



Section A

County Administrator's Message

County Administrator's Budget Message

To: The Members of the Board of Supervisors

I am pleased to forward to you New Kent County's adopted Budget for FY 2010, which includes information on expected revenues and planned expenditures for each of the County's funds.

The FY10 budget was constructed in one of the most challenging economic environments in recent history. There are significant national and international trends that have real and immediate local impacts which will directly and indirectly affect the decisions of our residents and businesses. They include rising energy and health care costs, record high unemployment rates, a system-wide credit crunch, and unstable real estate and stock markets. In general, these trends limit the resources available to the County to finance the services that our residents have come to expect from their government. At the same time FY10's debt service expenditures will peak to meet debt commitments made for school and county projects.

At the Budget retreat in October 2008 the Board provided the following guidance:

- Maintain the tax rate at its current rate of \$.73 per \$100 of assessed values
- Share any shortfalls encountered due to increased debt service and the faltering economy with the School System.
- Maintain salaries at current levels with no COLA or merit increases for employees
- Maintain services at the levels they are currently at without introducing new positions or initiatives

In order to meet that guidance, this budget reflects operational cuts to County departments, the School Board, and agencies funded by the County.

A Budget of Change

Due to the significant downturn in the economy, local revenues are projected to be down significantly. The total adopted County budget for all funds excluding Utilities for FY 2010 is \$51,588,246 which is \$2,449,342 or 4.5% lower than FY09 (\$54,037,588). The largest single operational component of the total County budget is the school division. The adopted budget for the school division's operations is \$25,613,915 or 49.7% of the total budget; a decrease of .4% from FY09. The General Fund Budget, exclusive of the \$15,818,923 transfers to support other funds, is \$14,577,351, which is a decrease of \$547,193 or 3.6% from FY 2009.

County Administrator's Budget Message

I have used the County's Vision, Mission, Goal and Value Statements to help guide me in the difficult choices that needed to be made in this budget. We have consistently tied the budget process to the Board's Goals. The seven priorities are:

- I. Maintain **Public Safety, Health and Welfare**
- II. Provide a high level of resources to support **Quality Education**
- III. **Manage County Monetary Resources** in a responsible manner
- IV. **Provide Public Amenities and Facilities** and offer diverse **Recreational Opportunities**
- V. Hire and retain **Qualified Employees**
- VI. **Provide Responsible Land Use Policy and Regulations** that maximize economic potential while **Minimizing Environmental, Visual, Social, and Fiscal Impacts**
- VII. To **Support Existing Businesses** and promote high quality **Economic Growth**

All of these directions are important to the County as we strive to continue to provide a high level of service to our citizens in each of these areas. However, the third direction of managing the County's finances in a responsible manner has taken on new significance in light of the revenue situation.

In order to produce a balanced budget, I have incorporated the following spending reductions into this proposal:

- Freezing six full-time positions that became vacant in FY09
- 6-10% across-the-board cuts to operational items in County Departments Budgets
- Additional cuts to career Development/Training
- Additional cuts to Office Supplies/Uniforms/Promotional Items/Books & Subscriptions
- Cuts due to refuse/utility efficiencies
- 10% cuts to most agencies
- Elimination for one year of the real estate capital set aside
- Cut to local school operational appropriation by just over \$1 million dollars

These recommendations are in areas where there has been a reduction in workload, or in areas where the impact to the citizens can be minimized.

