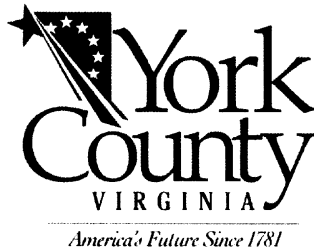


County Administration

County Administrator

James O. McReynolds



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

February 17, 2009

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 - FY2010

The County Administrator's Proposed Fiscal Year 2010 Budget represents the culmination of nearly five months of staff effort. The budget call was issued on October 1, 2008, and requests were due on November 14, 2008. Since that time, staff and I have worked with the requesting departments and agencies to develop a proposal that emphasizes the priorities of the Board of Supervisors. In these troubled economic times, the Board provided four basic guidelines to be followed in the preparation of the fiscal year 2010 budget.

Budget Guidelines:

- No tax rate changes
- No compensation adjustments
- Level funding for schools
- Maintain County services

I am pleased to report that the balanced budget I propose to you tonight achieves all of those guidelines. Major highlights of the proposed budget include:

- Proposed budget is balanced as required by law
- Proposed budget achieves all budget guidelines set forth by the Board
- Proposed budget does not include any recommendations for lay-offs, furloughs, or other compensation reductions
- Proposed 2010 General Fund budget is 3.5% lower than fiscal year 2009 adopted budget
- Proposed budget delays all County General Fund capital projects for one year
- Proposed budget delays capital maintenance projects for at least one year where it is not cost prohibitive to do so.

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A Hampton Roads Community

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. A flexible budget is used for the Yorktown Operations Fund and the Regional Radio System 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. The County has several major new buildings and large renovation projects in its long range strategic plan. To better prioritize these projects and the related funding needs, the six-year plan is undergoing an overhaul and will be presented to the Board at a later time as a ten-year Capital Improvements Program. The fiscal year 2010 capital budget is presented, although scaled down due to budget reductions, as part of this fiscal year 2010 budget document.

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 COUNTY BUDGET - \$151,117,606

The total County budget proposed for all funds for FY2010 is \$151.1 million, which is \$10.7 million or 6.6% lower than the current year. This decrease is primarily driven by the delay of capital projects. The largest single component of the total County budget is funding for school operations and school capital/debt service. Funds recommended for this purpose equal \$52.9 million or 35.0% of the total budget. The total budget, exclusive of the \$52.9 million to support school division operations and capital/debt service (42.3% of the General Fund), amounts to \$98.2 million. After Education, the second highest General Fund function is Public Safety. This function comprises \$27.5 million or 18.2% of the total County Budget. The proposed budget also includes expenses of \$19.5 million for the County's various public utilities, accounted for as Enterprise Funds. These funds comprise 12.9% of the total County Budget.

These three programs, Education, Public Safety and Public Utilities, totaling \$99.9 million comprise 66.1% of the total County budget.

GENERAL FUND BUDGET - \$124,997,660

General Fund Revenues

Of the approximately \$125.0 million in revenue estimated for fiscal year 2010, \$112.0 million or 89.6% is from local and other sources. The remaining \$13.0 million or 10.4% is from various state and federal government supported programs. A downturn in new commercial construction and the economic recession are driving anticipated decreases to several local tax sources. We expect to see a decline in real estate and personal property taxes, local sales taxes, lodging and meals taxes, occupational licenses, recordation tax and deeds of conveyance.

General Fund revenues are derived from a variety of sources. The primary sources of revenue are General Property Taxes (61.5%) and Other Local Taxes (22.3%), which combined are \$104.7 million, or 83.8% of the \$125.0 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 Recovered Costs. These sources account for 4.2% of General Fund revenues, or \$5.3 million. State and federal revenues include Non-Categorical Aid, Shared Expenses, Categorical Aid, Grants, and Payments in Lieu of Tax, which amount to 10.4% of General Fund revenues, or \$13.0 million. Other sources include payments from the School Division for grounds maintenance, video services, radio maintenance and law enforcement at the high schools. Also in other sources are transfers from the Marquis Community Development Authority Special Revenue Account for services provided to the facilities in the project area and for the base real estate portion of taxes. Other sources total 1.6% or \$2.0 million.

