



April 28, 2009

Mr. Chairman and Members of the Board:

On behalf of Prince William County government staff, I am pleased to deliver the Prince William County adopted FY 2010 Fiscal Plan and FY 2010-2014 Five-Year Plan. The Fiscal Plan implements the Board of County Supervisors' policy guidance and works to achieve the community's Vision and Strategic Goals. In legal terms, this document fulfills the statutory requirements and my administrative responsibilities under the County Executive form of government.

The FY 2010 Fiscal Plan and FY 2010-2014 Five-Year Budget Plan are based very directly on Board of County Supervisors' policy guidance and the expectations we hear from the citizens of the County.

Economic Outlook

Clearly, the County is in the midst of the worst recession we have seen in many decades. In 2008, Prince William County's economy, already suffering through the most severe downturn in the housing market in 17 years, witnessed the impact of that downturn on other segments of the economy. Only three years earlier the real estate market was a seller's paradise, with home values appreciating at double digits annually and multiple contracts on homes being the new standard. In 2006 the number of foreclosures increased to over 280, increased again by over ten-fold in 2007, and more than doubled again in 2008.

The real estate market essentially froze during the first half of 2008, with prices plummeting and very few sales recorded—mostly in the lowest price ranges. And as the year progressed, sales of lower priced and foreclosed properties dominated the market, taking on the characteristics of a

fire sale. While the number of houses sold in the County increased steadily throughout the year, posting near-record numbers during the October through December period, the average sale price continued to plummet, so that in December 2008 the average sales price of a home was 39% lower than a year earlier.

The combination of steeply lowered prices and dramatic volume was in large part due to the rapid rise in foreclosed and distressed properties across the County during the year. This aggravated an already troubled real estate market and rippled into other segments of the local economy, notably retail and automobile sales. At-place establishments, jobs and wages slowed or reversed their rates of growth—particularly in trades closely related to housing. Commercial and residential construction projects were cancelled or put on hold and retail purchasing leveled off or declined as the year progressed.

To date, unemployment still holds well below the national rate. Prince William County continues to boast a highly educated, skilled and adaptable workforce, and the County is still ranked among the top 20 wealthiest in the United States. The challenging future, however, will strain the county's ability to provide services at levels its citizens have come to expect.

Until the cycle runs its course, the housing sector will adversely impact County revenues. Prince William County, as part of the Washington D.C. Metropolitan area and the Northern Virginia economy in particular, has shown remarkable resilience during the ups and downs of the normal business cycle. Federal Government spending and related job production have in the past provided a continuous stimulation to the local economy and largely insulated area jurisdictions from even the severest of downturns. However, the unprecedented growth in valuation of land in the County and the region has come to an end and in most cases the trend is reversed. Moderate growth may return, but probably not at the rate experienced in the recent run-up. Challenges are evident in the short term, but the County is well-placed for moderate growth in subsequent years.

In response to the current economic conditions, the Schools and County took the following actions to achieve a balanced FY 10 budget:

- Schools:
 - » Increase class sizes at the elementary, middle and high schools to the maximums allowed;



- » Defer new schools/rooms additions; and
 - » Defer information and technology projects.
- County:
- » Freeze salaries - no market adjustment, no pay-for-performance increase;
 - » Defer voter-approved road, park, and library bond projects that are not already underway; and
 - » Defer non-public safety technology upgrades.

County Vision and Values

Even under these conditions, we continue to honor the Vision set forth by the Board of County Supervisors in its Strategic Plan, which states:

“Prince William County is a premier community where we treasure the richness of our past and the promise of our future. We are diverse and dynamic with a thriving economy where citizens and businesses grow and succeed together. We are a global business and technology leader for the 21st century.”

In order to make the Strategic Vision a reality and to assist the community in achieving its future vision, the County government organization has adopted its own guiding Vision and Values:

“Prince William County is an organization where elected leaders, staff and citizens work together to make our community the best.

