

Vision Statement

Hanover – where a family of communities, inspired by its people, traditions, spirit and history, is the foundation for its future.

Mission Statement

The mission of Hanover Government is to provide a superior quality of life that is defined, encouraged and supported by the community itself,

- *Where government focuses efficiently and effectively on the general well-being, education and safety of the people, and*
- *Where service delivery is based on sound financial management practices, and*
- *Where growth is managed in creative and innovative ways*

Value Statements

- *Commitment to Hanover Vision and Mission*
 - *Open and Responsive Leadership that Promotes Trust*
 - *Effective and Compassionate Government Focused on Citizen Needs*
 - *Accountability for Results, Actions and Outcomes*
 - *Mutual Respect that Fosters Civility*
 - *Encouragement of Pride, Dedication and Integrity*
- Foster an Environment that Encourages Citizen Participation in their Government and Community*

Budget Objectives

The County begins the budget formulation process with direction from the Board of Supervisors through the adoption of budget objectives. It is from these budget objectives and other related Board adopted goal statements that the County Administrator and County departments are provided direction in formulating budgets to best meet such Board objectives. The Board of Supervisors adopted the following objectives for the FY05 budget on September 10, 2003.

The County Administrator will present a Proposed Budget, Five-Year Financial Plan and Capital Improvements Plan to the Board of Supervisors by February 25, 2004. These budgets and plans, based on *sound financial management practices*, will:

1. *Enable the County to provide a superior quality of life that is defined, encouraged and supported by the Community itself where the County focuses efficiently and effectively on the general well-being, education, and safety of the people;*
2. Account for potential State revenue impacts imposed upon the County and constrained local revenue growth by restricting expenditures and their related service levels and/or further maximizing opportunities for additional revenues in order to maintain existing tax rates;
3. Serve as the basis for implementing *service delivery* and capital planning for all County departments;
4. Promote *education* as a priority by maintaining student-teacher ratios, continuing the use of technology in the schools, focusing on instruction for all students, funding school facilities that limit overcrowding with no school over capacity by 10% for more than three consecutive years, and continuing the accumulation and utilization of the School Savings Plan;
5. Promote law enforcement, court services, communications and fire/ems as a priority by providing financial and staffing resources to produce efficient and effective service levels and meet capital needs for all affected agencies;
6. Provide adequate employee compensation including consideration of market-based pay for performance increases, salary benchmark adjustments, and a comprehensive benefits plan that will be market sensitive and enables the County and School System to attract and retain outstanding employees;
7. Maintain compliance with the County's *sound financial management practices* and policies to ensure adequate reserves, limits on the County's debt burden, and maintenance or improvement to the Aa1/AA+/AA bond ratings;
8. Operate a water and wastewater system as a self-supporting enterprise fund that provides high quality and reliable *service delivery* to its customers, including development of a capital improvement program, while limiting user and/or capacity fee rate increases to that which is needed to ensure long-term viability of the system.
9. Plan for the anticipated financial impact of the proposed 2004 Bond Referendum utilizing a phased construction schedule that provides for the construction of these projects that would be *supported by the community*.

Note: Words *italicized* in the above objectives are meant to illustrate connection to words and phrases used in the County's mission statement.

BOARD OF SUPERVISORS

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South Anna District

J. T. "Jack" Ward, Vice Chairman
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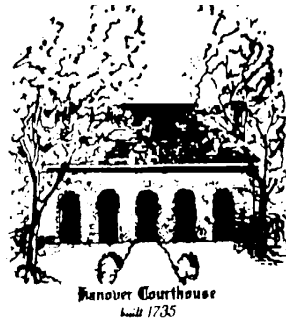
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Richard R. Johnson
County Administrator

Cecil R. "Rhu" Harris, Jr., CPA
Deputy County Administrator

John H. Hodges
Deputy County Administrator

Sterling E. Rives, III
County Attorney

COUNTY ADMINISTRATOR'S OFFICE

County of Hanover

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April 14, 2004

The Honorable Members of the Board of Supervisors
County of Hanover, Virginia

Dear Members of the Board:

I am pleased to present Hanover County's Adopted Fiscal Year 2005 Budget as well as the County's Five-Year Operating and Capital Improvements Plans. Perhaps because this is my last budget message, I would like to re-emphasize the need for us to adopt a responsible and financially viable plan to address our service delivery needs not just for the 2005 fiscal year, but for the full five year planning horizon and beyond. In addition, the major issues this year are so dramatic that I am focusing here primarily on these major issues.

THE NEW BUDGET REALITY CONTINUES

In Hanover County, we have established a solid foundation of responsible financial management that has been built and systematically strengthened for over two decades. We have provided high quality services to our citizens in everything from schools, human services and public safety to libraries, parks and solid waste service convenience centers. Those services have also been built on a firm foundation, due primarily to the quality of decision making by the Board, by our County staff and, perhaps just as importantly, due to the support of our citizens. Unfortunately, that kind of responsible decision-making has not taken place at the State level and we find ourselves again having to solve a dilemma created there in previous years.

Last year I emphasized that we would be facing a new reality with regard to the County's budget and this year continues that learning curve. This new reality involves a fundamental change in our ability to continue delivering the level and quality of service that you and our citizens expect. It is based to some degree, on the uncertain economy that we believe is now beginning to improve. But even more fundamentally, it is based on the State's dramatic retreat from its funding commitments for critical local services in the areas of education, human services and public safety. This continues to effectively destroy our ability to adequately fund the current level of quality service delivery our residents expect, much less to leave us the flexibility to fund any additional services needed.

Even now, well after the scheduled conclusion of the General Assembly session, the Commonwealth remains without an adopted budget. Both chambers of the General Assembly continue to posture for their specific agendas, which unfortunately, do not appear to include the concerns of local government. In fact, instead of planning for the smooth continuation of programs from one fiscal year to the next, we find ourselves developing contingency plans on how to continue locally administered State funded government services in the absence of a State budget.

We have faced the difficult decision that our leaders at the State level avoided when they focused on only one side of the budget equation and made a decision to cut or refuse to raise taxes without being willing to make the tough and unpopular decisions on how to establish a sustainable level of quality service delivery. Even more incredibly, they have done this while asking their own employees to go for years with miniscule or non-existent pay raises while private business continues to give raises at the

average rate of at least 3.5% per year. You have again avoided that temptation to basically treat your employees as less than deserving. .

Revenues – Let’s first have a brief look at our projected revenues. Our five-year plan that you adopted last year anticipated that our revenues for the upcoming year would increase approximately 6.5% while the current projection shows a 6.6% increase, or about \$64,000 in additional funds. The two largest local sources of revenue for us are property taxes that are estimated to produce approximately \$257,000 more than originally anticipated and other local taxes that are estimated to produce approximately \$185,000 less. All remaining revenues produced approximately \$8,000 less than projected in the five-year plan. The good news is that our local revenue growth seems to be at a more healthy level.

With regard to State revenues, our estimates are based on the Governor’s proposed budget. We anticipated only minor increases leaving us to pick up an even greater portion of the shared budgets in Education, Law Enforcement and Human Services. The one area in which the Governor’s proposed budget exceeded our very conservative expectations, however, was in the area of educational funding. There the Governor has proposed a 15.1% increase over last year and that was very good news. However, funding for other services was proposed to increase only 3.4%.

Expenditures – Last year’s five-year plan for expenditures continued services at the current level with only modest increases for inflation. Of note, it provided for a 3% salary increase with a benchmark review, 7 additional locally funded positions, and approximately \$900,000 in additional capital costs. Unfortunately, circumstances, many of which were beyond our control, have meant that those expenditure projections are inadequate. In addition, as we now look at some of the primary funding challenges facing us, we will take a look at major issues not just in the next year but also for the County’s full five-year financial planning horizon. In fact, if there was ever a year when the value of our award winning five year financial plan was evident, this is that year.

As you can see from the attached appendix to this letter entitled 2004-2005 Budget Challenges, we are faced with over \$17.6 million of unexpected costs. This is in addition to the normal sort of budget cutting that we have to do every year and are costs over and above those that we had anticipated in our five-year plan. To fully fund them through our real estate tax rate would mean an increase of at least 15 cents. This would take us from one of the lowest tax burdens in the region for our businesses and residents to among the highest. Frankly, when you look at the level of quality service we provide and what this increase would maintain, it would still be a good value but I also recognize that such a dramatic increase is neither fair nor practical. What it does point out, however, is the inevitability of having to follow the same philosophy in Hanover County this year that is being urged for the State. I am recommending an initial plan of revenue enhancements and expenditure reductions that I believe is at least a reasonable starting point for the Board’s deliberations and public input.

What Was Adopted?

The adopted includes the following::

- **Charges For EMS Services** – The County will begin charging for transporting patients Countywide effective the Spring of next year, or one year earlier than proposed in last year’s adopted five-year plan. This plan would provide for primary payment through a patient’s health insurance plan or Medicare, with specific provision made for those less able to pay, for an annual subscription service and for holding our volunteer rescue squads harmless in the event that their fund drives are affected by this charge. Through these revenues and other sources I am recommending 17 additional positions for the first year of the plan and a total of 60 additional positions over the full five years of the plan.
- **Sheriff’s Deputies** – An additional 8 positions in the first year of the plan and a total of 36 additional positions over the full five years of the plan.
- **Elementary School (Hanover High School site)** – Funding for the operational cost to open this new school in 2006 recognizing that capital cost is already funded.
- **Elementary School (2008)** - Funding for the capital (referendum) and operational costs to open this new school in the central area of the County in lieu of an earlier date due to debt and financial capacity of the County.
- **Alternative Education Center** - Funding for the operational cost to open this new school recognizing that capital cost is already funded.
- **Bond Referendum** - Delay the planned Bond Referendum for one year (November 2005) and reduce the planned scope of projects from approximately \$128.0 million to approximately \$70.0 million with the County radio system upgrade/replacement and the Pole Green area elementary school (2008) being the top recommended priorities.
- **Community Services Board** – An additional \$250,000 in local funding beyond that anticipated in the five-year plan.
- **Salary Scale Adjustments** - A 2% upgrade in the overall salary scales with no corresponding increase in salary except for those below the beginning step of the range.
- **Virginia Supplemental Retirement System** – Full funding of the local increase in retirement system costs.
- **Employee Health Insurance** - Fully fund the employer’s increase in employee health insurance costs.
- **Other Positions** – In addition to those recommended for Fire/EMS and the Sheriff, I am also recommending 18 new full and part-time positions in the first year of the plan.

- **Real Estate Tax Rate** - An increase in the County real estate tax rate by 4 cents.
- **Meals Tax** – Resolution to hold a referendum in November 2004 that, if passed, would reduce the real estate tax increase by \$.03.
- **Detention Costs** – Fund \$500,000 of additional costs for detention home and jail.
- **Regional Projects** – Provide an additional \$50,000 in funding for regional requests.
- **E911 Tax Increase** – Monthly per line fee increases from \$1 to \$3 to mitigate debt funding.

What is not recommended?

- **Elementary School (Earlier than 2008)** – Based upon debt and financial capacities previously noted, the second elementary school can not open until 2008.
- **Bond Referendum** – Cut approximately \$53 million in projects from the previously proposed list including approximately \$34 million in County projects and \$19 million in school projects.
- **Community Services Board** – Because of the continued lack of support from the State, the waiting list will not be appreciably diminished even with the additional local funding. That funding goes primarily to make up for the lack of State funding and prevent a decrease in services.
- **Sheriff’s Deputies** – Cut 13 positions from those requested in the five-year plan.
- **Fire/EMS Positions** - Cut 22 positions from those requested in the five-year plan.
- **Schools** – The proposed budget is \$996,000 and 17 positions less than the School Board’s requested budget for 2004-2005.
- **Detention Costs** – Cut \$200,000 from the estimated costs for next year.
- **Regional Projects** – Cut \$425,000 in requested funds.
- **Benchmark Salary Adjustments** - Delay for the second year in a row, the benchmark salary adjustment process that is used to keep our employees salaries at a more competitive regional level.
- **Other Positions** – Cut 34 full and part-time positions requested by departments other than the Sheriff and Fire/EMS.

As another alternative the County can certainly begin to offer significantly less service or lower quality service. This would mean taking more time to respond to citizen requests for basic service needs as well as falling behind market practices for retention and hiring with less qualified employees providing services that are less than we have come to expect. That is not the County that the citizens of Hanover have built and are proud of, but rather a local government that would erode its core services and related quality of life with the goal of short-term success and no long-range vision.

Some will say that working toward a balance of additional revenues and reduced services is not needed and that we simply need to “learn to do more for less”, “be more innovative”, “cut the fat” or “reprioritize and cut the unnecessary services”. But almost every person who makes such a statement has services that they find important and that they will defend strongly. Many of what some might consider “lesser important services” arose over time after successful lobbying on the part of citizens, after detailed consideration of the merit of the service provided and those services have become a significant contribution to the quality of life that many of us have come to enjoy and expect in Hanover County. Like the cannery that was so often the political football in the 1980’s, these services should not be arbitrarily dismissed as unnecessary. As an example, for the family of a child receiving life skills training on a soccer field or receiving therapeutic recreation services that helps their disabled child to participate in the mainstream of our community, the Parks and Recreation budget is probably just as important as the traditional priorities of public safety and education.

For those critics who look to superficial answers and short-term success, I encourage you to become engaged in learning what the budget funds and what it does not. Reading this letter in its entirety is a first step and studying the budget document is a second step. Only then, can informed recommendations begin to be formulated in addressing what the County should and should not do so that they might be properly communicated through a budget process and long-term financial plans.

CONCLUSION

The process we have been through to adopt this budget was a daunting task, unlike any budget deliberation we have undertaken in my 23 years with the County. I believe this budget process sets the path for the future of public service in Hanover County. We have focused on all the complexities of meeting core service level funding and the philosophical argument of what is local government’s responsibility in meeting the needs of its citizens and maintaining the much desired quality of life that exists in our County. Thank you for the time you devoted to this budget. .

I provided the three quotes below in my message for the proposed budget. At that time, I asked that we all remember the statements during our budget deliberations. Reading them again, and reflecting back on the last six weeks, I believe we did follow the spirit of the remarks.

- State Senator Chichester, Chairman of the Senate Finance Committee - "Virginia has lived for the moment too long. We have let serious discussions about tomorrow be waylaid by today's distractions."
- U.S. Senator Warner - Speaking a little less softly, put it, "Politics be damned! Let's consider what's best for the men and women of this great state and their families and children. I simply want to urge you [legislators] to face up to the reality that, from my perspective, some combination of additional taxes, user fees and responsible budget cutting should be the basis of a sound fiscal plan."
- Mr. Foster, CEO of Land America - "The time is now to have a thorough dialogue and debate on the solutions to Virginia's fiscal and infrastructure challenges. However, the discussion must result in decisive action to implement change that preserves the Commonwealth's AAA bond rating and fiscal integrity. Further, it must yield a balanced approach by addressing both revenue and expenditures in a manner that provides adequate long-term investment in critical services. We must recognize that even with improvements in Virginia's economy, the gap between available revenue and service needs remains. The conclusion is that revenue enhancement is unavoidable if we desire to truly address the Commonwealth's critical needs to sustain economic growth and a high quality of life."

Even with all of these challenges, I believe that this budget builds on the priorities and goals of the Board of Supervisors and on the values of our citizens. This includes a proposed \$70.0 million bond referendum in 2005, competitive compensation for our employees, a real estate tax rate projected to remain at the proposed 86 cents for the full five-year financial planning horizon and the other items previously noted. As our population grows, the demand for new services is strong, but if we are to maintain our relative position of economic strength among Virginia localities, we must properly plan for and prioritize our needs.

To summarize all this, let me paraphrase the three gentlemen I quoted earlier

- My paraphrase – "Virginia has lived for the moment too long, lets learn from that example and not repeat it. Let's consider what's best for the men and women of this great County and their families and children. I would like to simply urge you to face up to the reality that, from my perspective, some combination of additional taxes, user fees and responsible budget cutting must be the basis of a sound fiscal plan. That discussion must result in decisive action to implement change that preserves and yes, improves Hanover County's bond rating and fiscal integrity. To do so, the upcoming process must yield a balanced approach by addressing both revenues and expenditures in a manner that provides adequate long-term investment in what you will ultimately determine to be critical services."

In closing, I would like to thank the various department heads and their dedicated staffs who have worked so hard and in a true spirit of teamwork to develop this budget . In particular, I would like to thank Deputy County Administrator Rhu Harris, Director of Finance and Management Services Joe Casey and Budget Manager Chris Sorensen for the extra hours in the evening, on weekends and on holidays when they and the staffs of the budget office and Human Resources pulled together the literally thousands of details necessary to make this budget complete.

