



COMMONWEALTH OF VIRGINIA  
COUNTY OF HENRICO

John A. Vithoukas  
County Manager

March 11, 2014

The Honorable Board of Supervisors  
County of Henrico, Virginia

Honorable Members of the Board:

I am pleased to submit to you the FY15 Proposed Budget for Henrico County, which is balanced within the current real estate tax rate of 87 cents. If this budget proposal is approved, it will mark the 36<sup>th</sup> consecutive year that Henrico County's real estate tax rate has not increased. Maintaining a low real estate tax rate is a critical component of our economic development strategy, and the County is beginning to experience some positive economic development results following the most recent recession. This focus on maintaining a low real estate tax rate will yield positive results for Henrico County for many years.

Over the past four years, the difficult economy forced Henrico County to make significant budget reductions while many of the demands for the County's services increased. The cost cutting effort involved every agency of the County and was undertaken in a straightforward and very business-like manner. The results of the \$115 million of budget reductions made in this timeframe have made us stronger. This budget, which includes another \$10.6 million in budget reductions, will allow Henrico to continue to provide the highest level of customer service at the lowest possible cost – a concept known within the Metropolitan Area as “the Henrico Way.”

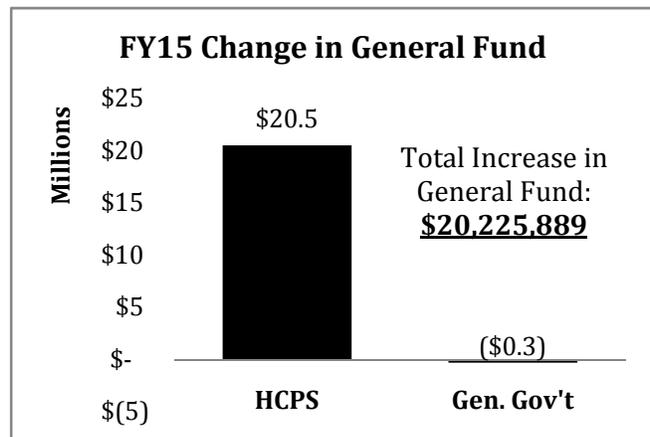
In addition to maintaining the lowest tax burden of any large, urban locality in Virginia, this budget accomplishes four things:

- ✓ Through both new resources and reductions made, this budget takes steps towards reestablishing budgetary fiscal structure by mitigating and, in some cases eliminating, the use of one-time resources;
- ✓ Provides additional resources to the core responsibilities of County government – Education, Public Safety, and Public Works;
- ✓ Maintains the County's practice of forward-looking budgeting by making sure every cost increase can be covered in FY16 and every reduction made is sustainable in the future; and
- ✓ Rewards employees for their cost-cutting efforts over the past four years, which includes operating with 10 percent fewer employees within the General Government realm.

The FY15 Proposed Budget is the first in six years that truly reflects positive economic growth, albeit minimal, and slight incremental growth in the County's local resources. In spite of revenue growth, necessary expense increases in FY15 outpace the amount of available revenue, and further expense cuts have been made across all County functions. The budget before you allocates additional resources for the County's most pressing needs – Schools, Public Safety, and Roads – while addressing long-term structural concerns in the County's budget. What follows is a short list of structural issues addressed within the FY15 Proposed Budget:

- ✓ Funds, with recurring revenues, more than \$17 million in planned one-time cash reserve uses from the current fiscal year to address diminishing cash reserve levels;
- ✓ Includes funding for ten new police officers – the second year of a five-year staffing plan – and construction of a central police station to increase police coverage across the County;
- ✓ Provides funding to Schools in the areas of student safety and security, academic and student performance, and maintaining existing average class sizes;
- ✓ Provides necessary funding for critical building maintenance and rehabilitation of the County's 72 schools, half of which are more than 50 years old;
- ✓ Recognizes the additional Gasoline Tax allocation from the Commonwealth of Virginia, critical in adequately maintaining the County's extensive road infrastructure; and
- ✓ Establishes a designated reserve - funded with current year, ongoing revenues - in preparation for federally mandated costs associated with a National Pollutant Discharge Elimination System (NPDES) permit/Chesapeake Bay TMDL – expected to be received in calendar year 2014.

