


**ACTION ITEM  
BOARD OF SUPERVISORS**

**DATE:** January 19, 2010

**TO:** Board of Supervisors

**FROM:** Maria Perrotte   
Chief Financial Officer

**ISSUE:** FY2011 Midyear Review

**STAFF RECOMMENDATION:** n/a

**BUDGET IMPACT:** n/a

**ATTACHMENTS:** (1)

[1] Powerpoint

[6] Reso/Ord

[ ]

[ ] Reso/Ord/Proc #

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[ ] Reso/Ord/Proc #

[ ]

**REVIEW:** [X] County Administrator's Office 

[ ] **Consent Agenda**

[ ] **Other Business**

[ ] **Public Hearing**

[ ] **Discussion Item**

[X] **Presentation**

[ ] **Unfinished Business**

[X] **New Business**

**PRESENTATION BY:** Nancy A. Collins, Budget Division Director  
Tammi W. Ellis, Executive Director of Organizational  
Development

**ELECTION DISTRICT:** N/A

<p>FY2010 Midyear Review, FY2011 Update</p> <hr/>	
<p>and Stafford Value Index</p>	

<p>FY2010 Midyear Review</p> <hr/>	

## FY2010: Midyear Review at a Glance

- Since the first quarter review:
  - The Board has directed staff to assume the repeal of BPOL
  - There has been a slight improvement to other revenues.
  - Health insurance is now projected to be closer to budget levels. We do not expect the full savings we projected at the 1<sup>st</sup> quarter review.
- Reserves and interest are still available to maintain desired fund balances.

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## FY2010 Revenues

- BPOL and Merchants' Capital
  - The Board has directed staff to assume the repeal of BPOL. Without BPOL, the County can collect Merchants' Capital tax.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 3,322,250	\$ 3,322,250	\$ 961,000
Diff from Adopted		\$ -	\$ (2,361,250)

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## FY2010 Revenues

### □ Real estate taxes

- As reported to the Board at the end of the first quarter, we are projecting current real estate tax revenues to be \$850k below budget due to slower growth.
- An increase in public services corporations' (electric, gas, etc.) real estate revenue is projected.
- As of 12/31/09, real estate collections are slightly above the same period last year.
- Taken together, we expect total real estate revenue to be slightly above budget.

### □ This projection assumes residential real estate taxes are equalized.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 138,888,650	\$ 138,036,000	\$ 138,943,000
Diff from Adopted		\$ (852,650)	\$ 54,350

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## FY2010 Revenues

### □ Personal property taxes

- The short supply of used cars may mean that vehicles will hold their value this year. The budget assumed a large drop in value as we saw last year.
- As of 12/31/09, the collection rate is slightly below the same period last year.
- If values hold and the collection rate remains steady, we project personal property revenues will exceed budget by more than \$1m.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 24,332,100	\$ 24,825,000	\$ 25,488,000
Diff from Adopted		\$ 492,900	\$ 1,155,900

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## FY2010 Revenues

### □ Sales Tax

- Sales tax revenues through November are about 2% below the same period last year. We are revising our estimate for sales tax down \$364k. This is a decrease of almost \$200k since the 1<sup>st</sup> quarter review.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 9,855,000	\$ 9,684,400	\$ 9,490,700
Diff from Adopted		\$ (170,600)	\$ (364,300)

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## FY2010 Revenues

### □ State Revenues

- We had identified \$580k in specific state cuts in the 1<sup>st</sup> quarter review, but to be conservative, had reduced our projection by \$800k. With the latest information from the state, we are still comfortable with that projection.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 6,348,797	\$ 5,548,797	\$ 5,548,797
Diff from Adopted		\$ (800,000)	\$ (800,000)

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## FY2010 Revenues

### □ Consumer Utilities Taxes

- A refund of overcharges by the state to exempt organizations, combined with apparent lower consumption will mean a shortfall of approximately \$700k to these revenue lines. We had projected a shortfall of \$368k at the 1<sup>st</sup> quarter review.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 7,693,400	\$ 7,325,000	\$ 6,993,400
Diff from Adopted		\$ (368,400)	\$ (700,000)

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## FY2010 Revenues

### □ Recordation

- Recording activity is disappointing. Projections for these fees have been reduced by \$430k.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 2,663,500	\$ 2,663,500	\$ 2,233,000
Diff from Adopted		\$ -	\$ (430,500)

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## FY2010 Revenues

### ☐ Use of Money & Property

- Interest rates are still very low. The projected shortfall is now \$636k. We had reported just over \$300k at the 1<sup>st</sup> quarter review.

