



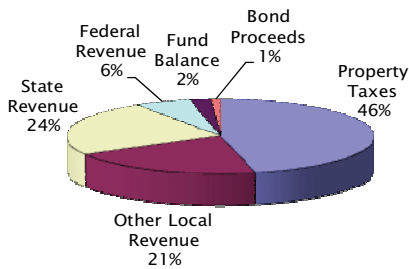
BUDGET MESSAGE

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

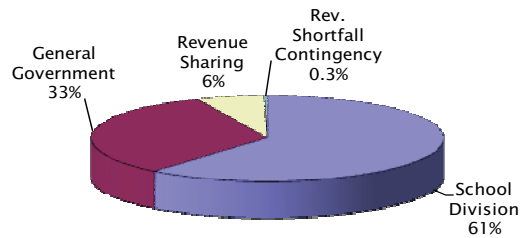
Dear Honorable Members of the Board of Supervisors of Albemarle County:

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 10/11 recommended combined capital and operating budget totaling \$293,850,901 which is a decrease of \$10,312,084 or 3.4% from the FY 09/10 adopted budget and a decrease of \$39,864,784 or 11.9% from the FY 08/09 adopted budget. This proposed budget is balanced on a 74.2 cent tax rate following direction provided by the Board of Supervisors in January.

FY 10/11 TOTAL BUDGET
 RECOMMENDED REVENUES
 \$293,850,901



FY 10/11 TOTAL BUDGET
 RECOMMENDED EXPENDITURES
 \$293,850,901



- Operating Budget \$266.5 million
- Capital Budget 8.0 million
- City Revenue Sharing 18.5 million
- Revenue Shortfall Contingency 0.8 million
- Total budget \$293.8 million**

This budget confronts the difficult realities of reshaping our organization and crafting a new and vital future while attempting to establish reasonable expectations for local government services in a time of significantly reduced revenues. Like many local governments Albemarle County is experiencing a significant structural budget imbalance – without major adjustments we face ongoing projected expenditures that outpace ongoing anticipated revenues over the short to long term. Also, changing economic conditions have shifted workload in the organization and have reduced it substantially in some functional areas while increasing it in others. Since the fall of 2007, we have implemented aggressive expenditure reductions including service level decreases, position reductions and staff reallocations to insure that the finances of the County are in a stable situation so that our organization is responsive to changing workload levels and is sustainable over time in the new economic reality we face.

To this end, the budget incorporates principles of zero based budgeting by not automatically assuming that current year expenditure levels are justified but rather systematically reviews,

reprioritizes and shifts funding support from activities that no longer align properly with our objective to support core public safety and human service functions. The significant expenditure reductions and staff reallocations outlined below demonstrate how we have followed our customary budgeting practice - services have been assessed, evaluated and reprioritized as opposed to simply basing budgeting decisions on previous year's funding levels.

Our financial planning is working towards a reconfigured yet vital and productive organization capable of meeting critical needs, delivering core services and responding to new challenges. As a result, we are positioned to add new strategic investments and organizational capacity in the future as conditions improve. Reconfiguring within available revenues involves very difficult choices that will change the nature of our service levels and funding support in some very fundamental ways - for example, while we had been able to maintain at least level funding for community agencies as we reduced funding for local government departments for the past two years, we were not able to accomplish that in this budget.

This proposed budget is the start of the important community conversations that should take place over the next several weeks regarding all the proposed reductions and how they reflect the current and future priorities and desires of our citizens.

Financial Realities in the Current Environment

It is important to begin these conversations by understanding very clearly the realities of the financial situation we find ourselves in. **To provide some perspective, between the budget adopted in FY08/09 and the proposed budget for FY10/11, Albemarle County is projecting a total decline in revenues of \$11.9 million, or 5.3%, including a \$1.6 million reduction in state revenues.**

During this two-year time period when revenues have significantly declined, the County has been required to meet substantial increases in obligations and mandates. Some major examples of those areas include the Revenue Sharing Agreement with the City of Charlottesville which increased \$4.8 million or 35%, the Tax Relief for the Elderly and Disabled Program which increased \$321,362 or 47%, and the SPCA contribution which increased \$203,450 or 115.8%.