If the General Fund budget could be described in one statement, it would be: All of the County's new General Fund spending is being allocated to the Henrico County Public Schools, as depicted in the chart to the right. Part of the spending plan for our local schools was made possible through the citizens' support of the Meals Tax Referendum in November 2013. Every dollar of meals tax receipts anticipated in FY15 has been allocated to Schools. Half of the meals tax (\$9.0 million) has been dedicated to Schools' operating budget and the other half (within the capital budget) has



been dedicated for school facility maintenance projects. There is a responsibility for ensuring these funds are spent as indicated to our citizens and, to this end, the Board of Supervisors will consider every item in the education capital budget on a project by project basis as final project requests come forward from the School Board. Within the General Fund operating budget, the Henrico County School Board has a high accountability and outcome threshold it must adhere to with the significant County resources being allocated to our K-12 function. In looking at the budget before you, overall General Fund expenses are increasing \$20.2 million – Schools is increasing \$20.5 million and the Government budget is actually decreasing by just under \$300,000. This is the first time that the entire increase in the General Fund budget has been allocated to our school system.

Cost Increases Present in FY15 Proposed Budget	
Expense	FY15 Increase
Virginia Retirement System (VRS) and Other State Mandated Benefit Increases	\$7.5 million
Additional Gas Tax Allocation (Road Maintenance)	\$10.9 million
Eliminate One-Time Schools Funds from FY14	\$5.5 million
Meals Tax – Schools Maintenance Capital Projects	\$9.0 million
Fund Police and Fire Vehicles w/ Current Revenue	\$3.8 million
Eliminating Other Uses of Fund Balance	\$5.0 million
Sustain Existing Pupil Teacher Ratios	\$1.6 million
Required Increases to Convention Center, Richmond Region Tourism, & Others	\$1.3 million
Ten Additional Police Officers (Year 2)	\$0.6 million
Cost of January 2015 Salary Increase	\$7.9 million
Other Fixed Cost Increases	\$2.8 million
<b>Cost Increases – FY15 Proposed Budget</b>	<b>\$55.9 million</b>

The budget before you includes nearly \$56 million in both mandatory and necessary structural cost increases being funded with General Fund revenues, costs that this County had little to no choice but to fund. These costs include substantial increases associated with teacher pensions as mandated by the State, in addition to necessary cost increases attributable to the increased allocation of Gasoline Tax to Henrico County. While cost increases total \$55.9 million, available General Fund revenues in the FY15 Proposed Budget are

growing \$40.8 million. To balance the difference of \$14.9 million required \$10.6 million in expense cuts – cuts that are sustainable for at least the next two years - from Schools and Government, as well as the planned use of \$4.5 million in an Education VRS Reserve that was established in FY14 in anticipation of significant cost increases in this area for FY15.

The \$10.6 million in expense cuts are in addition to the \$115 million in cuts made over the past four fiscal years. Schools have cut \$5.5 million from its FY15 budget allocation from a number of areas that the School Board will present during our Legislative Budget Review worksessions. Government has cut \$5.1 million from virtually every County function, including the elimination of 13 vacant positions, further increasing the County’s hiring freeze, recognizing a number of operational efficiencies Countywide, and implementation of a voluntary retirement incentive program (VRIP) to incentivize willing and eligible employees to retire.

A performance-based salary increase for General Government and Education has been funded within both budgets through a series of expense savings. Full-time employees with at least three years of experience with Henrico County on January 1, 2015 will be rewarded with a 3.0 percent salary increase effective December 13, 2014. Full-time employees with between one and three years of experience will receive just under a 2.4 percent salary increase in an effort to avoid salary compression in those tiers, on the same time schedule. Those employees that have been in Henrico County for less than one year will not receive a salary increase in FY15. This strategy appropriately rewards the County’s hard-working, dedicated employees who have surpassed their one-year probationary period. Further, it mitigates budgetary pressures of this salary increase in both the next two fiscal years.

### **FY15 General Fund Revenues Reflect Slight Economic Positives**

Total estimated General Fund revenues for FY15, prior to transfers to other funds, are \$879.3 million, which represents an increase of \$40.8 million when compared to the current fiscal year. That figure, however, is somewhat misleading. As can be seen below, of the \$40.8 million increase in FY15, \$14.4 million is

attributed to increased Gas Tax revenues from the State, which must specifically be used for the maintenance of roads, and \$18.0 million is associated with the County’s 4 percent meals tax expected to be

