolio or liquidity needs of the portfolio require that the security be sold.

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the Treasurer as evidenced by safekeeping receipts in the County's name. The investment officer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees.

The following investments will be permitted by this policy and are those defined by state and local law where applicable: U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available; U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value; certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances; corporate notes and bonds (U.S. dollar denominated) rated in the AAA or AA categories by both Standard & Poor's and Moody's; commercial paper (U.S. dollar denominated) issued by an entity incorporated in the U.S.; rated "prime quality" by at least two of the nationally recognized rating agencies; investment-grade obligations of state, provincial and local governments and public authorities; repurchase agreements whose underlying purchased securities consist of the aforementioned instruments; money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The investments shall be diversified by: limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

This policy is reviewed by the Treasurer on an annual basis.

Debt Policy

The County does not issue long-term debt to finance current operations and emphasizes pay-as-you-go capital financing. The County does not use tax revenue anticipation notes (TRANS) to fund current operations and does not intend to issue bond anticipation notes for a period of longer than three years. The issuance of variable rate debt by the County is subject to careful review and is issued only in a prudent and fiscally responsible manner.

Whenever the County finds it necessary to issue bonds, the term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended. The County shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.

The County shall comply with all requirements of Title 15.1 Code of Virginia and other legal requirements regarding the issuance of bonds and certificates of the County or its debt issuing authorities.

Whenever the County finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

- Revenue-supported bonds are defined as a bond in which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer, solid waste).
- The term of any revenue-supported bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
- Revenue-supported bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued to the Virginia Revolving Loan Fund annual debt service payments shall not exceed twenty years.

In accordance with the Code of Virginia, legal debt limits do not apply to counties, unless the county elects to be treated as a city for the purpose of incurring debt and issuing bonds. York County has not made such an election and consequently is not subject to debt legal limits. The County monitors all debt covenants to ensure compliance. For governmental funds, proceeds from the issuance of debt and the repayment of debt are accounted for in the debt service funds. For proprietary funds, accounting for debt occurs in the respective fund.

Revenue

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. It is the County's policy for one-time revenues to be used to fund capital projects. In addition, the County strives to diversify its sources of revenue.

Expenditures

The County's expenditure budget is divided into functional areas (departments). Each department is assigned a Budget Analyst. The Budget Analyst, in coordination with Department Heads, monitors expenditures throughout the fiscal year to ensure compliance with legal requirements and accounting standards.

The County Code provides that the County Administrator may transfer funds within appropriation functions. These transfers allow for the disbursement of funds for unanticipated costs incurred in daily County operations and any such transfer may not result in a change in the total appropriated for personnel or non-personnel costs within the function.

Fund Balance Reserve

Fund balance reflects the accumulation of excess revenues over expenditures. The County strives to maintain a minimum unobligated fund balance of 12% of the current year budgeted expenditures for operations as a reserve. This unobligated portion of fund balance provides sufficient working capital for the County and serves as a "rainy day" fund for emergencies or unforeseen circumstances.

Fund balances for the County's capital projects funds are projected to decrease in fiscal year 2009. These funds have accumulated balances in previous years to finance major pay-as-you-go capital projects continuing into fiscal year 2009.

Fund Structure

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise assets, liabilities, revenues and expenditures/expenses. The following fund types are used: governmental, proprietary, trust and agency funds and component units.

The County General Fund is projected to be a major fund in fiscal year 2009.

Governmental Funds

Most governmental functions of the County are financed through governmental funds. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

General Fund

The General Fund is the County's primary operating fund. It is used to account for all revenue sources and expenditures not required to be accounted for in other funds.

Special Revenue Funds (Tourism, Social Services, Law Library, Children's Services, Marquis Community Development Authority Revenue Account)

Special Revenue Funds are used to account for the proceeds of federal, state and local sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds (County, School)

Debt service funds are used to account for the receipt and payment of bonds and loans issued for equipment purchases, construction and maintenance of facilities.

Capital Project Funds (Stormwater Projects, Yorktown Capital Improvements, County Capital)

Capital Project Funds are used to account for financial resources used to address drainage improvements, and for the acquisition or construction of major capital facilities and equipment, other than those financed by proprietary funds.

Other Funds (Workers' Compensation, Revenue Stabilization Reserve)

The Workers' Compensation Fund accounts for the revenues and expenditures relating to the workers' compensation policy of the County. The Revenue Stabilization Reserve Fund accounts for local funds equal to the excess of Federal Impact Aid receipts returned by the School Division at the close of any fiscal year.

