

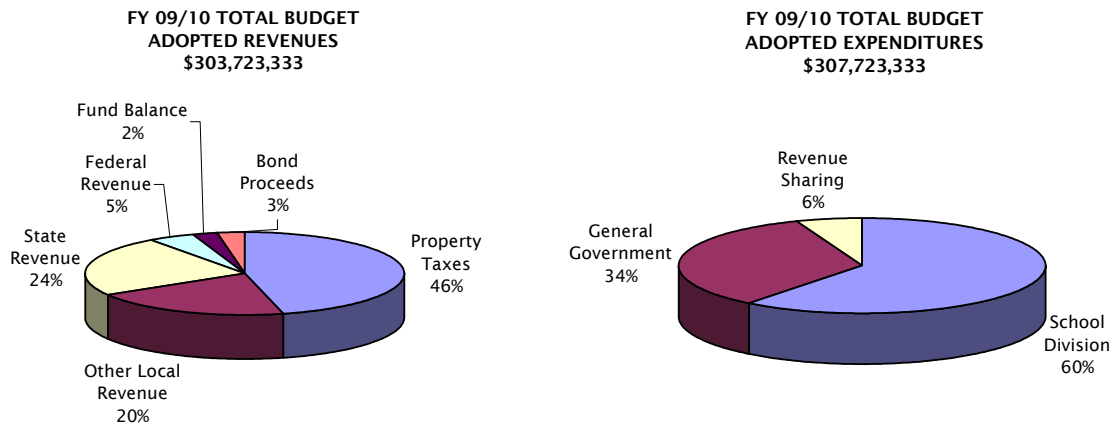


BUDGET MESSAGE

The Honorable Members of the Board of Supervisors
 County of Albemarle
 401 McIntire Road
 Charlottesville, Virginia 22902

Dear Honorable Members of the Board of Supervisors of Albemarle County:

On behalf of the administration of the County of Albemarle, I present to you and the citizens of Albemarle County the County’s Fiscal Year 09/10 adopted combined capital and operating budget totaling **\$303,723,333, a total decrease of \$30 million or 9.0% from FY 08/09.**



The adopted operating budget is **\$268.3 million, a decrease of \$0.9 million or 0.3% from FY 08/09, and the adopted capital budget is \$17.4 million, a decrease of \$31.9 million or 64.7% from FY 08/09.** This budget includes a residential effective rate of 74.2 cents. The Personal Property tax rate is \$4.28/\$100 of assessed valuation.

We realize that there is great interest and concern in the community regarding potential impacts to service levels and the tax rate. This budget reflects a very measured and deliberate approach to making tough resource allocation decisions in a challenging, and rapidly changing, financial environment.

Revenue Realities:

Unfortunately, the County is facing a dramatic downturn in revenues due to the broader economic conditions facing the country. That downturn is reflected in the County budget in the following ways:

- Overall property values are down 2.59 %. The **average** single family residence is down 4.09%. *(These values are reflected at a slightly lower rate in the budget in anticipation of the impact of appeals.)*
- Taxes and fees related to building and housing activity have decreased \$2.1 million or 47%, reflecting the impact of the housing crisis on Albemarle’s budget

- In addition, as a result of the economic downturn in general, the County's sales tax receipts are projected to decrease \$1.54 million or 11.0%, while personal property taxes are projected to be down \$1.85 million or 8.1%
- Collectively these changes represent a \$5.49 million reduction in the County budget when compared to the FY 08/09 budget.

Obligations and Mandates:

While revenues have significantly declined, the County is required to meet substantial increases in obligations beyond last year in areas we are not able to reduce. These include:

- A \$4.4 million or 32.3% increase in revenue sharing, to a total of \$18.0 million in FY 09/10, an increase of 426.5% since 1993
- A \$2.0 million or 15.8% increase in School Debt Service
- A \$854,000 or 44.2% increase in Local Government Debt Service
- A \$321,000 or 47.4% increase in Tax Relief for the Elderly and Disabled

Expenditure Reductions:

To address the combination of reduced revenues and a significant increase in obligations, the County has aggressively scrutinized all expenditures to find significant reductions to work toward a balanced budget:

- Reduces General Government departmental expenditures by \$2.4 mil or 3.1%, reflecting significant reductions, savings and efficiency measures, including:
 - expansion of the hiring freeze begun in FY 07/08 by 20 positions for a total of 55 positions, or 9% of our local government workforce
 - continued reduction in non-personnel operating expenditures, which have now totaled a \$1.4 million or 10% decrease since FY 07/08
- Provides no increases in employee compensation
- Provides no increases to the vast majority of community and human service agencies
- Reduces our Capital Improvements Program budget by \$100 million, or 42% over the next five years

Financial Planning in the Current Fiscal Environment

Everything we do as a local government supports individuals, families, and our community. But this sobering budget situation demands that we make a deliberate, intense, and thorough examination of where we invest available resources.

