

COUNTY OF MONTGOMERY, VIRGINIA

FISCAL YEAR 11 PROPOSED BUDGET

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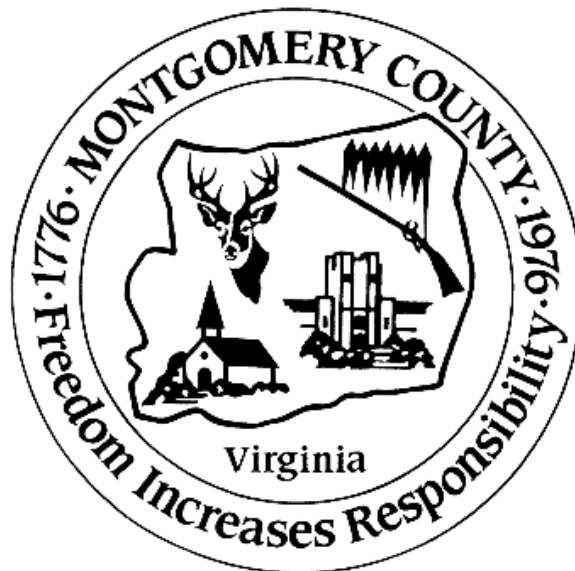
Angela M. Hill

BUDGET MANAGER

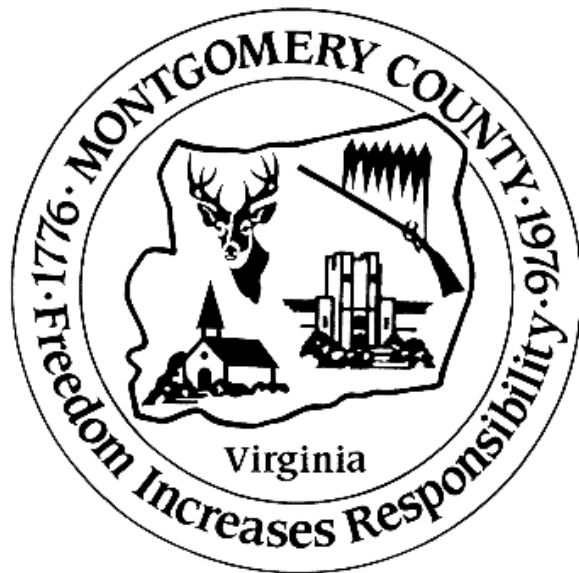
Marc M. Magruder

SENIOR PROGRAM ASSISTANT

Susan S. Dickerson



BUDGET MESSAGE



FISCAL YEAR 11 PROPOSED BUDGET



OFFICE OF COUNTY ADMINISTRATION
MONTGOMERY COUNTY
F. CRAIG MEADOWS, COUNTY ADMINISTRATOR

755 ROANOKE STREET, SUITE 2E, CHRISTIANSBURG, VIRGINIA 24073-3181

March 8, 2010

Dear Chair Perkins and Members of the Board of Supervisors –

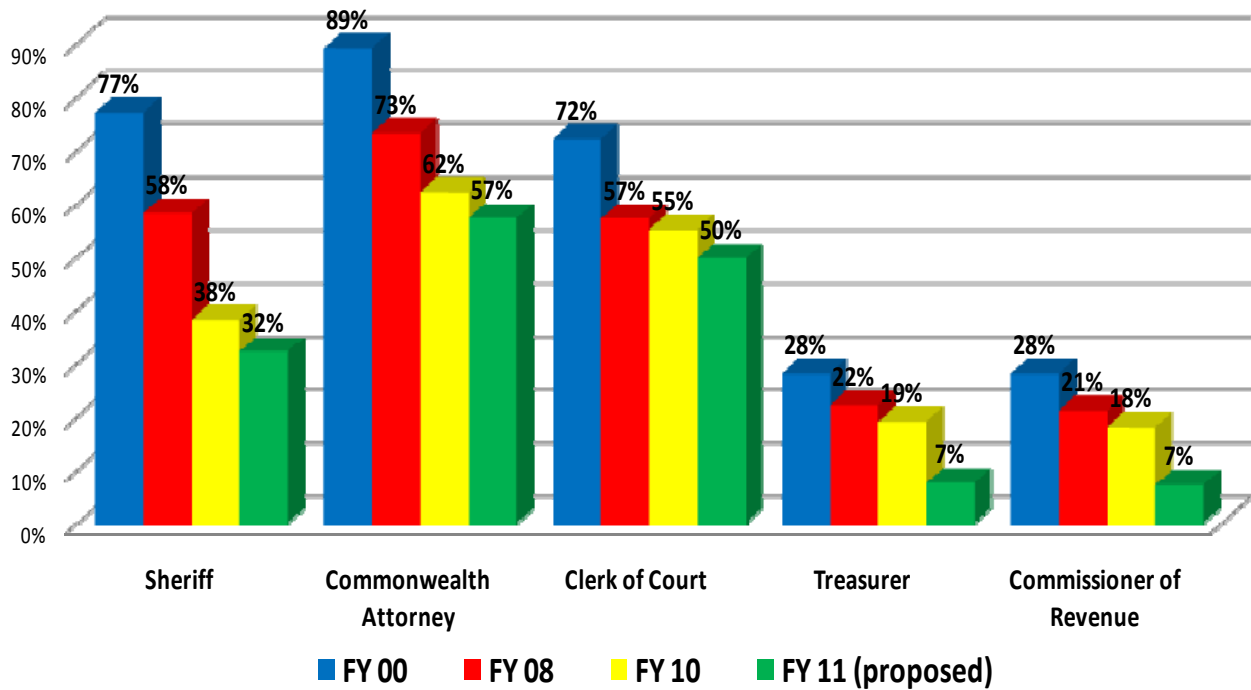
In prior years, I have always opened my budget messages with the comment that “I am pleased to present for your review...the proposed fiscal year budget.” However, with the many budgetary issues we are facing in this upcoming fiscal year, it is difficult for me to be “pleased” to present such a difficult budget for your consideration for the 2010-2011 fiscal year.

As you are well aware, the challenges of assembling the proposed fiscal year budget for your review and deliberation have been tremendous. The budget process began with an anticipated shortfall in General Fund revenues of over \$1 million for the current fiscal year, combined with reductions in state funding for our Constitutional Officers and other operations estimated at an additional \$1.5 million. Anticipated increases in employee benefits (health insurance, retirement, group life insurance, unemployment compensation, etc.) along with additional costs for utilities and support of the Western Virginia Regional Jail total nearly another one million dollars, bringing the initial shortfall to approximately \$3.4 million in the County’s General Fund as we began the fiscal year 2011 budget process. Coupled with the projected reduction in state funding to the Montgomery County Public Schools, the shortfall for the upcoming