	Adopted	1st Quarter Est	Mid-Year Estimate
Revenue	\$ 1,149,977	\$ 838,850	\$ 514,100
Diff from Adopted		\$ (311,127)	\$ (635,877)

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## FY2010 Revenues

### ☐ Grants awarded in FY2010

- Staff continues to pursue all available grant opportunities.
- Between July 1 and December 31, 2009, the County earned more than \$1.5 million in grant funding.

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## FY2010 Expenditure Reductions

- Savings from health insurance changes approved by the Board: \$250k
  - This represents the shifting of more of the costs of health insurance from the County to the employees under the new contribution strategy. It was difficult to predict the savings during the budget process while employees were still making coverage choices. This projection \$425k less than reported to the Board at the 1<sup>st</sup> quarter review.
- Vacancy savings: \$400k
  - This is an increase of \$100k over the 1<sup>st</sup> quarter estimate.
  - Only "mission-critical" positions are being filled.
- Juvenile Detention true-up: savings of \$89k
- Reductions to encumbrances & commitments prior to rollover: savings of \$500k
- Total savings: \$1.2m
  
- Cash Capital: \$82k
- Contingency: \$186k
- Staff continues to look for all possible savings and efficiencies.

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## FY2010 Midyear Projections

- There have been some ups and downs in both revenues and expenditure projections.
- As we reported last quarter, by combining revenues, expenditure savings, and available reserves, FY2010 remains in balance.

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## FY2010 Fund Balance Projection

		Amount over 10% target
FY09 CAFR		7.2 million
Revenue shortfall	(2.2) million	5.0 million
Expenditure Reductions	1.2 million	6.2 million
Compensation Adjustment	(1.4) million	4.8 million
Net effect of BPOL repeal	(2.4) million	2.4 million

\$1 million of interest from the 2008 Lease Revenue Bond remains available.

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## Schools FY2010 Update

### □ Revenues

■ State sales tax	(\$1,653,533)
■ State funding	( 3,439,760)
■ Total	(\$5,093,293)

### □ Expenditure Savings

■ VRS premium holiday	\$3,334,453
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### □ Net State Reduction (\$1,758,840)

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## Board Actions

- ☐ Staff recommends full appropriation of the FY2010 Adopted Budget.
  - County: 7% of Adopted Budget
  - Schools: 7% of Adopted Budget less \$2.4 million approved in December
- ☐ Staff also recommends appropriation of Parks bond interest to be used for Parks capital projects as approved by the Board on October 6, 2009.
- ☐ R10-34 approves these actions.
  - This resolution is included in the consent agenda.
- ☐ The Board is also being asked to authorize the County Administrator to offer incentives again this year for retirement or voluntary reductions in force as a cost savings measure.

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## FY2011 Update

## FY2011 Update

- The Board has directed the County Administrator to prepare a proposed budget that follows the Board's Principles of High Performance Financial Management, does not include BPOL, and includes two scenarios:
  1. Equalized real estate rate for residents
  2. Equalized real estate rate for commercial
- Staff projects that both scenarios will result in lower revenues than in FY10.

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## FY2011 Baseline: MER- Equalized Residential Real Estate

Assumptions:  
 >Modified equalized real estate tax rate  
 >BPOL abolished  
 >No other tax rate changes  
 >Follow Financial Guidelines, fully funding cash capital and contingency  
 >Open new library  
 >Level funding for Schools and County agencies

