

# COUNTY OF MONTGOMERY, VIRGINIA

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## FISCAL YEAR 10 APPROVED BUDGET

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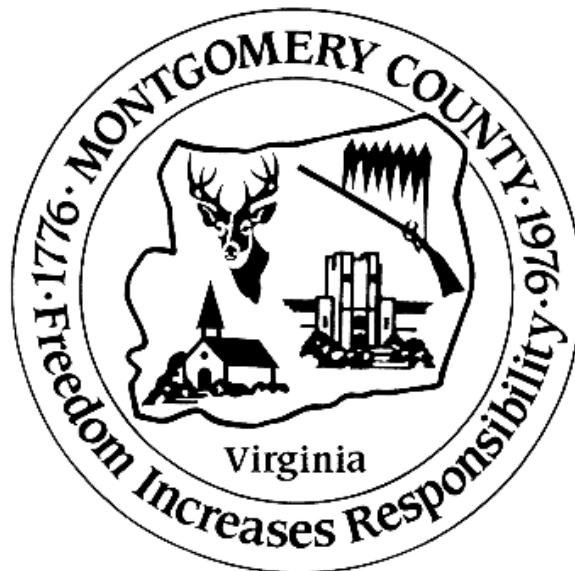
Angela M. Hill

**BUDGET MANAGER**

Marc M. Magruder

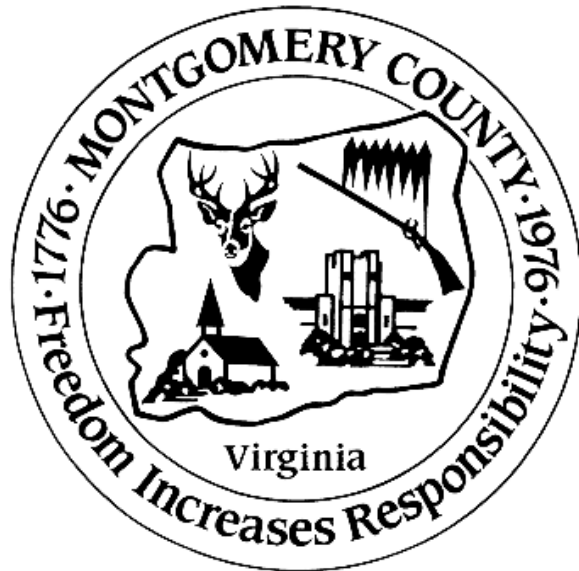
**SENIOR PROGRAM ASSISTANT**

Susan S. Dickerson



# BUDGET MESSAGE

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## FISCAL YEAR 10 APPROVED BUDGET

March 6, 2009

Board of Supervisors  
County of Montgomery, Virginia

Dear Chair Perkins and Members of the Board:

The budget team and I are pleased to present the FY 2009-2010 proposed budget to you and the citizens of Montgomery County. Budget preparation for the upcoming fiscal year has presented many challenges. Uncertainties due to the declining national and state economies resulted in a significant impact locally in reductions of state revenue. While the local economy is currently performing better than in some communities, it is still subject to negative impacts from the national and state levels.