I have worked with the County Department Directors to identify those positions where the workload has or is expected to decrease and where the workloads could be consolidated. Positions that became vacant during FY09 were kept unfilled when it became apparent that revenues were not going to meet the original projections and allowed for an evaluation to determine whether or not the impact to citizens could be

County Administrator's Budget Message

minimized. Through that evaluation, I was able to freeze those positions for FY10, so that no current County employees will lose their jobs. The positions that are frozen in this budget are:

- Accounting Assistant \$54,112
- Building Inspector \$47,025
- Custodian \$30,047
- Planning Administrative Assistant \$42,932
- Planning Manager \$87,419
- Permit Manager \$54,444

Freezing these positions produced close to \$316,000 in budget savings for FY2010. A little over \$170,000 of that is now incorporated into the County's contingency funds. The incorporation of these funds into contingency allows for fiscal discretion should these positions need to be reinstated in the future. In Economic Development, we have reduced requested funds for the Contracted Consultant and reallocated a portion of these funds in order to upgrade the Planning Manager to an Economic Development Director. Additionally, part-time wage funds were reduced by over \$3,000 so that part-time coverage for the Visitor's Center spans only from Memorial Day to Labor Day. Economic Development special project and promotional materials were reduced collectively by \$22,500. In Building Development, the Permit Manager position was frozen and an employee was transferred to another department with a vacancy. This occurred after the proposed budget was advertised. Therefore, the funds budgeted in Building Development for this position will be moved to Contingency at the beginning of FY10. The Community and Building Development operational budgets have collectively been reduced by over \$170,000 or 12.6%.

Despite the economic downturn and the difficult decisions involved in producing the County budget, the County enters FY2010 in a relatively strong financial position. Our 15% Fund Balance remains intact. The Budget Team worked hard to pare down the budget by almost \$400,000 from the original operating requests received from departments and agencies. This is after the departments and agencies had already cut their requests by 6-10% over their FY2009 adopted budgets. The adopted budget is based on a real estate rate of \$0.73, which is the same as FY2009.

In addition, the Board directed staff to implement a 15% reduction to the Business License Tax (BPOL) in order to support our existing business base and promote expansion of new business development. Also, for the period of March 17 – December 30, 2009 fees will be waived for commercial planning, zoning and environmental fees in order to stimulate new business development that will reduce the County's dependency on the residential tax base. Commercial Building Permit Fees that are generated through this program will be refunded as an incentive to have new business buildings in the tax base by June 30, 2011.

County Administrator's Budget Message

The School System is expected to have a significant decrease in revenue due to State cuts. It is projected that a reduction of \$286,862 will be realized due to Average Daily Membership (ADM) being lower than projected for the current year. In addition, preliminary projections from the State indicated a reduction of \$1,066,440. These shortages are being partially made up with Federal and State Stimulus funds in the amount of \$1,048,000.

The Capital budget requests (exclusive of Public Utility projects) were reduced by over \$11 million. Most of this reduction results in a large number of the projects being deferred. Along with the large scale capital projects and vehicles that are historically funded in the Capital budget, last fiscal year we began funding computers and small equipment in the Capital fund. Everything in the FY10 Capital budget will be cash funded. No new debt is being adopted for projects except for Public Utilities. Cash funding these projects is possible due to the County's debt reserve policies. At the end of the fiscal year any undesignated fund balance above fifteen (15) percent is transferred into the capital fund. The use of pay-as-you-go (cash) funding follows the debt policy's balanced approach to capital funding.

In order to make use of funds that were set aside for VDOT revenue sharing in the Capital Fund and Meals Tax funds collected that had not yet been used; the Board has chosen one of several debt payoff proposals that were discussed with the Financial Advisors. Additionally, the County has received the funds from the note for the commercial property from the EDA which were also used for this early retirement of debt. As of April 13th, the debt service associated with the roofs at the historic school and middle school, renovation of the middle school, as well as refunding for the athletic complex and fire trucks, was paid off in the amount of \$1,991,007. The early pay-off of this debt realized a savings of \$429,111 in debt service for FY10. Of this amount, \$106,516 was used to fully fund the School Resource Officers in the General Fund. The remaining \$322,595 was added to the contingency line item to cover unforeseen expenditures or reduced revenue that may occur during FY10.

The Public Utilities budget remains fiscally strong. A new borrowing in the amount of \$12.3 million is budgeted for FY10 to finish up the Wastewater Treatment Plant Expansion project and to build a Reuse Water Main. However, between the time the budget was advertised and adopted, a federal stimulus grant was awarded in the amount of \$6.75 million that will reduce the amount borrowed for the Reuse Water Main.