	Expenditures	Revenues	Difference
FY10 Adopted	\$ 238,485,683	\$ 238,888,683	\$ 600,000
Changes for FY11:			
Expenditures			
Capital Projects	830,534		fully fund cash capital per guidelines (FY10 - \$198,400; FY11 - \$1,028,934)
Non-Departmental	284,082		fully fund contingency per guidelines (FY10 - \$224,358; FY11 - \$518,440)
Central Rapahannock Regional Library	576,000		County share of CRRL opening expenses
Parks, Rec & Comm Fac - operating	259,000		County cost for England Run Library
Partner Agencies	56,000		deferred capital contribution - Moss Free Clinic
Virginia Retirement System increase	31,500		
Basic Life Insurance	115,000		
Debt Service - County	(1,062,309)		
BPOL administrative costs	(100,000)		
Corrections	(475,289)		
Internal Audits	(66,066)		
Board of Supervisors' salary reduction	(33,910)		
Level fund Schools, other County agencies	-		
Revenues			
Real Estate		589,350	tax rate to equalize residential, plus growth
Personal Property		356,900	low depreciation
Merchants' capital		480,000	
Other property taxes		1,024,824	public service corporations
BPOL		(2,841,750)	
State and Federal Funding		(2,888,022)	Governor Kaine's proposed budget, loss of structural funding
Other revenues		(2,838,743)	includes debt service reserve used for COPE print
FY 11 Projections:	\$ 238,820,206	\$ 233,189,222	\$ (5,731,883)
\$ change:	\$ 434,642	\$ (5,787,441)	
% change:	0.2%	-2.4%	

The Commissioner of the Revenue is still reviewing reassessment data and estimating appeals.  
 Estimated MER: \$1.14

## FY2011 Baseline: Equalized Real Estate Rate - Commercial

<b>Assumptions:</b> >BPOL, abolished >No other tax rate changes >Follow Financial Guidelines, fully funding cash capital and contingency >Open new library >Level funding for Schools and County agencies			
	Expenditure	Revenues	Difference
FY10 Adopted	\$ 238,485,663	\$ 238,985,663	\$ 500,000
<b>Changes for FY11:</b>			
<b>Expenditures</b>			
Capital Projects	830,534		fully fund cash capital per guidelines (FY10 - \$198,400; FY11 - \$1,028,934)
Non-Departmental	284,082		fully fund contingency per guidelines (FY10 - \$234,358; FY11 - \$518,440)
Central Rapahannock Regional Library	576,000		County share of CRRL opening expenses
Park, Rec & Comm Fac - operating	290,000		County cost for England Run Library
Partner Agencies	56,000		deferred capital contribution - Moses Free Clinic
Virginia Retirement System increase	31,500		
Basic Life Insurance	115,000		
Debt Service - County	(1,062,309)		
BPOL administrative costs	(100,000)		
Corrections	(475,289)		
Internal Audit	(66,060)		
Board of Supervisors' salary reduction	(32,910)		
Level fund Schools, other County agencies	-		
<b>Revenues</b>			
Real Estate		(12,666,842)	tax rate to equalize commercial, plus growth
Personal Property		358,900	low depreciation
Merchants' capital		480,000	
Other property taxes		1,024,824	public services corporations
BPOL		(2,841,750)	
State and Federal Funding		(2,568,922)	Governor Kaine's proposed budget, loss of stimulus funding
Other revenues		(2,836,743)	includes debt service reserve used for CIP's part
<b>FY 11 Projections:</b>	<b>\$ 238,820,205</b>	<b>\$ 219,841,930</b>	<b>\$ (18,978,275)</b>
<b>\$ change</b>	<b>\$ 434,642</b>	<b>\$ (19,243,733)</b>	
<b>% change:</b>	<b>0.2%</b>	<b>-8.0%</b>	

The Commissioner of the Revenue is still reviewing reassessment data and estimating appeals.  
Estimated rate: \$1.03

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## Next Steps

- ☐ Jan 5 – Mar 2 – Staff development of proposed budget
- ☐ February 16 – Board considers CIP
- ☐ March 2 – Presentation of the County Administrator's Proposed FY2011 Budget
- ☐ March and April – Board work sessions/committee meetings
- ☐ April 6 – Public Hearing on Budget and tax rates
- ☐ April 20 – Adopt CY2010 tax rates and FY2011 budgets

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# Stafford Value Index

*Working to be a high performance organization*

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*It's the journey, not the destination...*

## The High Performance Organization Journey

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- In 2003, the County began the journey to become a high performance organization.
- What is a high performance organization?
  - All staff moves toward a shared *vision*;
  - The *vision* and *values* of the organization empower staff to make things happen;
  - The *way in which we do our work* is consistent with and support the vision and values.