Sincerely,

Richard R. Johnson
County Administrator

2004-2005 BUDGET CHALLENGES

- 1) Virginia Retirement System – \$2,050,000
- The Virginia Retirement System (VRS) covers all County employees for retirement costs. At present, this costs the County 9.0% and the Schools 9.4% of the salary of each employee. The state has now informed us that this cost will increase to 11.0% for the County and 13.4% for the schools, increases that were not anticipated in our five-year plan. This equates to an unanticipated increase in cost of \$624,000 for the County and \$1,426,000 for the Schools or a total of over \$2,050,000.
- 2) Health Insurance – \$1,890,000
- Hanover County has a well-managed plan of employee Health Insurance coverage that has helped us enjoy comparatively low costs. However, those costs are dramatically increasing nationally and our costs are rising as well. As currently proposed, this would require an overall increase in costs of \$3,600,000 with the County employer portion amounting to \$1,890,000 beyond what was anticipated in the five year plan. This cost is after passing along proposed additional costs to the employees that equal an approximately 15% increase.
- 3) Fire and EMS Staffing (see footnote at end) - \$2,000,000
- Since the 1980's, we have wrestled with the issue of dramatically increasing call loads that outpace the ability of our volunteer Fire and EMS providers to respond. This was further exacerbated by changes in lifestyle that have meant less and less of our volunteers are available for workday coverage. That workday period is also a time when a significant portion of our increasing call load occurs. We initially tried to fill this gap in 1989 by bolstering the system with a handful of paid EMS staff followed in 1998 with paid fire staff for the same purpose.
 - Today, however, the problem has reached the point that we have 48 full time providers plus part-time positions in a combined Fire/EMS Department. Because of the increasing response problems, we have had to provide three man crews for 12 hours of daytime coverage at eight of the volunteer fire companies. In addition, we also staff three daytime ambulances and two quick response vehicles for ALS coverage. Unfortunately, we are already understaffed by at least 12 positions for this coverage when you consider the mandatory issues of training days, sick days, vacation, military leave, etc. This has been addressed as a stopgap by working staff on a 48-hour week and making up the difference working them further at overtime. This was initiated in mid 2003 as a temporary solution and cannot be considered a permanent fix. Our paid providers find themselves significantly overworked, particularly on ambulances where the call load is often overwhelming. In addition, more staff coverage is needed in areas where it is not currently being provided, particularly the availability of an additional ambulance crew and more ALS coverage.
 - Another problem currently unaddressed is that minimum standards for officer safety require four firefighters at any working structure fire. We have currently staffed with only a three man crew, anticipating that at least one trained volunteer would be available for the initial response. Unfortunately, that has not materialized and we cannot regularly depend on it. We are, therefore, making our initial response to structure fires one man short and to solve this shortage would require an additional 32 personnel.

- 4) Sheriff's Department Staffing (see footnote at end) – \$2,000,000
- Each year the Sheriff reviews his department's staffing needs based on trends in crimes being committed in the County and in neighboring counties. In addition, he reviews and applies national formulas for patrol staffing. From those reviews, a five-year staffing plan is formulated to proactively meet the challenges of law enforcement in a growing community. This year the Sheriff requested a total of 49 additional staff positions over the five-year planning horizon compared to the 14 actually reflected in last year's adopted five-year plan.
- 5) Capital Projects Bond Referendum (see footnote at end) – \$7,000,000
- While I will address our capital challenges under several headings, this assemblage of project requests and recommendations clearly has some of the greatest public exposure. Our plan had been in place since 2001 to go to referendum in the fall of this year to address many of our major capital needs and to do so without the need for an increase in the real estate tax rate experienced with previous referendums. However, in discussing the budget's "new reality" last year, I made you aware that funding for those referendum projects with our projected financial and debt capacity was becoming very unlikely and that picture has only worsened this year. Starting with the approximately \$95,000,000 in projects shown last year and adding the additional \$15,000,000 for a replacement of the radio system and \$18,000,000 for a Pole Green area elementary school, brings us to a new total of \$128,000,000. Almost all of that is beyond our current financial capacity.
- 6) CSB Waiting List \$1,500,000
- Hanover County has made serving our residents with Mental Health and Mental Retardation needs one of our highest priorities. This has been particularly difficult in the last several years, as the State has made some of its most dramatic cuts in this area of funding. Unfortunately, even the significant improvements in funding proposed by Governor Warner and others do not address this retreat from the State's responsibilities. The Board's goal was to seek additional State aid and further reduce the waiting list for services, with an estimated cost to eliminate the current list of approximately \$1,500,000.
- 7) Detention Costs – \$700,000
- Another area where the State has fallen short and continues to worsen is the area of adult and juvenile detention costs. Since the actual costs have to be paid by the localities, this means that we are again the balancing act for the State's budget shortfalls. This cost is expected to increase over \$700,000 beyond what had been anticipated in the five-year plan.
- 8) Regional Projects – \$475,000
- Each year, we are asked to support an increasing list of regional projects for both capital and operating expenses. For the current year we received major requests from the 2007 Celebration Committee, the First Freedom Foundation, the Arts Foundation and the Richmond Metropolitan Authority.
- \$17,615,000

FOOTNOTE: While the remainder of these amounts reflects challenges that start the first year of the five-year plan, these topics reflect the total on-going annual increases that would be needed over the entire five-year plan.

FY05 Budget Highlights

Using the Board adopted budget objectives as a guideline, the following budget highlights are presented in a similar manner to best illustrate how the budget formulation process focused on achieving such Board adopted objectives:

Quality of Life/Efficient and Effective: The budget has been based upon enabling the County to provide a *superior quality of life* that focuses *efficiently and effectively on the general well being, education and safety of the people*.

State Revenue Constraints/Local Revenue Growth: A 4-cent real property tax rate increase is proposed in meeting priority service level needs, increases in employee retirement/healthcare costs and the need to position the County with a stronger financial base for long-term capital needs (tax relief for the elderly and disabled has been increased to offset such tax rate increase impact). In addition, an EMS Fees program initiated for Fire/EMS positions is also proposed. The Five-Year Financial Plan was formulated with these proposed tax rate and fee structures. In addition, a \$2 per month per phone line increase is needed to accommodate debt service impacts of the proposed communications system. These impacts include the opening of two new elementary schools, an alternative education facility, a \$25 million communications system, a new library, two new fire stations and significant park enhancements. Fee-recovery programs in public works continue to recover increasing costs of mandated and regulated programs through fee increases for such programs.

Service Delivery: Through *sound financial management practices*, funding is provided to ensure *service delivery* is maintained in all County departments and capital planning goals are also attained in the Capital Improvements Program.

Priority - Education: Local school budget target increased by 7.1%, in meeting County's operating and compensation/benefit commitments, and although State funding increases are generally higher than in previous years, no State funds were provided for teacher salary increases. In addition, a five-year target operating budget and schools savings plan were formulated to accommodate existing service level demands as well as the significant operating impacts of two new elementary schools and an alternative education facility. Assumptions in the plan include an expectation that State funding sources in future years will reflect the State's share of responsibility in meeting the State's own Standards of Quality and compensation thresholds. Long-term capacity constraints were identified and addressed with the addition of a new school to open in 2008. Further efforts will be made by County/School staffs to enhance current policy regarding over-capacity in formulating long-term capital improvements programs.

Priority - Public Safety: Significant recognition of the need to meet the demands of this priority service is being addressed through the addition of 17 positions for Fire/EMS and 8 positions for law enforcement. The Fire/EMS positions are supported by a new revenue source (EMS fees) while law enforcement positions are locally funded. Both of these departments utilize national standards and detailed service delivery models that illustrate the need for additional staffing resources to meet the response times and service demands placed upon them by the citizens.

Compensation/Benefits: The provision of a 3.0% average salary increase for the schools and the County further ensures that the compensation program remains competitive to attract and retain outstanding employees. In addition, significant investments were needed in retirement and health insurance to maintain current coverage levels.

Financial Management: All financial policies (specifically, debt and fund balance) continue to be met in each year of the Five-Year Financial Plan. This ensures adequate reserves, limits the County's debt burden and maintains or improves the Aa1/AA+/AA bond rating.

Public Utilities: Inflationary increase (3.0%) in utility fee structure for capacity and user fees that continues to align capacity and user fees to their corresponding costs in providing quality and reliable *service delivery* to new and existing customers. The operations include the opening of the new wastewater treatment plant.

Bond Referendum: All projects have been further prioritized as the County should defer its planned 2004 referendum one year to further ensure that affordability and debt capacity models can be attained and revenue sources secured. This is especially true with regard to two new items: 1) Determining impact of a second new elementary school and 2) Unresolved scope and timing of communication system changes that could cost \$25 million. Such referendum will also begin to illustrate the need for a \$2 per month per phone line increase in the County's E911 tax as a means to the communication system referendum project without adversely impacting core service levels and priority service needs that would be *supported by the community*.

Note: Words *italicized* in the above highlights are meant to illustrate connection to words and phrases used in the County's mission statement as was also done for the budget objectives.

BUDGET MESSAGE – SYNOPSIS

While the preceding budget message is meant to highlight elements in the budget, the following synopsis further details and supports the changes in the budget. As part of this synopsis, the following areas are illustrated and presented:

- Financial Condition and Economic Development Overview
- County Budget Summary
- General Fund - Budget Change Support
- Employee Compensation and Benefits
- General Fund - Revenues by Category and Changes in Fee Supported Programs
- Expenditures by Function
- Public Utilities – Budget and Capital Improvements Program
- County/School – Five-Year Capital Improvements Program
- General Fund – Five-Year Financial Plan
- Department and Employee Recognition
- Board of Supervisors’ Priorities

FINANCIAL CONDITION AND ECONOMIC DEVELOPMENT OVERVIEW

Financial Condition: Traditional measures of economic conditions focus on a few variables: unemployment, income levels, new housing starts and taxable sales. Income and sales taxes tend to be more elastic; that is they change in proportion to changes in economic activity whereas property taxes are considered more inelastic. Fortunately, the diverse, strong and stable business climate of the County and the County residents who work so hard in their various professions have enabled the County to weather such national and State recession conditions fairly well. The overall strong economic environment has enabled the County in continuing to have the lowest unemployment rate in the Richmond region at 2.3% (December 2003).

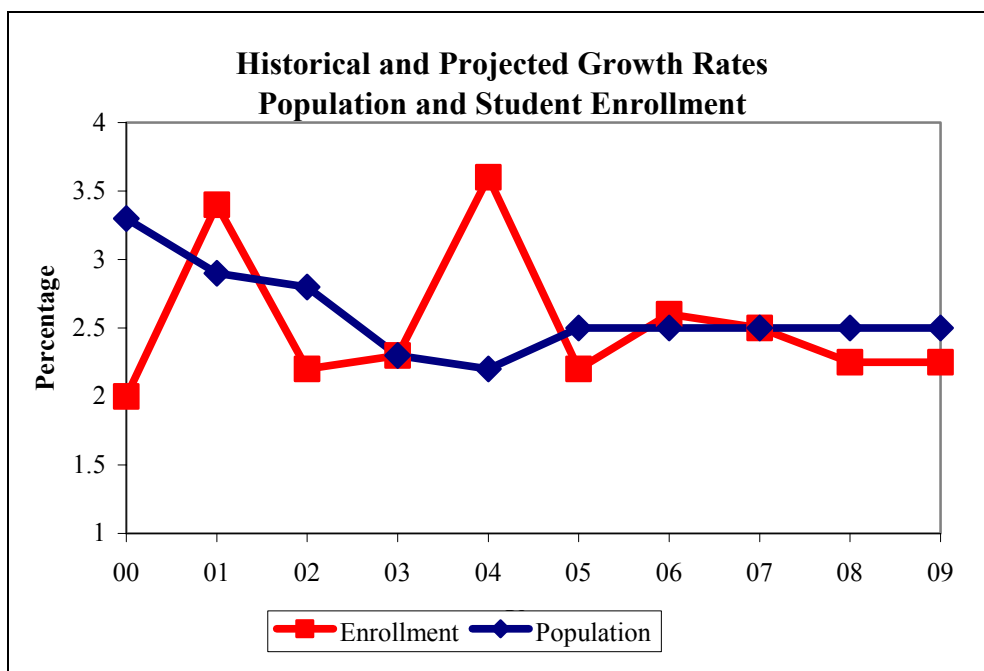
The past three years have been a strong test of the County’s long-term strong fiscal standing. Fortunately, the County was able to plan and further prioritize with efforts of all departments and the Board of Supervisors. By continuing to focus just on core services or mandated services, the County has been able to meet customer expectations and goals for quality service. However, current fiscal constraints have reduced the ability to initiate services desired by the citizens and/or be more responsive to issues that face citizens while tax rates were kept stable. In FY05, the ability to perform core services in the manner desired (e.g. student-teacher ratios, patrol deputies, staffed fire/ems stations) can not be achieved under current revenue constraints.

In addition, the capacity to utilize built-up reserves to weather short-term fiscal issues have been exhausted as the County is virtually at the minimum of meeting its 10% of revenues fund balance policy threshold (an industry benchmark). In essence, what was once believed to be a short-term issue of constrained fiscal growth (e.g., State revenues) and/or expenditure needs (e.g., priority service level funding) appears to be a long-term component of our budgetary planning process. The 10% fund balance ratio currently has approximately \$700,000 capacity, but this capacity will be consumed almost in its entirety due to two factors: \$300,000 needed to meet Self-insurance Fund’s projected deficit for healthcare costs and the remainder needed to meet fund balance policy minimum threshold for June 2004. The Five-Year Financial Plan is balanced each year and its reliance on use of surplus each year reinvested into the subsequent year is at a conservative level that should be accomplished; therefore compliance with fund balance policy should be attained throughout the next five years.

Further indicators of continued economic strength and strong financial condition are as follows:

- The tax base grew by 14.8% last year, with 3.3% due to reclassification of certain machinery and tools property to a new power generating equipment classification at book valuation. Taxes collected were 99.5% of levy in FY03; the County has collected over 98% of taxes every year since 1997.
- Total outstanding delinquent taxes represent only 1.8% of the total tax levy, with the County’s ratio below 2.0% annually since 2000.
- The County has continued to realize high median new home sales prices over many years with new home median values at \$253,000 in 2003, an 8.6% increase over the prior year (average new home was \$265,000, a 9.4% increase over the prior year). The average value of a house in the County is now \$181,000, a 7.0% increase over the prior year.
- The County has also maintained its strong bond rating of AA1/AA/AA+ (positive outlook) with only five counties in Virginia and ~35 counties nationwide having higher bond ratings than Hanover.
- Debt policy compliance is strong in all indicators, highlighted by debt service to expenditures at 7.9% (policy is <10%), the lowest ratio since 1990.
- The undesignated fund balance as of June 2003, was \$13.6 million, which represented 10.6% of General Fund revenues in FY03, which is an enhancement over both the prior fiscal year’s balance of \$12.7 million and its 10.3% ratio.

- Population growth rate is expected to be 2.2%, with a total population of 95,991 estimated for July 2004. This 2.2% increase is the lowest since 1991 (2003 also had a low growth rate of 2.3%) and with only 409 occupancy permits issued through January 2004, the County’s projected occupancy permits for FY04 is only 779. Current long-term models illustrate compliance with the County Comprehensive Plan’s 2.5% annual growth rate.
- Enrollment growth is expected to be 3.6%, with a total enrollment of 18,618 estimated for September 2004. The dynamics that separate population and enrollment growth rates are evident for next year as population generally utilizes a persons per household statistic multiplied by occupancy permits whereas enrollment variability can occur due to differential between kindergarten classes entering and senior classes graduating. In the long-run, such variability between enrollment and population is negated and both plans currently illustrate growth rates in the long-term between 2.2 – 2.5% annually as the following graph illustrates:



To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that Hanover has the 13th lowest level of fiscal stress and the 9th highest median adjusted gross income, higher than all but two of the State’s AAA rated localities (Fairfax and Arlington). A component of the fiscal stress index is a locality’s tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. The preceding economic highlights are not only very strong indicators of fiscal health, but also indicative of the traditionally strong indicators that the County has maintained or improved over many years.

The revenue constraints illustrated in this budget letter are primarily derived from lack of continued State support, but they also reflect budgetary practices of recognizing revenue for amounts reasonably expected to be received. There is little capacity for revenues to exceed budget (which mitigates “flexibility” for use of surpluses) and when local fiscal issues arise such as declining investment income rates or lower personal property tax base growth, such deficits are not mitigated by other revenue surpluses, but rather through expenditure constraints imposed to meet desired fund balance policies.

Year-end Balance

The County has had a long tradition of being able to have current fiscal year forecasted surpluses available to be reinvested into the following fiscal year’s budget. For much of the 1990’s, the flexibility afforded the County was initially drawn upon current fiscal year surpluses being well in excess of conservative budget operations. This was due to a combination of actual revenues being above conservative revenue estimates and departmental budgets returning ~5% of their budgets due to attrition dollars and capacity within their operating budget. With revenue results and forecasts now in-line with initial budget estimates, limited capacity (flexibility) exists on the revenue side and with our major functions (Sheriff, Fire/EMS and Schools) consuming nearly 99.5% of their budget, there are minor surpluses in the expenditure side.