Although the Public Utility projects do not use General Fund tax dollars because it is an enterprise fund, the Utility Fund pro-forma is reviewed and updated on an annual basis. It is with much staff scrutiny and advice of our Financial Advisors that projects are undertaken and funds borrowed.

County Administrator's Budget Message

Funds

The following categories of funds are included in this budget:

General Fund: This is the County's major operating fund and is where tax dollars are deposited. Most ongoing activities, such as sheriff and fire services, and the County's contribution to school operations and debt service are accounted for in the General Fund.

Capital Projects Fund: This fund is used to account for the cost of major, one-time infrastructure and equipment investments that result in a County asset. Those related to water and sewer service are exceptions funded by a separate Public Utilities Fund.

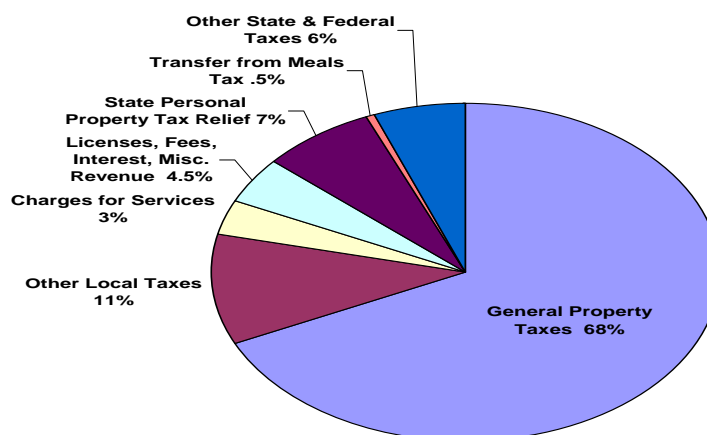
Proprietary Funds: The New Kent County Public Utilities Department, which is responsible for providing water and sewer service to certain areas of the County, has its own fund which is supported solely by user fees which include usage as well as connections.

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

GENERAL FUND

➤ REVENUE

FY10 General Fund Sources of Revenue by Category



County Administrator's Budget Message

General Property taxes make up 68 percent of the General Fund Budget. Of this amount, Real Estate revenues are the largest portion. In FY10, Real Estate revenues are increasing \$600,000 or 3.6%. This projection is based on current land book totals and an anticipation that collection rates could go as low as 95% due to the current and projected state of the economy which is 2-3% lower than previous years. Personal Property taxes are expected to decrease by close to 17% due to and industry-wide decrease in the value of large trucks and SUV's. This equates to approximately \$585,000 in reduced revenue from FY09.

Overall, General Fund revenues for FY10 are projected to decrease 4.3% or \$1,354,142. Significant areas of lower revenue estimates from FY09 include revenues associated with the housing market, investments and wagering such as:

- Building Permits
- Planning & Zoning Fees
- Environmental and Erosion Control Revenues
- Recordation Taxes
- Excess Fees from Clerk
- Revenue from Use of Money
- Live Racing and Off Track Betting Proceeds

These revenues, when combined, represent \$ 921,298 in reductions in available resources when compared to the FY09 adopted budget. Also impacted by the housing industry is Business License Taxes (BPOL), whereby fees are calculated on gross receipts. These fees are not collected until March of each year and fees in this category associated with Realtors and Contractors are expected to decline, resulting in a decrease of 14.6% or \$127,947. A further 15% reduction or \$112,500 was made for the adopted reduction to BPOL rates, for a total reduction of \$240,447 or 27.4%.

State Revenues

Due to the Federal stimulus package, the state revenue picture this year is better than was expected. In FY09, State revenues were reduced by \$89,688. This reduction for FY10 is \$90,583. Originally we had anticipated an additional 10% reduction from FY09. For the FY10 adopted budget, we are projecting a \$27,052 or .7% increase in total State Revenues. Due to the growth in the number of qualified vehicles under the Personal Property Tax Relief Act program, the percentage of relief to be granted under this program decreased from 58% in 2006 to 52.5% for 2008. The estimated percentage of relief for 2009 is not available at this time. However, due to the increase in the number of qualifying vehicle owners, we expect the percentage of relief to decline moderately for both FY09 and FY10.