## Why be a high performance organization?

- ❑ The community depends on us to provide cost-effective, efficient services everyday
- ❑ Employees want to have a positive affect on the community and its citizens
- ❑ Public service is very worthwhile and providing exceptional service makes our efforts fulfilling

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## Where are we now?

- ❑ Since 2003, the County has:
  - Developed organizational values – B. E. S. T.
  - Educated employees on the values through a variety of ways
    - ❑ Weekly Watercooler
    - ❑ Make a Difference and BEST Awards
  - Conducted 2 employee surveys – 2004/2007
  - Adopted a Total Compensation System – market based salary scale

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## Where are we now?

- Developed and implemented a Performance Management program that includes performance evaluations, performance expectations and performance based pay
- Increased communication with employees and the public (In the Loop, Webpage)
- Developed an employee Leadership Institute
- Updated Personnel Policies and Procedures

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## Budget Reductions – FY2008-2010

- The County has cut the budget for three fiscal years
  - November 2007 \$5.4 million
  - February 2008 \$0.6 million
  - October 2008 \$3.6 million
  - January 2009 \$0.8 million
- Agencies have scrubbed budgets and reduced expenditures in all general government departments over the past 3 budget years.
- When adjusted for inflation, non-public safety agency FY2010 budgets are below FY2005 levels.

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## How has the County benefited from our high performance efforts?

- During these tough economic times, we have worked to maintain our levels of services with less resources
  - Reduced general fund, non-public safety positions by 13% (73 full & part-time positions)
  - Salaries are at 2006 levels when adjusted by inflation
  - Employees continue to look for ways to save money, increase efficiency and innovate

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## Where are we going?

- Developing BEST University to increase workforce development/training and engagement with reduced resources
- Implemented Citizens Academy and looking at ways to further increase citizen engagement
- Stafford Value Index – a quantitative and qualitative way to look at the services we offer

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## Stafford Value Index (SVI)

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- ❑ The Stafford Value Index is a quantitative indicator of how Stafford County government ranks among its peers on a per capita basis using FY2010 budgeted amounts.
- ❑ The SVI was created by surveying our peer localities: Counties of Prince William, Hanover, Fauquier, Loudoun, Spotsylvania and Albemarle

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## Stafford Value Index

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- ❑ Peer localities completed a detailed survey which included budget amounts, revenue/cost recovery information and funded position counts.
- ❑ The information was used to develop a per capita dollar amount.
- ❑ We then compared these dollar amounts to our peers.

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## Stafford Value Index

- The analysis showed that Stafford has the:
  - Lowest General Government\* spending per capita
  - Lowest General Government Administration\*\* spending per capita

\*Does not include local school funding

\*\*General Government Administration includes the departments of County Administration, County Attorney, Clerk of the Board, Commissioner of Revenue, Finance and Budget, General Registrar, Human Resources, Information Technology/GIS, Treasurer

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## SVI – Comparative Localities

	General Government*- Per Capita	General Government Administration** - Per Capita
Stafford	\$642	\$95
<b>Comparison Locality</b>		
Albemarle	\$ 738	\$ 115
Fauquier	\$ 764	\$ 150
Hanover	\$ 805	\$ 136
Loudoun	\$ 1,093	\$ 232
Prince William	\$ 1,027	\$ 118
Spotsylvania	\$ 743	\$ 105

\*Does not include local school funding

\*\*General Government Administration includes the departments of County Administration, County Attorney, Clerk of the Board, Commissioner of Revenue, Finance and Budget, General Registrar, Human Resources, Information Technology/GIS, and Treasurer.

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## Stafford Value Index

- We also are compiling information on qualitative efficiency measures that have saved or will save money over the next fiscal year or beyond.
- For example:
  - In cooperation with the Schools, the Office of Human Services implemented a Public Day School for autistic children. This program keeps children in the public school system rather than having to pay for expensive private schools. The School is currently serving 15 students at a savings of \$200,000 in FY2010.

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## Stafford Value Index

- On page 3, in the January Monthly Statistical Report in your board package, you will see information on the SVI and on programs/projects initiated by staff that have shown monetary savings or increased efficiency.
- You will continue to receive SVI information in your weekly edition of *In The Loop* and also in future Monthly Statistical Reports.
- County staff are committed to being as efficient and effective as possible to provide quality service to the citizens of the County and the community.
- SVI is an indicator and will continue to be a measurement of our on-going efforts to streamline government

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