Proprietary Funds

Proprietary funds account for operations similar to those in the private sector. Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Internal Service Fund

Vehicle Maintenance Fund

This fund accounts for the operation of the vehicle maintenance and replacement services that are provided to County departments on a cost-reimbursement basis.

Enterprise Funds

Solid Waste Fund

This fund accounts for the operations of the County's solid waste disposal system.

Water Utility Fund

This fund accounts for operations of the County's water utility systems.

Sewer Utility Fund

This fund accounts for the operations of the County's sewer utility systems.

Water and Sewer Extension Fund

This fund accounts for the County's water and sewer construction projects.

Yorktown Operations Fund

This fund accounts for the operations of Riverwalk Landing, including tenant lease income and operational expenses to maintain the retail space and piers.

Basis of Budgeting

The budgets of governmental funds are prepared on the modified accrual basis. The accrual basis of accounting is used for the proprietary funds, except for depreciation, amortization, debt principal payments and capital outlay.

Basis of Accounting

The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

In most cases, the accounting treatment conforms to the budget treatment with the following exceptions:

- Compensated absences are accrued as earned (GAAP) versus expensed when paid (budget).
- Depreciation and amortization expenses are non-cash items and are not budgeted. These expenses are recognized for GAAP purposes.
- Principal payments on debt in the proprietary funds result in a reduction in the outstanding liability (GAAP) versus expensed (budget).
- Capital outlay in the proprietary funds is recorded as a capital asset (GAAP) versus expensed (budget).

Capital Improvements Program

A given capital project must have an estimated expected useful life of three or more years and have a cost of at least \$30,000 to qualify for inclusion in the County's Capital Improvements Program (CIP). The CIP is a six-year plan that addresses both repair and replacement of existing infrastructure as well as the construction or acquisition of new facilities and equipment to accommodate current and future demands for service. Details on capital projects are located within the separate CIP document and a summary of the projects follows this discussion.

Capital expenditures are accounted for in their respective funds, including the general fund, the capital projects funds, the internal service fund, the enterprise funds and the school construction fund. The CIP is divided into four sections: General Fund, School Capital Fund, Internal Service Fund, and Enterprise Funds. The General Fund portion contains projects related to general governmental services in areas such as general administration, facilities maintenance, public safety, parks and recreation, social services and stormwater projects. The School Capital Fund section reflects the projects involving infrastructure used in support of the County School Division. Vehicle maintenance is accounted for by the County via an internal service fund. Its customers are user departments of the County and other governmental entities and these projects are funded primarily from user charges. Water and sewer projects may be found in the Enterprise Funds section.

Financing of the CIP is provided on a pay-as-you-go basis or through debt issuance. Pay-as-you-go funding is provided from several sources including current tax revenues, interest earnings, revenues from other governmental agencies and user fees. Debt funding may include general obligation bonds, revenue bonds or lease financing.

The aggregate budgeted amount of capital expenditures for FY2009 is \$17,575,010.

Significant projects include:

- Satellite Fire Station Additions (\$2,042,000) for additional fire apparatus bay space at three satellite fire stations: Station #4 (Yorktown), Station #5 (Skimino) and Station #6 (Seaford). The space will ensure the security of fire and rescue vehicles and equipment resources as well as the integrity of environmentally sensitive equipment and supplies.
- Moore's Creek Drainage - Phase III (\$2,000,000) includes piping along the north side of Rt. 171, culverts under Big Bethel Road, minor channel improvements, improvements to Homestead BMP and internal drainage in Woodlake Crossing.
- Yorktown Elementary School (\$3,216,000) for the construction of 10 additional classrooms necessary to support projected student growth due to housing construction.

A debt issuance is planned in late FY2008 to assist with the funding of these projects.

Included in the total CIP of \$17,575,010 is \$6,350,000 for water and sewer projects. These projects are paid for by user fees. The Water and Sewer Extension Fund is located behind the Enterprise Funds tab. Major projects budgeted in fiscal year 2009 include:

- Lightfoot Newport News Waterworks (NNWW) Water Extension (\$1,000,000) to extend NNWW transmission line to the Lightfoot area from Hubbards Lane. This is a joint venture with NNWW to provide a reliable water source and sufficient supply of water to support the continuing growth in this corridor.
- Queens Lake Area Sewer (\$3,000,000) for sewer service to the residents of the Queens Lake subdivision. Once completed, this project will serve 600 properties at an estimated total cost of \$21,000,000.