fiscal year for the County and the Schools was approaching **\$10 million**. Governor McDonnell, the House Appropriations Committee, and Senate Finance Committee are currently contemplating further adjustments that could result in several million dollars in additional reductions in funding to our local school system.

“One of every two (state) dollars comes back to localities in some way. ... You’re not going to make an additional \$2 billion in cuts without having an adverse effect upon monies sent to localities by the state.”

... State Senator Roscoe Reynolds

Percent of State Funding for Constitutional Officers FY 2000 to FY 2011



Last year, strategies were employed to balance the current year budget which included no new positions; no merit or cost of living increases; freezing vacant positions; a reduction of maintenance and capital funding; a 50% reduction in funding for fire and rescue capital; use of debt service reserve and rainy day funds to reduce debt service; and less funding for travel and training for our employees.

As staff assembled the proposed 2010-2011 budget for your review, I have emphasized that our budget must ensure the County will continue to maintain quality public safety protection and a quality educational system for our citizens, while minimizing the impact on local taxpayers as much as possible. We have employed several strategies to minimize the possible impact on these priorities, including continuing no merit or cost of living increases for the second consecutive fiscal year; continuing the freeze on nearly 13 currently vacant positions; rejecting all requests for increased funding for operations unless mandated or required (e.g. utilities); and no restoration of part-time salary funding in several departments or funds for travel or training.

All these are small items, but they add up. Localities will have to supplement the funding or do away with the program.”

