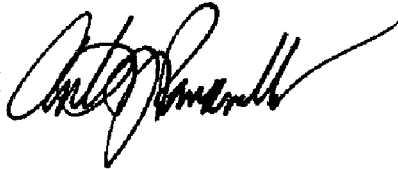


**ACTION ITEM  
BOARD OF SUPERVISORS**

**DATE.** October 21, 2008

**TO:** Board of Supervisors

**FROM:** Anthony J Romanello, ICMA-CM  
County Administrator



**ISSUE:** Presentation on FY 2009 Budget – 1<sup>st</sup> Quarter Review and FY 2010  
Budget Preview

**STAFF RECOMMENDATION:** Approval

**BUDGET IMPACT:** As detailed

**ATTACHMENTS:** (3)

[1] PowerPoint [3] Reso/Ord/Proc #R08-507

[2] FY 2009 Expenditure Schedule [ ] Reso/Ord/Proc #

[ ] [ ] Reso/Ord/Proc #

**REVIEW:** [ ] County Administrator's Office \_\_\_\_\_

[ ] Legal \_\_\_\_\_

[ ] Budget Division \_\_\_\_\_

- [ ] Consent Agenda      [ ] Other Business      [ ] Public Hearing
- [ ] Discussion Item      [ ] Presentation      [X] Unfinished Business
- [ ] New Business

**PRESENTATION BY:** Anthony J Romanello, ICMA-CM  
County Administrator

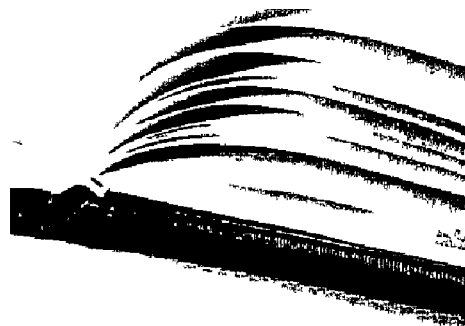
**ELECTION DISTRICT:** N/A

# **FY 2009 First Quarter Review and FY 2010 Preview**

October 21, 2008

1

# **Stafford's Story**



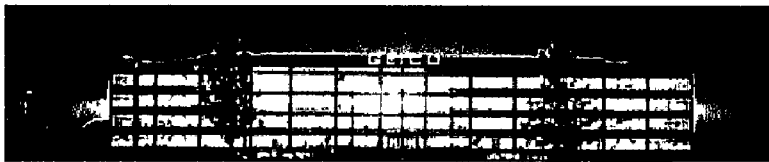
October 21, 2008

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## Stafford's Story

A few years ago

- One of the fastest-growing counties in U S
  - 30% growth in population (2001-2006)
- 6.5% annual growth in businesses between 2002-2007
  - 4th highest growth rate in Virginia
- Almost 5 million square feet of new commercial space (2002 – 2007)



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## Stafford's Story

A few years ago

- 6.9% annual employment growth between 2002-2007
  - 3<sup>rd</sup> highest growth rate in Virginia
  - Low unemployment rates
  - 30% of our workforce has a Bachelor's Degree or higher
- Low crime rate
- Top quality schools
- 20<sup>th</sup> Best Place to Live in America



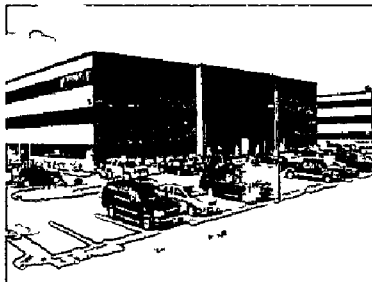
4

## Today...

- **Still one of the fastest-growing counties in U S**
- **12<sup>th</sup> Wealthiest County in U S**
- **Top place to get ahead (Forbes com)**

**(2002 – 2007)**

- Fourth in the Commonwealth in terms of the growth in businesses, by percentage, with an increase of 36.7 percent
  - 1,559 in 2002 to 2,132 in 2007
  - Third in the state in at-place employment growth with a 34.3 percent increase
  - 2,234 businesses and 34,502 individuals employed in the county
  - Average weekly wage totals \$40,000 per year – second highest growth rate in Virginia
- **Low crime rate**
  - **Top quality schools**



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## Today...