A debt issuance is planned in FY2009 to assist with the funding of these projects. The debt service will be paid from user fees.

The County will be opening a new thirteen field athletic complex the last quarter of fiscal year 2009. The complex will include five youth baseball fields, one adult baseball field, one adult softball field, four regulation soccer fields and two instructional soccer fields. Funding for ten new positions has been incorporated in preparation for the opening of the complex. Parks and Recreation, a division of Community Services, is budgeted approximately \$500,000 for a Facility Coordinator position and work-as-required staffing to oversee the programs and concession operations. In addition, approximately \$600,000 has been provided to Grounds and Maintenance, a division of General Services, for the grounds crew and related equipment, supplies and materials to maintain the fields and complex.

The County is also planning to open a third library to serve the upper county residents. The library is currently scheduled to open in spring 2009 and \$250,000 has been included in the budget for operations.

ADOPTED CAPITAL IMPROVEMENTS PROGRAM
Fiscal Years 2009 - 2014

Prg ID No.	Program Title	Pg No.	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
COUNTY PROJECTS								
GENERAL FUND								
Current Revenues								
Capital Equipment, Maintenance and Replacement								
CA-8102	Video Services Studio Equipment Replacement	3	\$ 120,000	\$ 90,000	\$ 42,000	\$ -	\$ -	\$ -
CA-8132	York Hall Audio System Replacement	3	-	-	-	-	50,000	-
PS-8110	Courthouse X-Ray Machine Replacement	3	-	-	-	-	-	30,000
PS-8482	Biomedical Equipment Replacement	4	87,000	87,000	87,000	87,000	87,000	87,000
PS-8403	Backup Emer Genr Power-Emergency Shelters	4	230,500	-	-	-	-	-
PS-8404	Emer Mgmt Advisory Info Radio Broadcast	4	-	167,000	-	-	-	-
PS-8405	Emer Mgmt Advisory Info Portable Signage	5	-	100,000	-	-	-	-
PS-8406	Backup Power-Emer Shelter and Disaster Support	5	-	75,000	-	-	-	-
PS-8900	Plant 911 Vesta Workstation Upgrade	6	-	-	245,000	-	-	-
ES-8563	Solid Waste Knuckle Boom Trucks	6	212,000	-	-	300,000	-	-
ES-8565	Stormwater D4 Dozer Equipment	6	125,000	-	-	-	-	-
ES-8566	Stormwater Walking Shaft Excavator Replacement	7	-	175,000	-	-	-	-
ES-8567	Stormwater Back-Hoe Replacement	7	-	-	-	100,000	-	-
FS-8922	Human Resources Kronos Module	7	-	-	174,000	-	-	-
GS-8600	Grounds Maintenance and Construction	8-10	455,960	510,000	703,540	1,121,720	352,470	485,385
GS-8601	Engineering and Facility Maintenance	10-12	144,550	764,350	755,800	535,060	889,355	704,975
GS-8641	Roadway Maintenance	13	-	137,000	-	-	-	-
GS-8663	Grounds Maintenance Machinery & Equipment Replacement	13-14	37,000	277,000	161,000	227,775	419,035	33,000
GS-8710	Underground Utilities	14	100,000	100,000	150,000	150,000	150,000	150,000
	Subtotal		<u>1,512,010</u>	<u>2,215,350</u>	<u>2,585,340</u>	<u>2,521,555</u>	<u>1,947,860</u>	<u>1,490,360</u>
Capital Projects								
ES-8561	Drainage Improvement Projects	14	200,000	250,000	250,000	300,000	300,000	300,000
FS-5000	Environmental Enhancement Projects	15	75,000	75,000	75,000	90,000	100,000	100,000
FS-5100	Highway and Other Transportation Improvements	15-16	710,000	740,000	740,000	740,000	1,300,000	1,300,000
CS-8818	Park Land Acquisition Fund	16	-	75,000	75,000	75,000	75,000	75,000
	Subtotal		<u>985,000</u>	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,205,000</u>	<u>1,775,000</u>	<u>1,775,000</u>
	Total General Fund - Current Revenues		<u>2,497,010</u>	<u>3,355,350</u>	<u>3,725,340</u>	<u>3,726,555</u>	<u>3,722,860</u>	<u>3,265,360</u>
GENERAL FUND								
Debt/Other Financing Sources								
Capital Projects								
PS-8919	Sheriff Mobile Data Terminals	17	-	440,000	440,000	440,000	440,000	440,000
PS-8426	Fire Apparatus Replacement	17	-	-	-	-	4,400,000	-
PS-8427	Satellite Fire Station Additions	18	2,042,000	-	-	-	-	-
PS-8428	Fire Station - Bypass Road Corridor	18	-	300,000	370,000	3,115,000	-	-
FS-8910	Financial Software Upgrade	18	100,000	500,000	500,000	500,000	500,000	-
FS-8912	Administration/Finance Building	19	-	-	-	-	245,000	-
CS-8812	Park Facility Development	19	-	30,000	100,000	50,000	-	-
CS-8816	Senior Center	19	-	-	1,493,500	-	-	-
CS-8821	Parks and Recreation Facility Improvements	20	-	140,000	750,000	300,000	-	-
ES-8822	Yorktown Library Expansion	20	-	-	-	151,615	1,200,000	-
CP-8000	County Capital Projects	20	560,000	5,030,000	-	2,575,000	3,500,000	3,900,000
SS-8413	York-Poquoson Dept of Social Services Building	21	-	-	-	210,000	-	-
	Subtotal		<u>2,702,000</u>	<u>6,440,000</u>	<u>3,653,500</u>	<u>7,341,615</u>	<u>10,285,000</u>	<u>4,340,000</u>