Virginia Department of Planning and Budget Manager Jerry Edwards

One strategy that must be considered in the proposed budget is the reduction of personnel in offices where the state has eliminated funding for staff positions. In the Commissioner of the Revenue's and the Treasurer's offices, all funds for staff were eliminated except for the two Constitutional Officers. I am proposing that the County restore funding for five of these positions in each office; as a result, five positions will need to be eliminated from each office. When we compare the current staffing in these offices to other counties with similar demographics, we can no longer support shifting County dollars from other critical areas to support the higher staffing levels. To allow time for both offices to address reductions in staffing, these reductions will be effective January 1, 2011 for positions not currently vacant. Over the next year, we will also work closely with both offices to achieve greater efficiencies through technology and workload redistribution.

I am also proposing that we continue the freeze on filling existing vacancies in the organization. This results in a reduction of nearly 13 full-time equivalent positions; when combined with the elimination of 10 additional positions, this represents a reduction in County staff of nearly 6%. In addition, the proposed budget anticipates offering incentives to employees who are eligible for retirement to help avoid the need for additional layoffs or terminations. If five to fifteen employees elect to accept incentives and retire, this would result in a total reduction of County staffing of 7% to 10%.

The County's employees are our organization's greatest asset. Reductions in staff create additional work for the remaining employees who carry on the duties of supporting our citizens each day. No reductions in salaries or benefits are proposed for these employees, as they will have more responsibilities and duties as a result of the reductions proposed above. We have many dedicated and loyal employees who work hard to provide the best possible service to our citizens, and I greatly appreciate their efforts during this extremely difficult time.

The Board of Supervisors offered consensus in changing the method of motor vehicle valuation, which will allow us to offset some of the shortfall in personal property revenue, and help to stabilize the existing local revenue base. This change in valuation method will generate approximately \$700,000 in revenues, without changing the existing personal property rates.

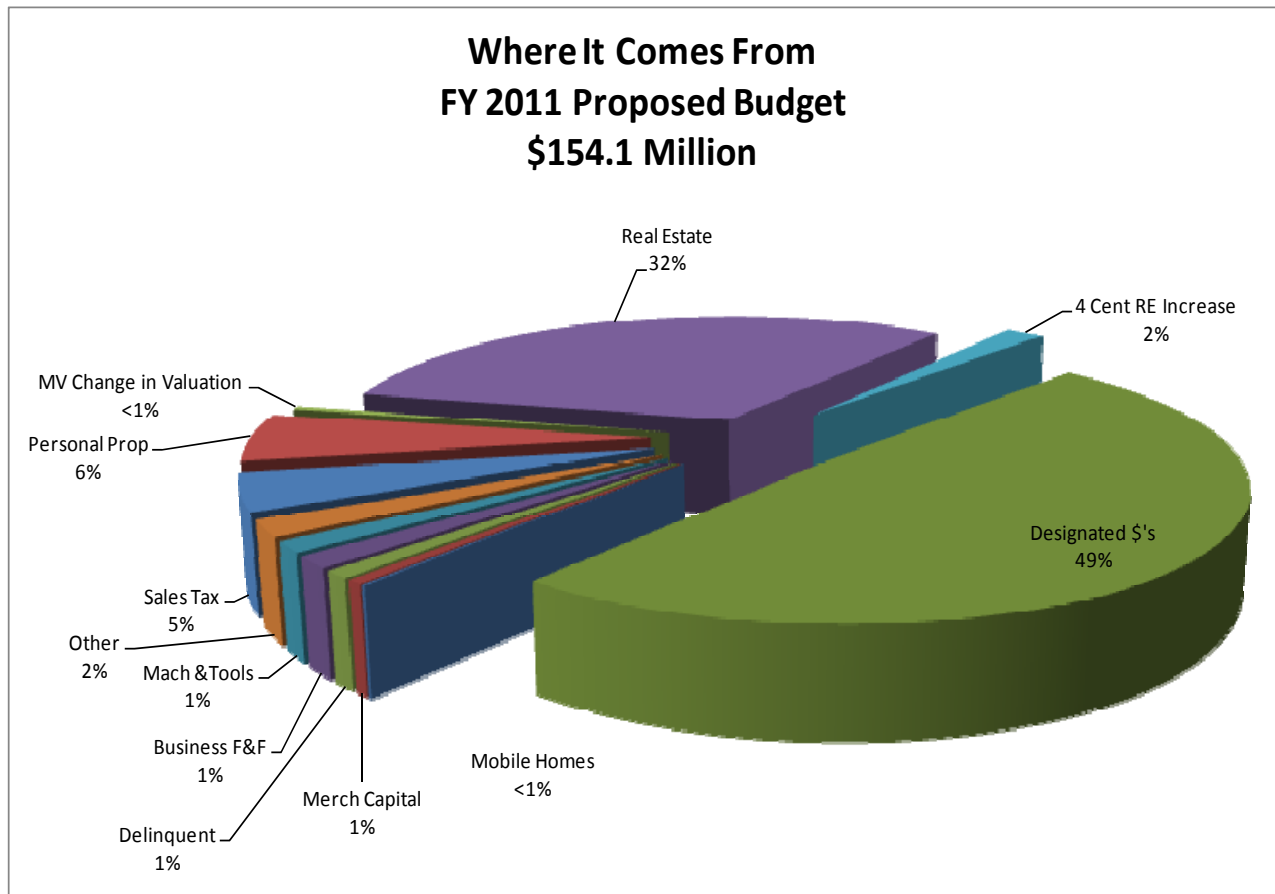
“What we have here is a classic case of shifting the fiscal burden to the locality and setting up a condition in which the locality feels the complete brunt of the pressure. The state does not appear to have an appetite for addressing revenues, and that position is something that localities will live with for years.”