- **Demands for services, especially in public safety and human services, continue to increase**
- **Citizens expect high quality services**
- **However,**
  - **Building permits down**
  - **Property values down**
  - **Personal Property tax growth rate and collection rate lower**
  - **State revenues declining**
  - **Higher costs (CSA + Energy)**
  - **Unemployment rate increasing**
- **Precarious Financial Situation**



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## Precarious Financial Situation

### \$5.6M Challenge

#### Why?

- Local revenues are estimated to be \$4.2M below budget
- State revenues are estimated to be reduced by \$0.8M (10%)
- CSA and energy costs are estimated to be \$0.6M above budget

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## Precarious Financial Situation

### First Quarter Revenue Revisions (in millions)

Personal property tax*	\$ (2.2)
Further state reductions (10%)	(0.8)
Planning	(0.6)
Code	(0.5)
Decals	(0.3)
Recordation tax	(0.2)
Bank interest	(0.2)
CSA/DSS (revenue reduction due to expenditure reduction)	(0.2)
Rollback taxes	(0.1)
Consumer utilities tax	(0.1)
Courts revenue	+ 0.1
Courthouse interest savings	+ 0.1

Total projected revenue shortfall \$ (5.0)

\*2% growth vs 5% budgeted 88% collection rate vs 91% budgeted

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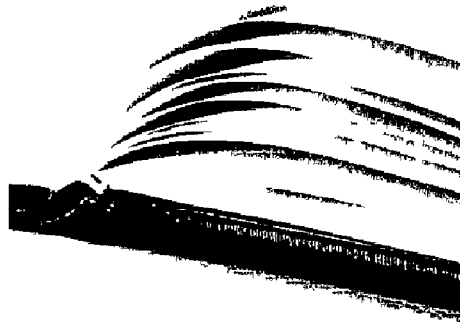
## **Precarious Financial Situation**

### **First Quarter Expenditure Estimates**

- Energy and fuel costs - \$500,000 more than budgeted
  - Fuel costs for vehicles – Fluctuates daily
  - Virginia Power 17% to 25% rate increase
  - Columbia Gas – Fluctuates depending on gas prices
- CSA mandatory child day school placements - \$110,000 more than budgeted

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## **Stafford's Story The Next Chapter**



October 21, 2008

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## **Assumptions In Keeping FY09 Balanced**

- Undesignated fund balance is estimated at \$19.4M (8.7% of revenues) and will not go lower\*
- Unchanged tax rate in 2009
- Revenues will remain flat or could decline from FY 2009 to FY 2010

\*preliminary results, subject to audit

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## **Closing the Gap**

### **Swift Action**

- Frozen hiring of all positions except mission critical
- Frozen all non-CIP capital expenditures small capital expenditures including vehicles, computer server replacements, major building maintenance and replacement of parks equipment
- Ordered energy reduction measures in all County facilities
- Prepared a \$3.2M budget reduction plan

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## **Closing the Gap**

**Swift Action - Budget Reductions**

- **Training**
- **Special Events**
- **Outside Legal Fees**
- **Computer Upgrades/Repairs**
- **Vehicle Upgrades/Repairs**
- **Facility Upgrades/Repairs**

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## **Closing the Gap**

**Swift Action - Budget Reductions**

- **Close Woodlands Pool on Sundays beginning October 12**
- **No Lifeguards at Aquia Landing**
- **Other reductions in parks programs**
- **Delay opening of Fire Rescue Station 2 to July 1, 2009**
- **No live fire training**
- **No additional preservation of historic documents**
- **Eliminated economic development radio marketing**
- **Reduced Foster Care Prevention Services**
- **Eliminated contractual funds for building, drainage, stormwater and erosion problems**
- **Eliminated funds to handle unsafe structures**
- **Hiring Freeze**

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# Closing the Gap

## Reduction in Force

- **Code**
  - 3 Full-time employees
- **Planning**
  - 3 Full-time employees
- **Parks and Recreation**
  - Decreased part-time hours by 19,000 – the equivalent of 9 full-time employees
- **Total Reduction in Force 15 Full-Time Equivalent**

