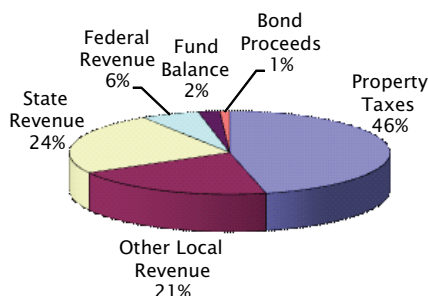


County of Albemarle Recommended Operating and Capital Budget FY 2010/2011 Frequently Asked Questions

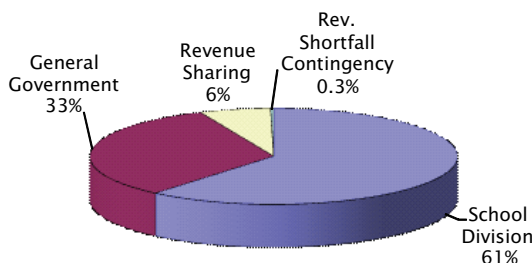
What is the County's total recommended budget for FY 10/11 and how does it compare to the past several years?

The County's Fiscal Year 10/11 recommended combined capital and operating budget totals \$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 recommended budget is balanced on a 74.2 cent tax rate following direction provided by the Board of Supervisors in January, which results in a real estate tax payment decrease for the average homeowner.

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



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



Why is Albemarle County's budget situation so challenging?

The recommended budget reflects the County's response to the strategic challenge of crafting a new and vital future for our organization which, like many local governments, is experiencing a significant structural budget imbalance - without making significant adjustments we face ongoing projected expenditures that outpace ongoing anticipated revenues over the short to long term. To provide some perspective, between the budget adopted in FY 08/09 and the recommended budget for FY 10/11, 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%.

How are the County's major sources of revenue being impacted by the economic downturn?

The County continues to face a dramatic downturn in revenues due to the broader economic conditions facing the Country. That downturn is reflected in our major revenue sources in the recommended FY 10/11 budget when compared to the adopted FY 09/10 budget as follows:

- 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

Has the County made any reductions to their budget prior to this year?

Yes. The FY 09/10 budget reflected a total decrease of \$30 million, or 9%, from FY 08/09. The FY 09/10 budget reduced General Government departmental expenditures by \$2.4 million or 3.1%, reflecting significant reductions, savings and efficiency measures, including:

- expansion of eliminated/frozen/offset positions by 20 resulting in a total of 55 positions since we began staffing reductions in FY 07/08
- continued reduction in non-personnel operating expenditures, resulting in savings totaling \$1.4 million, or a 10% decrease, since we began aggressive reductions in FY 07/08

That budget also reduced our Capital Improvements Program budget by \$100 million, or 42% over the next five years.

What additional local government reductions does the County propose in the FY10/11 budget?

This year's total recommended budget reduces expenditures by \$10.5 million from the FY 09/10 adopted budget; including expanding eliminated/frozen/offset positions a total of 78 which is a staffing level of employees per capita that is the same as we had in FY 01/02. A complete list of proposed reductions is available in the proposed budget document and online at www.albemarle.org/budget. In summary, the FY 10/11 recommended budget continues to reflect the County's focus on protecting core services to the greatest extent possible and being responsive to current economic conditions.

The most significant departmental reductions proposed in the budget are in the fiscal/management and community development areas and the parks, recreation and cultural areas to reflect repositioning to support core services and to respond to declining workload. This budget attempts to protect core services of public safety and human services to the greatest extent possible, although even these areas also were required to be reduced. Our focus on protecting core services and repositioning to meet demands of the current economic climate required that we propose reductions to many community service agencies. While our community services agencies have not received any reductions in county funding until this proposed budget, we are in a position where all services must be considered as part of these very difficult budget choices.

Have the County's administrative and management functions been reduced as revenues have declined?

Yes. Taken together, these areas have experienced a 5.7% or \$834,000 decrease in funding from the FY 08/09 Adopted Budget to the FY 10/11 recommended budget. 24 frozen, eliminated or offset positions or approximately 31% of the staffing changes made throughout the organization over the past two years have occurred in these functional areas. The County groups the following functional areas into its Fiscal and Management Services group: Internal Business Operations which include County Executive, Board of Supervisors, Information Technology, Human Resources, Finance and Voter Registrar; and Facilities Management and Support which includes Buildings & Grounds Maintenance, Custodial Services, Copy Center, Environmental Management, Stormwater/Water Resources and Solid Waste & Recycling.