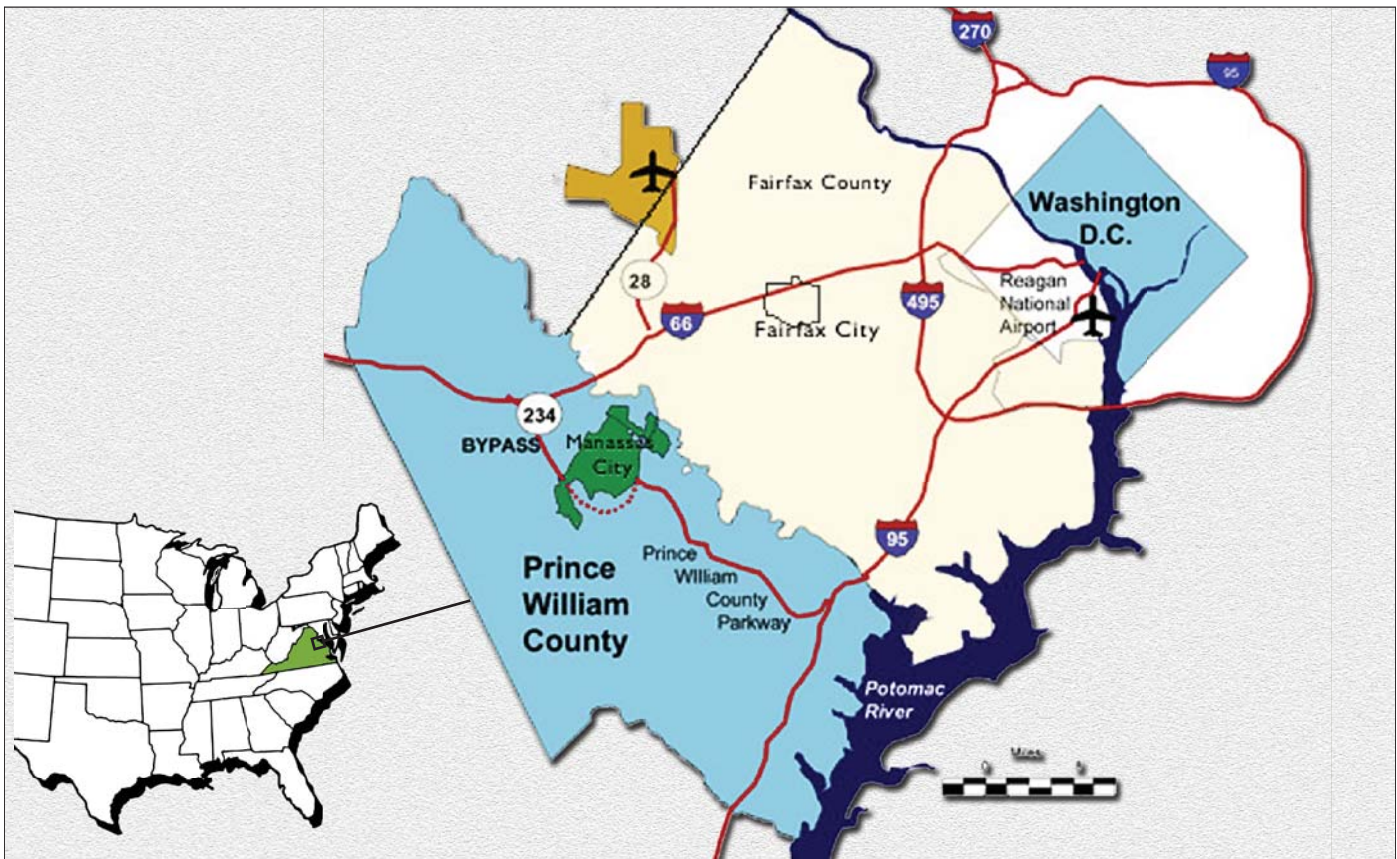
We, as employees, pledge to do the right thing for the customer and the community every time.