County Administrator's Budget Message

Other Local Revenues and Fees

Because of the uncertain state of the economy, we are projecting a 6% or \$63,297 decrease in local sales tax revenues. Communication Sales Tax revenue is projected to decrease by \$40,000 or 6%. This is based on the trends of the rate the revenue is being received in the current year. Recordation Taxes are expected to decrease by \$85,000 or 26.2%. The housing market is the biggest contribution to this decline.

There has been an ongoing discussion about eliminating the Vehicle Decals. If this is what the Board chooses to do, in order to make up for the lost \$465,000 in revenue, a yearly fee will need to take the place of the decal fee or the Personal Property Tax rate will need to be increased.

Based on current year revenue received, interest earnings on investments and bank deposits will be down significantly. We are projecting a \$410,000 or 51.3% decrease. Recently the LGIP investment funds as well as other funds have been invested in Certificates of Deposits in hopes of receiving a greater rate of return.

On a positive note, Parks & Recreation revenues are expected to increase by \$43,000. There is a similar increase on the expenditure side of this to offset the costs for the increasing demand for new/more programs. Participation in programs is up approximately 15% from FY08 to FY09, and we are expecting the same trend for FY10.

➤ EXPENDITURES

The adopted General Fund categorical budgets for FY2010 appear below as they compare to the FY09 adopted budget:

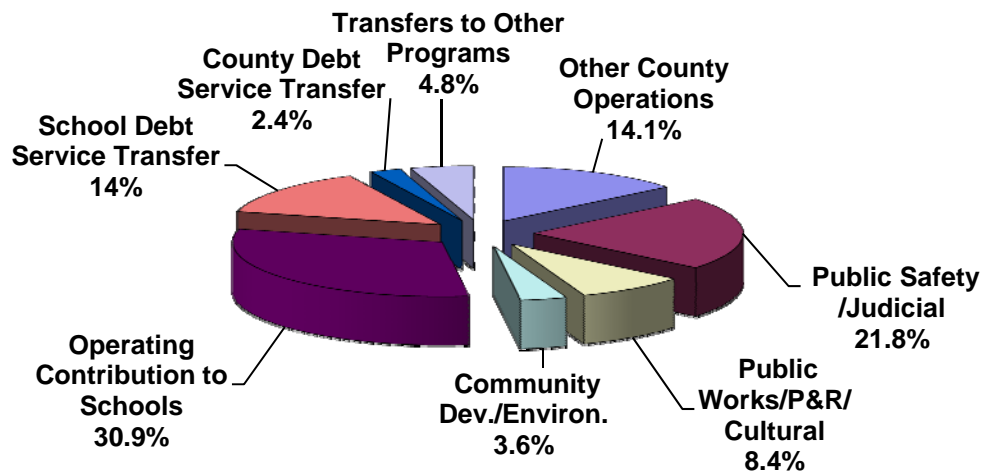
<u>Expenditures:</u>	<u>Adopted FY09 Budget</u>	<u>Adopted FY10 Budget</u>	<u>Dollar Change</u>	<u>% Change</u>
General & Financial Administration	3,174,162	2,997,735	(176,427)	(5.6%)
Judicial Administration	1,314,993	1,268,258	(46,735)	(3.6%)
Public Safety	5,566,101	5,363,288	(202,813)	(3.6%)
General Services	2,075,710	1,869,611	(206,099)	(20.8%)
Health & Welfare	399,733	356,423	(43,310)	(10.8%)
Education	3,916	3,524	(392)	(10.0%)
Parks, Recreation & Cultural	687,500	697,156	9,656	1.4%
Community Development	1,021,831	758,715	(263,116)	(25.7)
Environmental	298,729	323,290	24,561	8.2%
Contingency	581,869	939,351	357,482	61.4%
Transfers to School Operating	10,498,595	9,404,556	(1,094,039)	(10.4%)
Transfers to Debt Service - School	3,621,010	4,219,030	598,020	16.5%
Transfer to School Debt - Vinton OTB	20,000	18,000	(2,000)	(10.0%)

