



County of Prince Edward, Virginia
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County Administrator Presents FY 2011 Proposed County Budget
“Facing the Financial Challenge”

Farmville – Prince Edward County Administrator W. W. Bartlett today presented to the Board of Supervisors his budget recommendations for Prince Edward County for Fiscal Year 2011 (FY11). The proposed overall budget totals \$44,508,497, after deducting transfers between the various accounting funds, for county operations and the school system.

The proposed budget includes \$26.7 million for the school system, \$11.1 million for general governmental operations, \$579,000 in local dollars for social services, \$1 million for landfill construction and \$2 million for the county utility system. This represents an overall decrease in County spending of \$1.4 million from the FY 10 Budget.

For the third year in a row the state has decreased funding to local governments. This fiscal year the reductions will total at least \$413,000 bringing the three year total of state reductions to \$700,000. Because of the struggling economy local revenues have fallen almost \$370,000 over the last two years. In addition to declining revenues the County has also been informed we will see rising costs for health insurance, retirement benefits, and unemployment insurance next year that total \$101,500. These revenue reductions and cost increases total almost \$1.2 million.

In light of the severe funding reductions the state has imposed on the local schools, the Board of Supervisors directed Mr. Bartlett to level fund the schools. In addition, the Board realizes the impact this economic downturn has had on our fellow citizens. To help reduce this impact there is a strong desire to maintain level funding for the various non-profit organizations serving the County's most needy. Many steps have been taken to reduce operating costs over the last two fiscal years, but to continue to level fund the schools and charitable organizations Mr. Bartlett was forced to recommend a real estate tax increase of four cents. This increase will generate \$600,000 in revenues. The tax rate would increase from \$.40 to \$.44 and would still be one of the lowest in our region.

Factors Shaping the FY10 Proposed Budget

According to Mr. Bartlett, the FY11 proposed budget incorporates the Board of Supervisors' direction to present a budget that level funds the schools, uses little, if any, of the fund balance, serve the needy and at the same time maintain core service levels.

“The FY11 proposed budget process comes amid the most challenging period of economic turmoil and uncertainty most of us have ever seen,” said Mr. Bartlett. Major factors shaping the proposed budget were declining business activity, rising unemployment, increasing health care and insurance costs and significant reductions in revenues received from the Commonwealth. One statistic which conveys the scope of this economic downturn is the unemployment rate. Unemployment in Prince Edward County reached 10.3% in January 2010, compared with 5.1% in February 2008. This is the highest unemployment level for the County since at least 1997.

“In difficult economic times there is an inverse relationship between the demand for governmental services and the state of the economy,” Bartlett said. “Our residents who are facing economic distress look first to their local government to provide the support they need. Providing such support during this period of declining revenues represents a considerable challenge for the County in FY11.”

Bartlett noted there are a number of outside factors that may still impact the FY10 budget. Final decisions and implementing instructions regarding the Commonwealth’s budget have not been received and specific guidance concerning the Federal stimulus plan is still being developed. Thus, there is still great uncertainty regarding the final disposition of State and Federal funding at the local level.

FY10 Reduction Strategies

The Board of Supervisors has expressed its concern for the citizens who are struggling during this period of economic uncertainty. “The Board made it clear to me they wanted a FY11 Budget submission that funded education at the highest level possible, and at the same time maintained the core services provided to the citizens of the County,” said Bartlett.

“This was a daunting challenge; one which can not be met by the actions of the County staff alone,” Mr. Bartlett noted. “Departments which report directly to me account for only \$4.5 million or approximately 10% of the entire County budget. To meet the challenge laid out by the Board of Supervisors required help and sacrifice from the Schools, Constitutional Officers and the many outside organizations which receive funds from the County.”

The Prince Edward County School Board has requested \$7,913,044 in local funds for operations, which represents level funding after accounting for decreases in debt service as compared to the FY10 budget. “The education of our children is one of the cornerstones in fostering future prosperity for the County,” said Mr. Bartlett. He went on to state “I have fulfilled the Board’s desire to level fund the schools.” Under the proposed budget, more than 51% of all local funding will be used for the school system’s operational, capital and debt service needs.