Why are community agencies like the Jefferson Madison Regional Library being proposed for reduction?

It is important to note that reductions to community agencies were avoided for the first two years of the recession as local government operations and staffing absorbed significant decreases. In fact, in FY 08/09 when the County was beginning to experience declines in revenues related to the economic downturn and responded by freezing/eliminating county staff positions and reducing operations budgets, community agencies received an average increase of 4% in funding. In FY 09/10 while local government expanded its frozen/eliminated/offset positions to 55 and significantly reduced non-personnel expenditures, agencies maintained at least level funding and several again saw slight increases. So while it is not our desire to recommend any 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.

In the case of proposed Jefferson Madison Regional Library reductions, the County has not suggested and indeed would not support the closure of any branches, including those in Scottsville or Crozet. While there has been some question about the County's support of the library system, we would like to stress that last year, Albemarle provided 58% of the local funding provided to the system. That translates into Albemarle County providing 61% of funding for the Central Library, 55% of funding for the Gordon Avenue Library, 86% of funding for the Northside Library, and 75% of funding for the Bookmobile, along with 100% of funding for both Scottsville and Crozet Libraries. The County will spread any potential decreases to the library across the system and not concentrate reductions in closing branch libraries. We think that is a reasonable and less disruptive approach and mirrors what we have been doing within our local government services for the past two years.

How will the average taxpayer's real estate taxes change in this budget?

The average residential property owner will see a reduction in their tax bill in this recommended budget. The reduction will occur because the recommended budget is balanced on a tax rate of 74.2 cents, the same rate as last year, and the average reassessment for residential property declined 3.96% this year. As an example of how this reduction plays out, the average single family residential home value as of January 2009 was \$308,000 and at the 74.2 tax rate, the homeowner paid \$2,285.36 in real estate taxes. After the average decline in residential property value of 3.96% following the recent reassessment, that home is now valued at \$295,800, resulting in an annual tax bill of \$2194.84 - equating to a reduction of \$90.52, at the 74.2 tax rate in this proposed budget. A tax rate of 76.6 cents would equalize the tax bill, or keep payments at the same level they were last year, for the average taxpayer.

How have reductions in state funding impacted the budget?

Our funding from the state supports a number of different local government programs and services in the County, including critical services in the Police and Social Services Departments, and constitutional officers including the Sheriff, Commonwealth's Attorney, Circuit Court Clerk and Registrar of Voters. Between the budget adopted in FY 08/09 and the recommended budget for FY 10/11, Albemarle County is projecting a \$1.6 million reduction in state revenues which is having a serious impact on those departments/offices. The County School Division is also facing very drastic reductions in state funding in the FY 10/11 budget year.

What process did the County follow in developing its budget reduction plan?

Our budget process incorporates principles of zero based budgeting by not automatically assuming that the current year's expenditure levels are justified but rather systematically reviewing, reprioritizing and shifting funding support from activities that no longer align properly with our objective to support core governmental functions. The significant

expenditure reductions and staff reallocations since FY 08/09 demonstrate how services have been assessed, evaluated and reprioritized as is our customary practice as opposed to simply basing budgeting decisions on the previous year's funding levels.

This recommended 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 the budget reduction principles outlined in the budget. Generally, these reduction principles recognize the priority of 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 repositioning for the long term.

In addition to the reduction principles, budget decisions considered a variety of other indicators that provide important perspectives on the outcomes and relative value of various programs and services. Services considered for reduction were examined relative to citizen survey data, Agency Budget Review Team recommendations, the Board's strategic plan, and recommendations of the Resource Management Study, among other criteria to gain a holistic assessment of potential reduction impacts.

What are "core" services?

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 and prioritize those services that are truly core to protecting health, welfare and personal safety and that should appropriately be provided by local government. None of the reductions proposed by this budget are easy or desirable, and we recognize that they all come at some level of cost to the community. It is important to realize that even core services may need to be reduced in this challenging time - for example, we have had to freeze some positions and reduce other expenditures in our police department not to mention the significant reductions that our School Division is making.

How does the recommended budget support core services?

This budget provides for the reassignment of non-core County staff to fill positions in Social Services that are very critical due to increased workload and community needs. Although the County has had to make reductions to some areas of public safety and human services, these functions have received less significant decreases than other areas of county government. This budget continues level funding or proposes less significant reductions for those community agencies determined to be providing direct services that protect health and safety.