The current year's projected year-end surplus is under pressure to achieve the projected \$3.0 million needed to fund the FY05 budget as all \$2.2 million of the projected windfall projected due to the proposed tax rate increase is needed to achieve the surplus projected. Therefore, if such tax rate increase were not approved, cost cutting strategies in FY04 and/or FY05 equivalent to \$2.2 million would need to be put into place by fiscal year-end that would also alleviate FY05 dependency upon such surplus. This may cause certain spending restrictions imposed upon departments between now and the end of the fiscal year, including restrictions on reappropriation of balances. Upon adoption of a budget and tax rate, this review will be more quantitative and through third quarter financial reports and preliminary year-end reports presented to the Board of Supervisors, such issues will be more formally addressed.

Economic Development Update: As Hanover continues to mature and grow, the Board of Supervisors is focusing on long-range strategic planning. The Board of Supervisors' adopted the Economic Development Strategic Plan to encourage and support growth of existing and future businesses. This plan outlines the County's four major Economic Development goals: expansion of the tax base, economic stability, job retention and job creation. The plan identifies target industries, utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to County development regulations.

A major objective of the Economic Development Strategic Plan was the establishment of five Economic Development Zones (EDZs). The purpose of these zones is to give priority consideration for development of infrastructure and fast track permitting to support new and expanding industrial and office projects in the County. Selection of the EDZs was based on several factors: Comprehensive Plan designation, site location, cost to serve the site with infrastructure, the amount of product currently available for sale, and the level of private sector activity occurring in the area. The County's commercial tax base continues to grow through a combination of existing business expansions and new business attraction. The following projects and/or potential sites located in the EDZs either have or will have the infrastructure available to accommodate both new and expanding businesses:

- Northlake Business Park, a 400-acre industrial park located at the intersection of Lewistown Road and Interstate 95. Northlake has attracted a diverse number of new companies over the past three years. These include:
 - A 50,000 square foot multi-tenant flex building brought two new companies, OSI and Instant File Systems, representing \$780,000 in tenant upfit investment and 240 new employees.
 - Vimco, a subsidiary of Lutron, built a new 54,000 square foot building creating 105 new jobs and relocating 45 jobs from outside the County for a total investment of over \$6.0 million. Vimco received assistance from the Governor's Opportunity Fund.
 - Michelin invested \$3.0 million in a 50,000 square foot facility creating 50 new jobs.
 - Rolling Hills Recreational Vehicles invested \$2.5 million in an 18,000 square foot facility, creating 30 new jobs.
 - In addition, Devon USA, purchased 60 acres at Northlake and is currently constructing over 500,000 square feet of new high-bay light manufacturing and distribution space. This project is slated for completion in September 2004.
- Atlee Commerce Center, a 35-acre business park with 120,000 square feet of completed office-service space.
- Atlee Station, a 240-acre office park offering high-quality business sites. Owens & Minor, a Fortune 500 company, purchased 25 acres in Atlee Station and is scheduled to begin construction of its corporate headquarters in May 2004.
- Bell Creek Business Park, a 177-acre combination of high-end commercial and industrial property includes a 64,000 square foot Food Lion shopping center, a dental office, a veterinary office, a 25,000 square foot office/service building, and a 200-pupil day care center.
- Lewistown Commerce Centre, a 200-acre commercial and industrial park located at the intersection of Lewistown Road and Interstate 95, just south of Northlake Business Park. Roads, water, sewer are currently under construction at this site.
- Crescent Business Center, 165-acre business park is the location of the new regional headquarters for the Trane Corporation. Trane is located in a newly constructed 45,300 square foot building. Mohawk Carpet is the lead tenant on a newly constructed 65,000 square foot building.

The County has begun to position itself well for economic development in the region. The County has the lowest property tax rate; no business, professional and occupational tax (BPOL); high residential wealth and education (i.e., customers and employees); available commercial and industrial sites; water and wastewater capacity. In addition, the County utilizes comprehensive planning that targets business development for appropriate areas while maintaining a high quality of residential, forestal and agricultural uses in other parts of the County.

COUNTY BUDGET SUMMARY

In reflecting the budget changes from one year to another, the County has traditionally analyzed the increase in three manners: Total Operating Fund, Total Budget and Total General Fund. The Total Operating Budget and the Total General Fund budget increases reflect trends in budgetary growth to meet increased service costs and citizen demands for new services. The Total Budget also includes impacts of any capital expenditure that may be significantly higher or lower from one year to the next as certain projects are not necessarily built every year; such as new school facilities and utility infrastructure. Therefore, the

consistent presentation of the following budget indicators and an understanding of the dynamics of how each of these budget indicators is compiled should hopefully provide for a good measure of changes in the size and scope of the County's budget (all \$ changes and % changes are based upon proposed budget to current budget):

- **Total Operating Budget excluding internal service funds (\$253.7 million, a \$25.3 million and 11.1% increase):** Basically meets the continuation of existing service levels with a few targeted initiatives (primarily education and public safety) and market compensation/benefit program. Also includes addition of new \$1.2 million fund to account for the fiduciary role of a Community Development Authority.
- **Total Budget of All Funds (\$310.6 million, a \$56. million and 22.1% increase):** As there were no significant capital projects in the prior year, the percentage changes are higher in total budget are primarily correlated to the new elementary school being constructed to open in 2006.
- **Total General Fund Budget (\$154.2 million, a \$13.3 million and 9.4% increase):** As the total budget in the preceding two bullets reflected the activities of the capital projects and other funds (e.g., utilities and self-funded utilities fund), the General Fund reflects a more consistent year to year comparison of operating impacts of various functions and the fairly level capital contribution from the General Fund to fund capital projects. The highest uses of funding as a percentage of the total General Fund budget have traditionally been in education and public safety (For FY05, Education is 50.1% and Public Safety is 19.6%). These two Board priority areas account for 69.7% of the total General Fund budget and only reflect the operating component of these functions and not the General Fund capital contribution in these areas. The highest sources of funding as a percentage of the General Fund total budget have traditionally been general property taxes, State/Federal sources and other local taxes (For FY05, general property taxes is 61.5%, State/Federal sources is 15.7% and other local taxes is 14.8%). These primary funding sources represent 92.0% of total funding.

GENERAL FUND – BUDGET CHANGE SUPPORT

In reviewing the County budget, it is the General Fund that serves as the primary operating fund of the County and from which nearly all County services receives all or most of its local funding. In addition, to specific increases noted in other sections of this budget message, the budget was prepared to accommodate service level demands (e.g., 2.2% projected population increase, 3.6% student enrollment increase, 5.0% public safety calls for service increase and ~3.0% inflationary pressures). While these factors are incorporated into every budget process, they also represent the real factors that are not within the County's direct control to reduce or eliminate.

In illustrating how this \$13.3 million budget increase was projected and allocated, the following are the primary sources for this increase (represents 81.2% of total increase):

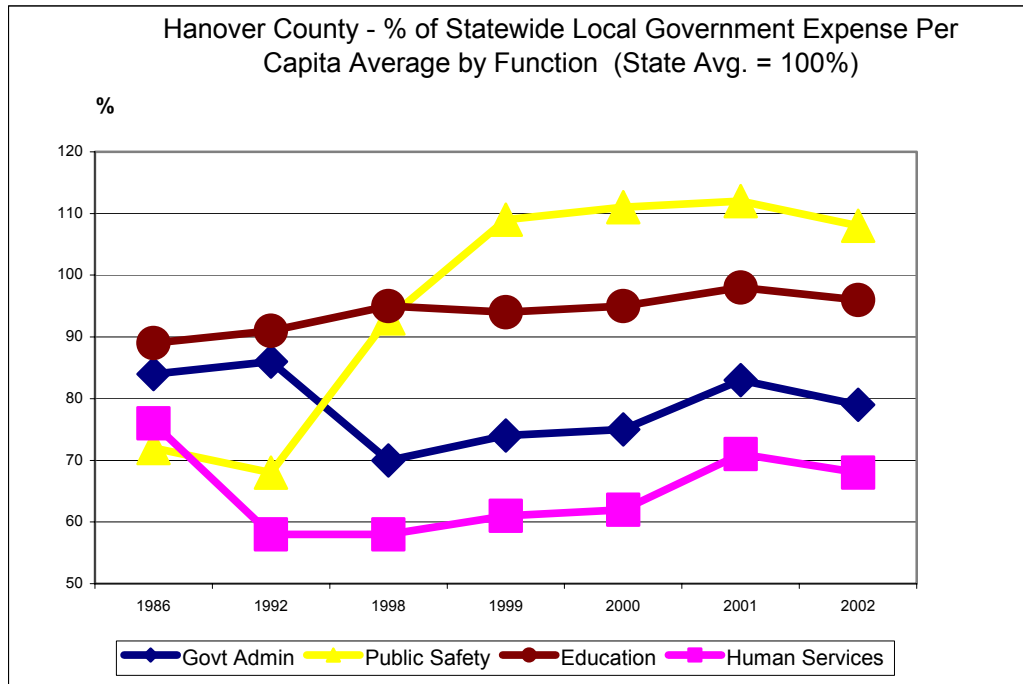
- General Property Tax Base Revenues - \$5.9 million: This revenue source is up 7.0% as continued strong growth in real property revenues illustrates the sustainable tax base of both residential and commercial in reflecting upon the quality of life attributes that makes the County a valuable commodity for those existing and those migrating people and businesses to live and work in.
- Real Property Tax Rate Increase - \$3.4 million: The 4-cent increase proposed (and the correlated increase in the generating equipment tax rate) will involve much further discussion that will focus on use, logic and merits of the proposed rate increase. After much deliberation, this was determined to be a preferred alternative over reducing current service levels or reducing employee compensation below the current market. This tax will provide: 1) the needed funds to continue services; 2) account for at least some of the increase necessary to accommodate increases in services based on demand; and 3) to recognize the very employees who provide these services by providing well deserved raises to keep them competitive in the market.
- Other local taxes - \$1.0 million: The recovery in sales tax is mostly attributable to the growth in revenues in this category as recent and projected retail indicators have possibilities for even a stronger and growing retail sales environment in the County.
- EMS Fee Recovery - \$500,000: This proposed new fee for service is projected to begin in March 2005 to ensure that proper planning, communication and system implementation procedures are followed.

After applying reductions to departmental submissions to meet current service level goals, while mitigating any new service levels or initiatives, the remaining expenditure budget balanced with the \$133 million revenue increase. The following primary uses account for the increase (represents 76.1% of total increase):

- Education - \$5.1 million: The increase in funding for the schools, which is \$996,000 less than requested by the School Board, is the County's best attempt at meeting the commitment to maintain student teacher ratios. As part of the deliberations with the schools and recognition that the schools are ~50% of the County's operation, they also are a stakeholder in the County's proposed 4-cent tax rate increase. The budget includes 147 new positions (46 added during FY04 after budget adoption) that have been added since FY04's budget was adopted. It is apparent that the schools have reduced their budget in other areas in order to meet their priorities.
- New Positions - \$1.8 million: For 36 new full-time and 7 part-time positions which can generally be classified as fee-recovered and locally funded:

- Fee Recovered (\$569,000): 13 Fire/EMS positions (EMS Fees) and a Public Works position (Erosion and Sediment Fees).
- Locally Funded (\$1.2 million): Sheriff (8), Fire/EMS (4), Emergency Communications, County Attorney, Management Services, Information Technology, Commonwealth's Attorney (2), Public Works, Solid Waste Services, Parks and Recreation, and GIS. Part-time positions have been created for Animal Control, Human Resources (2), Solid Waste Services, Parks and Recreation (2) and Finance (no funding impact).
- Capital Improvement Program (local funding) - \$500,000 for both School and County projects in recognizing technology needs for both County and Schools.
- Community Services Board (CSB) - \$446,000: New local funding provided that was needed as a direct result of increases in VRS and health insurance costs, opening of an office in Mechanicsville, and reduced Federal and service charge revenue.
- Pamunkey Regional Jail - \$396,000: Although the inmate population has increased 30.9% from prior budget assumptions due to actual trends, the budget increase is only 15.0%. This recognizes the economies of scale at the jail and the ability of the jail to rent vacant beds.
- Social Services operating expenses – \$516,000: This increase is primarily due to increases in mandated programs, which is offset by State and Federal revenue as a greater percentage of the population is being served through better outlets, outreach and other programs to provide information to targeted eligible people.
- Virginia Retirement System (VRS) – \$717,000 (excluding Schools, CSB): The rate increase from 9% to 11% due to newly established rates from VRS for existing retirement program benefits plus the ongoing increase due to merit raises.
- Health Insurance - \$348,000: Primarily impact of premium rate changes in meeting market-based employer/employee funded health insurance costs.

A general indicator of the efficiency with which the County operates is an analysis of comparative per capita spending in functional areas as prepared by the State's Auditor of Public Accounts. It shows that education and public safety, our priority expenditure functions, are closest to the Statewide per capita averages. All of our other functional areas are well below the Statewide averages and, as an example, the area of administrative expenditures is 21% below the Statewide average and the lowest in the region, including the rural localities of New Kent, Caroline, King William and Goochland. While it is not practical to provide an in depth analysis as part of this message, the four areas Public Safety, Public Schools, Human Services and General Administration represent the County's two Board priorities and two other representative functions of local government.



EMPLOYEE COMPENSATION AND BENEFITS

The Board of Supervisors continues to recognize that competitive employee compensation is critical to the County's success. In keeping with a market-based and performance driven approach for FY05, included in the budget is an average pay-for-performance salary adjustment of 3.0% of the salary range midpoint. Determining an appropriate merit increase for employees is based upon many criteria including, but not limited to, the following:

- Metro-Richmond local government increases as that is our target employee base for public sector workers
- Inflationary conditions
- Private sector merit increase projections
- Current economic conditions, including State revenues provided to localities, in ascertaining availability of funding.

While national private sector increases are projected to average ~3.5%, it appears that the local government market will be providing ~3.0% in merit increases. Therefore, the County's merit program is competitive with that of local government indicators. The County's benchmark program, long credited with providing market based adjustments targeted to those positions with market constraints and mitigating retention issues and employee morale, will be placed on hold for a second year. The benchmark program enabled the County to catch-up to the market over its seven-year life through FY00, was scaled back during FY01-03, deferred in FY04 and now needs to be reviewed as part of the total compensation/benefit program.

Without a benchmark, it is recommended that a salary scale adjustment be done, as was done in the FY04 budget, in order to have competitive grades for recruitment. Funds of ~\$22,000 are needed to adjust existing employees to the minimum of the new salary ranges and \$18,000 for the effect of higher midpoints, however, such funding is absorbed within departmental budgets based upon the current salary scale structure.

The School Board's commitment is also to have competitive teacher salary scales and positions through its own benchmark program that meets the objectives of the grading, evaluation, hiring and promotion of its employees. The County has worked very well with the School Board with a joint Benefits Committee in establishing consistent application of employee benefits; including health insurance, retirement, disability insurance and flexible spending accounts. The School's 3.0% average salary increase, together with targeted benchmarks is also competitive with the local government school divisions and generally equitable to that of the County's compensation program.

In addition, \$93,000 net cost for reclassifications of 28 County position titles is included in the budget. These upgrades are primarily needed to better classify positions based upon actual functions and do not have any impact upon the number of total full-time equivalent positions. Career ladders have been developed for certain positions in recent years as a recruitment and retention strategy and to recognize the advancing achievements of the workforce during their careers with the County. This review includes keeping pace with the dynamic changes of how business is conducted. As part of the budget, nine new career ladders will be established for 14 position titles for a total implementation cost of ~\$14,000 with some of these ladder costs absorbed within departmental base budgets. Together with our existing career ladder programs, the County will have over 60% of its eligible employees covered by career development.

The Virginia Retirement System (VRS), for which the County and School Board have used as its pension plan source, has increased the retirement contribution rate that the County pays from 9.0% to 11.0% for the County and from 9.4% to 13.4% for the Schools. The net result is an increase cost of \$3.6 million (\$624,000 for the County and \$3.0 million for the Schools) beyond what was anticipated. The primary reason for such large increases is the decrease of 3.0% in VRS's investment portfolio. The VRS bases its assumptions on the following profile: the average participant retires at age 62 and then lives another 20 years receiving VRS pension payments. In essence, the first 6 years of retirement, on average, are funded by direct contributions made by the employer over the employee's tenure with the remaining 14 years dependent upon investment returns at an 8.0% return rate over the career and retirement of the employee.

The budget has raised employer share of health insurance to meet projected claim costs in FY05 with the employee sharing such burden of increase as well. Further review and determination of market coverages will be determined as part of annual deductions and coverage for the health insurance contract to be finalized by June 2004.