County Administrator's Budget Message

Transfer to Debt Service - County	691,438	713,146	21,708	3.1%
Transfer to Human Service	1,225,244	1,146,652	(78,592)	(6.4%)
Transfer to Airport	55,374	64,745	9,371	16.9%
Transfer to Social Services	235,211	252,794	17,583	7.5%
Transfer to Clean Community	2,000	0	(2,000)	(100%)
Transfer to Cap Projects Fund	152,000	0	(152,000)	(100%)
Total General Fund Expenditures	31,625,416	30,396,274	(1,229,142)	(3.9%)

When compared with FY09, expenditures decrease in total and spending is reduced in County and School Operations in order to provide increased funding for Debt Service.

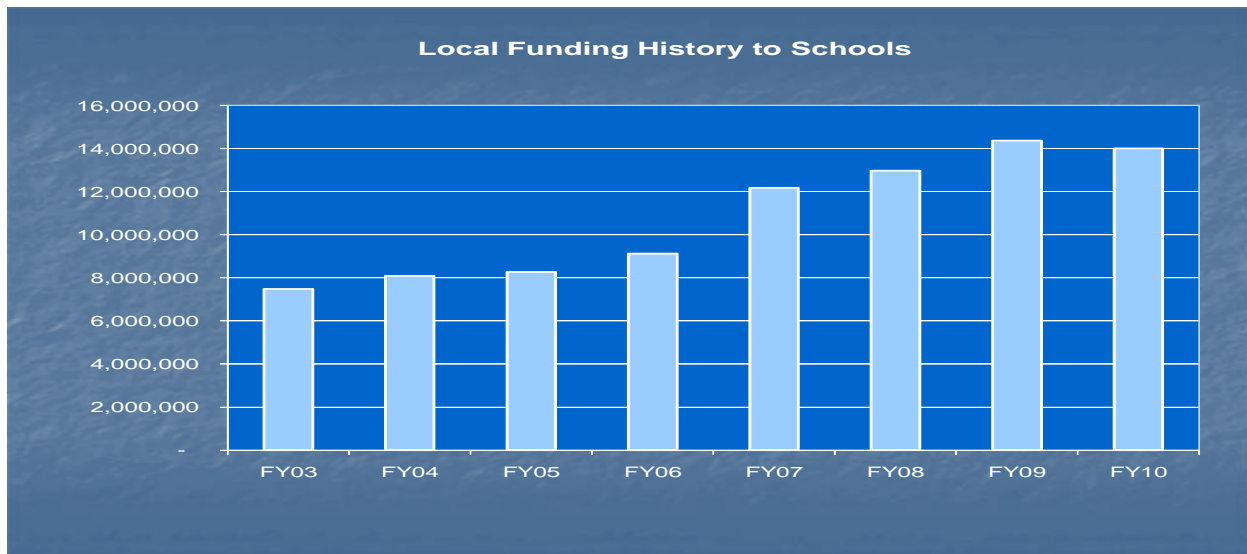
FY10 General Fund Expenditures by Category