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# Closing the Gap

## Impact of Reduction in Force

### Planning

- Delays in reviews of applications and minor subdivision plats
- Slower customer service response

### Code

- Delay in accreditation for department
- Delays in resolving building, drainage, stormwater and erosion problems
- Property maintenance violations unabated
- Reductions in water quality protection and watershed management programs
- Delays in permit processing

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## **Closing the Gap**

### **Impact of Reduction in Force**

#### **Parks and Recreation**

- Delay in start of spring programs
- Reduction in number of games played
- No part-time maintenance staff
- No field renovations
- Close Grizzle Center during Christmas and New Year's
- Increase in fees

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## **Closing the Gap**

### **Swift Action**

#### **Taken together, these reductions total:**

- **6.6% decrease in County agency operating budgets \***
  - Some reductions total as much as 60%
- **3.4% decrease overall for General Fund Agencies other than Schools**

\* Not including outside agencies and debt service

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## Closing the Gap

### Recommendations to Board

- Endorse proposed budget reductions of \$3.2M from county agencies
- Approve reduction in force
- Reduce outside agencies with funding over \$35,000 by 3%
- Institute general fund hiring freeze, County Administrator has authority for emergency recruitments
- Reduce school spending by \$2,007,658 (their share of declining tax revenues)

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## Calculation on Schools' Share of Shortfall

### Affected revenues included in Schools' share of local taxes

Personal property tax	(2,200,000)
Decals	(250,000)
Recordation tax	(244,000)
Bank interest	(200,000)
Rollback taxes	(130,000)
Consumer utilities tax	(120,000)
	(3,144,000)
FY09 percentage of local funds	63.9%
Schools' share of shortfall	(2,007,658)

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## Budget Comparison

**Other County Agencies are \$3.3M below FY07  
13% below inflation adjusted dollars**

	FY 07 Adopted	FY 08 Adopted	FY 09 Adopted	FY 09 Revised
Corrections	\$ 6.5	\$ 7.2	\$ 7.3	\$ 7.1
Central Rappahannock Regional Library	4.2	4.7	4.7	4.6
Regional & Community Agencies	1.7	2.0	1.9	1.9
Debt Service - County	3.6	5.0	9.7	9.7
Debt Service - Schools	26.2	30.3	30.6	30.6
Schools Local Transfer	91.8	102.3	102.8	100.8
Subtotal	\$ 134.0	\$ 151.5	\$ 157.0	\$ 154.7
Sheriff	\$ 16.4	\$ 17.8	\$ 18.2	\$ 17.8
Fire & Rescue	10.3	14.0	13.5	12.6
Other County Agencies	52.7	56.0	51.4	49.4
Total County Agencies	\$ 79.4	\$ 87.8	\$ 83.1	\$ 79.8
Total Budget	\$ 213.4	\$ 239.3	\$ 240.1	\$ 234.5

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## Auditor of Public Accounts – Expenditure Comparative Report

Expenditure Category	FY2007		
	Stafford	All Counties	% of Average
General Gov't Admin	\$ 90.38	\$ 99.86	91%
Judicial Admin	\$ 51.23	\$ 46.14	111%
Public Safety	\$ 384.09	\$ 394.04	97%
Public Works	\$ 40.69	\$ 113.50	36%
Health & Welfare	\$ 161.48	\$ 297.39	54%
Education	\$ 1,827.19	\$ 1,654.37	110%
Parks, Rec & Cultural	\$ 82.53	\$ 85.68	96%
Community Development	\$ 42.87	\$ 84.20	51%
Debt*	\$ 2,925.71	\$ 2,067.05	142%

\* Does not include enterprise funds

Per capita expenditures

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## Workforce Statistics

General Fund Full-Time Positions	Vacancies with		Current % Vacant	Vacancies with	
	Authorized Strength	Reduction In Force		Normal Attrition	% Vacancies with Attrition
Non Public Safety	407	43	11%	61	15%
Public Safety	322	18	6%	33	10%
Total	729	61	8%	94	13%

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## What does this mean?