Self-Insurance Fund (\$3.6 million and 31.6% increase): The Self-Insurance Fund provides for health insurance payments through County contributions and employee deductions. It is illustrated under this section as it serves all County entities, including the Pamunkey Regional Jail and Pamunkey Regional Library. Employer assumptions include a 35.3% increase in departmental budgets for premiums funded for participating, vacant and new positions with remaining claim expenses funded through employee payroll deductions and investment income generated. While this fund has traditionally had slower growth than the market for healthcare costs, over the past two years, healthcare costs have grown significantly with the County costs more in line now with market averages. This catch-up has had a significant impact upon the Self-insurance Fund and costs to both the employer and employee. The fiscal system has eroded so quickly that a \$900,000 transfer of funds from reserves, of which \$300,000 is needed from General Fund reserves, is part of a FY04 budget amendment presented in February 2004. Hopefully through the FY05 budget, employer costs have been adjusted to this higher threshold to avoid any future deficits and employee deductions will also be adjusted higher for the new contract period beginning October 2004.

Detailed reviews of the Self-insurance Fund have been performed and will continue to be focused upon as the County must balance its need to have a balanced budget for healthcare coverage, mitigate employee deductions to ensure that market

competitiveness in our tiers, but also mitigate escalating employer costs. This review will continue to look at coverage, co-pays and access provided to health insurance, including access of all part-time positions that work greater than 20 hours/week. An example of such escalating costs are in catastrophic claims with over 43 participants with claims greater than \$25,000 totaling \$2.3 million in claims paid during last contract period, compared to just 20 people in the prior year with total claims paid at \$1.1 million.

GENERAL FUND – REVENUES BY CATEGORY AND CHANGES IN FEE SUPPORTED PROGRAMS

The following revenues have been highlighted to reflect the County's reliance upon these revenue sources. In order to align revenues with specific expenditure functions, the revenues related to schools, Community Services Board and Public Utilities are addressed under the applicable expenditure by function discussions.

Real Property Taxes (\$8.1 million and 13.4% increase): The total value of taxable real estate in the County reached \$8.1 billion in January 2004, which is an increase of 7.8% over the prior year (4.7% from reassessments and 3.1% from new construction). The 2004 tax base is projected to increase over the next year 6.3% in January 2005 (3.3% from reassessments and 3.0% from new construction). In addition, the 4-cent tax rate increase to \$.86 is a 4.9% increase in the tax rate. Although this growth assumption is still a healthy growth rate, it also represents a conservative estimate based upon historical growth experienced in the tax base. While there is still a caution of a recession, much of the projected increase in new construction is a result of the many projects (both commercial and residential) that are occurring now that will be added to our tax base by January 2005. Future assumptions in five-year plans of new construction past 2005 continue this conservative philosophy. In recognition of the high reassessment being experienced by many of our residents, the County enhanced its tax relief for the elderly and disabled program as permitted under the Code of Virginia by raising the maximum relief from \$850 to \$900. This increase should offset any impact for those at maximum relief thresholds attributable to average reassessment increases or rate increases. Public service corporation taxes are also impacted by the real property tax rate increase and therefore the generating equipment tax rate also increased by the same 4-cents to a new rate of \$.50; that is estimated to generate an additional \$135,000 annually.

Personal Property Taxes (\$1.3 million and 4.2% increase): After a few years of nominal growth rate, the December 2003 tax billing was 5.1% higher than the prior year. As cars depreciate and new car sales may not have high inflationary pressures, the tax base for personal property has always been more volatile than real property. It is the County's strategy to not overestimate tax base growth in this category. The County should still continue to recognize steady growth in this category for the foreseeable future. These tax revenues are recognized as general property taxes for the payments received directly from taxpayers whereas payments directly received from the State as part of the car tax relief program are recognized as non-categorical State revenues, per State requirements. The State's tax relief of a qualifying car tax bill remains at 70% again in FY05. For purposes of analyzing this revenue source, the total tax revenue budgeted is \$31.6 million which includes the State reimbursement portion of \$14.4 million.

Sales Taxes (\$.9 million and 7.9% increase): Perhaps no one revenue source has experienced the impact of the recession as has the sales tax with revenues in FY03 11.6% lower than the prior year. However, FY03 also represented a large refund of preceding year's collections as a result of State errors in forwarding sales tax remittances to Hanover. Because of the propriety of sales tax information, the local government is not afforded the opportunity to understand the details behind remittances as trust is placed with the State in ensuring an accurate and complete sales tax remittance. The current year has shown improvement with a projected 13.3% increase (% is high as PY period included large refund) and with recent retail announcements (e.g., Target opening March 2005), the projected annual increase of 6.0% throughout the remaining four years of the five-year plan appears to be of a conservative nature. As a benchmark, our top ten sales tax providers, which represent over 37.6% of our total sales tax revenues, are currently experiencing increasing retail sales on average of 8.2% in FY04.

State and Federal Revenues (\$.9 million and 10.7 increase): The revenues noted here are not inclusive of those of other funds (School, Community Services and Comprehensive Services) as those other funds and their revenue sources are noted under their applicable sections. The Governor's Budget adversely impacts General Fund revenues in areas despite the moderate expectations in the County's prior plans: The State has provided a 0% salary increase for State supported positions (e.g., constitutional offices) for which the County continues to fund; which further widens the gap between the locally funded portion of the position and State supported portion and salary reimbursements for some of our human services functions. The only new funding provided by the State is their share for mandated programs (often federally mandated as well) and being in compliance with Sheriff deputy support with their 1 Sheriff's position to 1500 in population funding ratio. The State Compensation Board funds 76 positions in the Sheriff's Office at below market salaries and benefits. The County's local supplement provides for market salaries and benefits for the 76 positions as well as fully funding another 108 positions. The total of 184 positions for FY05 equate to a ratio of 1 Sheriff's position per 522 in population. Therefore, the State's support, while appreciated, actually had represented 65.2% of the Sheriff's position count in 1990, but is by no means equivalent to that of what is being provided today at 41.3% of position count.

Changes in Fee Supported Programs

The County relies upon various user fees to reimburse program and/or service costs provided back to the users and customers of such program or service. As there are inflationary pressures, mandates and the need to keep pace with service level demands, it is necessary for many of these fees to be amended each year in conjunction with budget process. Those increases and new fees are as follows:

- **EMS Fees:** With the success stories of EMS fee programs started across the country and more recently in Virginia, a review of this fee-based structure was done in 2003 and it was determined that such a fee based program could be implemented in the County with coordination, collaboration and communication. With a target implementation date of March 1, 2005, an estimated \$500,000 in partial year revenues will be generated in FY05 (annualized, these revenues will be \$1,648,000 in FY06 and growing thereafter). The program basically taps the Federal Medicare funding sources in establishing a program compliant with Federal reimbursement criteria. This same program can then serve as the billing mechanism to health insurance companies, if applicable. As these two sources are traditionally the focus of the billing process and traditionally represent over 95% of the entire revenue estimate, the billing process to individuals will also be performed, after efforts to bill Medicare and insurance companies are exhausted, but subject to the same considerations of any billing program that recognizes the ability to pay of the individual. Generally, the billing process is based upon an agreed-upon rate structure negotiated with Medicare and current models indicate a per trip bill of ~\$350 and third-party vendors provide nearly all resources in collecting information and billing. As part of this budget formulation, initial estimates were made regarding revenues and rates, however, these will be reviewed in much greater detail as part of agreements with volunteer squads, agreements with Medicare, resolutions and ordinances needed as part of this implementation. As these agreements take time to compile and coordinate, it is anticipated that all required actions needed for this process will occur by July 1 in order for implementation process to begin formally for March 2005 start date.
- **Stormwater Management Fee:** The County's continuing role in this program provides an alternative for residential and business development in managing stormwater. This program is 100% funded by the fees it collects and with the increased costs in acquiring and constructing stormwater management basins and the staffing resources needed as part of such oversight, requires the fee to increase from \$825 to \$900 per equivalent residential unit.
- **Erosion and Sediment Fee:** This program was initiated in FY03 to comply with the State and Federal mandates of erosion management of projects under construction and were designed in FY04 to have fees recover 100% of such costs. In order to best leverage fees where applicable and meet 100% cost recovery design, an overall 62% increase in fees was approved, with individual rate structures for commercial and residential increasing at various amounts. The fee increase also supports another dedicated position for direct service to this program.

The County does have other fee-based programs that will routinely need to be increased regularly to meet cost recovery models and meet inflationary increases in program or service costs (e.g., building permit fees, recreation user fees, etc.). While increases to these fees could be warranted to occur in FY05, it is proposed that such fees be staggered for increases every two years in order to mitigate the administrative burden of the fee increase process and financial burden on those that pay such fees. However, when those fees are adjusted in subsequent years under cost recovery models, then such increases may be higher than a one-year inflationary change.

EXPENDITURES BY FUNCTION

The following section of the budget message illustrates all the functions of the County. Under each functional area are the departmental budgets with the dollar and percentage change in the operating budget noted. A brief illustration of a department's budget and operating highlights is presented. It is the intent of this budget message to disclose significant funding decisions in the adopted budget (i.e., all new positions and related changes in personnel practices, funding of capital improvements, etc.). Generally, all functional areas of the County are impacted by inflationary pressures on operating expenditures, salary/benefit increases to retain and attract a committed workforce, vehicle/equipment/technology replacement cycles, and service demand changes correlated to factors such as population, enrollment, public safety responses and/or greater participants in the services provided by the County. For those departments that recognize significant revenues that are recovered through fees, grants, etc., it is noted what the local funding change is for those departments as local funding is the general revenues of the County allocated amongst all General Fund funded departments (e.g., general property taxes, other local taxes, etc.). Because of the significant impact the retirement and health insurance costs have had upon all County departments, departmental percent changes are higher generally for all departments than otherwise would be, therefore, operating expenditure percent increases are also provided this year, where applicable, to reflect operating base budget growth. As an example, the Commissioner of the Revenue's Office has a 8.8% increase, however, excluding the impact of retirement and health insurance, therefore, the operating increase for the department is 3.3%.

In addition to the operating budgets and FY05 capital budget information that are illustrated in this section, other sections contain further analysis of the Capital Improvements Program (CIP) and employee compensation. Furthermore, because the 2005 bond referendum is such an important issue for the County, it is imperative that all projects in the referendum be addressed specifically

in this letter, even though acquisition or construction of such projects may be staggered over many years subsequent to 2005. Therefore, as applicable, all such bond referendum projects in the CIP are also noted under departmental sections in this budget message.

PUBLIC SAFETY

Fire/Emergency Medical Services (EMS) (\$1.5 million and 22.8% increase, 14.9% increase in local funding): As part of the “new budget reality” priority, the most significant reality is that the volunteer system for Fire/EMS services is becoming a more constrained system every day. In addition to trying to find volunteers that are willing to commit their time to responding to calls, it is even more challenging for the volunteers to find the time needed to be properly trained. The amount of training time needed is over 120 hours initially, then 40 hours annually thereafter. These hours also continue to grow as equipment becomes more technical, national safety/security standards require certain levels of training to be achieved and the variability of calls offer a complex environment in which split second decisions need to be made accurately. The County has been very fortunate for the volunteers that we have had, the ones that we currently have and are grateful for any citizen that desires to be a fire/ems volunteer. However, new positions have been and will continue to be added to Fire/EMS for the foreseeable future until it achieves the simple standards of this profession – to have a response team of trained fire/ems personnel (paid and/or volunteer) arrive in a timely manner and address professionally the 911 call that was placed.

However, in order to best mitigate the strain upon local resources, Fire/EMS has proposed an EMS fee structure that is becoming the standard business practice of many local governments. While there is start-up time associated with such a program and tremendous efforts spent in educating the public about such process, the net results are a revenue stream primarily from Federal Medicare resources and third party insurers, with little out-of-pocket costs anticipated from the citizen.

In conjunction with the EMS fee initiative, Fire/EMS will be adding 17 positions in FY05 (the positions and deployment will be determined after further consultation with the Board and the public) and plans for staffing increases over the five-year plan are part of the strategic goal of providing people to respond to calls. The annualized revenue for EMS fees represent a 100% recovery for ~34 firefighters/EMTs, therefore this is an example whereby on-going revenue sources can be matched to on-going expenditures at least for the next two years and then serve as a growing base thereafter. The needs that will be needed in a few years past this funding source will need to be planned for as part of our five-year plan and balanced within the other revenue resources of the County. The needs of Fire/EMS are primarily personnel, as the breathing apparatus initiative undertaken last year is budgeted for completion in FY05. In addition to ongoing operational expenses, the budget contains funding for replacement vehicles, radios, training center improvements and equipment, and physical fitness equipment.

The Fire/EMS portion of the capital budget includes a \$720,000 replacement ladder truck, \$240,000 for ambulance replacements and \$100,000 in training center improvements

For the 2005 bond referendum, the CIP includes funding for new fire stations for Ashland and Farrington. The Farrington Fire Station project will also accommodate EMS vehicles and provide space inside the station dedicated to EMS staff needs.

Sheriff’s Office (\$1.6 million and 13.5% increase, 17.8% increase in local funding): With national accreditation by the Commission on Accredited Law Enforcement Agencies, the Sheriff’s Office has illustrated through compliance with over 400 accreditation standards its effectiveness as an operation. This is much more than overseeing the lowest crime rate in the region and deploying a sworn officer force of 160 officers, it is the action of community policing and responsiveness to citizen needs. Even though many positions have been added during the Sheriff’s tenure, the Sheriff has demonstrated repeatedly the need for such positions in being responsive and pro-active to problems, blight and criminal activity that can arise in other places if not properly safeguarded against. These plans are formulated based upon desired response times correlated to number of people and associated demand factors (e.g., burglaries, other crimes occurring).

While there may always be a funding constraint between what the Sheriff’s Office considers it needs in meeting the highest standards of deployment and service, the County will always work towards putting the resources towards this office in meeting the priority service levels established by the Board for public safety. With non-local funding virtually flat, the local share of funding for this office will increase 19.5%, which includes the addition of 8 positions . Local funding now constitutes 78.9% of their total budget, up from 64.2% just five years ago and 48.5% ten years ago.

As part of their operations, 41 vehicles will be acquired at a cost of \$835,000 as these vehicles have generally met their 110,000-mile useful life, the highest utilization rate in the region as a result of deputies maintaining and caring for their assigned vehicles to the highest standards. The budget includes the continued improvements at the firing range by installing bullet-retaining devices, a program that is likely to be Federally mandated in the near future. Career ladder program in Sheriff’s Office was enhanced to further retain, attract and reward officers for high performance standards attained.

The capital budget includes a \$96,000 storage facility funded by asset forfeiture funding for use at the firing range to garage the new mobile command center.

As the Sheriff's Office also comprises the Court Services division (addressed under Judicial Administration function), the following statement reflects total funding provided to the Sheriff's Office: \$1.7 million and 13.1% increase, 17.8% increase in local funding.

Emergency Communications (\$143,000 and 6.0% increase): The County's Emergency Communications Department, after a long period of transitioning, catching-up and reorganization has shown remarkable improvements in the last few years. A communications officer is needed to maintain service availability for current volume of 911 dispatches and communications with a larger public safety workforce deployed.

For the capital budget, \$100,000 has been provided for channel bank replacement, which replaces the remainder of the channel bank equipment that is used in the simulcast operation.

For the 2005 referendum, \$25.0 million has been targeted as the higher range estimate to meet desired radio system needs with the reality that if this higher cost system is needed that other opportunities for funding are needed (e.g., meals tax) and/or other referendum projects would be further removed from ballot (e.g., libraries, parks, fire stations and/or school projects).

Animal Control (\$44,000 and 6.7% increase): The budget includes a replacement vehicle and a part-time kennel attendant to maintain the safety and security of the animals. With continued funding constraints, further reviews of opportunities to re-allocate existing funding to core service delivery needs will be considered during FY05.

Juvenile Court Services Unit (\$179,000 and 37.0% increase, 44.7% increase in local funding): While not a staffing resource, but in essence the by-product of a strong law enforcement division with a professionally run Commonwealth Attorney's office that has continued to increase juveniles who are placed at the Merrimac Juvenile Detention Center. The increase in the budget primarily represents juvenile detention fees to house juveniles sentenced by the court. Flat State funding results in 100% of the budget increase being locally funded.

Pamunkey Regional Jail (\$396,000 and 15.0% increase): Similar to the trends experienced with juveniles noted previously, the strong efforts of the Sheriff's Office and Commonwealth Attorney's Office, together with sentencing by judges have resulted in more inmates housed at the jail. This budget reflects the per diem costs to house inmates as part of the County's participation in the Pamunkey Regional Jail Authority. The costs for housing inmates have benefited from the economies of scale of the larger jail operations as well as the benefits of using available capacity for bed rentals to other entities. The County had assumed an average of 223 inmates per day this fiscal year, but based upon current trends, inmates per day for next fiscal year is estimated to be 30.9% higher than previous budget assumptions at 292 inmates per day. The ability of the jail to absorb the higher inmate population is based upon the strength of the jail's bed rentals and operating efficiencies. Initial budget request illustrated a higher increase, but it is anticipated that available accumulated balances and year-end projections should mitigate such increase to County's estimate.