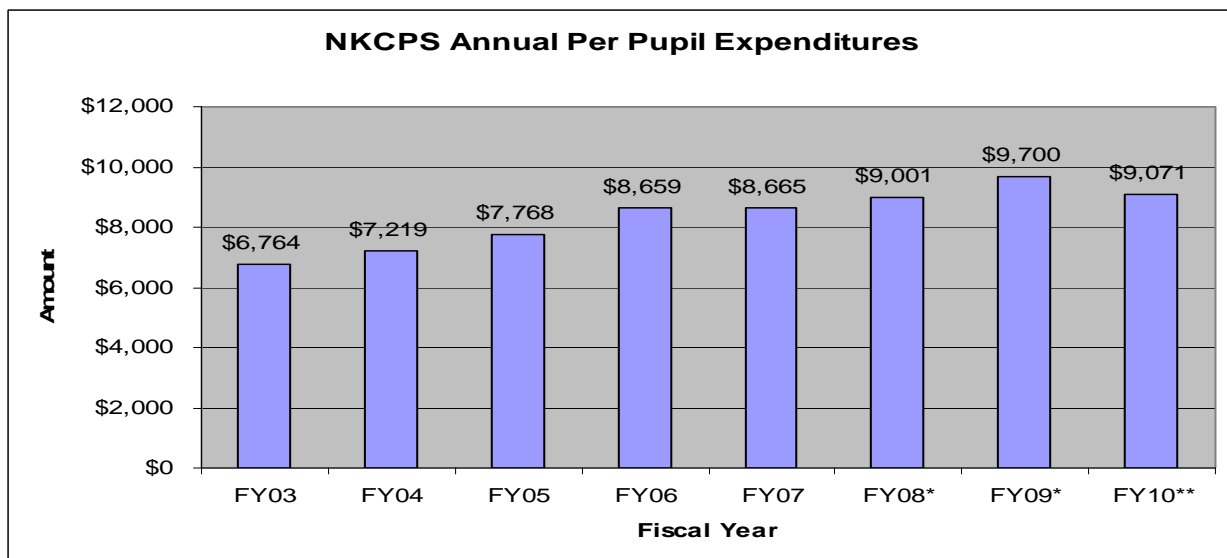
Schools

Public Education is an important component of a healthy community and the largest portion of the County's budget at 49.7%. For FY10, the County will contribute \$14,011,931 to the New Kent County Schools. This provides \$9,404,556 for Operations, \$4,237,030 for debt service and \$370,345 for new school buses and a radio upgrade for the Transportation Office. The operation amount represents a decrease of \$1,094,039 or 10.4%. The debt service amount represents an increase of \$596,020 or 16.3. Funding for Capital is \$136,235 higher or 58.1% more than FY09. Overall, funding for the Schools for FY10 is \$361,784 or 2.5% less than FY09.

County Administrator's Budget Message



Overall this adopted budget demonstrates a continued commitment to education in our community. The following chart depicts that, historically, the School Division has been able to increase its spending per student due to healthy local funding. There is a decrease for FY10; however it does not quite dip back to FY08 levels. Audited figures from the state for FY08 & 09 (*) have not been released yet, and FY10 (**) is a projected figure based on what the County is providing for the School Budget. FY10 also includes the State and Federal Stimulus funds that are expected.



County Administrator's Budget Message

Outside Agencies

The County contributes to a number of outside agencies, such as the Providence Forge Volunteer Rescue Squad, Bay Transit, the Health Department and the Heritage Public Library.

As with the County department budget requests, funding reductions were recommended in this area. Many agency requests were cut by 10% in order to support funding in other areas. No new funding requests were recommended. One new request was received from the Central Virginia Food bank in conjunction with the request from Meals on Wheels.

After several budget work sessions and the public hearing, funding was restored to FY09 levels for Meals on Wheels and the Heritage Public Library.

Transfers to Other Programs

Transfers from the General Fund to programs other than debt service and the School system for FY10 amount to \$1,464,191. Areas in this category include the County's contributions to Social Services, Human Services/CSA (Comprehensive Services Act) and the Airport. The transfer to Social Services increased \$17,583 or 7.5%. This increase is due to a new lease with the County for their space in the Human Services building. It is offset by revenue we will receive for these lease payments. The local share of Human Services/CSA decreased even though the expenditures remain constant from FY09. This is because the local match share for expenditures has incrementally decreased overall due to new formulas that the state is using. This means we will receive more State revenue for the same expenditures than we did in the past. The Airport transfer is increased \$9,371 or 16.9%. This is mainly due to health insurance increases as well as an increase to the debt service payments for the T-hangars. It is our hope that in FY11, rental of the T-hangars will offset any increased expenditures.