- **Concerns for sustainability for the long-term**
  - New businesses continue to arrive
  - BRAC – 3,000 jobs to the area
  - New regulations require additional staff time
  - Continued population growth
  - Customer demands continue to grow
  - Aging equipment and facilities
  - Fewer employees (and fewer specialized positions) working more hours
  - Toll on ability of employees to serve citizens

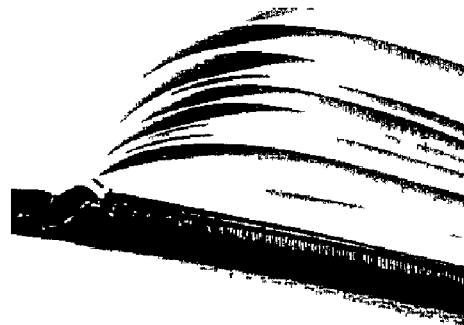
24

## **Unsustainable Situation**

- Compensatory and overtime hours for non-exempt employees increased from 26,621 to 43,583 (64% increase) from FY 2007 to FY 2008
- The average employee worked the equivalent of 56.3 weeks in a 52 week year in FY 2008
- With the reductions of budgets to below FY 2007 funding levels, we have demanded extraordinary time commitments of staff, assumed extended life of computers and vehicles, and delayed major maintenance to county facilities
- This extraordinary demand on our human resources and budgets cannot be sustained in the long term

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## **Stafford's Story The FY10 Chapter**



October 21, 2008

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## FY 2010 Budget Process

- Given where we are, staff will engage in an effort to bring the Board recommendations on core services what is *required* vs what is *desired*
- A leadership taskforce has been formed to engage all staff in cost cutting measures as well as the analysis of core services

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## FY 2010 Impacts (in millions)

Debt Service (net of Crow's Nest 2008 lease revenue bonds and COPS payoff)	\$	1.4
Debt Service on Jail Expansion		1.0
Cash Capital 1% of General Fund revenues		1.1
Contingency 1/2% of General Fund expenses		0.6
1/4 Year's Operating Cost for new library		0.4
Increased fuel/electricity costs		0.5
Loss of Merchant's Capital revenues for calendar year 2010		0.4
Additional costs to Comm. Rev./Treas. to process BPOL		0.4
OPEB (ARC) - County		1.8
Salary increases for employees		1.8
FY2010 Projected Health Insurance Cost Increase		0.9
	Subtotal \$	10.3

COPS – Certificates of Participation on Administration Center

OPEB – Other Post Employment Benefits, ARC – Annual Required Contribution

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## FY 2010 Schools Needs

(as presented by Dr. Sawyer on 5-6-08)

Increased funding needs	\$	15.1
Less anticipated State revenue increase	(	3.6)
Anticipated additional County funding need	\$	11.5

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## FY 2010 County and Schools

- Assuming revenues remain flat
- Core services budget with no new positions and no new initiatives
- Total increased funding need \$21.8M

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## Next Steps

- Direction from the Board on
  - County Agencies
  - Outside Agencies
  - Schools