Community Corrections (\$28,000 and 13.8% increase): This function, initially 100% funded by the State when under the Pamunkey Regional Jail's operation, was required by State regulations to be housed under the County to provide community corrections and pre-trial services to those deemed necessary by the judges. With flat State funding, but inflationary and merit based needs for operating, the local share will be 12.1% of the total budget in FY05 and most likely continue to increase in the future.

Building Inspections (\$129,000 and 11.2% increase): The increase is primarily attributable to an interactive voice response system that will enable builders and other people involved in the building permit process to schedule inspections and other services of the Building Inspections Office 24 hours a day.

PUBLIC SCHOOLS (Also refer to Superintendent's Message in Section B under Education Section)

During this last budget process, the County and school staffs worked together more in ensuring that funding levels be provided in FY05 to best meet student-teacher ratios, the ever increasing demand upon mandated special education programs and the No Child Left Behind Act (NCLB). These discussions focused not only on operational needs, but capital needs over the next five years. As presented by the Superintendent during his deliberations with the School Board, the elementary classroom space is becoming more and more constrained by the need to meet mandated programs and concentrated growth in a few school districts. What results is simply using classroom space for these targeted programs and having to deploy modular trailers sooner and in greater numbers than initially anticipated. Because of the lead time in designing, building and funding a new school, some of the extraordinary pressures most recently arising will result in more modular trailers at Pearson's Corner and Pole Green schools until new schools are built to alleviate such conditions. There is some point at which an individual school should not be burdened

with either too many students and/or too many modular trailers. Hopefully, through the efforts of the joint County and school focus teams, the definition of when that threshold is crossed is now better defined and can be integrated into long-range capital planning.

Hanover County's projected cost per pupil of \$7,655 is projected to be one of the lowest in the Commonwealth of Virginia. In FY02, the County ranked as the 3rd lowest in its overall cost per pupil. Finally, and most importantly, the effectiveness of the schools can best be measured in having 100% of Hanover's schools with full State accreditation. Among Virginia school districts with enrollments above 15,000 students, Hanover is one of the first two in the State with 100% of schools meeting full accreditation criteria.

The County school system, which enrolls 18,618 students, continues to "raise the bar" of standards expected for public education. The Hanover school district is the recipient of two prestigious U.S. Senate awards for quality and has seven schools nationally recognized as U.S. Department of Education Blue Ribbon Schools. Hanover in 2003 was the only school district of its size or larger in Virginia to feature all schools accredited by a regional accrediting agency. Hanover County Public Schools received a 97 percent family approval rating in its most recent survey. County students performed in the top 10 percent in the State on the Stanford 9 Assessment. Less than one percent (0.4%) of students drop out before graduation and 83 percent of graduates attend a 2 or 4-year college. All schools demonstrate high expectations for students and offer a model of rigorous academic and technical preparation. The County has received the School Match "What Parents Want" designation for four consecutive years and has been rated a "Gold Level School District" by Expansion Management Magazine (a national business relocation publication).

School Operating Budget (\$13.8 million and 10.5% increase, 7.1% local increase): This \$145.6 million budget, adjusted for a \$996,000 local funding reduction from the School Board request, includes all school operations, excluding the self-funded cafeteria operations. The gross State increase to the schools represents a \$8.0 million or 15.1% increase, which was part of the Governor's initiative to fund the State's Standards of Quality for education, that had not kept up with the State's own guidelines in recent years. Included in the State's revenue increase was funding to offset the estimated impact of \$2.9 million for Virginia Retirement System, of which the State provided \$1.5 million or 51.9% towards such impact. Excluding this funding, the State funding increase for schools was 12.1%. However, the State did not provide any support toward salary increases nor health insurance increases, which amounted to \$4.4 million in total. Although the State did not directly provide such funding, remaining State funding of \$6.4 million provides \$1.2 million towards the compensation baseline through the re-benchmarking of the Standards of Quality, \$4.5 million helps to offset the cost of additional staff directly related to increased enrollment, while \$.3 million address NCLB initiatives and \$.4 million is earmarked for general operating costs. School textbooks are funded through a combination of local and non-local sources and debt service is 100% locally funded. During FY04, the Schools added 46 new positions to meet critical enrollment and special education service needs. Although these positions were not included in the adopted budget their costs were accommodated through increased grant funding and within available resources. This Schools budget includes 101 additional positions, of which 45 are teachers to meet accreditation standards, maintain average class sizes, meet our special education students' needs and continue phase-in plans for previously planned initiatives. Because of the increase in students (3.6%), many of these positions are driven by enrollment increases. With these additional resources the classroom pupil teacher ratio is projected to be 19.2:1 in FY05 (this ratio was 19.6:1 in FY03 and five years prior to that it was 20.2:1 in FY98. The implementation the \$996,000 local funding reduction will be determined after a budget is adopted by the General Assembly and the School Board acts on that budget (may also impact the number of teachers hired).

Cafeteria Operating Budget (\$337,000 and 5.4% increase): School cafeteria operations generally parallel inflationary and enrollment growth factors as with more students being served, there are correlated increases in revenues collected from fees charged to the students and related non-local support of food programs. One additional food service position is needed to meet the needs of schools.

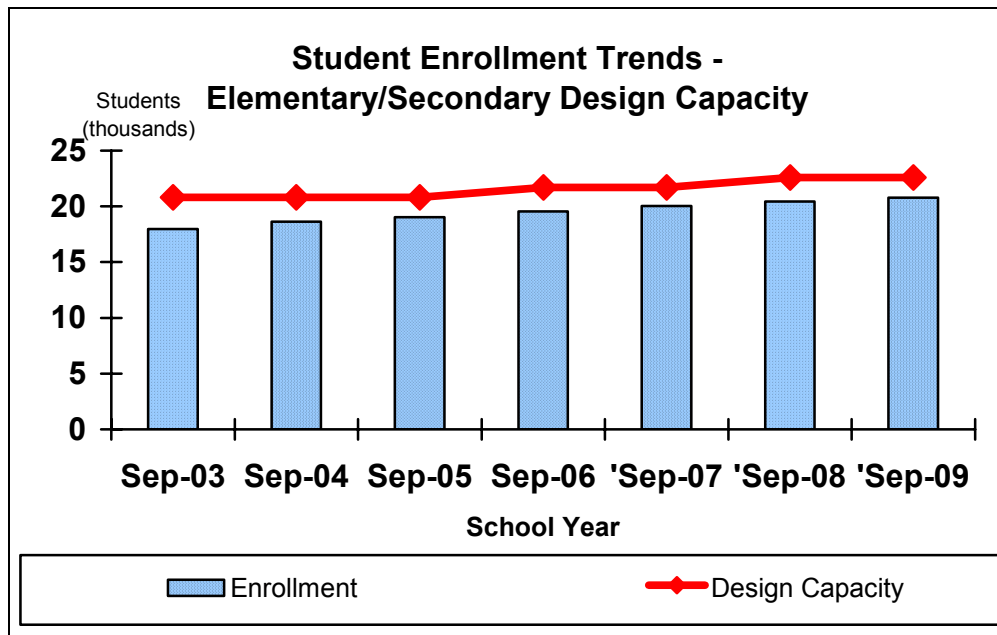
School Capital Budget: The School's capital budget and related CIP was initially based upon the CIP budget objective that will provide appropriate classroom space to "limit overcrowding with no schools over capacity by 10% for more than three consecutive years." During preparation of the currently proposed CIP it became evident that while the design capacity formula utilized successfully for many years was being adversely impacted by two factors: 1) the need for classroom space that became supplanted through use of existing classrooms for special education or other non-classroom activities (many of which are mandated) and 2) higher concentration of growth in specific districts that caused the 10% overcrowding factor to escalate exponentially to overcapacity rates as high as 48% before relief could be provided after three years. Therefore, with tremendous efforts on the part of a joint County-School committee to focus on enhancements to the capacity statement, it was realized that the existing statement could be enhanced to serve the County better over the long-term and specifically mitigate the factors that arose quite suddenly. Hopefully, consensus between the School Board and County Board can be reached in the near future on such enhanced statement. However, as funding and timing constraints prevail currently, it is realistic to assume that whatever statement is adopted would not necessarily be effective until the 2008 elementary school is open, with compliance to such revised statement realized thereafter.

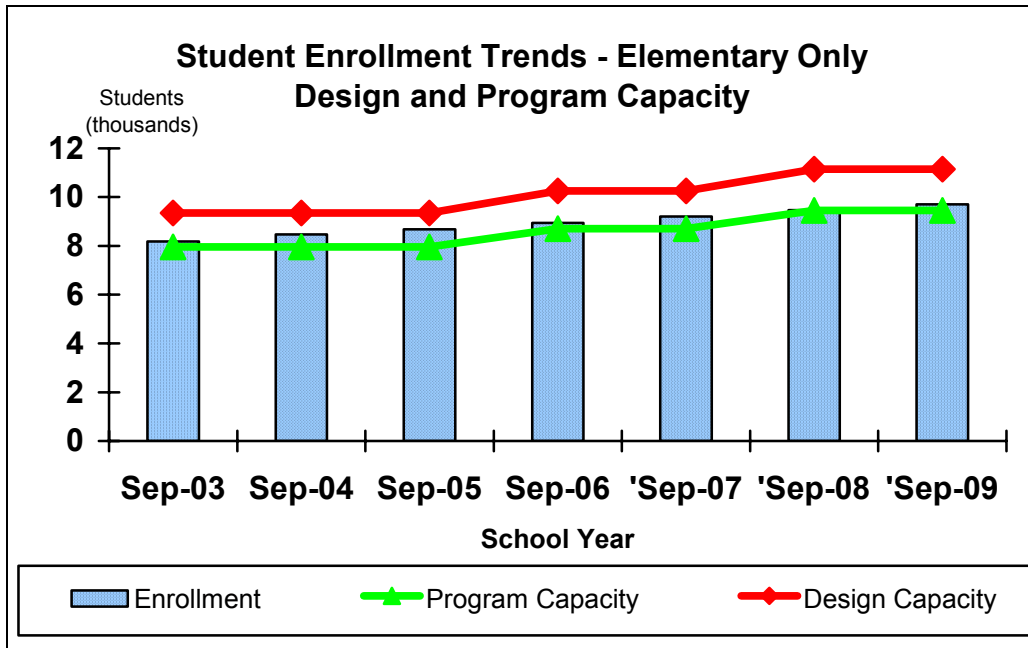
The adopted school CIP addresses the current overcrowding needs with a new elementary school at Rt. 301 to alleviate overcrowding at Pearson’s Corner and a newly proposed 2008 elementary school in the area between Rt. 360 and Rt. 301 to alleviate projected over-crowding for elementary schools in this area.

For FY05, the capital budget provides \$23.6 million. A new elementary school at the existing Route 301 complex, to open in 2006, career tech improvements at Lee-Davis High School, facilities improvements, technology infrastructure and an addition to Stonewall Jackson Middle School to be completed in 2005, will all be funded with the State Literary Loan Fund and Virginia Public School Authority (VPSA) debt. The \$1.4 million school bus acquisition and replacement program for 25 buses is part of the phased objective of shortening the replacement cycle for buses from 17 to 12 years. An alternative education facility will begin design work in FY05 with \$150,000 from the savings plan and \$100,000 will also be provided for a facilities study. In order to align the large acquisition of annual capital associated with the schools computer replacement and initiative program, \$1.0 million that was previously in the operating budget will now be funded in the capital budget, with cash funding sources.

For the 2005 bond referendum, projects have been aligned to meet the CIP objective by 2008 and fund many types of capital improvements that would subsequently be built or acquired in years subsequent to 2005. Specific to the school’s \$37.1 million referendum would be a new elementary school to open in 2008, and technology and facility improvements at all of the County’s schools. Further efforts have been put forth in leveraging proffers and related savings plans to fund new facilities as \$3.0 million is now applied towards referendum projects.

We are projecting for September 2003, a 3.7% school enrollment growth. As the following graphs illustrate, because of recent student enrollment trends and new school capacity provided, the design capacity constraints (currently adopted CIP capacity constraint philosophy) illustrate appropriate levels of capacity; however, in the second graph the newly discussed “program capacity” does illustrate more of a challenge for the elementary schools (secondary schools have program and design capacities more aligned). From a graph standpoint, the program capacity line below the enrollment bar illustrates the modular trailers that arise due to strained facilities. This constraint illustrated in the aggregate may be more or less of a constraint in individual elementary school districts.





PARKS, RECREATION AND CULTURAL

Parks and Recreation (\$225,000 and 10.0% increase): Program participation continues to increase each year with the majority of this coming from special event participation, athletics and youth programs and the fee-paid programs account for \$22,000 of the increase. The annual allotment to the Parks and Recreation Advisory Commission (PRAC) is \$15,000 for PRAC to best distribute amongst the various needs of the many recreational-type organizations. In addition, a groundskeeper is needed to service needs at Hanover High School and other facility demands over the last two years for which no additional personnel were added. In providing for capital needs to address safety concerns, \$110,000 has been budgeted. A grant has expired that provided a 100% funding source for the I Care program that initiated services for an after school program at Stonewall Jackson Middle School. Local funding was not planned to accommodate such initiative, therefore, one year-round part-time position and 3 seasonal part-time workers will be eliminated effective of July 1. Two part-time therapeutic recreation aides have been added.

The capital budget has \$50,000 for heavy duty equipment needed as part of its grounds maintenance operations.

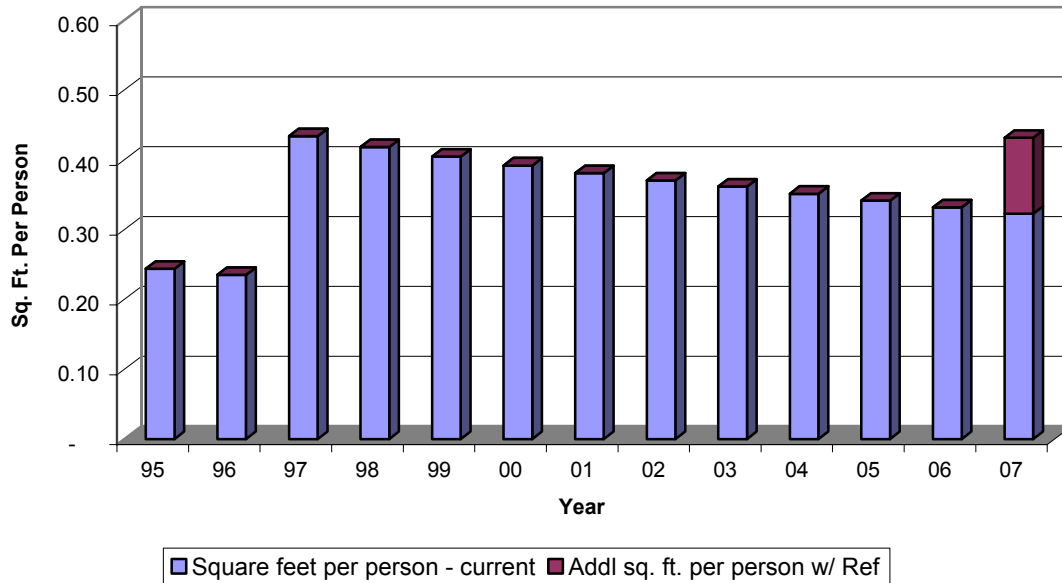
For the 2005 bond referendum, the CIP will include \$5.0 million in funds for significant improvements to Pole Green, Poor Farm Park and Courthouse Park as well other park improvements at Cold Harbor Battlefield, Hanover Wayside Park and playgrounds, with over \$3.0 million funded by the capital savings plan.

Pamunkey Regional Library (\$73,000 and 3.7% increase): The County has benefited greatly as part of this regional library system that serves four counties. Over 700,000 items were circulated in the library in the prior year, which has almost doubled in circulation over the last ten years.

For the 2005 bond referendum, the CIP will provide funds for a replacement Mechanicsville Library, of which 25.3% of such project is now funded with the capital savings plan. As with many projects in the referendum, needs assessments and/or goals for facility infrastructure provide the support for each and every project in the referendum. While not provided in detail in this message, the following example illustrates the rationale for library projects.

The County and the Pamunkey Regional Library often refer to the goal to have a .6 per square feet of library space per person in the County. This standard is in the County's Comprehensive Plan and is based upon the State Library recommendations. As the following chart indicates, the County greatly enhanced its ratio from .2 to .4 in 1997 with the addition of Atlee Library and expansion of the Ashland Library into a new facility. Until additional square feet are added, this ratio will further decline as the County grows. With the replacement of the Mechanicsville Library to open in 2007 the County's ratio will be approximately equivalent to where it once was in 1997. In the long-term, an expanded Atlee Library and Rockville Library can further help the County achieve this standard.