The School Division also faces significant fiscal pressure, with a loss of \$5.2 million in local revenues based on the current funding formula to support school operations between the budget adopted in FY08/09 and the proposed budget for FY10/11 in addition to state reductions including potential adjustment of the composite index and other reductions anticipated during FY10/11.

Budget Goals

It is especially important that the very challenging budget decisions we make are based on sound principles that reflect the goals and values of our organization. The proposed budget recommendations reflect the results of a very thoughtful and deliberate process utilized by County staff that carefully assessed our services from a variety of perspectives including results/outcomes, workload levels, citizen priorities, strategic objectives, and direction provided by the Board of Supervisors. Following are the high level goals staff used in developing this budget:

- Reduce and reposition the organization to ensure **long term sustainability**
- Maintain **essential health and public safety services** to the greatest extent possible
- Provide **reductions based on established criteria** across all service areas including community agencies which have not seen any reductions to this point
- Respond to **reduced workloads and service level reductions** by eliminating/freezing positions and reassigning staff to core services

- Continue our **commitment to school funding** based on our established funding policy
- Maintain proactive approach to **identifying and implementing efficiencies**
- Fund **obligations & commitments**
- Establish a dedicated and ongoing **revenue contingency fund** equal to one (1) percent of departmental expenditures
- Shore up undesignated General Fund balance to **ensure continued strong financial position**
- Maintain **competitive compensation and benefits** to the greatest extent possible

Budget Highlights

While reductions and repositioning efforts are included throughout this budget proposal, here are the most critical elements of this proposed budget:

- *Budget is balanced on existing tax rate of 74.2 cents, or 62.2 cents after 12 cents is deducted for revenue sharing with the City of Charlottesville, resulting in a decrease in annual tax payments for the average homeowner*
- *Expenditures are reduced by \$10.3 million, or 3.4%, from FY 09/10*
- *General Government expenditures are reduced by \$938,667 or 1.2%*
- *Decreases local government staffing to FY 01/02 per capita levels - a total of 78 positions eliminated/frozen or offset since repositioning began in 2007*
- *Reductions are based on criteria applied across all service areas and impact a majority of community agencies*
- *Allocates approximately 61% of the budget to the School Division for operations, debt service, and capital needs*
- *Reduces general fund contribution to school operations by \$4 million, or 4.1%, in local support of school operations in accordance with the established funding formula*
- *Reflects an increase of \$415,780, or 2.3%, in revenue sharing with the City of Charlottesville, to a total of \$18.45 million in FY 10/11*
- *Funds benefit increases but provides no increases in employee compensation*
- *Reflects \$444,500 in revenues from EMS Cost Recovery*
- *Continues to provide \$1 million for Tax Relief for the Elderly and Disabled*
- *Creates a local government revenue shortfall contingency fund of \$800,000*
- *Uses \$ 2.0 million in revalidation roll back taxes to increase the fund balance and to assure the County's sound financial position*

Revenue Realities

The County continues to face a dramatic downturn in revenues due to the broader economic conditions facing the Country. That downturn is reflected in the proposed FY10/11 budget when compared to the adopted FY 09/10 budget in the following ways:

- Overall property values are down 3.18% - the average single family residence is down 3.96%, reducing real estate tax revenues by 1.7% or \$1.9 million
- Sales tax is down 11.4% or \$1.4 million
- Personal property tax is down 9.3% or \$2.0 million
- State funding is down 6.5% or \$1.5 million

Expenditure Reductions

To address the combination of reduced revenues and significant increases in obligations, the County has aggressively scrutinized all expenditures. Many of the proposed reductions respond to declining workloads in some areas of the organization, primarily Community Development. Everything we do as a local government supports individuals, families and our community, and all services have a constituency that has good reason to believe that service is essential. But this

sobering budget situation demands that we make a deliberate and thorough examination of where we invest available resources, prioritizing those services that are truly core to protecting health, welfare and personal safety. This proposed budget reflects county staff's best judgment of the highest priority programs and services that can be funded within existing revenues based in large part on budget reduction principles that recognize services that directly protect life and safety such as social services, police and fire; that enhance continued efficiency and cost-effectiveness in county operations; and that support operational sustainability and restructuring for the long term.