ADOPTED CAPITAL IMPROVEMENTS PROGRAM
Fiscal Years 2009 - 2014

Prg ID No.	Program Title	Pg No.	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Stormwater Projects								
ES-610	Brandywine Stormwater System - Phase II	21	400,000	-	-	-	-	-
ES-611	Moore's Creek Drainage - Phase III	22	2,000,000	-	-	-	-	-
ES-617	Greensprings Drainage	22	-	750,000	-	-	-	-
ES-633	Terrebonne Drainage	22	-	-	750,000	-	-	-
ES-634	County Operations Center	23	-	-	-	350,000	-	-
ES-635	Claxton Creek	23	-	-	-	-	160,000	-
ES-636	Wormley Creek Headwaters	23	-	-	-	-	500,000	-
ES-637	Marlbank Cove Ravine	24	-	-	-	-	150,000	-
	Subtotal		2,400,000	750,000	1,100,000	1,100,000	810,000	-
	Total General Fund - Debt/Other Financing Sources		5,102,000	7,190,000	3,653,500	8,441,615	11,095,000	4,340,000
	Total All General Fund Projects		7,599,010	10,545,350	7,378,840	12,168,170	14,817,860	7,605,360
SCHOOL DIVISION PROJECTS								
SL-166	HVAC and Energy Mgmt - Grafton Bethel Elem	25	-	-	-	-	700,000	-
SL-167	HVAC and Energy Mgmt - Dare Elem	25	-	1,500,000	-	-	-	-
SL-170	HVAC and Energy Mgmt - Yorktown Elem Gym	25	-	150,000	-	-	-	-
SL-172	HVAC and Energy Mgmt - Coventry Elem	25	-	-	2,500,000	-	-	-
SL-173	HVAC and Energy Mgmt - Tabb and Yorktown Elem	25	-	250,000	-	-	-	-
SL-174	HVAC and Energy Mgmt - Magruder Elem	25	-	-	-	2,500,000	-	-
SL-178	HVAC and Energy Mgmt - Grafton School Complex	25	-	-	-	-	-	100,000
SL-175	Abatement - Dare Elem	25	-	100,000	-	-	-	-
SL-176	Abatement - Seaford Elem	25	-	100,000	-	-	-	-
SL-177	Abatement - Bethel Manor Elem	25	-	60,000	-	-	-	-
SL-040	Repaving and Resurfacing - Bus Garage/Maint Complex	25	-	125,000	-	-	-	-
SL-139	Roof Repair and Replacement - Maint Facility Warehouse	26	110,000	-	-	-	-	-
SL-140	Roof Repair and Replacement - York High	26	-	-	-	750,000	750,000	750,000
SL-141	Roof Repair and Replacement - Waller Mill Elem	26	300,000	-	-	-	-	-
SL-142	Roof Repair and Replacement - Tabb High Fascia	26	-	-	-	-	-	100,000
SL-187	HVAC Replacement - New Horizons Butler Farm	26	-	-	-	633,905	-	-
SL-233	Gym Construction/Classrooms - Waller Mill	26	-	6,841,000	-	-	-	-
SL-235	Classrooms - Mt Vernon Elem	27	-	-	3,096,000	-	-	-
SL-236	Classrooms - Tabb Elem	27	-	-	-	1,466,000	-	-
SL-237	Classrooms - Yorktown Elem	27	3,216,000	-	-	-	-	-
SL-238	Classrooms - Seaford Elem	28	-	-	1,256,000	-	-	-
SL-240	Classrooms - Queens Lake Middle	28	-	-	-	1,336,000	-	-
SL-241	Classrooms - York River Academy	28	-	-	-	-	1,172,000	-
SL-242	Classrooms - Bruton High School	28	-	-	-	-	1,312,500	-
SL-227	Bus Parking - Bruton Area	29	-	-	-	250,000	-	-
SL-228	Bus Parking - County Operations Center	29	-	-	-	200,000	-	-
SL-220	Practice/P.E. Gym - Grafton School Complex	29	-	-	-	1,652,500	-	-
	Total School Division - Debt/Other Financing Sources		3,626,000	9,126,000	6,852,000	8,788,405	3,934,500	950,000
	Total General Fund and School Division		11,225,010	19,671,350	14,230,840	20,956,575	18,752,360	8,555,360

