

State of the County

as we enter the FY 09/10 Budget Process

We realize that there is great interest and concern among residents as the economic downturn continues and the County begins discussions about next year's budget and possible impacts to service levels and the tax rate. The Board of Supervisors has prepared a Five Year Financial Plan for the County's General Fund that provides a long range look at county finances, including guidance on how the initial recommended budget for FY 09/10 will be completed. Information contained throughout this message refers to the County's General Fund non-school operations - the School Division is dealing with reductions in its budget as well.

In the spring of 2007, we began identifying ways to save money and we have been in a continuous period of budgetary and operational review since that time. The County started making staffing and operational reductions in 2007, has deepened those reductions in the current year and now will need to determine how to respond to a continued decline in revenues. While times are not easy, Albemarle is in a better position than many counties because of our early and aggressive approach to these challenges, and we will continue meeting our mission of providing high quality, cost effective services to our citizens.

It is important to note that even with the downturn, the County is continuing to work to maintain our customer service standards, to achieve county priorities and to meet important citizen expectations, recognizing that during the next several years, services will be reduced in certain instances and dates for some projects will be delayed.

In the face of these challenges, overall citizen satisfaction with the quality of life in Albemarle County and with County services remains high. In the County's 2008 citizen survey conducted this fall, 92.8% of County residents reported overall satisfaction with County services. This is a significant increase from the citizen satisfaction ranking of 84.3% in the County's 1994 citizen survey. When asked to rank the County as a place to live on a ten point scale, 73% of County residents ranked the County as an 8 or better.

Living Within Reduced Revenues

Albemarle County is experiencing a significant shortfall in the current fiscal year (July 1, 2008 - June 30, 2009) due to reductions in a variety of revenue sources including real estate taxes, personal property taxes, sales tax, and state and federal revenues. We are projecting the shortfall at \$7.2 million, realizing that because we are only six months into this fiscal year, that amount could increase. In other words, we are currently operating on a budget that is \$7.2 million less than the budget that was adopted by the Board of Supervisors in April, 2008, for this fiscal year.

Like every business and family facing tightening finances, we have made significant adjustments to our expenditures and to the way we do business. We have been able to operate within those reduced revenues in this fiscal year because of significant reductions, savings and efficiency measures including the following highlights:

- ◆ We began freezing (leaving open) positions in 2007 in anticipation of worsening economic conditions and are currently at 36 frozen positions, which equals 6% of our workforce
- ◆ We have reduced local government departmental operations by 13%, or \$2 million, from last year's budget
- ◆ We have reduced our Capital Improvement Project budget by \$100 million, or 42%, over the next five years

We continue to concentrate on identifying savings and efficiency opportunities through efforts like the Local Government Resource Utilization Study being conducted by an outside consultant, and have conducted similar in-house efforts over the past year.



Meeting Next Year's Challenges

Looking ahead to FY 09/10, which will run from July 1, 2009 - June 30, 2010, we anticipate an uncertain economic outlook and continuing revenue reductions. As a first step in the upcoming budget process, the Board of Supervisors has provided some initial guidance for how the recommended budget should be prepared.

Our focus is on continued savings and efficiencies and identification of any additional reductions that will not compromise our ability to provide critical government services to our citizens. While specific budget items are still to be discussed with the community and the Board of Supervisors beginning in February, the Board's guidance to date reflects the following major budget assumptions for the 09/10 Fiscal Year:

- ◆ Continued focus on the County's strategic priorities, while delaying many projects
- ◆ Expansion of the hiring freeze to a total of 47 positions, or 8% of our local government workforce
- ◆ Reductions in departmental operations totaling \$1.5 million
- ◆ No salary increases for employees
- ◆ No increases to community or human service agencies
- ◆ No funding to any new programs or initiatives
- ◆ Reduction of our Capital Improvement Program budget by \$100 million, or 42% over the next five years resulting in significant delays to a variety of public facilities including the Pantops and Ivy fire stations, the Crozet and Northside libraries, parks in western and northern Albemarle County, and planned recycling centers among other projects
- ◆ Consideration of a 77 cent tax rate, which would
 - ⇒ provide for an effective tax rate of 74.5 cents which balances the budget while maintaining those reductions mentioned above - *an effective tax rate for residential properties is the rate at which the average homeowner will pay the same amount of real estate tax in 2009 as they paid in 2008 based on this year's lowered reassessment*
 - ⇒ designate an additional 2.5 cents, or \$4 million, to be held as a contingency against future revenue reductions, including state and federal reductions which appear very likely at this point in time

These reductions have to offset mandated increases in several areas including a \$4.4 million increase in the revenue sharing payment to Charlottesville (which now totals \$18.2 million), school and local government debt service, and funding for tax relief for the elderly and disabled.

What This Means to Citizens

While the budget is being prepared following the above assumptions, all of the final decisions are ahead of us as we begin the annual budget process. These issues are critically important to the future of our community and will have significant long term impacts on citizens, businesses and local government service levels.

Here are important dates for public input into the budget process:

February 25	Public Hearing for County Executive's Recommended Budget 6:00 pm, Albemarle County Office Building, McIntire Road
April 1	Public Hearing for Tax Rate and FY 09/10 Proposed Budget 6:00 pm, Albemarle County Office Building, McIntire Road

Keep up to date on budget activities and information by visiting the Budget Website at www.albemarle.org/budget. You are welcome to provide comments and feedback at any time by using the email link on the budget page.