In addition to the reduction principles, budget decisions presented in this plan considered a variety of other indicators that provide important perspectives on the outcomes and relative value of various programs and services including workload measures, citizen survey data, Agency Budget Review Team recommendations, the Board's strategic plan and results of the Strategic Planning Retreat in October of 2009, recommendations of the Resource Utilization Study, and other criteria. Use of these indicators allowed staff to gain a holistic assessment of potential reduction impacts.

It is important to again note that reductions to community agencies were avoided for the first two years of the recession as local government operations and staffing have absorbed significant decreases. In fact, in FY08/09 when the County was experiencing declines in revenues related to the economic downturn and responded by freezing/ eliminating county staff positions and reducing operating budgets, community agencies received an average increase of 4% in funding. In FY09/10 while local government expanded its frozen/eliminated/offset positions to 55 and reduced non-personnel expenditures significantly, agencies maintained at least level funding while several again saw slight increases. So while it is not our desire to recommend reductions to these valuable community agencies, we do so out of necessity only after we have very aggressively reduced our own department expenditures to the point where core services must now be preserved.

It is also important to note that a wide variety of strategies were considered during development of the budget. County staff has carefully analyzed possibilities including employee furloughs, salary reductions, reduced hours, etc. If we were facing a short term situation that could be solved through one-time savings, these strategies might be effective. However, because we need to make ongoing structural adjustments to our organization to get to a level that can be sustained within projected revenues over the long term, these possibilities have very limited value and are not realistic as an ongoing way of doing business.

Expenditure Reduction/Repositioning Summary - A detailed list of specific expenditure changes proposed in the FY 10/11 budget follows immediately after this letter in the budget document. Below is a summary by major functional area that provides a multi-year look at reduction/repositioning efforts. These changes include positions that were eliminated due to workload reductions or because they were determined not to be core positions. Other staffing changes reflect positions that have been privatized or offset by other revenues and core positions that have been frozen but should be reconsidered for hiring once the economic situation improves.

As these summaries demonstrate, we have focused reductions to the greatest extent where workload decreased and where administrative expenses could be reduced. This has served to provide some protection to our core services in public safety and human services.

Fiscal and Management Services - *encompasses our internal business operations (County Executive, Board of Supervisors, Information Technology, Human Resources, Finance and Voter Registrar) and our Facilities Management and Support (Buildings & Grounds Maintenance, Custodial Services, Copy Center, Environmental Management, Stormwater/Water Resources and Solid Waste & Recycling)*

- This functional area reflects a **5.7% or \$834,000 decrease** from the FY08/09 Adopted Budget to the proposed FY 10/11 budget
- **24 frozen, eliminated or offset positions or approximately 29% of staffing changes** throughout the organization over the two years occurred in this functional area

Community Development Services – *encompasses Department of Community Development, Office of Facilities Development, community development and regional planning agencies, public transportation*

- This functional area reflects a **11.5% or \$940,000 decrease** from the FY08/09 Adopted Budget to the proposed FY 10/11 budget
- **33 frozen, eliminated or offset positions or approximately 44% of staffing changes** throughout the organization over the two years occurred in this functional area

Community Services and Agencies – *encompasses public safety (Police and Fire Rescue Departments, Volunteer Fire/Rescue Agencies, Emergency Communications Center, Regional Jail, Community Attention, Detention Home, Offender Aid and Restoration and SPCA), human services (Social Services Department, Office of Housing, Bright Stars, CSA and 27 Community Agencies) and parks, recreation and culture (Parks and Recreation Department, funding support for 10 community festivals, library system and Convention & Visitors Bureau).*