ADOPTED CAPITAL IMPROVEMENTS PROGRAM
Fiscal Years 2009 - 2014

Prg ID No.	Program Title	Pg No.	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
INTERNAL SERVICE FUND PROJECT								
VM-8800	Vehicle Maintenance	30	-	-	-	-	2,067,000	-
	Vehicle Maintenance Building Addition		-	-	-	-	2,067,000	-
	Total Internal Service Fund Project		1,300,000	2,495,000	-	-	-	-
ENTERPRISE FUND CAPITAL PROJECTS								
Water Projects								
ES-456	Old Quaker Estates	31	300,000	1,900,000	-	-	-	-
ES-459	Burcher Road	32	-	95,000	-	-	-	-
ES-467	Lightfoot Newport News Waterworks Water Extension	32	1,000,000	500,000	-	-	-	-
	Total Water Projects		1,300,000	2,495,000	-	-	-	-
Sewer Projects								
ES-482	Falcon/Loblolly Area	32	400,000	3,400,000	-	-	-	-
ES-495	Allen's Mill Area	33	-	-	-	-	-	300,000
ES-496	Darby/Firby Area	33	-	300,000	900,000	-	-	-
ES-499	Queens Lake Area	33	3,000,000	-	4,100,000	4,500,000	-	-
ES-501	Waterview Area	34	-	-	-	-	400,000	2,400,000
ES-504	Hornsbyville Area	34	-	-	-	400,000	2,100,000	-
ES-506	Old Wormley Creek Area	34	-	400,000	2,300,000	-	-	-
ES-507	Wolftrap Road Area	35	400,000	-	-	-	-	-
ES-508	Acree Acres Area	35	200,000	-	-	-	-	-
ES-509	Oak - Dogwood Area	35	-	-	-	200,000	900,000	-
ES-510	Moore's Creek Area	36	-	-	-	-	-	400,000
ES-8170	Infrastructure and Development Mgmt	36	250,000	20,000	20,000	20,000	20,000	20,000
ES-8500	Sewer Line Rehab	36	400,000	400,000	500,000	500,000	600,000	600,000
ES-8501	Back-Hoe Replacement	37	-	110,000	-	-	-	-
ES-8502	Pump Station Rehab	37	400,000	400,000	400,000	400,000	400,000	400,000
ES-8504	SCADA Automated Control Monitoring System	37	-	-	-	750,000	-	-
ES-8505	Vactor Combination Unit - Replacement	38	-	-	-	250,000	-	-
ES-8506	Satellite Maintenance Shop	38	-	-	-	-	-	950,000
	Total Sewer Projects		5,050,000	5,030,000	8,220,000	7,020,000	4,420,000	5,070,000
	Total All Enterprise Activities		6,350,000	7,525,000	8,220,000	7,020,000	4,420,000	5,070,000
	Total All Capital Projects		\$ 17,575,010	\$ 27,196,350	\$ 22,450,840	\$ 27,976,575	\$ 25,239,360	\$ 13,625,360

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