We as a learning organization, commit to providing the necessary support and opportunities for each employee to honor this pledge.”

Value: Responsibility, Integrity, Creativity, Teamwork, Excellence, Respect

In order to achieve the community goals and provide services that citizens desire and expect, the Board adopted four Strategic Goals:

- Economic Development/Transportation;
- Education;
- Human Services; and
- Public Safety.



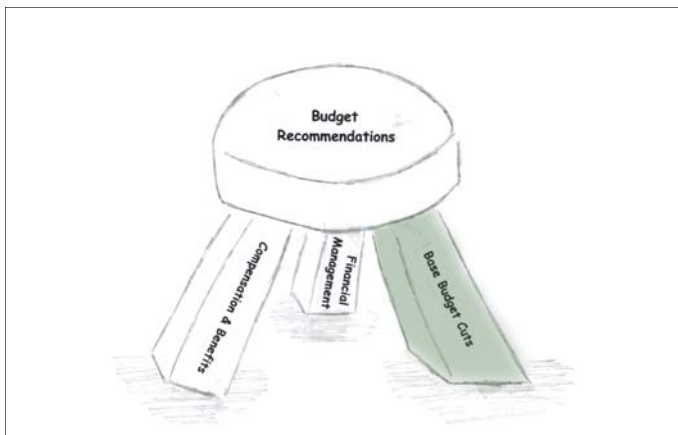
Board Budget Guidance

The Board of County Supervisors held their annual financial retreat in October, where they received information regarding the impact of the economic downturn on the projected revenues. In order to solve for an \$80 million shortfall in FY 10, staff presented a three-pronged approach to balance the budget:

- Scale back planned additions to the Five Year Plan;
- Reduce the base budget; and
- Increase revenues.

In November, the Board provided direction and guidance for the development of the FY 2010 budget:

- Propose a budget with a tax rate that achieves an average residential tax bill decrease of 16% and an average commercial tax bill increase of 5%. This resulted in a proposed Real Estate Tax Rate of \$1.19. However, during its budget deliberations, the Board adopted an FY 2010 Real Estate Tax Rate of 1.212 per \$100 of assessed value, resulting in an average residential tax bill decrease of 12.7% and an average commercial tax bill increase of 6.4%.
- Implement County/School revenue agreement.
- Position the County to maintain its AAA bond rating - a rating earned by less than 1% of jurisdictions in the country.



Tax Policy

The adopted FY 2010 Fiscal Plan is based on no increase in residential tax bills (unless improvements have been made that increase value) and a decrease in average residential tax bills of 12.7% (\$435), and an increase in average commercial tax bills of 6.4%. This policy generates \$95.7 million more in revenue than if the tax rate remained unchanged. The average residential tax bill under this policy will be \$3,002.

County/School Revenue Agreement

The revenue sharing agreement adopted by the Board of County Supervisors and the School Board establishes the split of General Revenues, with the Schools receiving 56.75% and the County receiving 43.25%. With this budget, the Schools will receive \$25.9 million less in FY 2010 than they did in FY 2009 under this agreement.

FY 2010-2014 Budget Reductions

The FY 2010 Budget and the FY 2010-2014 Five-Year Plan were developed through a participatory process:

- September/October 2008: Individual agencies identified potential reductions and the associated service impacts;
- October/November 2008: Interdepartmental teams - General Government (General Governmental and Administration agencies), Community Development (Planning and Development and Parks and Library agencies), Human Services (Human Services agencies) and Public Safety (Public Safety and Judicial Administration agencies) - strategized to recommend reductions to the Budget Congress;
- November/December 2008: Budget Congress evaluated the community and organizational impacts of the team proposals and made a final recommendation to the County Executive;
- January/February 2009: The County Executive reviewed those recommendations and determined what would be included in the proposed FY 2010 budget; and



- March/April 2009: The Board held a series of public hearings to gain community input, deliberated over the proposed budget, and made the final decisions on the adopted FY 2010 budget.