- **Public Safety** –
 - This functional area reflects a **0.6% or \$166,000 decrease** from the FY08/09 Adopted Budget to the proposed FY 10/11 budget
 - **10 frozen, eliminated or offset positions or approximately 13% of staffing changes** throughout the organization over the two years occurred in this functional area
- **Human Services** –
 - These functional areas reflect a **1.4% or \$285,000 decrease** from the FY08/09 Adopted Budget to the proposed FY 10/11 budget
 - **10 frozen, eliminated or offset positions or approximately 13% of staffing changes** throughout the organization over the two years occurred in this functional area
- **Parks & Recreation/Culture** --
 - These functional areas reflect a **4.4% or \$279,000 decrease** from the FY08/09 Adopted Budget to the proposed FY 10/11 budget
 - **1 frozen, eliminated or offset position or approximately 1% of staffing changes** throughout the organization over the two years occurred in this functional area

Strategic Reinvestment

We believe that a major strategic issue involves how we will rebuild and reinvest in our organization as the economy recovers. We are particularly concerned about sustained reductions to core public safety services like police officers and to our capital program. A thoughtful reinvestment strategy that adheres to our guiding principles and continues our focus on core services and sustainable restructuring of our organization will allow us to make the best possible use of any additional funds beyond what is envisioned in this budget. Both operational items and a strategy for building back capital funding should be part of this reinvestment strategy. While a list of “add back” items will be presented during upcoming work sessions for the Board’s consideration, it is very critical that the Board provide direction in strategic discussions planned for early this summer to provide long term guidance regarding their priorities and vision for the future.

High Performance and the Continued Delivery of Quality Services

As an organization that stresses a business model of high performance, we have always focused on efficient operations and responsible fiscal management - stewardship including financial stewardship, is one of the four core values of our organization along with integrity, innovation and learning. We have a strong record of objective measures that reflect our prudent financial approach over time:

- ⊙ *2008 Citizen satisfaction rankings that show an Overall Quality of Life Ranking of 8.01 on a scale of 1 - 10, not statistically different from survey results in 2004 or 2006*
- ⊙ *Generally below the average of Virginia counties in per capita spending*
- ⊙ *Smallest county in the Country with a Aaa bond rating*
- ⊙ *Tax rate, when adjusted for revenue sharing, remains among the lowest of the 20 most populated Virginia counties*

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. 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 while making the best use of our financial resources.

2009 Highlights that Demonstrate Innovation and High Performance

- ⊙ *For the seventh year in a row, Albemarle County was named among the top ten most technologically advanced, cutting edge county governments of its size in the U. S. in the 2009 Digital Counties Survey.*
- ⊙ *The Alliance for Innovation chose Albemarle's Family Support Program to receive a prestigious Outstanding Achievement in Local Government Innovation Award, one of only ten programs nationwide to be honored.*
- ⊙ *The Albemarle County Police Department won the 2009 Governor's Transportation Safety Award in the category of General Traffic Safety*
- ⊙ *Albemarle County tied for first place with Arlington County in its population category in the 2009 Go Green VA Challenge, which is part of the Virginia Municipal League's larger Go Green Virginia environmental initiative*
- ⊙ *Albemarle County's General Services Department was accepted as an Exemplary Environmental Enterprise (E3) into the Department of Environmental Quality's Virginia Environmental Excellence Program.*
- ⊙ *Charlottesville and Albemarle County were selected as the first area in Virginia and one of the first in the nation to benefit from "smart grid" technology*
- ⊙ *The Southeast Energy Efficiency Alliance (SEEA) awarded the city of Charlottesville and County of Albemarle, VA \$500,000 for their proposal to create a local energy program*

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 Laura Vinzant, Steve Allshouse, Richard Wiggans, Robert Walters, Tom Foley, Bryan Elliott, Lee Catlin, Lori Allshouse, Andy Bowman, Diane Mullins, and Lindsay Harris for their efforts.

In closing, this recommended 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 budget choices ahead

of us, and I have complete confidence that we will emerge from this downturn as a better organization and a thriving community. I look forward to the upcoming discussions with you and the citizens of Albemarle as we move forward with this FY 10/11 financial plan.

Respectfully submitted,

Robert W. Tucker, Jr.
County Executive