... Hanover County Schools Superintendent Stewart D. Roberson

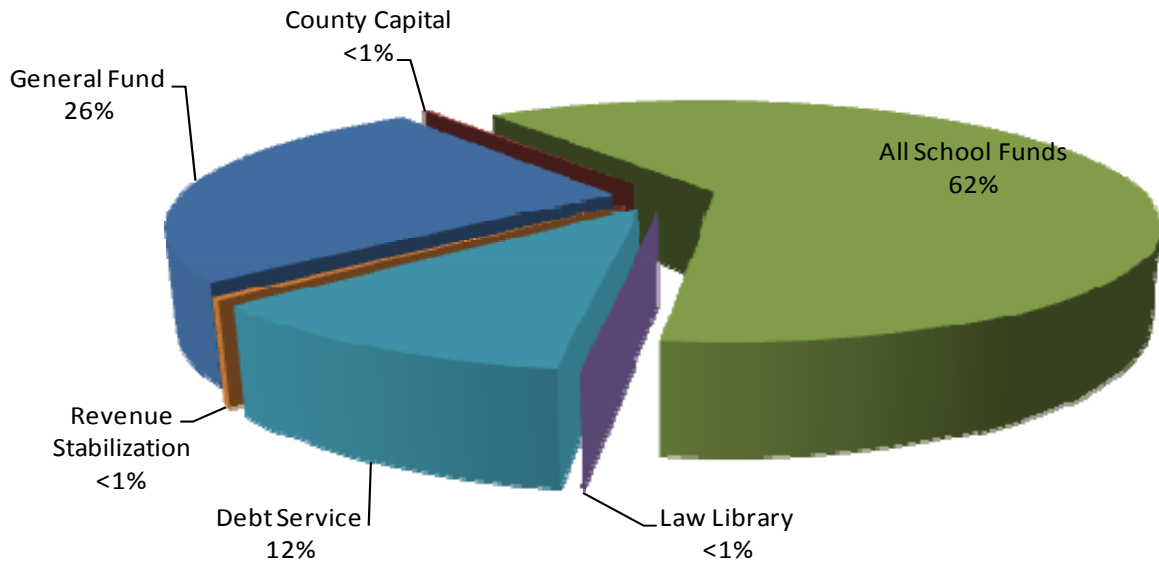
For FY 2010-2011, I am recommending the Board consider a 4 cent increase in the real estate tax rate. Increasing the real estate tax by 4 cents will generate approximately \$2.7 million, and allow us to restore \$700,000 to the school system's FY11 funding request, and also add \$300,000 to our County schools to address the proposed change in funding for the local composite index. The proposed increase will also allow us to fully support our public safety operations; allow money to be set aside for future years' budgets; provide funding for road improvements and the purchase of equipment for fire and rescue operations; and provide funding for retirement incentives and phasing in of staff reductions.