FY 2010 Budget

General Governmental/ Administration

The FY 10 budget includes a 4.3% reduction from the adopted FY 09 budgets of the combined General Governmental/Administration agencies, totaling 1.6 million and 15.83 FTEs. Examples of these reductions include the following:

- **Office of Executive Management** - eliminate the federal legislative contract, two human resource analysts and the staff who prepare the Service Efforts and Accomplishments (SEA) report;
- **Finance Department** - eliminate vehicle decals and reduce training;
- **Human Rights Office** - eliminate administrative staff and supplies;
- **County Attorney's Office** - eliminate an attorney, a paralegal and reduce operating expenses; and
- **Office of Information Technology** - reduce seat management costs (in line with county-wide staff reductions), transfer demographic responsibilities to the Finance Department, and outsource the third shift in Network Operations; and

While the reductions are not without service impacts, the County will still provide the full range of financial, legal and technology services, provide intake, case management and outreach for Human Rights, and the full complement of Executive Management services to the Board.

Planning and Development/Parks and Library

The FY 10 budget includes a 5.7% reduction from the adopted FY 09 budgets of the combined Planning and Development/Parks and Library agencies, totaling \$4 million and 76.8 FTEs (including Park Authority staff). Examples of these reductions include the following:

- **Economic Development** - reduce advertising and marketing, and professional services;
- **Libraries** - reduce operating hours, eliminate 8 positions in the areas of administrative support and library support, and reduce information support at Chinn Library;
- **Planning** - consolidate positions with Budget and Analysis and Development Services, reorganize administrative positions, eliminate professional/consultant services, and increase development fees;
- **Public Works** - save on leases and space projects, and implement energy savings/green initiatives; and
- **Park Authority** - reduce capital maintenance and hours of operation at pools and centers, eliminate planning and facility management staff, and increase recreational fees.

The County will continue to focus on new economic investment attraction and business retention, long range and current planning, zoning administration, services at four full service libraries, community maintenance, historic preservation, building and grounds maintenance, facility management, landfill, print shop/mail services, neighborhood and regional parks, recreation centers, sports fields and recreational enterprise activities. These activities allow the County to continue to pursue its strategic goals and the community vision described in the Futures Commission Report.

Human Services

The FY 10 budget includes a 4.7% reduction from the adopted FY 09 budgets of the combined Human Services agencies, totaling \$4 million and 35.86 FTEs. Examples of these reductions include the following:

- **Office on Youth** - eliminate the department;
- **Virginia Cooperative Extension** - restructure parenting education;
- **Ageing** - reduce meals on wheels and administrative support and consolidate senior center management;
- **Public Health** - reduce staff for employee health, healthy families and environmental complaints;
- **Social Services** - eliminate groups homes,



reduce administrative and technology support and eliminate Construction Training Opportunity Program; and

- **Community Services** - reduce services to insured mentally ill patients, mental health intake and case management.

These reductions impact services, but allow the County to continue to prioritize services, as stated in the Strategic Plan, addressing risk to the community first, risk to the client second, and quality of life/convenience third. Services that remain, although in some cases at a lesser level, include 4-H, housing counseling, environmental education, nutrition, senior centers, public health clinics, WIC, homeless shelters, benefits, employment and childcare (BECC), protective services, foster care, mental health and mental retardation services, and substance abuse services.

Public Safety/Judicial Administration

The FY 10 budget includes a 2.7% reduction from the adopted FY 09 budgets of the combined Public Safety/Judicial Administration agencies, totaling \$5 million and 22.5 FTEs. Examples of these reductions include the following:

- **Juvenile Court Services Unit** - outsource restorative justice and mediation, shift service hours management to Office of Criminal Justice Services;
- **Adult Detention Center** - eliminate farm-outs and reduce payments to Peumansend Creek Regional Jail;
- **Office of Criminal Justice Services** - reduce pretrial substance abuse programs;
- **Fire and Rescue** - reduce community relations/public education, reduce line of duty death overtime, temporary services and administration, and eliminate GIS program management;
- **Police** - reduce 800 MHz radio and MDC replacement and eliminate 5 civilian positions;
- **Sheriff** - eliminate 2 sworn positions; and
- **Public Safety Communications (911 Call Center)** - reduce telephone expenses.