➤ **EMPLOYEE COMPENSATION AND BENEFITS**

Compensation

Competitive compensation and benefits are important tools to attract and retain a talented work force. Unfortunately, however, due to the severe economic conditions causing extreme reductions in revenue, we are unable to provide a cost of living (COLA) or merit increase for County employees. It is our hope that in 2-3 years the economy will recover and we will be able to resume COLA and merit increases at the level we have funded in previous years.

County Administrator's Budget Message

Benefits

I am also gratified to report that, because of the active management and oversight by County staff and responsible action of County employees, we will be maintaining our competitive benefits package with a relatively moderate increase. Health insurance premiums increased by 10.5% which equates to approximately \$62,000. The Worker's Compensation proposal originally indicated a 27% increase or approximately \$28,000. Since the adoption of the budget, we have been able to switch providers for Worker's Compensation and save approximately \$19,023 or 18.4% from FY09. The Virginia Retirement Service (VRS) conducts an actuarial study every two years to set the rates for its retirement and life insurance programs. This is the second year of this cycle so rates will remain steady for FY10 at 10.89% and Group Life at .82%. VRS and Group Life are expected to increase in FY11, however.

➤ **CAPITAL PROJECT FUND**

The County's Capital Projects budget for FY10 will be cash funded for \$1,154,571. This amount is \$1,389,340 or 54.6% less than FY09. Following are some of the planned projects:

- ❖ A new Ambulance (\$203,000), a new Battalion vehicle (\$35,000), and Station 1 Repairs (\$50,000) are in the adopted FY10 budget for Fire-Rescue.
- ❖ Fully funded from Meals Tax, funds to increase Parking at the Quinton Community Center to enhance its marketability (\$50,000), to develop Criss Cross Park (\$50,000) and to further develop Wahrani Nature Trail (\$25,000) are being recommended.
- ❖ IT upgrades (\$120,000) and Computers (\$102,800) will ensure continued technology efficiency for the County.
- ❖ Three new school buses (\$255,345) and a radio upgrade for the transportation office (\$115,000) will help with continued safe transport of students.

The FY10 Capital Project budget is part of a five-year Capital Improvement Plan totaling \$67,485,837 (excluding Public Utilities) of which \$22,410,743 or 33.2% is devoted to Schools. FY10 does not include incurring any new debt except for Public Utilities Projects.

Details of the Capital Projects Fund appear in Section H.

County Administrator's Budget Message

➤ ENTERPRISE FUND

The Public Utilities budget represents the financial plan for operating and capital costs of the water and sewer programs, which are provided in certain areas of the County. This fund is financed entirely by user fees and receives no tax revenue from the County. Included in this adopted budget is an 8% increase to all connection and user fees. The rate increase is required to finance the additional operating and treatment costs associated with the Water System Improvements and Wastewater Treatment Plant expansion project.

➤ SPECIAL REVENUE FUNDS

The Special Revenue Funds which include Social Services, CSA, Grants/E-911 Wireless, and Meals Tax are funded with State and Federal grants in addition to funding support from the County General Fund.

The Social Services budget is increasing \$73,906 or 6.6%. This is primarily due to the new office space lease in the Human Services Building. This increase is offset with rental revenue that will be paid out of the Social Services Fund to the General Fund. This will help offset the increase to the County's portion of Debt Service. In addition, there is \$30,000 budgeted for two vehicles to replace two very old unsafe vehicles. State funds in the amount of \$10,481 will partially offset the cost of these vehicles. The remaining \$19,519 will be transferred from the Capital Project Fund.

The CSA budget is remaining flat from FY09. However, the local funding portion of this has decreased by almost \$80,000. This is due to new funding formulas implemented by the State that have moderately reduced the mandated share for localities.