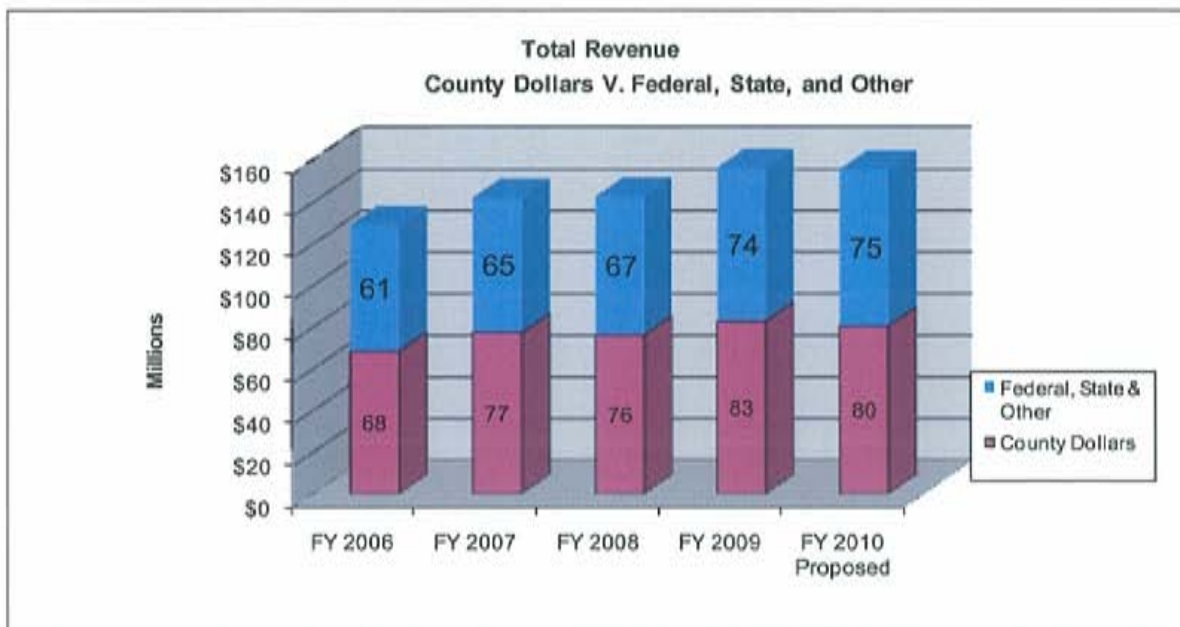
Local revenue uncertainties, funding reductions and prior funding commitments were the dominant issues for the FY 2010 budget. An additional \$1 million was required to meet the County's obligation to the Western Virginia Regional Jail. Also, the issuance of \$77 million in bonds committed County resources to increased debt service costs of more than \$4 million. At the same time, the Governor proposed a state budget that reduced state revenue to the County by \$5 million, including schools. Given the state of the economy, increased unemployment and stagnant home sales, a tax increase may have placed an undue burden on many of our taxpayers.

Herein lies the challenge – absorbing these added costs within existing resources. The County leadership team began this past November to look at ways to reduce costs and reallocate dollars. All department directors and constitutional officers were asked to offer “budget reduction strategies” to help find ways to address the commitments.

The County leadership team identified more than 30 expenditure and revenue items to be analyzed during the development of the FY 2010 budget. During these conversations, the team understood raising local taxes may not be an option. They identified two priorities: minimizing the impact on citizen services and minimizing the impacts on current staffing levels. They recognized that there would be no easy solution to these challenges. The outcome, however, is the FY 2010 proposed budget which includes no real estate tax increase and is crafted to address the County's funding commitments.

### **Revenue Plan**

The FY10 revenue totals \$155.7 million, of which \$80.4 million is from federal, state and other designated funds. The remaining \$75.3 million represents County dollars not designated for a specific purpose, and includes \$1.4 million new growth, primarily from increases in real estate and personal property taxes.



State revenue reductions lowered the revenue in support of constitutional officers by more than a half million dollars. To address a portion of this shortfall, \$248,000 from the County's Rainy Day Fund is used in the proposed budget. The balance of the Rainy Day Fund and the Debt Service Reserve are also used to lower annual debt service costs over a six year period.

On February 28, 2009, the Virginia General Assembly adopted its budget with many changes due to the federal stimulus package being awarded to the State. The State and localities are now reviewing the federal stimulus package to gain a full understanding of its impact. Since the County must move forward with the budget process, the FY 2010 proposed budget is based on the best information known as of the writing of this document.

### Service Fees

In tough financial times, it is prudent to look at alternative ways to generate funds for services. While there are no new fees included in this proposed budget for fire and rescue services, County staff will work with the Fire and Rescue Commission over the coming months to explore the possibility of imposing fees for the handling of hazardous material spills and for third party reimbursement for the transportation of patients by rescue squads for medical treatment. These fees would provide a new, continuous revenue source dedicated to providing these services. Slight increases for Planning and GIS services are also under consideration for possible future increases.

The proposed budget, however, does include an increase in revenue from courthouse maintenance fees approved by this session of the General Assembly. This provides some additional dollars for maintenance at the courthouse.