In keeping with the Strategic Plan Public Safety focus, the County retains all probation services, all ADC services, pre-trial screening, and all Police, Fire and Rescue, Sheriff and Public Safety Communication services.

Compensation and Benefits

In addition to reductions to agency's base budgets, changes in employee compensation and benefits are included in the FY 2010 budget:

- Freeze salaries at the FY 2009 levels - no market adjustment; no pay-for-performance - saving \$3.8 million;
- Reduce the County's contribution to the 401a Money Purchase Plan from 1.5% to 0.5%, saving \$1.8 million;
- Realize savings of \$900,000 in health insurance; and
- Suspend signing bonuses for Police and Fire employees to save an additional \$200,000.

Fiscal Management

Over the past 10 years, the County has enjoyed excellent growth in its revenue base. Over that period of time, we were able to cut the tax rate while making significant investments in the community:

- 1 police station;
- 3 fire and rescue stations;
- 22 schools; and
- 94 lane miles of road.

During that same period, the County also benefited from \$2.6 billion in private economic development investment. Even though we cut taxes and invested heavily in the community, we were still able to set aside reserves for that time when the economy declined - that time is now. The reserves included revenue stabilization funds, set asides for technology and transportation reserves. In keeping with the theory that you set aside reserves to use in periods of decline, we have used these reserves to do the following:

- \$17 million from the revenue stabilization fund to balance the Five-Year Plan; and
- \$22 million from the technology set asides for the 800 MHz infrastructure



FY 2010 – 2014 Five Year Plan

Capital

The FY 2010-2015 Capital Improvement Program (CIP) defers road, parks and library bond projects that are not currently underway. Fourteen lane miles of planned improvements to Prince William Parkway, Route 1 and Minnieville Road are not included in this CIP, improvements to two community centers, three community parks, and trails and sports fields have been postponed, and two full-service libraries are also on hold.

Operating

The Police Chief and the Fire and Rescue Chiefs attained budget savings by reducing their annual recruit classes from two to one, and hiring only half of the new FTEs authorized in FY 2009. The vacant positions will be filled in FY 2010, but no new positions will be added in FY 2010. Additionally, Police and Fire and Rescue staffing plans for 2011 through 2013 have been halved, and the staffing plans for the Sheriff and the Office of Criminal Justice System will be deferred one year.

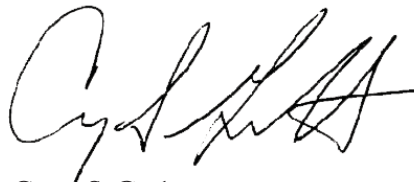
Additionally, the Five-Year Plan incorporates operating reductions to leases, utility and fuel costs, the technology upgrades for non-public safety agencies, and mental health, mental retardation and at-risk youth funding.

Conclusion

The General Fund budget totals \$845.3 million, including the school transfer. This is a decrease of 5.44% from FY 2009. The total County General Fund budget, excluding Schools, is \$437.4 million, a 4.95% decrease from FY 2009. The transfer to the Schools is \$407.8 million, a decrease of 5.96%. We believe this proposed budget implements the Board's policy, and we are confident that this Five-Year Plan addresses many of the Board's and the community's priorities.

In closing, let me thank the Budget and Analysis office and Agency staff for their tireless efforts to produce this budget in keeping with the Board's and community's policies and direction. As an organization, we look forward to working with the Board and the community over the coming year and providing whatever support is requested on budgetary matters.

Sincerely,



Craig S. Gerhart
County Executive