**FY2009 GENERAL FUND EXPENDITURES (Proposed 10/21/2008)**

	<b>Adopted Budget</b>	<b>Proposed Budget Revision 10/21/08 *</b>	<b>Total Percentage</b>	<b>Operating Percentage **</b>
<b>Local School Funding</b>				
Operating Budget Transfer	\$102,774,959	\$100,767,301	-2.0%	-2.0%
Debt	30,592,541	30,592,541	0.0%	0.0%
<b>Total School Funding</b>	<b>\$133,367,500</b>	<b>\$131,359,842</b>	<b>-1.5%</b>	<b>-2.0%</b>
<b>General Expenditures</b>				
Board of Supervisors	\$576,574	\$573,707	-0.5%	-0.8%
Budget	371,218	360,081	-3.0%	-60.6%
Central Rappahannock Regional Library	4,726,775	4,584,972	-3.0%	-3.0%
Code Administration	4,226,466	4,174,986	-1.2%	-4.5%
Commissioner of the Revenue	2,647,347	2,628,547	-0.7%	-4.8%
Commonwealth's Attorney	2,809,051	2,807,851	0.0%	-0.6%
Comprehensive Services Act	4,406,028	4,274,847	-3.0%	-3.1%
Cooperative Extension	215,854	209,378	-3.0%	-2.3%
Corrections	7,312,498	7,127,882	-2.5%	-2.9%
County Administration	1,215,241	1,186,185	-2.4%	-22.9%
County Attorney	1,127,044	1,093,233	-3.0%	-27.6%
Courts	2,411,984	2,356,226	-2.3%	-4.0%
Debt Service	9,737,208	9,737,208	0.0%	0.0%
Economic Development/Legislative Affairs	1,157,075	1,122,363	-3.0%	-8.4%
Finance	1,929,402	1,871,488	-3.0%	-7.0%
Fire and Rescue	13,445,204	12,639,821	-6.0%	-9.9%
Human Resources	607,777	589,544	-3.0%	-34.8%
Information Technology	2,335,114	2,238,069	-4.2%	-17.6%
Internal Audit, Office of	171,018	171,018	0.0%	0.0%
Non-Departmental	606,831	604,331	-0.4%	-0.4%
Parks & Recreation	6,072,596	5,449,356	-10.3%	-13.1%
Planning and Zoning	2,896,298	2,868,606	-1.0%	-8.9%
Public Services	4,607,235	4,187,850	-9.1%	-5.1%
Regional & Community Agencies	1,906,779	1,858,216	-2.5%	-2.5%
Registrar & Electoral Board	396,435	407,295	2.7%	-6.7%
Sheriff	18,237,531	17,795,186	-2.4%	-8.6%
Social Services	8,163,188	8,114,378	-0.6%	-1.2%
Solid Waste	202,368	26,500	-86.9%	-48.6%
Transportation, Office of	211,166	193,139	-8.5%	-40.8%
Treasurer	1,972,089	1,922,539	-2.5%	-5.4%
<b>Total General Expenditures</b>	<b>\$106,701,394</b>	<b>\$103,174,802</b>	<b>-3.3%</b>	<b>-5.2%</b>
<b>Total all Expenditures</b>	<b>\$240,068,894</b>	<b>\$234,534,644</b>	<b>-2.3%</b>	<b>-2.8%</b>

\*Revisions to General Expenditures were adopted by the Board on 10/7/08. Local School funding revisions presented for the Board's consideration on 10/21/08.

\*The Operating Percentage calculation excludes the personnel costs and capital costs.

PROPOSED

BOARD OF SUPERVISORS  
COUNTY OF STAFFORD  
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 21st day of October, 2008

MEMBERS

VOTE

George H. Schwartz, Chairman  
M. S. "Joe" Brito, Vice Chairman  
Harry E. Crisp II  
Mark Dudenhefer  
Paul V. Milde III  
Cord A. Sterling  
Robert "Bob" Woodson

On motion of \_\_\_\_\_, seconded by \_\_\_\_\_, which carried by a vote of \_\_\_\_\_, the following was adopted

**A RESOLUTION TO AUTHORIZE THE COUNTY ADMINISTRATOR  
TO EXECUTE FURTHER FY 2009 BUDGET REDUCTIONS**

WHEREAS, the Board approved Fiscal Year 2009 Budget with expenditures equal to revenues, and

WHEREAS, due to economic conditions, certain revenues are projected to be lower than budgeted, and

WHEREAS, it is the Board's desire that the Fiscal Year 2009 Budget remain structurally balanced, and

WHEREAS, on the 7th day of October 2008, the Board approved three of the County Administrator's five recommendations for addressing revenue shortfalls in FY2010, authorizing the following

- 1 reduction of departmental expenditures by \$3,151,610,
- 2 a General Fund hiring freeze, with the County Administrator retaining authority for emergency recruitments,
- 3 a 3% overall reduction of budgets of outside agencies whose County funding exceeds \$35,000, and with whom the County does not have a contractual obligation disallowing such action, and

WHEREAS, after careful consideration, the Board wishes to implement further action to maintain a balanced budget,

NOW, THEREFORE, BE IT RESOLVED that the number of General Fund full-time positions be reduced from 692 to 686, and

BE IT FURTHER RESOLVED that the FY2009 Schools' budget be reduced by \$2,007,658

AR NAC