Library Square Feet Per Person



HUMAN SERVICES

Community Resources (\$21,000 and 6.4% increase, 11.7% increase in local funding): During FY04, two new service areas were established. First, it continued to expand its disaster preparedness and response activities by working with the Hanover Citizen Corps Council to promote disaster preparedness education and awareness and by mobilizing community volunteers to assist in the Hurricane Isabel response and recovery. Secondly, the County achieved designation as a Community of Promise through the national America's Promise initiative; an effort to insure all youth have access to the fundamental resources they need to succeed. The Volunteer Services Program also notes two important recognitions: the National Association of Counties recognized the Volunteer Home Repair Referral Project with an Acts of Caring Award and a Beavertown couple received State recognition in receiving the Governor's Community Service and Volunteer Award. The operating increase is actually decreasing by .6%. In addition, Community Resources provides the administrative oversight to the CSA Fund as follows:

- **Comprehensive Services Act (CSA) (\$183,000 and 4.9% increase, 7.2% increase in local funding):** This program for at-risk youth continues to experience nominal financial growth even though the number of youth needing services continues to steadily increase. While nearly all expenditures in this function are mandated under State guidelines, the Community Policy and Management Team, comprised of representatives from the County Administrator's Office, Juvenile Court Services Unit, Schools, Social Services, Health Department and Community Services Board, works to address and implement effective case management and cost containment strategies to order to continue providing these much-needed services to at-risk youth and their families.

Social Services (\$800,000 and 19.6% increase, 14.5% increase in local funding): This increase is primarily due to increases in mandated programs. The achievements of Social Services have been rather remarkable over the past three years as they have met and exceeded all Federal and local standards during FY03, including timely application processing of Food Stamps, Medicaid, and Temporary Assistance for Needy Families (TANF). Through efforts of staff and community, and required Federal funding share for eligible recipients, a greater proportion of the population is being served. While this has led to a significant increase in their budget, the local share dollars being leveraged by matching non-local support have made a positive impact upon the community.

From FY01-present, higher growth in demand for services occurred at the same time the recession was occurring with the following examples of this three-year case number growth: Food stamps 37%, child care 27%, TANF (includes children raised by non-parents) 43% and Medicaid 20%. Through enhanced outreach and communication, and the establishment of a satellite office, the ability for people to find out if they meet eligibility in seventeen different programs has expanded.

In FY03, Social Services served one in twelve County residents and serves citizens with universal access (eligible without regard to income) as well as those between 100-200% of the Federal poverty level, depending on the program's eligibility criteria. Although the County's poverty level is low at 3.6% (~3,400 citizens), many social service customers exist outside that income classification. Statewide, approximately 1 in 3 children living in single-mother households lives below poverty. Although the County has a median family income of ~\$66,000, the same-size female-headed household in the County has a median income of \$28,800, matching the poverty level.

The TANF-VIEW (Virginia Initiative for Employment not Welfare) program is effective in deploying clients into the workforce in a timely manner. Comparing FY00 to the most recent FY03, 50% more clients have been enrolled in VIEW, yet the County's VIEW program has maintained a top 15% position among all local social service agencies in the Commonwealth, high ranking in: the percentage of employed VIEW clients, their average monthly earnings, and the percentage employed at the end of five months.

Health Department (\$9,000 and 2.1% increase): This budget represents the County's tradition of funding a 45% share of this State agency budget. As State budgetary practices continue to constrain this State agency, the County's obligation is also mitigated. The Health Department represents a stand-alone State function for which the County's share rises in proportion to State funding of this service. This office should be recognized for trying to best administer to the needs of its customers with funding sources that often have to be stretched thin.

Tax Relief for the Elderly and Disabled: In order to recognize this real property tax relief in compliance with State accounting standards, the relief component of this program is illustrated as an expense whereas the offsetting revenue is recognized under real property tax revenues. This program is administered by the Commissioner of the Revenue's Office and the total relief is projected to be \$4580,000. Expansion of the tax relief program was previously noted under real property revenue changes.

Community Services Board (CSB) (\$398,000 and 5.0% increase, 13.8% increase in local funding): While our focus for new funding uses has been primarily directed towards the priority service levels of education and public safety, we can not ignore the needs, many of them mandated, in the provision of human services to our citizens. With the new budget reality, the human services funding has been constrained and any additional local funding is being used to supplant reduced State revenue to human services in just keeping current staffing levels at present levels. This does not address the continued demand placed upon these human services divisions, therefore such terms as "CSB Waiting List" will not only continue to be a term we refer to, but may also be a waiting list that actually grows over the next few years, as opposed to being reduced as was initially hoped for when State and local resources were working together in the mid 1990's. The simple fact that public safety and education consume nearly all new discretionary dollars does not address other service level needs to fund initiatives. The CSB Waiting List is an initiative that hopefully will have a source of funding, State/Federal funding preferably, in order to address a target population who benefit greatly from such services.

Nothing epitomizes the erosion of State support more than changes in revenue for CSB operation from FY00 to FY05. Between this time period, the General Fund has increased its funding by 73.4%, while the level of State aid has increased only 26.0%. If State aid had increased at the same rate as the General Fund, the CSB would have an extra \$589,000 in funding. This additional funding would allow the CSB to reduce the current waiting list by over 50%.

The total CSB budget is \$8.4 million. The funding provided \$310,000 more in local funding than previously planned to offset the costs of opening the Mechanicsville office and employee benefit increases. This enables CSB to meet current service levels with current staffing resources, but does not provide any additional resources for them to make any reductions in waiting lists, counselor caseloads and other indicators that had been desired as part of a County/State approach in achieving such waiting list reductions.

COMMUNITY DEVELOPMENT

Economic Development (\$18,000 and 1.9% increase): Economic development is fostered through strategic planning and creating and maintaining a positive business climate. The funding of programs and personnel dedicated to achieving the County's economic development goals and objectives should reach the net desired results over the long-term. Economic Development also provides the administrative oversight over the IDA Fund and has been instrumental in establishing the CDA Fund that are budgeted as follows:

- **Industrial Development Authority (IDA) Fund (\$8,000 and 3.7% decrease):** The IDA issues tax-exempt bonds for qualifying projects and partners with local developers to increase the County's inventory of industrial land. The budget primarily consists of fees contributed to the General Fund through a small assessment levied by the IDA on revenue bonds issued (.5% of outstanding principal). These fees are generally incorporated into the Economic Development budget. The budget decrease is attributable to the declining principal balance on outstanding IDA bonds.
- **Community Development Authority (CDA) Fund:** This is a newly established fund in the County that was established to recognize the fiduciary role that the County does in conjunction with the Bell Creek Community Development Authority (CDA) as the fund simply represents the special assessment district established by the CDA with \$1.2 million in revenues representing assessment liens on CDA applicable CDA properties and expenditures representing the offsetting payment to the trustee that administers the bonds on behalf of the CDA. Administratively, this fund and compliance with various bond and developer agreements involves Economic Development's oversight with actual administration of assessment liens performed by the Commissioner of the Revenue with collection of liens and payments to trustee performed by the Treasurer. There is no moral obligation on the part of the County with regards

to trustee payments other than remitting all assessment liens received, net of \$2500 retained for administrative cost recovery.

Planning Department (\$137,000 and 9.2% increase): This primarily represents funding to meet the County's obligation for an anticipated \$10,000 grant to provide for historic surveys. In addition, funding for telephones to provide better communication for inspectors in the field. In addition, Planning provides the administrative oversight over the GIS Division as follows:

- **Geographic Information System (GIS) (\$56,000 and 10.5% increase):** The ability of GIS to provide a support service to other departments, the citizens, businesses and other interested users of GIS information continues to be realized. In order to keep up with current demand, a GIS engineer position is needed. An example of such technology is the web site www.co.hanover.va.us/planning/gismap.htm which is one of the most accessed websites in the County providing relevant information for every County tax parcel.

The budgets of the following divisions under community development are generally small in scope and require little administrative oversight with the total budget for the following three functions totaling \$211,000:

- **Extension Service (\$6,000 and 6.8% increase):** This function represents the County's share in participating in the State extension service, which has been an invaluable resource for our agri-business and residents interested in horticulture. The increase is attributable to required payment to Virginia Tech in administering this program.
- **Cannery (\$700 and 1.7% increase):** This function provides a great resource for residents to can their fruits and vegetables and the budgetary needs over the years have been minimal. Administratively, this function reports to Public Works.
- **Soil and Water Conservation District (\$7,000 and 9.1% increase):** This is the County's share for participating in this district, which services residents in conservation planning and education. The increase is attributable to salary increases that are warranted for this State function that was not provided for in the State's budget.

Community Support (\$131,000 and 12.3% increase): The contributions to various local and regional entities are classified under community development to reflect their community support intentions. The budget reflects flat funding for all discretionary contributions and continuation of funding formula agreements (e.g., share of Richmond Regional Planning District Commission (RRPDC)). Increases are attributable to new regional participation funding for the following organizations: 2007 Celebration (\$25,000), Virginia Performing Arts Foundation (\$10,000), Friends of Rail (\$1000) and Sportsbackers (\$5,000). In addition, funding was restored to every one of the organizations (ten in total) that were cut 50% in the FY04 budget. Finally, the lodging tax-supported funding for Richmond Metro Convention and Visitor's Bureau and Greater Richmond Convention Center Authority increased in correlation to projected increases in lodging tax revenues.

PUBLIC WORKS

Public Works (\$169,000 and 16.7% increase, 12.5% increase in local funding): Public Works is a function that is increasingly being mandated to meet various Federal and State regulations imposed upon the County for which no Federal or State assistance is provided. A recent example were the environmental mandates in erosion and sediment control (E&S) during residential/commercial construction projects that required the County in FY03 to provide a service (three positions) for which a portion of such costs were funded with E&S fees. In continuing to meet the needs of this program and now that of a stormwater management program, another new position is being created and funded by a combination of increased E&S fees and the inclusion of personnel costs in the stormwater management fee. The result is that E&S fees should recover 100.0% of the E&S program costs.

The public works function has become increasingly more fiscally complex each year to administratively manage. The Traffic Engineer is currently managing 32 road improvement projects, with the majority of these involving both a VDOT-County reimbursement agreement and a Consultant-County contract. The financial tracking of VDOT reimbursements, landfill fees, E&S and stormwater fees, road proffers and various developer agreements requires tremendous time and effort in fiscal and administrative accountability. This warrants that a business manager position be established to properly fiscally manage such operations and provide much needed time for the engineering function to meet the already escalating demands of their time.

In the capital budget, the planned continuation of \$150,000 per year in local funding for roads has been postponed indefinitely as the County's tax rate and financial flexibility currently does not provide an outlet for such funding to be directed for what was once a State function. However, proffers and State revenue sharing funds, will provide over \$1,365,000 in road and traffic improvements. In addition, \$375,000 for regional stormwater implementation is funded by stormwater management fees. Road proffer and stormwater management fees are examples of revenue-based programs that use current land use plan development to determine the development impact so that fees can then be structured to develop appropriate revenue recovery financial models. These models are being reviewed closely since the adoption of the Comprehensive Plan with a planned update to the methodology for roads occurring by June 2004. Finally, \$150,000 for stormwater management control has been provided to partially assist with remediation of drainage infrastructure needs in accordance with the County Drainage Easement Policy or as

directed by the Board of Supervisors on an individual CIP basis. This project is not funded by stormwater management fees as these are issues that arise in already developed areas of the County.

Solid Waste Management (\$124,000 and 4.2% increase): Funding is provided to open a brush center. Included in the funding are a part-time and a full-time equipment operator positions to operate the wheeled loader and direct traffic. The brush center will help reduce the high traffic levels at the convenience center's refuse and recycling areas.

Facilities Management (\$111,000 and 8.4% increase): The increase primarily represents the role this department plays in meeting repair and maintenance needs for facilities in the County and operating increases associated with utility services, telecommunication services and custodial contracts.

In the capital budget \$75,000 has been provided for Parks and Recreation Maintenance Shop roof replacement as the roofing system has deteriorated to the point that warrants a replacement.

Airport (\$5,000 and 3.6% increase): The operating budget of the airport is primarily for supporting the airport manager in maintenance of the airfield and terminal facilities. The actual operations for daily services is contracted by the County to a fixed-based operator.

For the first time since formal Five-year CIPs were formulated, there are no capital improvements in the CIP. If significant non-local funding sources arise during the fiscal year requiring little or no local match, they will be analyzed and brought before the Board, if appropriate.

Fleet Services (\$219,000 and 14.9% increase): The economies of scale continue to be realized for fleet operations as this operation is now a self-supporting internal services fund that recovers its costs through fees paid by departments for repair and maintenance of vehicles and radios. A \$15,000 General Fund subsidy in FY05 (~ equivalent to cost allocation charge of General Fund to Internal Service Fund) is projected to be eliminated in FY06. As part of piloting an established business practice in some localities, Fleet Services will acquire four vehicles and then "lease" such vehicles to the Assessor's Office, Information Technology, and Parks and Recreation (two vehicles). These departments have budgeted an annual lease cost that also includes standard preventative maintenance and repairs, mitigating the volatility in departmental budgets of acquiring vehicles in different years. In starting such a lease program, Fleet will initially be leasing the vehicles from the vendor, but if the program is successful, it is anticipated to be expanded with Fleet acquiring such vehicles without the need for capital lease financing.

GENERAL GOVERNMENT

By the very nature in which some departments operate, many general government administrative departments have base budgets that change only slightly in their scope of operations annually. The County prides itself on providing high quality and technologically-current services to citizens in the most efficient and effective manner. This is further supported by the State's composite of the general government administration function statewide in which the County's cost for providing such services is 79% of the Statewide per capita average and the lowest percentage in the region (including Caroline, New Kent, Goochland and King William Counties). Unless otherwise specified in departmental description for new positions or other large impacts, virtually all operating budget increases in administration are the result of inflationary, merit and benefit (VRS and health insurance) impacts. The following summarizes the operating budgets for these administrative departments:

- **County Administrator's Office (\$67,000 and 7.1% increase):** In order to better clarify and distinguish the additional supervisory nature of the Director of Public Safety, the title of this position will be changed to Assistant County Administrator without the need for any additional reclass dollars. The County Administrator's Office also provides administrative oversight over the Board of Supervisor's budget:
 - **Board of Supervisors (\$50,000 and 13.6% increase):** The Board absorbed a larger proportionate share of State budget reductions from the preceding year in order for other service levels to continue without disruption. In trying to meet core-funding needs, some reductions were partially restored to the previous on-going budget base.
- **Human Resources (HR) (\$74,000 and 14.3% increase):** The County through HR will work towards implementing a WEB tracking software for applicants that should make applying for a job easier for prospective candidates and enable information to flow more efficiently throughout the hiring process. In addition, FY05 represents the full-year funding for FBI fingerprint testing as the Board approved of this new technology use during FY04. Two part-time intern positions are being added to further assist with special projects and the volume of work being assigned to HR at a cost of \$2,000.
- **County Attorney's Office (\$97,000 and 11.4% increase):** Roughly half of this increase is due to the fact that an additional assistant county attorney position is needed to meet the increase in demand for legal services from all departments since the current staffing level in this office was established eight years ago. This increase is illustrated by the demand for legal services by the school division, which has increased from 40% of one attorney's workload to 75% in the last five years.
- **Commissioner of the Revenue (\$81,000 and 8.8% increase):** In addition to many services provided by this office, two high volume activities include: 81,000 personal property taxpayer accounts valued annually and 14,000 State income tax

returns that required processing assistance. In addition, through communication and other outreach programs, ~800 households qualified for tax relief for the elderly and disabled. Finally, additional administrative duties for FY05 include assessment liens in compliance with the recently established Bell Creek Community Development Authority. Operating increase is only 3.3%

- **Assessor (\$36,000 and 5.4% increase):** In reviewing an inventory of over 40,000 tax parcels annually to adjust to an equitable market-based tax base for real property, the office has done an outstanding job of having sales-assessment ratios stable at between 95-97%, low coefficient of dispersion ratios (measures volatility amongst assessed values) and having few appeals to the Circuit Court appointed Board of Equalization result in valuation changes.
- **Treasurer (\$56,000 and 5.7% increase):** For many years now, this office has attained a virtual 100% collection policy on taxes owed the County and oversees an investment portfolio that has consistently outperformed established investment return benchmarks. In FY04, the Treasurer initiated and the Board approved for the County to be considered as a DMV site by the State in order to provide a more accessible and less line-oriented manner for County residents to conduct certain DMV transactions. During FY05, the State will hopefully authorize the County to perform this function with a 100% cost recovery model designed and approved by DMV to properly staff and manage this service with no local funding needed. If approved, a mid-year budget action will be needed by the Board to establish the costs and recovered revenues for this new service. Operating increase is only 2.7%.
- **Finance (\$50,000 and 6.5% increase):** Utilizing capacity in the existing part-time budget analyst position, an additional part-time clerical position can be created at no additional cost. The Finance and Management Services Department recognizes the division of management services separately as follows:
 - **Management Services (\$71,000 and 37.6% increase):** With only one full-time internal audit manager, results have occurred in improving the controls and operations of the County from internal audits performed. However, an additional internal audit position is needed to further work on the Finance Committee's adopted Internal Audit Plan and address the pent-up list for internal audits needed. In meeting standard business practices for an entity of the County's size and scope of operations, a department of six internal auditors is warranted, but hopefully this can be accomplished through a multi-year phase-in strategy. With just one position, the "audit universe" for the County of possible audits that would take 18 years to accomplish can be reduced to 9 years with this new position.
- **Purchasing (\$8,000 and 1.7% increase):** Basically flat funding for this function that serves as administrative agent in procurement of all goods and services above a \$2000 unit cost. The Purchasing and General Services Department recognizes the division of General Services separately as follows:
 - **General Services (\$3,000 and 1.1% decrease):** Decrease is attributable to reduction in professional services costs to current levels quoted (e.g., insurance consultant) and decrease in need for computer replacement.
- **Registrar (\$44,000 and 14.8% increase):** Through FY04, \$148,000 has been reserved in the Registrar's budget to meet future voting machine compliance regulations as part of a multi-year plan, with \$45,000 provided in FY05. This plan would not commence until Federal and State recommendations have been made about desired or required voting methods. Operating increase is actually down 2.3%
- **Information Technology (IT) (\$235,000 and 10.0% increase)** A new senior systems engineer position is needed for numerous projects involving new technology for various departments and HIPAA security compliance requirements.