Mr. Bartlett stated “We have not been standing still - over the last two fiscal years we have taken many actions to increase efficiencies, improve management of resources and require more from the County employees. Those actions include:

1. Eliminating a custodial contract – saved \$60,000;
2. Reducing hours of our convenience centers – saved \$60,000;
3. Implementing greater review of CSA cases – saved \$79,110;
4. Beginning an in-house building maintenance program – saved \$40,000;

5. In-house County web design and maintenance – saved \$30,000; and
6. Reducing various expenses to absorb increases in VRS/Health Insurance – saved \$106,000.

Mr. Bartlett went on to say, “ This Fiscal Year, I am recommending additional reductions to include eliminating the bounty on coyotes (\$2,500), reducing telecommunications to reflect savings on with the new phone contract (\$22,000) and various other reductions. Almost every department and Constitutional Office submitted cost reductions from a wide variety of operational line items. The budget includes no pay increases for county employees. This will be the third year with no pay increases.

Tax Rates

The FY11 proposed budget contains a four cent increase in the real estate tax rate. That would bring the County tax rate to \$0.44. Mr. Bartlett stated “Even at that rate only three of our 15 closest counties would have a tax rate lower than that amount. And that assumes those three will not increase their tax rates. I recommend all other tax rates be maintained at their current rates.”

Revenues

Mr. Bartlett noted the cash for clunkers program did succeed in getting people to purchase new cars. The net result is an increase in total personal property assessments. He has forecast an increase in personal property tax revenues of \$458,616. While good news, it is still \$238,764 less than the amount collected in FY09. That reduction in personal property tax collections offsets 40% of the increase in real estate tax collections.

The chart below displays the changes in the major revenue categories, assuming the recommended increase in the real estate tax rate, as compared to the FY10 original budget;

General Property Taxes	\$ 968,129
Other Local Taxes	(\$ 119,500)
Permits and Fees	(\$ 6,100)
Fines & Forfeitures	\$ 15,300
Revenues from Use of Money & Property	(\$ 65,649)
Charges for Service	\$ 14,450
Miscellaneous Income	\$ 63,900
Recovered Costs	(\$ 19,013)
Transfers	(\$ 60,000)
Use of Fund Balance	(\$ 610,106)
<u>Revenue from the Commonwealth</u>	<u>(\$ 334,492)</u>
Subtotal	(\$ 153,081)

Mr. Bartlett stated, “Last FY we balanced the original budget with the use of over \$600,000 from the fund balance. It was hoped the economy would rebound and future reductions would not be required. We now see that will not be the case. We cannot continue to rely on the fund balance to fund ongoing operational expenses. Even with the tax increase I forecast General Fund revenues will decline by slightly more than \$153,000.”

Conclusion

Mr. Bartlett stated, "The Board and I look have a number of work sessions in the coming weeks and I realize the Board may recommend changes to the proposed budget. That is understandable and expected. We also hope to receive significant public input. I do recommend caution against the use of the County's fund balance to restore any funding reductions. This economic environment is unlike any we have seen. We cannot predict the future and when the economy may turn around or if the recession will become worse. If either of those happens we may very well have to use part of the fund balance to serve our citizens at the levels they will need. Thus, I highly recommend we maintain the current fund balance levels."

Public Hearing

The Board of Supervisors will hold a public hearing on the proposed FY10 consolidated County and School budget on Tuesday, April 20, 2010 at 7:00 pm in the Board of Supervisors room, located on the Third Floor of the Prince Edward County Courthouse. Residents may also provide their comments to the Board of Supervisors by e-mail at board@co.prince-edward.va.us.

County Website

Additional information about the FY10 proposed budget is available on the Prince Edward website at www.co.prince-edward.va.us.

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