There are no funds budgeted for FY10 in the Grant Fund. This fund is used primarily for Grants that are awarded to the Sheriff's Office. As grants are awarded, they will be appropriated. There are a few Sheriff's grants scheduled to be carried forward to FY10 and most certainly we will receive various grant awards throughout the year. For FY08 through FY09, close to \$500,000 in Sheriff's Grants were awarded. County wide during FY08/FY09, a little over \$4 million in grants were awarded or applied for. The E-911 Wireless Grant is an annual grant from the State that amounts to approximately \$40,000. This grant is used for dispatch personnel as well as a portion of GIS personnel. For FY08 through FY10, additional E-911 Wireless grants were awarded for the new Communications Center in the Sheriff's Annex (\$150,000) and for GIS Enhancements (\$253,946).

Meals Tax Revenue is currently designated specifically for Schools (50%), Economic Development (25%) and Parks & Recreation (25%). For FY10, we are expecting \$500,000 in Meals Tax Revenue. This is a \$15,000 or 3% increase from FY09. Of this

County Administrator's Budget Message

amount, \$250,000 will be transferred to the Debt Service fund for the portion of debt dedicated to Schools. For Economic Development, upon Board direction, \$125,000 will be transferred to the General Fund to promote business by waiving commercial building, planning and environmental fees as well as a 15% reduction to the Business License Tax. Parks & Recreation's share of \$125,000 is slated to be transferred to Capital to fund projects for Park Development and Park Facilities.

Conclusion

This budget is a budget of change and challenge and reflects both in the policy direction that the Board provided. It was a very challenging year, but this adopted budget reallocates the reduced resources that are available and targets increased spending required for debt service. A lower investment is reflected in virtually every other Department and Agency including Schools and Capital Improvement Projects. In addition to the faltering economy, reduced available local revenue as well as State/Federal Education Funding is of great concern.

This adopted budget meets the guidance provided by the Board and provides for responsible fiscal planning. I expect this budget will allow the County to cope with these difficult times with a moderate impact to County services or programs. Thank you for your attention to this document and your support during the adoption process.

Respectfully submitted,

John A. Budesky
County Administrator

Changes from Preliminary Proposed to Advertised Proposed FY 2010 Budget

- An increase in funding for Meals on Wheels of \$350. Proposed funding is now \$3,500 instead of \$3,150. Additional \$350 taken away from Contingency.
- Elimination of funding for the James River Development Corporation in the amount of \$2,750. Proposed funding is now \$0 instead of \$2,750. Additional \$2,750 moved to Contingency.
- Chose one of several debt payoff proposals that were discussed with the Financial Advisors. As of April 13th, the debt service associated with the roofs at the historic school and middle

County Administrator's Budget Message

school, renovation of the middle school, as well as refunding for the athletic complex and fire trucks, was paid off in the amount of \$1,991,006.50. The early pay-off of this debt realized a savings of \$429,111 in debt service for FY10. Of this amount, \$106,516 was used to fully fund the School Resource Officers in the General Fund. The remaining \$322,595 was added to the contingency line item to cover unforeseen expenditures that may occur during FY10.

- Transfer from the General Fund for Debt Service was reduced by \$429,111. Of this amount, \$ 204,018 is for School Debt and \$ 225,093 is for County Debt.
- Eliminated recovered revenue from the Schools in the amount of \$106,516 for the School Resource Officers. The \$106,516 was subtracted from the Debt Service Contingency from Payoff. School Resource Officers are now 100% funded with General Fund dollars.
- Debt Service for the Vehicle Maintenance Garage has been split equally between the Schools and the County. Therefore, the transfer from the General Fund to the Debt Service Fund for Schools has been decreased by \$107,152 and the transfer from the General Fund to the Debt Service Fund for County has increased by \$107,152. The net effect of this is zero.

Changes from Advertised Proposed to Adopted FY 2010 Budget

- An increase in funding for the Heritage Public Library of \$16,453. Proposed funding is now \$184,530 instead of \$168,077. Additional \$16,453 taken away from Contingency.