How does the recommended budget continue efforts in efficiency/savings?

This budget continues a strong focus on efficiencies and savings across the organization. For example, the budget reflects a savings of \$235,000 due to energy conservation and efficiency efforts and continues to fund only training and educational expenses that are required to maintain critical staff certifications. The budget proposes several staff reassignments that support revenue generation possibilities as was recommended in our recent Resource Management Study, for example filling the vacant Business Auditor position. Also, the budget recommends privatization of county services where it results in savings, for example contracting out custodial services that will result in a savings of an estimated \$100,000 annually.

Workload must have decreased in some departments due to the economic slowdown - how do staff reductions and reallocations reflect workload changes and create a restructured organization in this budget?

We began freezing positions in FY 07/08 in early recognition of the economic downturn. We have increased the total number of positions that are eliminated/frozen/offset by other revenues over the past three years to a total of 78 in the recommended FY 10/11 budget. Our ongoing staff reallocation process has shifted personnel throughout the organization from less essential service areas to core functions, causing us to eliminate some functions like the Visitor's Assistance Center in the County Office Buildings for example. While these less essential services have value, they were deemed most able to be reduced in the current economic environment.

The reallocation process also has been responsive to how workloads have changed in the current environment. For example, our Community Development Department has frozen/eliminated/offset 28 positions, in large part due to the decrease in development activity. Some CDD staff members have been shifted to handle increased workload in the Social Services Department and others have been reassigned as necessary throughout the organization.

What are the major impacts of this budget on the County's Capital program?

Two years of declining revenues have created a dramatic impact on the amount of money available for capital improvements, requiring even more significant changes to the program than anticipated during last year's budget process. The only projects that are proposed to remain funded in the CIP are contractually obligated projects and maintenance and repair projects that are considered necessary to protect existing facilities and equipment. Funding for all new capital projects, including all fire stations, parks, libraries, schools, sidewalks, greenways, recycling, etc. has been proposed for elimination or delayed beyond at least the next five years of the CIP in order to balance the plan.

How is the School Division affected by this budget?

The County provides funds to the School Division based on a long standing practice of allocating 60% of new local revenues to the School Division and 40% of new local revenues to local government. Because of the significant decrease in local revenues, this budget reflects a reduction of \$4 million, or 4.1%, in local support of school operations. The School Division faces additional fiscal pressure due to significant reductions in state funding.

How are County employees affected by this budget?

The Board of Supervisors and School Board gave joint direction on employee compensation for this year's budget which included no raises for any employees in the County local government or School Division for 2010-11. This is the second year in a row where employees have not received raises. Both boards believe that the County is not losing ground in our competitive market as other localities and private sector companies are enacting similar salary freezes. The Boards did approve the funding of increases in life insurance and health and dental care premiums as well as increases in VRS rates so as not to pass those costs on to employees and effectively decrease take-home pay.

Did the County consider furloughs or salary reductions?

A wide variety of strategies were considered during the development of this 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 the

kind of one-time savings that are generated by furloughs or these other approaches, 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. Also, many of our reductions and repositioning efforts are based on workload changes which would not be addressed through furloughs or salary reductions.

What are individual major areas of expenditure for the County's budget?

The largest areas of expenditure for the County are School Division operations and General Government operations. Taken together, School Division operations, School self-sustaining and School capital and debt expenditures account for almost 61% of the County's expenditures in FY 10/11. Other major areas of expenditure include general government, capital debt service and revenue sharing with the City of Charlottesville.

What are the major categories of general government expenditures?

General Government is broken down into eight major functional areas: Administration, Judicial, Public Safety, Public Works, Human Development, Parks, Recreation and Culture, and Community Development.

What is the Revenue Sharing Agreement?

In 1982, Albemarle County and the City of Charlottesville entered into a revenue sharing agreement in which both jurisdictions agreed to share tax revenues in return for total immunity from any annexation attempts by the City. The City was proposing a significant annexation of County territory at that time to increase the City tax base. The proposed agreement was approved by County voters in a referendum.

For as long as the agreement remains in effect, both the County and the City are required to contribute annually to a Revenue and Economic Growth Sharing Fund which is then divided between them on the basis of a formula related to population changes and "true real property tax rates" as determined by the Virginia Department of Taxation. Due to the nature of the formula and the conditions in the City and the County since 1982, the effect of the agreement is that the County has paid the City a revenue sharing amount every year equivalent to the ten cent tax rate cap. Last year, the revenue sharing payment totaled \$18 million, this year we anticipate that the revenue sharing payment will increase to \$18.5 million.