In the capital budget, the only administrative items in pertain to Information Technology with \$879,000 provided towards technology infrastructure – Wide Area Network (WAN) enhancements and computer upgrades – as the County continues to pursue its desire to have sufficient technological resources available, secured and advanced to meet the increased demand on our information systems. Funding is also included for increases in Microsoft Licensing Fees and for HIPAA security compliance requirements.

JUDICIAL ADMINISTRATION

Clerk of the Circuit Court (\$136,000 and 16.7% increase, 37.7% decrease in local funding): As the Clerk's Office has evolved over recent years into a professionally managed business providing high levels of customer service, timely recordations and serving as an excellent source for historical inquires, the ability of this office to handle large volumes of transactions and service requests has been recognized as very effective. As part of this effectiveness and efficiency with the large volumes of transactions, additional fees collected are being returned to the General Fund to offset the costs of this office (accounts for decrease in local funding). However, as refinancings and certain other recordations are highly correlated to economic activity and interest rates, such volumes are not anticipated to occur at current levels with local funding amounts expected to return to previous levels.

Commonwealth's Attorney's Office (\$198,000 and 21.2% increase, 49.9% increase in local funding): While not defined by the State as a public safety function, the judicial administration services of the Commonwealth's Attorney are needed almost in direct proportion to law enforcement personnel deployed arresting and/or charging people with crimes, traffic violations and/or referral needs for legal counsel. Therefore, two additional positions (assistant commonwealth attorney and administrative

assistant) are needed to not overwhelm current resources with work assigned. With State funding flat, 100% of additional costs for this department are locally funded with this department now funded 52.5% by local sources.

Court Services (\$80,000 and 8.5% increase): As a division of the Sheriff's Office, this budget is reviewed and analyzed in conjunction with funding for the Sheriff's Office.

The following divisions of judicial administration (totaling \$262,000 in funding) represent the County's contributions to these State-related functions, with expenditures primarily representing operating expenditures and only 2 full-time positions. Unless otherwise noted, expenditure increases generally are associated for inflationary increases.

- **Circuit Court (\$3,000 and 2.3% increase)**
- **General District Court (\$72,000 and 416.6% increase):** The County's operating funding for this function is traditionally low, but during FY04 and now part of the FY05 budget, the budget now includes costs for court appointed attorneys as required under State law for the County to fund. Previously, these costs were paid for by the State. In the capital budget is \$50,000 for District Court renovations.
- **Juvenile and Domestic Relations Court (\$7,000 and 31.1% increase):** The increase is primarily attributable to renovation expenses to improve office conditions.
- **Magistrates (\$0 and 0% increase)**

NONDEPARTMENTAL

This category traditionally appropriates funds for those functions not identified elsewhere and includes debt service for County obligations, excluding school and utility obligations, as well as reserves available for future appropriation. Reserve for contingencies will meet the County's budget policy of .5% of budget at \$759,000 and the \$150,000 reserve for revenue transfers enables the County to recognize insurance recoveries, grants and other revenue adjustments during the fiscal year (offsetting reserve is also in revenue portion of budget).

Debt Service (\$208,000 and 9.7% decrease): The County's debt service will decrease as no new issuances are proposed during FY05 for which principal and interest would be incurred while obligations on existing debt continue to decline.

PUBLIC UTILITIES – BUDGET AND CAPITAL IMPROVEMENTS PROGRAM

Public Utilities operates as an enterprise fund, whereby the operations and capital expenditures are funded with revenues generated from customer user fees and one-time fees paid for capacity. The County's tax revenues are not used to support the utilities operations, but rather the department operates as a self-supporting business, providing water and wastewater services to a customer base of approximately 18,000 residences and businesses. The County has received many inquiries and has seen many statements from residents who do not receive County water and sewer service that mistakenly believe that their tax dollars fund the utility system. Tax dollars are not used to fund the utilities operations and it is the capacity fees from new customers that are used as the funding source for capital projects for providing expansion of service, such as the new wastewater treatment plant (WWTP). Finally, the Utility Fund pays a recovered cost fee to the General Fund for two items: 1) Administrative support provided to its operations and 2) a newly established service assessment charge for law enforcement, fire protection and emergency medical services. These fees are \$1,059,000 and \$300,000, respectively in FY05. Therefore, it should give comfort to any resident who is not on the water and sewer system that they pay no taxes whatsoever towards the funding of this operation.

Utility Operating Budget (\$2,179,000 and 12.4% increase): Primarily due to the \$211,000 increase in the recovered cost to the General Fund, the initiation of a service assessment charge of \$300,000 to the General Fund, and an increase in debt service of \$900,000 related to a projected debt issuance in FY04, the utilities operating budget is increasing by 12.4%. The budget includes a 3% increase in water/sewer user fees and funding to conduct a rate study in FY05. The continued increase in the number and complexity of environmental regulations, permitting requirements, and other State and Federal mandates being imposed are resulting in a higher cost of operations and, when combined with a higher cost for capital infrastructure to ensure regulatory compliance, water quality and system security, it is anticipated that rate increases in FY06 above traditional inflationary increases will be needed for both user and capacity fees. The County provides a user fee relief program, similar to the tax relief program, so any increases to user fees would also warrant this relief program to be reviewed.

Other operating expenditure increases include personnel and electricity. Included in this budget are two net new positions including two Utility Technicians and an Environmental Technician created from vacant Utility Agent position (due to the outsourcing of the Miss Utility underground utility facility locating function). Also, included is an upgrade of the part-time Engineering Technician to a full-time Engineer to handle additional engineering duties. In addition to position changes, benefit costs are increasing by ~\$300,000 (over 36%) primarily due to retirement and health insurance rate increases. Other Public Utilities issues for FY05 are as follows:

- Modification of the strong waste program and fee, and implementation of a grease trap inspection program, including a re-inspection fee. These changes will pass on some of the incremental cost of treating strong waste to those customers

that are creating the waste while at the same time encouraging businesses to remedy any deficient grease traps, with the re-inspection fee imposed only upon those businesses that are non-complaint after notification and an opportunity to remedy the situation. These strong wastes and grease entering the sewer system are a major concern due to the impact on operational costs and the sewer system itself, creating blockages in the sewer lines and thus causing back-ups that damage customers' property and the sewer infrastructure.

- Elimination of “reduced capacity fees” for existing residents converting to the system from well/septic as new utility service is provided in their area. While this service has merits for any system that is starting out and trying to enhance its customer base, the program is no longer needed given the size of our utility customer base as it represents a subsidy of the user fees and/or other new customers in providing other customers with a discounted rate.
- Private central fire systems will also be assessed a capacity fee and minimum bi-monthly fee to recognize the costs of such service for these systems.

Utility Capital Budget: As with any year following a Comprehensive Plan update, Public Utilities is formulating its long-range capital improvements program to be in compliance with the Comprehensive Plan. In order to meet inflationary and regulatory impacts on capital expenditures, an average 3.0% capacity fee increase is necessary in FY05 to fund the Capital Improvements Program (CIP). The Public Utilities CIP is developed in accordance with the Comprehensive Plan, other contractual agreements, such as the Voluntary Settlement Agreement and the City of Richmond contract, and new regulations; all of which will likely result in high capital needs over the next five years. The CIP goal is to position Public Utilities to meet the water and wastewater needs of its current and future residential and commercial customers. The current purchased water capacity from the City of Richmond is 10 million gallons per day (mgd). With the two future increments of 5 mgd of future water capacity to be contractually purchased over the next eight years, the County has positioned itself for the long-term in meeting the water needs of its current and future customers (residents and businesses). To meet current and future wastewater treatment service demands, the WWTP was constructed and is scheduled to be operational by the summer of 2004. This plant will be able to provide 5 mgd of capacity when it is scheduled to open. While the current County conditional use permit will allow for a 15 mgd facility, the master plan for this facility is tentatively planned for 5 mgd incremental increases in capacity as needed.

In previous years, \$100,000 was provided annually in the Five-Year CIP to share the cost of providing water service to existing subdivisions desiring to have utilities extended into their neighborhood because of well problems. Utilizing public utility funding for this program equates to a subsidy by existing customers and for that reason it is recommend that program be eliminated. The following is a summary of the FY05 capital projects:

Hanover-Richmond Waterline	\$ 3,493,000
New Ashcake Road Waterline	1,600,000
Lockwood P.S. – Meadowbridge Road Waterline	381,000
Other General Water Capital Projects	493,000
Beaverdam Creek Pump Station & Force Main	550,000
Middle Chickahominy River Interceptor	1,273,000
Powwhite Creek Pump Station & Force Main	2,470,000
Other General Wastewater Capital Projects	50,000
Vulnerability Assessment Implementation	349,000
AWWTP Effluent Modifications	180,000
Heavy Equipment	75,000
General Water Rehab & Replacement	219,000
General Wastewater Rehab & Replacement	575,000
Total FY05 Utility Capital Projects	<u>\$11,708,000</u>

COUNTY/SCHOOL - FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM (CIP)

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles over the next five years and includes those items with a unit cost greater than \$50,000. The FY05 capital budget for County and School projects is \$28.5 million, which is \$19.4 million higher than the current fiscal year. Increase is primarily attributable to \$18.8 million increase in schools CIP due to funding for 2006 elementary school, the recognition of computer/technology equipment for classrooms in the CIP (previously it was recorded in operating budget) and addition to Stonewall Jackson Middle School. The General Fund cash transfer for County and School projects is \$3.5 million, which is 11.2% higher than the current year; which is primarily attributable to \$476,000 increase in Information Technology infrastructure. The continued non-debt funding strategy for the CIP should help to further strengthen the County's debt ratios as well as improve “pay-as-you-go” funding with the total funding sources of the County and School Five-Year CIP now representing 31.5% in “pay-as-you-go” funding (non-debt sources); this is well above the County's budget policy target of >10%. The CIP recognizes the continued accumulation and utilization of the School and County Savings Plan. This plan was designed to reserve County savings and proffers to be utilized for capital improvement projects that may have been previously debt financed.

2005 Bond Referendum

The 2005 bond referendum is currently proposed to have three questions totaling \$70.5 million as follows: Schools \$37.1 million, Public Safety \$29.2 million, Parks and Libraries \$4.2 million. As noted in the preceding departmental descriptions, bond referendum projects have been individually identified and will be further reviewed and assessed in preparation of the FY06 budget, for which Board of Supervisors approval for such referendum questions will be requested. As the Board of Supervisors was last briefed on the referendum projects as part of a special Board meeting in August 2003, this briefing was used as the starting point in formulating the CIP and related referendum for 2005. Since that time some issues have arisen that have caused concern in having a referendum too early before a clearer financial picture can be established for the long-term. Among these factors are the following issues that have warranted the referendum to be delayed until November 2005:

- The school overcrowding models of Pearson's Corner and Pole Green elementary schools have resulted in an enhancement to the school capacity modeling that has illustrated in addition to a new 2006 elementary school, that a new 2008 elementary school is also needed. The need for the 2008 school requires funding to start in November 2005.
- From the extensive work that has been done in determining the best manner to proceed with an enhancement and/or change to the existing communications system, it appears that further time, effort and possibly funding is needed to position the County for the proper communications system to serve it well into the 21st century. With many standards being reviewed by Federal, State and national organizations (i.e., Association of Public Communications Officers), there may be opportunities for non-local funding assistance, direct fees and/or defined scope of systems required or mandated.
- With the reality of the new 2008 elementary school (\$18 million) and a communications system upgrade (higher range previously identified at \$25 million, an increase of \$16.5 million than illustrated in prior budget), the County's debt capacity can not be maintained unless other referendum projects were deferred for a few years. The debt per capita capacity is a statistic that will be referred to often during the budget process. The debt policy has a \$1500 ratio which translates to no more than \$1500 of outstanding debt should be a burden per every person in the County. With ~95,000 people, this calculates to no higher than \$142.0 million in debt outstanding. The debt per capita policy constraint is an industry benchmark of debt burden upon the people and in order to preserve the County's AA+ bond rating and pursue desired attainment of a AAA rating, the debt per capita constraint should be preserved.
- From the preceding portions of the letter it should be apparent that the County's natural growth of revenues (~6% annually) is being consumed almost in their entirety in just meeting and providing for the service levels currently being provided, with focus on priority service levels of public safety and education. Therefore, prior wishes and statements to have referendum without a tax rate change can only be accomplished if severe constraints were imposed upon the County's expenditures. Again, as noted previously, with public safety and education accounting for over 69.0% of the County's budget, it would be impossible to impose the expenditure constraints needed to accommodate the referendum without constraining the priority service levels.

This year's letter defers the referendum a year, reduces in size and scope the questions that would be proposed and attaches a funding source that could be dedicated to achieving the intended infrastructure results of the referendum without jeopardizing core service levels.

GENERAL FUND - FIVE-YEAR FINANCIAL PLAN

In recent years great efforts have been spent on the Five-Year Financial Plan in illustrating conservative revenue growth and how such revenue growth could best be spent. During much of the 1990's, when the annual fiscal planning process was started, the County was able to meet mandates, undertake selective initiatives while providing for core services. Much of this was attributable to beginning the budget process in a better fiscal position than was last previously illustrated. This fiscal "flexibility" is no longer occurring as revenue estimates are more in-line with what actual results are (no capacity to use additional revenues) and departmental expenditures are now consuming nearly 100% of the operational budgets (whereas in the past, such departmental savings could be reinvested into the subsequent fiscal year). Finally, the cost of doing business, whether its providing market pay and benefits to employees (including retirement and healthcare costs) that are growing in total at over 5% annually or funding core service operations under mandates and customer demands growing at over 5% annually, together with inflationary increases of ~3% annually, is consuming nearly all of the budget capacity in the revenue fiscal model growing at ~6% annually.

Therefore, the County must be very selective in any enhancements of service levels and focus only those additional resources in areas that core services are most being impacted (e.g., staffing of fire/ems, student-teacher ratios including ever-increasing need for special education services, sheriff patrols). That also may mean that any enhancements would need to be either staggered, phased-in or deferred until the County can afford to provide such enhancements, unless a corresponding revenue increase could be generated. This situation is most represented by the bond referendum (Education, Public Safety, Libraries, Parks). An example of such new revenue to meet new enhancements would be a meals tax. The alternatives associated with this will be further deliberated upon as part of the budget process. As part of making the County recognize difficult issues today that would

not be effective for many years, this long-range planning and disclosure of such issues further makes the budget an open process giving elected officials, citizens and businesses ample opportunity to give thoughtful consideration to these issues before a final decision is made.

The County's Five-Year Financial Plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in a separate section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board adopted goal statements. The County's conservative revenue forecasting has enabled it to meet future targets, however, the State in recent years has increasingly provided an unstable revenue source from which either local sources and/or re-allocation of existing funding uses needs to be done to supplant such State shortfalls.

The success of the Five-Year Financial Plan for the General Fund has served as the basis from which five-year financial plans are being formulated for Public Utilities and hopefully soon for other major operating funds (School and CSB), which will balance current local five-year targets and non-local revenue assumptions with expenditure plans.