It should be noted that our budget projections are based on former Governor Kaine's proposed budget, and do not reflect any adjustments proposed in the current session of the General Assembly. Governor McDonnell's proposed reduction in funding to public schools could amount to an additional \$3 million to \$5 million in cuts to the Montgomery County Schools.

The Commonwealth has proposed to cut 21% of its funding for the Commonwealth Attorney's Office and the Sheriff's Office. With a 4 cent real estate tax rate increase, we will be able to maintain full staffing (except for three frozen vacant positions) in the Sheriff's, Commonwealth Attorney's, and Clerk of Court's offices. Our commitment to public safety remains strong, and we appreciate all that those in the law enforcement community do to protect us each day.



Where It Goes FY 2011 Proposed Budget \$154.1 Million



As County staff reviewed our financial situation with you in earlier work sessions, you requested that I develop a worksheet showing reductions that would be required if the Board approved a smaller real estate tax increase, or no tax increase. That summary is attached as Appendix A to my budget message. Should the General Assembly restore funds to address the reductions proposed in former Governor Kaine's budget, then these recommended reductions will change. As we continue through the budget review process, we will update this information as we receive more information from the State.

In April 2004, I wrote these words in my budget message to the Bedford City Council:

"We must continue to encourage our state elected officials to move forward with finding long-term solutions to the Commonwealth's funding issues, and we must demand that the State continue to evaluate the distribution of funds to the localities to meet core services. Without major changes in the tax structure in Virginia, our ability to control our local fiscal affairs remains somewhat limited. We must continue to be aggressive in promoting economic development ... in order to continue to expand our tax base and improve the opportunities for our workforce."

These words are every bit as true today as they were six years ago! It has become obvious the State has decided that rather than evaluating how funds are raised and distributed for core services such as education and public safety, they are simply going to pass the burden of funding these core services to the localities. With no hope of additional revenues from the state to fund these and other essential functions, it is left to our local elected officials to decide how

best to address these needs, through raising property taxes, reducing services, or perhaps both. While I am confident that our Board knows and understands the needs of our County, to require you to be fully responsible for these choices presents a difficult challenge.

In conclusion, the proposed fiscal year 2010-2011 budget continues the Board's tradition of fiscally responsible operating plans for the County. It provides essential funding for high quality services to our citizens and businesses, maintains most programs and activities of our various departments, and allows for the investment in capital and human resources necessary to perform our jobs efficiently and effectively.

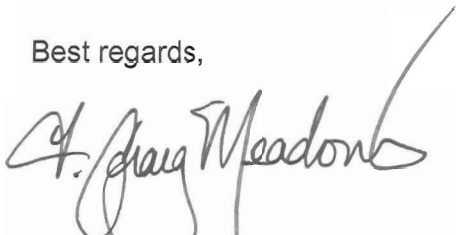
The General Assembly and the Governor will be making final decisions soon on the Commonwealth's budget for fiscal year 2011. Once the details are known, the County's budget team will review the changes and advise on any amendments that may be needed to the proposed budget information.

I want to thank the County's department heads and Constitutional officers for all their assistance and support as we compiled this proposed budget for your review. Our leadership team is keenly aware of the fiscal situation we are facing, and they have been very supportive to me as we worked to develop this budget. Special thanks goes to Carol Edmonds, Angie Hill, Marc Magruder, and Susan Dickerson, who have spent countless hours entering, reviewing, revising, and assembling the budget numbers prior to my formal presentation to you. Thanks also to Ruth Richey and her staff, who volunteered for the task of assembling these documents for you, saving the County from having to pay an outside company to assemble the document.

In spite of these difficult economic times, Montgomery County has achieved many noteworthy accomplishments in the past twelve months through your leadership. I am confident that the upcoming fiscal year will be another year of progress and improvement for our great County. County staff will be reviewing the proposed budget information with you in more detail in the weeks ahead; additional work sessions may be scheduled in order for you to have ample time to discuss this information. The required public hearing on the proposed budget is Monday, March 29, at 7 p.m. Our plan is to establish the real estate tax rate and adopt the budget at our regular board meeting scheduled for April 12.