General Fund Expenditures

The County's population has grown about 11.3% since 2001. During that same period, the school average daily membership has grown 8.5%. Estimated actual enrollment for FY2009 is 12,705 and projected enrollment is 12,750 for school year 2010. With the exception of full year operation of the York County Sports Complex and the implementation of a Medic Transport Cost Recovery program, the proposed budget for fiscal year 2010 includes no new initiatives but focuses on maintaining County services. As noted earlier, the proposed budget includes level funding for school operations as well as for school capital/debt service. County personnel costs are expected to be reduced by \$0.3 million due to a significant reduction in funding for work-as-required staff and overtime. Total non-personnel decreases total \$4.3 million and the major reductions are outlined in the Budget Highlights on page I of this message. The reductions are in County areas as follows:

Public Safety	\$ (0.60) million
Environmental & Development Services	\$ (0.30) million
Finance & Planning	\$ (0.80) million
General Services	\$ (0.40) million
Capital Improvements & Debt Service	\$ (1.50) million
Transfers & Contributions	\$ (0.30) million
All Other Functions	\$ (0.40) million

The total proposed General Fund expenditure budget is \$125.0 million, which is \$4.6 million or 3.5% less than the current year budget. This represents a reduction of over \$9.4 million from the amounts requested by the departments before they made the cuts necessary to achieve an overall balanced budget.

Areas of special input are:

Education

The recommended budget proposes level funding of the local contribution to the School Operating Fund, representing 35.8% of the General Fund budget. It also proposes level funding in the School Debt Fund to cover the cost of borrowings to fund school renovation and construction for total local support representing 6.6% 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 FY2009 in the School Operating Fund. In addition, if the School Division should receive more Impact Aid than is budgeted for fiscal year 2009, the two Boards may again wish to discuss alternative uses for some of these funds.

Personnel

This budget does not include any new General Fund positions. Further, funding for work-as-required and overtime throughout all County functions has been reduced in the recommended budget.

The compensation recommendations in this budget include freezing employee salaries as of June 30, 2009. There are no provisions for a market adjustment and no step increases during fiscal year 2010. On the positive note, the proposed budget does not recommend any layoffs or furloughs of employees and does not recommend a pay cut.

County staff continues to work with the administrator of our health insurance plan to determine the lowest possible premium increase for fiscal year 2010. My goal is that the Insurance Reserve Fund, a pool for just such an occasion, can be used to pay the full cost of the premium increase for 2010 thus passing no cost increase along to the employees. This would be a one-time occurrence. Full details have not yet been worked out with the administrator and will be communicated to all employees as soon as they are known.

Capital Improvements and Debt

The funding included in this budget supports only those capital maintenance projects planned in the Proposed FY2010 Capital Improvements Program for which it does not make economic sense to delay the project to a future year. All other capital projects and capital maintenance will be delayed at least one year. The fiscal year 2010 capital budget program calls for spending in the General Fund for capital improvements of \$0.6 million and includes support for maintenance projects and drainage improvements that physically and financially cannot be delayed further.

PUBLIC UTILITIES FUNDS EXPENSE BUDGETS - \$19,499,358

The various funds included in this total are the Solid Waste Fund (\$4.7 million), the Water Utility Fund (\$3.1 million), and the Sewer Utility Fund (\$11.7 million).

Revenue in these funds is primarily generated through user fees and connection charges. The Solid Waste Fund also receives \$1.0 million in General Fund support.

The Water and Sewer Utility Funds account for the water and sewer capital projects. Major water projects planned for fiscal year 2010 are the Lightfoot Newport News Waterworks Water Extension, Old Quaker Estates and Burcher Road.

Sewer projects include the Falcon/Loblolly and Darby/Firby Areas as well as a Backhoe Replacement, and Sewer Line and Pump Station Rehabilitation, as needed.

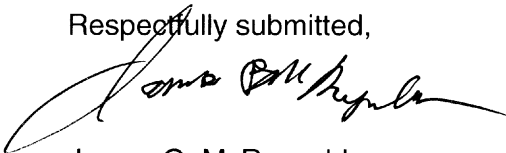
COMMENTS

York County has a long 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 a solid financial position and has the resources necessary for sound fiscal management. These practices have provided the foundation that will enable the County to weather the current financial crisis. Staff in the Department of Financial & Management Services and I continue to monitor economic conditions, trends and in particular revenue collections. I will continue to make the necessary adjustments to the current financial plan as required to finish the current fiscal year within the appropriated budget. I believe that the proposed 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 a reduced but acceptable level for fiscal year 2010.

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. Several work sessions are scheduled between now and final budget adoption on April 7, 2009.

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, Lisa Swartz, and Christine Dryden for a superb effort in putting this document together. The staff and I are prepared to assist you in your consideration of this proposal.

Respectfully submitted,



James O. McReynolds
County Administrator

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