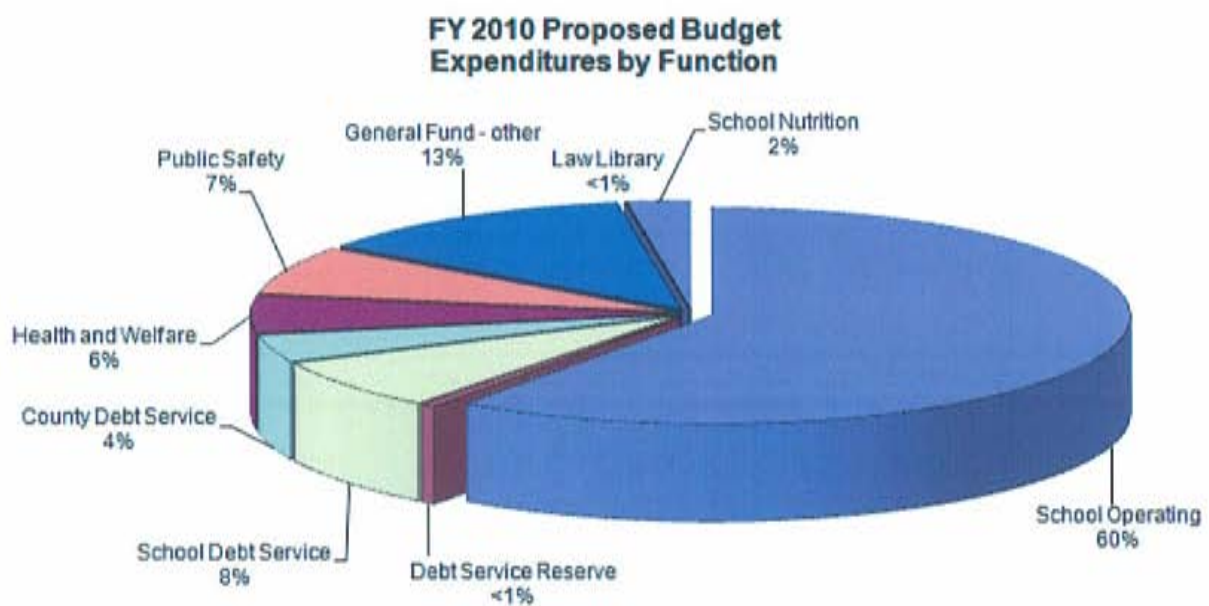
### Expenditure Plan

The FY 2010 proposed budget totals \$155.7 million, representing a reduction of one-half of 1 percent from FY 2009. The General Fund budget of \$39.3 million represents an increase of \$4,198 over last year. Although more than \$3 million in additional budget requests were submitted to the County, the total dollars in the proposed budget remain relatively flat.

In order to address the County's commitments within the existing revenues, reductions were made in a number of areas:

- Travel, training and conference funds by 25 percent
- Vehicle replacements
- Part-time and overtime salary monies
- Fire and rescue capital
- Outside agencies
- Centralize Maintenance funds by 33 percent

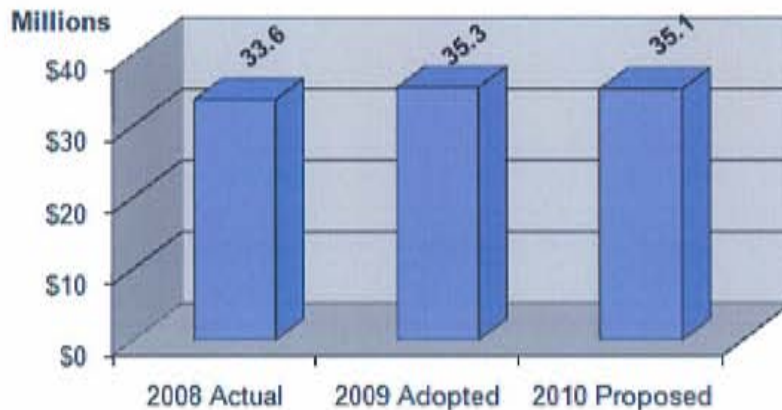
As much as possible, reductions to public safety have been minimized. Other strategies to generate savings currently under way include freezing vacant positions and consolidating functions.



### Education

The FY 2010 proposed budget for Schools is \$93,202,784. This represents a \$4,182,954 reduction from the approved FY 2009 budget of \$97,385,738. The good news is that the General Assembly has used federal stimulus funds to restore many of the State reductions proposed in the Governor's budget. The County's budget team and School administrators are awaiting the details regarding the actual allocation of stimulus dollars. It appears that the School's operating-budget will see a restoration of about \$3 million. County funding provided to Schools decreased by \$227,535, which is needed to offset the loss of school construction funds. From the information known to date, it appears that the stimulus package will also help address the loss of state school construction dollars which are used to pay debt service costs.

## County Funding for Schools



### Debt Service

The funding approved for capital projects totals \$130 million, 77 percent for schools and 23 percent for County facilities. This past fall the County embarked on the first phase of several capital projects by borrowing \$77 million to cover the cost for new County and School capital needs. The School Board broke ground for the new Elliston/Shawsville Elementary School in December 2008. It is anticipated that the new Price's Fork Elementary School will break ground in fall 2009. County projects include construction of a new courthouse, and renovations of the existing jail and former courthouse into a new public safety building. The courthouse project is scheduled for bid in May, with construction to begin by August 2009.