I am honored to be serving as your County Administrator, and I am grateful to each of you for your support and your leadership. I welcome your comments and suggestions as you review the attached information in the days ahead.

Best regards,

A handwritten signature in black ink, appearing to read "F. Craig Meadows". The signature is fluid and cursive, with a long, sweeping line extending upwards from the end.

F. Craig Meadows

County Administrator

Adjustments for Consideration if the Board of Supervisors Desires to Establish a Lower Tax Rate than Proposed by the County Administrator

*Adjustments recommended to reduce budget in order to adopt a real estate tax rate of 74 cents** (3 cents higher than current rate) –*

• Reduce non-mandated outside agencies 5%	\$27,500
• Reduce Department of Social Services' local funding 3%	\$32,500
• Reduce hours at consolidated waste sites 12%	\$60,500
• Reduce library materials for patrons 5%	\$9,500
• Reduce \$300,000 added for schools to \$250,000	\$50,000
• Eliminate compensation for Planning Commission members	\$14,000
• Eliminate compensation for Economic Dev. Commission members	\$3,000
• Eliminate part-time salary funds in Commonwealth Attorney's office	\$18,500
• Reduce revenue stabilization fund to \$100,000	\$464,500

▪ **Total amount of reduction -- \$680,000**

**** All dollar values are approximate, and are based on the assumption that NO additional State funding will be received to offset any proposed reductions**

Adjustments recommended to reduce budget in order to adopt a real estate tax rate of 73 cents** (2 cents higher than current rate) –

• Reduce funding to non-mandated outside agencies 10%	\$55,000
• Reduce Department of Social Services' local funding 8%	\$86,000
• Reduce hours at consolidated waste sites 26%	\$122,000
• Reduce library materials for patrons 10%	\$19,000
• Reduce part-time salaries for libraries 10%	\$36,500
• Eliminate \$300,000 in additional funding for schools	\$300,000
• Eliminate compensation for Planning Commission members	\$14,000
• Eliminate compensation for Economic Dev. Commission members	\$3,000
• Eliminate part-time salary funds in the Comm. of the Revenue's office	\$5,500
• Eliminate part-time salary funds in County Administration	\$4,000
• Eliminate part-time salary funds in the Commonwealth Attorney's office	\$18,500
• Eliminate revenue stabilization fund	\$564,500
• Implement reduction in positions in Sept. 2010 instead of Jan. 2011	\$132,000

▪ **Total amount of reduction -- \$1,360,000**

***** All dollar values are approximate, and are based on the assumption that NO additional State funding will be received to offset any proposed reductions***

Adjustments recommended to reduce budget in order to adopt a real estate tax rate of 72 cents** (1 cent higher than current rate) –

• Reduce funding to non-mandated outside agencies 15%	\$82,500
• Reduce Department of Social Services' local funding 10%	\$85,500
• Reduce hours at consolidated waste sites 39%	\$184,000
• Reduce library materials for patrons 10%	\$19,000
• Reduce part-time salaries for libraries 10%	\$36,500
• Eliminate \$300,000 in additional funding for schools	\$300,000
• Eliminate compensation for Planning Commission members	\$14,000
• Eliminate compensation for Economic Dev. Commission members	\$3,000
• Eliminate part-time salary funds in the Comm. of the Revenue's office	\$5,500
• Eliminate part-time salary funds in County Administration	\$4,000
• Eliminate part-time salary funds in the Commonwealth Attorney's office	\$18,500
• Eliminate revenue stabilization fund	\$564,500
• Implement reduction in positions in July 2010 instead of Jan. 2011	\$181,000
• Reduce County funding for schools	\$221,000
• Use one-time money from "windfall" to balance budget	\$321,000

▪ **Total amount of reduction -- \$2,040,000**

***** All dollar values are approximate, and are based on the assumption that NO additional State funding will be received to offset any proposed reductions***

Adjustments recommended to reduce budget in order to maintain the current real estate tax rate at 71 cents –**