Careful financial stewardship, while always a critical aspect of our operations, began receiving a more intense level of scrutiny in the spring of 2007 and we have been in a continuous period of aggressive budgetary and operational review since that time. While times are not easy, Albemarle is in a better position than many counties because of our early and proactive approach to these challenges, and we will continue meeting our mission of providing high quality, cost effective services to our citizens.

To assess and improve the County's overall accountability for expenditures, I established a committee in 2008 to assist staff in evaluating the short and long range processes that lead to the development of the annual budget. Committee members with experience in other public and private sector organizations reviewed and evaluated the County's current processes and provided suggestions for improvement. Staff has vetted these recommendations and has incorporated many of these into our budget process. While the committee offered ideas for enhancing our budget process, it is important to note that the committee also concluded that "...the County's budget-related processes are comprehensive and thorough."

Like every business and family facing tightening finances, we continue to concentrate on identifying savings and efficiency opportunities through efforts like the Local Government Resource Management Study conducted by an outside consultant, and similar in-house efforts we have conducted over the past year.

We have based our budget decisions on several fundamental principles:

- **We are protecting critical services to the greatest extent possible** – We are dedicating 60% of the budget to school operations, debt service, and capital needs and have maintained public safety and human service staffing as much as possible although a limited number of these positions have been frozen.
- **We are continuing to stress efficiencies and new and better ways to do business** – All of our operations are being examined and prioritized, and we are making process changes and organizational adjustments to meet current needs while encouraging innovative efforts that will position us for the future.
- **We are achieving savings and reductions in all areas of local government** – While we are protecting critical services to the greatest extent possible, we are asking all departments and operational areas to find reductions and savings with no functional service areas considered to be “off the table”.
- **We have taken proactive steps to make employee layoffs a last resort** – By beginning to leave open positions unfilled in 2007 and by shifting and retraining available staff to perform our most critical organizational functions, we are taking all possible steps to avoid layoffs.
- **We anticipate impacts to some service levels and project timelines** – Changes in service levels and delays for certain projects are inevitable results of the significant reductions proposed by this budget, particularly in the CIP budget which has been reduced almost by half or approximately \$100 million over the next five years.
- **We are maintaining a focus on strategic priorities in spite of reduced revenues** – The budget requirements are causing us to make some adjustments to programs and project schedules, but are not changing our strategic priorities and long-term course as a community.

Continued Delivery of Essential Services

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. While this year’s budget reflects the reality of declining revenues and increased obligations, we are focusing available resources on those critical functions that directly serve and protect our citizens and our environment while making the best use of our financial resources.

The following are some examples of how budget choices are supporting our values:

Stewardship of our Community

- Continues funding for Bright Stars programs at seven elementary schools
- Funding is provided to approximately 50 community agencies
- Continues funding for Affordable Housing Trust Fund
- Continues funding for current transit routes
- Increases funding for tax relief for the elderly and disabled

Stewardship of Our Environment

- Provides \$960,000 in funding to the Acquisition of Conservation Easements (ACE) Program
- Provides funding for the Storm Water Control Program
- Continues to support Energy Star and other environmental management best practices

Special Thanks

Each year, the Office of Management and Budget (OMB) coordinates the general government operating and capital budget process. I want to thank OMB and recognize, with sincere appreciation, the assistance and cooperation of our Department Heads, constitutional officers, regional agency Directors, School Board and School staff for their many hours of hard work and contributions to this budget. I also want to specifically recognize Brenda Neitz, Laura Vinzant, Steve Allshouse, Richard Wiggans, Robert Walters, Tom Foley, Bryan Elliott, Lee Catlin, Lori Allshouse, Andy Bowman, Diane Mullins, and Loretha Dixon for their efforts.

In closing, this budget is responsive to current economic conditions while still focusing on our essential services to the greatest extent possible. The reality of the current situation does mean that we as a community have some very challenging choices ahead of us, and I have complete confidence that we will emerge from this downturn as a better organization and a thriving community.

Respectfully submitted,

Robert W. Tucker, Jr.
County Executive