A total of \$4,091,056 has been added to the FY 2010 budget to cover the increase in debt service for bonds borrowed this past fall and for an anticipated Literary Fund loan payment. The increased debt service is covered by the following:

Increase in General Fund Dollars	\$749,583
2 cents of the tax rate previously earmarked for debt service	\$1,342,884
Debt service reserve funds	<u>\$175,000</u>
Total increase from the General Fund	\$2,267,467
Loss of school construction funds	(\$227,535)
Tax pennies previously set aside in School Capital Fund	\$1,873,545
Interest earned on bond proceeds	<u>\$177,679</u>
Grand total increase for debt service	\$4,091,156

### **Employee Compensation and Benefits**

Each year the budget is developed with a goal of making some adjustments for employee compensation to keep salaries competitive with our counterparts. This year, however, like many of our neighboring jurisdictions, state agencies and our local universities, increased employee compensation was not possible. Therefore, there are no compensation increases for employees for FY 2010, including no merit increases, annual salary adjustments, Management Advisory Group (MAG) phase 5 adjustments or reclassifications for County employees.

Although health insurance costs continue to escalate, the County will save money and experience a lower than expected increase by switching to a new health insurance provider. The proposed budget will fund a 13.2 percent increase in health insurance premiums.

### **Other Highlights**

The County's \$155.7 million proposed budget decreased \$847,445 from FY 2009 despite the large increase in debt service, operational costs for the new Western Virginia Regional Jail and unavoidable increases in the costs for fuel, utilities and other necessities. The County budget was able to absorb some of the increasing debt service because of the Board's foresight in setting aside 2 to 4 cents of the real estate tax rate in previous years, saving dollars for future costs. It also was necessary to deny nearly \$3 million in department requests for additional funding to meet increased demands for current services and programs. For example, the library's request for \$50,000 to purchase more books was not possible due to fiscal constraints although circulation has increased greatly because of the economy. Finally, to address the increases in certain areas, dollars were reallocated from reductions in other areas.

Many requests were not funded in the County's proposed budget, including:

- No revenue sharing dollars for road improvements
- No funds to continue the Gypsy Moth program
- No additional contributions to outside agencies, some reductions proposed
- No operating increase for Fire and Rescue
- Reduced capital funding to Fire and Rescue by \$335,720
- No roof replacement at the Meadowbrook facility
- No equipment replacements for athletics
- No increase for library books
- No added positions

### **Conclusion**

In the upcoming weeks, due to the General Assembly's restoration of funds using federal stimulus dollars, the budget team will be analyzing the impact of the State budget on the County. Once details are known, the budget team, in cooperation with the School Board staff, will be able to identify the additional state funding which can be incorporated in the final budget.

I want to thank the Board of Supervisors, Assistant County Administrator Carol Edmonds, Finance Director Angie Hill, Budget Manager Marc Magruder and the many other County directors and employees, the Constitutional Officers and their employees, and outside agencies' directors and employees for helping me during the past five years that I have served as Montgomery County Administrator. I am leaving shortly after the submittal of this proposed budget and would be remiss in not thanking everyone for their encouragement, assistance and help over the past five years. I wish Montgomery County the best for the future.

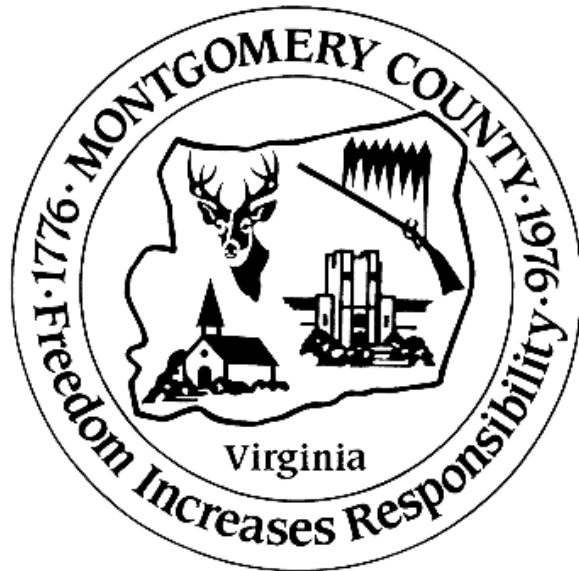
Thank you all!



B. Clayton Goodman, III  
County Administrator

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150/152	Information Technology	540	Social Services
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170	Treasurer & Treasurer Collections	710	Regional Library System
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200	Internal Services	810	Economic Development
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