• Reduce funding to non-mandated outside agencies 20%	\$142,000
• Reduce Department of Social Services' local funding 15%	\$160,500
• Reduce hours at consolidated waste sites 50%	\$238,000
• Reduce library materials for patrons 10%	\$19,000
• Reduce part-time salaries for libraries 15%	\$55,000
• Eliminate \$300,000 in additional funding for schools	\$300,000
• Eliminate compensation for Planning Commission members	\$14,000
• Eliminate compensation for Economic Dev. Commission members	\$3,000
• Eliminate part-time salary funds in the Comm. of the Revenue's office	\$5,500
• Eliminate part-time salary funds in County Administration	\$4,000
• Eliminate part-time salary funds in the Commonwealth Attorney's office	\$18,500
• Eliminate revenue stabilization fund	\$564,500
• Implement reduction in positions in July 2010 instead of Jan. 2011	\$181,000
• Reduce County funding for schools	\$702,000
• Reduce Sheriff's Office by one position	\$49,500
• Reduce Clerk of Courts' office by one position	\$42,000
• Reduce Commonwealth Attorney's office by one position	\$49,500
• Reduce Sheriff's vehicle replacement fund by 38%	\$59,000
• Eliminate gas card incentives for fire and rescue volunteers	\$42,000

(Continued on next page)

**** All dollar values are approximate, and are based on the assumption that NO additional State funding will be received to offset any proposed reductions**

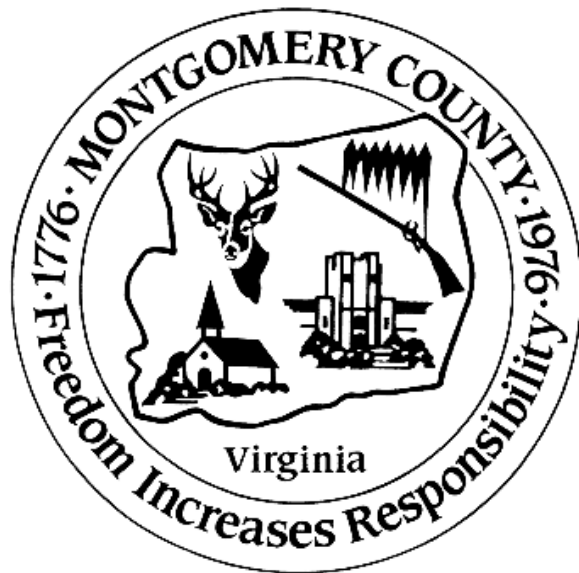
Adjustments recommended to reduce budget in order to maintain the current real estate tax rate at 71 cents**(continued) –

• Eliminate funding for the Lyric Theatre	\$5,000
• Eliminate funding for the Montgomery Museum	\$5,000
• Eliminate funding for Smithfield Plantation	\$5,000
• Eliminate funding for Rosa Peters Park	\$5,000
• Eliminate funding for the Riner Cannery	\$8,500
• Eliminate payment for fire hydrant maintenance	\$16,000
• Capture savings from reclassification of one full-time position to part-time (position to be determined)	\$26,500

- **Total amount of reduction -- \$2,720,000**

***** All dollar values are approximate, and are based on the assumption that NO additional State funding will be received to offset any proposed reductions***

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FISCAL YEAR 11 PROPOSED BUDGET

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100	Revenue Sharing	310/320	Sheriff-Comp. Bd. /Sheriff-County
110	Board of Supervisors	330	Fire Departments & Rescue Squads
120	County Administration	400	General Services
130	County Attorney	510	Comprehensive Services Act
132	Financial & Management Services	520	Human Services
140	Insurance	530	Public Health Department
150/152	Information Technology	540	Social Services
160/162	Commissioner of Revenue/Assessments	700	Parks & Recreation
170	Reassessment	710	Regional Library System
180	Treasurer/Treasurer-Collections	800	Planning & GIS Services
200	Registrar/Electoral Board	810	Economic Development
210	Internal Services	910	Other Agencies
220	Commonwealth Attorney	950/960	Contingencies-General & Special
230	Circuit Courts	03	Law Library
240	General District Court	09	Montgomery County Public Schools
250	Juvenile & Domestic Relations Court	18	General Government Debt Services
	Magistrate		Montgomery County Capital
	Clerk of the Circuit Court		