DEPARTMENTAL AND EMPLOYEE RECOGNITION

While it is difficult, if not impossible, to recognize the achievements of the many employees that work so hard every day, it does help to provide to give a few representative examples of some employees for whom the County is grateful for their continued service:

- The Virginia Rural Water Association named **Wendell S. Wilson**, an Operator-in-Training for the Department of Public Utilities, has been named "Rookie of the Year-Wastewater". Wendell's troubleshooting and repair of equipment at the Doswell wastewater treatment plant, without using an outside contractor, saved more than \$1000 and enabled the facility to receive an excellent performance rating from the Department of Environmental Quality during a laboratory inspection. The Virginia Rural Water Association is a recognized statewide organization of rural water and wastewater systems whose mission is "to provide professional development, assistance and training for its members to enhance the proficiency of their operations through education and support services". The Rookie of the Year award is awarded annually to an operator who strives for excellence and demonstrates a commitment to public service and has served for no more than one year.
- **Dawn Drewry**, Emergency Communications Officer, was named "Telecommunicator of the Year" by the Virginia Chapter of APCO (Association of Public Safety Communications Officials) in May 2004. Dawn was chosen from among nominations received from across the Commonwealth of Virginia. She became the second consecutive Hanover County emergency communications officer to be named by the Virginia Chapter of APCO as "Telecommunicator of the Year". **Anita H. Howard** was chosen the previous year.
- **Investigator Kerry Freis** of the Hanover Sheriff's Office was recognized by the Hanover Safe Place Board of Directors for her work with victims of domestic violence and crimes against children. Inv. Freis has been a member of the Hanover Safe Place Board of Directors for three years. Her commitment to quality of service and excellence in law enforcement creates a solid foundation for the Hanover Sheriff's Office response to crimes against women and children. She was important to the creation of the Hanover AWARE program that donates ADT Security alarms to survivors with protective orders who are at risk of violence. In 2001, Inv. Freis and the Sheriff's Office hosted the first Hanover Community Summit meeting to address domestic violence and sexual assault, and she continues to dedicate time to creating dialogue and strengthening understanding and collaboration among Summit participants. Most recently, she participated in the Attorney General's Conference "Faith and Families: Building Partnerships to End Abuse."
- Three Hanover Sheriff's Officers were recognized in October by the Retail Merchants Association of Greater Richmond with Valor Awards for showing "an extraordinary level of courage and professionalism in the face of danger." Earning the awards were **Inv. Carroll Thomas Eaves II**, **Sgt. Michael Joseph Anthony Jr.** and **Deputy Anthony "Andy" Quinn Luellen**. The Virginia Public Safety Foundation, Inc gives the Commonwealth Valor Awards each year.
- **Donna Douglas**, Director of Social Services, received the 2003 Virginia League of Social Services Executives, President's Award, for outstanding service to the League. The award is not given annually, but at the discretion of the president for outstanding individual contributions.
- In September 2003, Hanover County's Commissioner of the Revenue, **T. Scott Harris**, joined an "elite" group to be designated as a Master Commissioner of the Revenue in the Commonwealth of Virginia. The Commissioner of the Revenue Association of Virginia makes the Master Commissioner designation in conjunction with the University of Virginia's Weldon Cooper Center for Public Service. Only 23 of the State's 135 commissioners have received the Master designation. To earn the designation, Harris successfully completed a comprehensive four-year program involving continuing education and passed various tax assessment examinations. The Commissioner of the Revenue Professional Career Development Program is designed to promote and increase the professionalism and tax administration skills of Virginia's Commissioners of the Revenue and their staff.

- **Judy Chiles** of Parks & Recreation and her husband Bobby were recognized by Gov. Mark Warner as among the 2003 Governor's Community Service and Volunteerism Award winners. In May they were selected as Hanover County's Family Volunteers of the Year for their work with the Community Services Board and Association for Retarded Citizens.

Several Hanover County employees were recognized for their professionalism and ability by being elected to leadership positions on state and national associations in 2003:

- **Marilyn J. Blake**, Assistant County Administrator for Hanover County, was elected President of the Virginia Association of Local Human Services Officials (VALHSO), an organization of managers, administrators and officials that works to improve the delivery of human services to citizens and clients throughout the Commonwealth. Members of VALHSO are the senior Human Services official from each county and city in Virginia who has direct access to the Chief Administrative Officer, and who holds a position of oversight, management or coordination of a range of Human Services functions from various local government departments, divisions or agencies with that unit of government.
- **Kevin Kilgore**, Chief Animal Warden, was elected to a three-year term on the Board of Directors of the National Animal Control Association (NACA). Kilgore was appointed to the Building Committee, which is looking to renovate NACA's headquarters in Kansas City, MO, and to the Policies Committee, which drafts operating policies on such issues as euthanasia, identification methods and equipment use. He was also appointed to the National Council on Pet Population and Policy, which is seeking ways to reduce the number of animals placed in animal shelters.
- **Richard E. Bartell**, Chief Building Official, was elected president of the Virginia Building and Code Officials Association (VBCOA). The VBCOA is a statewide organization of construction regulators and representatives dedicated to the health, safety and welfare of all persons who live, work or visit the Commonwealth of Virginia. It offers training and certification in various building-related topics, serves as a clearinghouse for information and partners with governmental entities to improve building standards.
- **Sterling E. Rives III**, County Attorney, was elected president of the Local Government Attorney of Virginia, Inc., consisting of more than 600 private and public sector attorneys and most of the city, county and town attorneys in Virginia. LGA's primary purposes are to provide for the continuing legal education of local government attorneys and facilitate the exchange of information, ideas and professional experiences among local government attorneys. Rives has been a member since 1984 and has served on the Board of Directors since 1997.
- **Phil Heins**, Director of Emergency Communications, was elected president of the Virginia Chapter of the National Emergency Number Association (NENA). Heins has been a member of the 150-member chapter for 10 years. Heins is also past president of APCO, the Association of Public Safety Communications Officials.
- **Monica Brown**, Operations Manager for Hanover's Department of Emergency Communications, was elected president of the Virginia Chapter of the Association of Public Safety Communications Officials (APCO). As Operations Manager, she oversees the six floor supervisors who are responsible for the overall emergency call taking and dispatch duties. APCO has about 600 members.
- **Jim Taylor**, Director of Human Resources, was elected to the board of the Virginia Chapter of the International Public Management Association for Human Resources (IPMA-HR) as a local government representative.

Several Hanover County departments were also honored in 2003:

- Two Hanover County departments were selected as recipients of the National Association of Counties' (NACo) **Achievement Award**, recognizing outstanding and innovative programs. The **Department of Public Safety** was recognized in the "emergency management and response" category for consolidating volunteer, EMS and Fire services last year. **Hanover Parks and Recreation** was recognized in the "volunteers" category for its Senior Travel Commission (HSTC), which has offered over 12 trips annually for the last three years, served thousands of citizens and provided a service that would have been abolished. Both programs have improved efficiencies and lowered costs while increasing the quality of service offered to Hanover citizens.
- Two Hanover County programs were among the 13 in the State recognized by the **Virginia Association of Counties (VACo)** as recipients of its **first-ever Achievement Awards**. Selected by VACo were the Senior Travel Commission (HSTC) offered through **Hanover Parks & Recreation** and the "Care for Kids" program offered by the **Hanover Department of Social Services**. The "Care for Kids" program uses a collaborative private-public approach to enhance opportunities available to foster children. The needs of 24 Hanover County foster children were met through the sponsorship of 17 community partners, who raised \$193 per foster child. The all-volunteer Hanover Senior Travel Commission replaced an earlier Parks and Recreation program that provided trips for senior citizens. Elected members make all arrangements for trips for about 600 citizens each year. The president of the HSTC was named one of Hanover's Outstanding Volunteers of 2002.
- The **Volunteer Home Repair Referral project** coordinated by the **Department of Community Resources** received a 2003 "Acts of Caring" Award from the **National Association of Counties (NACo)**. The program facilitated 47 home repair projects for low-income households, senior citizens and disabled adults, including various plumbing, roof and flooring repairs as well as construction of wheelchair ramps and replacement of exterior siding. The Volunteer Home Repair Referral

Project is an offshoot of Hanover's successful Winterization Project, which enables volunteer groups throughout the County to cover windows, wrap pipes and insulate doorways for low-income families, senior citizens and disabled adults.

- The **American Red Cross, Richmond Chapter, also recognized the Department of Community Resources** for its work with the Volunteer Driver Program, receiving a Certificate of Appreciation during the Red Cross chapter's annual volunteer appreciation event. Beaverdam Baptist Church also recognized Community Resources for its efforts related to home repair and winterization.
- The **Hanover Sheriff's Office** became the second law enforcement office in the Commonwealth to hold both state and national accreditation after being accredited by the national Commission on Accreditation for Law Enforcement (CELA). The Henrico County Division of Police is the only other law enforcement agency in Virginia to have the dual accreditation. The Hanover Sheriff's Office complied with all 325 mandatory standards as well as 75 optional standards.
- Hanover County has received a **Certificate of Achievement for Excellence in Financial Reporting** every fiscal year since 1985. The Certificate of Achievement recognizes Hanover County's Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. Hanover County has also received the **Award for Distinguished Budget Presentation** every fiscal year since 1990. The **2003 award** also received **special recognition for outstanding policy document**, most notably Richard Johnson's letter to the Board of Supervisors. Both awards are presented by the Government Finance Officers Association of the United States and Canada.

BOARD OF SUPERVISORS' INITIATIVES

Status of Adopted FY04 Initiatives

In order to best assess the capacity and ability to achieve the FY05 initiatives, the following status report on the previously adopted initiatives for the FY04 fiscal year has been provided:

1. **Employee Compensation and Survey:** Salaries and benefits are being surveyed more in conjunction with one another than in prior years. This best enables the County to not only have market salary ranges for recruitment of prospective employees, ensures that existing employees are compensated fairly, but also provides for a benefits package that also meets market standards. The result should be a highly competent workforce that is retained for the long-term. In addition, career ladder programs have been expanded and a focus group has been established to determine further enhancements to employee evaluations to further recognize highly proficient and exceptional workers. The "opt-out" health insurance benefit was started in October 2003 to provide \$200 annually for those employees who elect not to participate in County's health insurance plan, as many people may have other coverage (e.g., through spouse's employer) as this benefit begins to recognize the "cafeteria plan" package that exists for many employers.
2. **Implementation of the New Budget Reality:** Beginning with State budget reductions and deteriorating commitment of State funding with the FY02 budget, the County has done many of the traditional budget strategies to weather what was hoped to be a short-term deficiency from the State. However, with the State mid-year FY03 reductions and low levels of State funding for FY04, the County has had to re-position itself with the new reality that many programs of the County (especially, educational and public safety) will need significant investments of local funding over the five-year plan to keep services at the quality demanded by the citizens. Therefore, the FY05 budget has provided for a stronger core budget of services with revenue enhancements identified and targeted towards such core services. This re-positioning will be further assessed in future years, especially if State reductions persist.
3. **Approval of Bond Referendum:** A 2004 Bond Referendum had been planned for several years in order to access the most favorable interest rate in general obligation debt as well as to get public input and approval for critically important projects for the schools, parks, libraries and public safety facilities. In further recognizing the new budget reality, as well as the debt capacity of the County and project scope changes incurred over the last year, the referendum be deferred one year to 2005 to better provide debt and financial capacity, as well as project scope definition. For example, in just one-year a \$18.0 million elementary school opening in 2008 and a Communications system increase of \$16.5 million to a \$25.0 million project was added; both of which are significant modifications to the referendum list from the prior year that caused further prioritization and deferral of other projects previously on the list.
4. **Workplace Productivity:** The County continues to focus on efficient and effective operations. The County is piloting a performance measurement program with nine departments. The program will be implemented over a three-year period. The process started in FY04 in response to a Board initiative to demonstrate the quality services and operations being provided to the County. The following departments are involved in the first phase: Human Resources, Building Inspection, Public Utilities, Communications, Purchasing, General Services, Social Services, Community Services Board and Internal Audit. Most of the information proposed was already being tracked in each department. Key indicators have been identified for each pilot department. The data accumulated in the current stage of this program will be used to identify further operational improvements to better serve the citizens of the County. The program will also be expanded to other County departments in the future.
5. **Citizen Survey:** There is no better measure as to the effectiveness of a service level and/or the manner in which to best provide services than to properly gauge public sentiment for the services being performed and/or proposed to be performed by the County. Currently, the FY04 or FY05 budget does not reflect funding to initiate a formal statistically

based sample survey performed by an independent firm and staff resources are not sufficient or of such expertise to perform such a survey in-house.

6. **Regionally Compatible Radio System:** The importance of having a radio system that provides virtually 100% coverage in the County and is compatible with other systems in the region is vital in having our public safety function perform their service. The proposed 2005 referendum is expected to include a major upgrade to the existing system, in the \$8.5 million price range, or \$25.0 million for a new system, either of which will need to meet any national or State standards that exist and/or may be imposed
7. **Completion of Wastewater Treatment Plant:** Perhaps no project in the County's history has consumed more staff resources than the new wastewater treatment plant (WWTP), because of the necessity of obtaining multiple State and Federal permit approvals and responding to the subsequent legal challenges. The WWTP is nearly complete and operational testing is scheduled to begin in April. The facility is expected to begin receiving and treating wastewater this summer.
8. **311 System:** As our 911 system is a vital communication link that needs to be focused on high priority public safety transmissions, there is also a growing demand for non-emergency service. In some other public sectors, this demand is met through the establishment of a 311 system that provides an easy-to-remember number for all to access regarding important, but non-emergency issues (e.g., information referrals, common questions answered, etc.). Research is being done on this issue, including a site visit to the City of Hampton's Customer Call Center (the first of its kind in the State), but funding is not currently available.
9. **Update County Code:** The last comprehensive revision and update of the County Code was in 1982. Since that time, there have been revisions to outdated and non-applicable Code sections only when new ordinances have been proposed within a particular section. This more comprehensive update of the County Code will provide for a more relevant and applicable codebook by codifying current practices in a standardized format. In the FY04 budget, the County Attorney's office structured their staffing resources to accommodate this revision in-house with certain sections of the Code updated and adopted by the Board. This work will ongoing through FY05.
10. **Marketing Audit:** In this "information hungry" age, the County has tried its best to provide the appropriate information from originating departments through WEB based information and most recently through the use of our public information function. For a large and varied service provider that the County has become, industry standards recommend periodic marketing audits to be performed in assessing all of the information that is provided and determine if there are unintended redundancies and/or voids. This allows for the strategic dissemination of information at the most appropriate time and in the most appropriate manner. During FY04, the Public Information officer met with staff in various departments responsible for the dissemination of information to the public to discuss potential improvements in communications with a marketing audit report to be issued by end of fiscal year. Future marketing audits will then continue in a periodic manner.
11. **Public Access Channel:** With the 1997 negotiated franchise agreement with ATT Broadband, the County was able to reserve a public information channel that could be utilized in any manner that the County deems appropriate. The evolution of these channels first begins with a "rolling slide" show that provides current information about the County. As industry sources recommend that the initiation of such channel utilization be done in the most professional manner in order to have the greatest potential for viewership on a regular basis, the appropriate equipment and staffing would need to be acquired to implement this initiative. While the FY05 budget does not provide the funding for this new initiative, this initiative remains on the future service level plan of the Public Information Office. However, some Countywide interests are being included in the Town of Ashland's rolling slide show and hopefully through further discussions, additional slides will also be included. Shown within the Five-year Financial Plan is a proposal to make Board meetings and other information available over the Internet through "video streaming" technology, which may pose certain advantages over traditional government access television.

County FY05 Initiative Setting Process

The County has long prided itself on formulating and adopting policies, objectives and strategic plans to guide the conduct of future operations of the County. The Vision, Mission and Value Statements together with the annual budget objectives, have provided a pathway from which this budget could best be formulated for an efficient and effective service delivery system. The initiatives are adopted in conjunction with the budget process to ensure the alignment of resources is best positioned to achieve these initiatives. From a management retreat held in September 2003, the following initiatives were proposed (not in any priority order):

- **Finalize Bond Referendum Plan:** Plans for various alternatives have been analyzed and the County Administrator is recommending that a \$73.5 million bond referendum be on the ballot in November 2005. Refer to other sections of this budget message to get a comprehensive understanding of the bond referendum.
- **Use of Performance Measures:** Continued evolution of the pilot program identified in FY04 Priorities (Workplace Productivity). Upon completion of the pilot program and proper evaluation, the program should be expanded to other County departments in the future.

- **Develop Emergency Action Plan:** Several departments are working on plans to effectively evacuate employees in the event of an emergency. This effort includes training and the development of plans.
- **Regionally Compatible Digital Radio System:** A radio system upgrade or replacement is the #1 non-schools priority in the proposed 2005 bond referendum.
- **Update County Code:** The continuation of the FY04 Priority in updating the County Code.
- **Review Benchmark Process or Other Alternatives:** Through a variety of approaches, including, but not limited to, benchmarking (not funded in five-year plan), career ladders and salary scale adjustments, all are being considered as part of an overall compensation and benefits strategy.
- **Public Access:** As cable TV and WEB video-streaming technology may represent the future and hopefully funded in the Five-Year Plan, for FY05 initiatives within this category include an interactive voice response (IVR) system for the Building Inspections Office, proposed for funding in this budget. This IVR system will enable citizens to schedule inspections and other Building Inspection services 24 hours a day.

During the budget process these priorities will be reviewed with the Board for consideration of Board modifications and adoption along with the budget in order to best position our workforce to begin attainment of such priorities during the fiscal year.