Can the County discontinue the Revenue Sharing Agreement?

The Revenue Sharing Agreement is legally binding and must remain in effect until one of the following occurs:

- The City and County are consolidated or otherwise combined into a single political subdivision, or
- The concept of independent cities is altered by state law in such manner that real property in the City becomes part of the County tax base, or
- The City and County agree to cancel or change the agreement

What role do the county's vision, mission and strategic goals play in the budget development process?

Albemarle County's strategic planning process assists the County in focusing our service and operations delivery. We believe that before we can allocate our available resources, we must

first understand the needs and desires of County residents and the factors that will affect us in the future. Working in partnership with citizens and the Board of Supervisors, we develop goals and measurable objectives to respond to community priorities. While the revenue downturns of the last several years have caused us to delay some of our strategic objectives, we are still focused on community priorities. The Board of Supervisors will be meeting early this summer to further discuss its strategic vision for the County in this new economic reality.

What is the Five-Year Financial Plan?

The local government Five-Year Financial Plan is an important long term planning tool that provides the Board of Supervisors with reasonable projections for the next five years so they can provide staff with direction regarding their long range goals and priorities. The Plan is based on a set of assumptions regarding how the County's revenues and expenditures are likely to change over time, based on the best information available at the time the Plan is reviewed. While the plan is not a budget document, it sets directions that will influence budget decisions in the years to come. The plan is reviewed and updated on an annual basis.

What are the County's unfunded mandates?

Unfunded mandates are instances where the state or federal government establishes laws and/or regulations that require the County to incur costs that are not reimbursed by the state or federal government. A general example would be if Congress required new voting machines and provided no funding to assist local governments with the purchase of these machines. These mandates require the County to divert local tax dollars to support federal and state programs. A significant example of an unfunded mandate in Albemarle County is the Comprehensive Services Act (CSA) which was created by the state in 1993 to provide services for at-risk youth.

How are property taxes set by the County?

General property taxes are based on the assessed value of real and personal property owned by businesses, individuals, and public service corporations. Real estate reassessments in Albemarle County are done on an annual basis and, as required by Virginia law, property is assessed at 100% of fair market value. The assessed value is used to calculate property taxes, which are the product of the assessed value and the tax rate, with tax rates being established annually by the Board of Supervisors. Both real and personal property are assessed at 100% valuation with tax rates applied per \$100 of assessed value. Real estate and personal property taxes are paid in 2 installments due June 5 and December 5. General property taxes consist of real estate, personal property, mobile home, and machinery and tools taxes.

How does the County's tax compare to similar jurisdictions in Virginia?

Albemarle County's tax rate historically has been in the lower half of the Top 20 most populated counties in Virginia. Albemarle's real estate tax rate is consistently among the lowest third of those counties. When the current tax rate of 74.2 cents is adjusted to reflect the impact of revenue sharing, the County actually operates on a twelve cent lower rate, or 62.2 cents because of the amount allocated to the City of Charlottesville.

What are Albemarle County's Real Estate and Personal Property Tax Rates?

The real estate tax rate is \$0.742 per \$100 assessed value. The personal property tax rate is \$4.28 per \$100 assessed value. Personal property tax is levied on vehicles and other tangible non-real estate property owned by individuals, businesses, trusts, and taxable non-profit organizations. Qualifying vehicles assessed at \$1,000 or less are eliminated.

Is there a calendar of the County's Budget Process, and how can I participate in this process?

The County's budget document contains a budget calendar. This document can be accessed from the County's website www.albemarle.org/budget. This calendar includes information and dates of public hearings. Hearings on recommended budgets and proposed tax rates are held in March and April.

How can I review the County's Budget?

The County's Recommended and Approved Budgets, both current and for past years, are available for review on the County's website, www.albemarle.org/budget. The budgets are divided into sections in PDF format for easier viewing and downloading. In addition to the online budget, a copy of the FY 10/11 budget document is available at local libraries and in the County Executive's Office for public viewing. Bound print and/or CD-ROM copies of the budget are available for purchase in the County Executive's Office.

What if I have questions or comments regarding the Budget?

For more information about the County's budget or budget process, click the link at the bottom of the Budget webpage on the County's website. Feel free to email your comments and questions regarding the budget to budget@albemarle.org. Questions and comments can also be directed to the County Board of Supervisors via e-mail at bos@albemarle.org.