<b>FY15 General Fund Revenues</b>				
<b>Category</b>	<b>FY14 Approved</b>	<b>FY15 Proposed</b>	<b>Difference</b>	<b>% Change</b>
Real Estate Tax	\$261.8 million	\$270.1 million	\$8.3 million	3.2%
Meals Tax	\$0.0 million	\$18.0 million	\$18.0 million	100.0%
<u>All Other Local Revenues*</u>	<u>\$263.8 million</u>	<u>\$268.4 million</u>	<u>\$4.6 million</u>	<u>1.7%</u>
Total Local Revenues	\$525.6 million	\$556.5 million	\$30.9 million	5.9%
State Gas Tax (Road Maint.)	\$28.7 million	\$43.1 million	\$14.4 million	49.9%
<u>Other State and Fed. Revs.</u>	<u>\$284.2 million</u>	<u>\$279.7 million</u>	<u>(\$4.5 million)</u>	<u>(1.5%)</u>
Total State and Federal Revs.	\$312.9 million	\$322.8 million	\$9.9 million	3.2%
<b>Total General Fund Revs.</b>	<b>\$838.5 million</b>	<b>\$879.3 million</b>	<b>\$40.8 million</b>	<b>4.9%</b>
Transfers/Cash Reserves	( <u>\$91.3 million</u> )	( <u>\$111.9 million</u> )	( <u>\$20.6 million</u> )	<u>22.6%</u>
<b>TOTAL NET REVENUES</b>	<b>\$747.2 million</b>	<b>\$767.4 million</b>	<b>\$20.2 million</b>	<b>2.7%</b>
<i>*Does not include \$9.0 million in estimated revenue tied to an Education Reserve in FY14</i>				

implemented on June 1, every dollar which has been dedicated to Schools. In other words, outside of these two revenue sources, total General Fund revenues are only growing \$8.4 million or 1.0 percent. The largest local revenue source - real estate tax collections - reflects an overall increase of \$8.3 million or just under 3.2 percent and assumes a continuation of the current real estate tax rate of \$0.87/\$100 of assessed valuation. As can be seen, after transfers to other funds, the overall increase in the General Fund is proposed to be 2.7 percent.

For the first time in six years, the reassessment of real estate in Henrico increased in January 2014. The increase in reassessments, both residential and commercial properties, total 2.8 percent while new construction for residential and commercial increased \$271.6 million. While increased property values are a welcome sign, the overall increase in the real estate tax base of \$1.1 billion only partially

offsets the \$4.0 billion in tax base lost since 2009. Further, in spite of this increase in the tax base, the overall real estate tax base remains below 2007 levels.

To further encourage reinvestment into existing residential real estate parcels, an enhancement for the County's Residential Reinvest Program is proposed. The Residential Reinvest Program, as it currently stands, encourages homeowners with properties at least 40 years old and valued at \$200,000 or less to reinvest in these properties by offering a seven-year tax deferment on any improvement increasing the value of the home 20 percent or more. To encourage increased participation in the reinvestment of older properties, the budget before you proposes to change the maximum assessed value from \$200,000 to \$250,000.

All other local revenues in Henrico County are increasing \$4.7 million or 1.7 percent in the FY15 Proposed Budget. Of this amount, personal property tax revenues are increasing \$3.6 million. The other approximately 275 individual local revenue sources are estimated to increase \$1.1 million. The following highlights are offered:

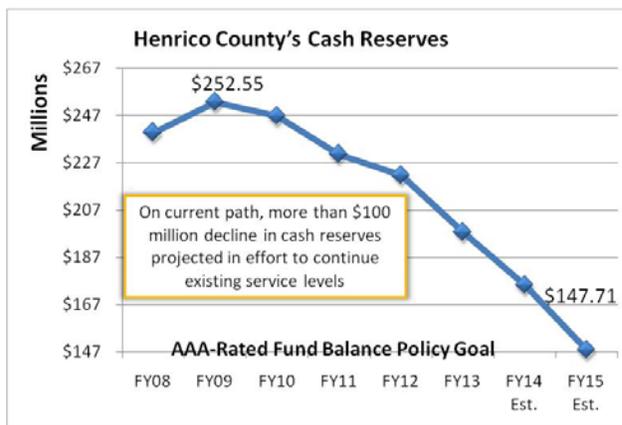
- ✓ Personal property tax revenues, which include PPTRA reimbursements from the State, are projected to increase slightly in FY15 to \$107.1 million, an increase of \$3.6 million or 3.4 percent. In addition to positive vehicle sales, this increase includes the addition to the tax base of more than 3,600 vehicles that were previously being taxed by the City of Richmond furthering our efforts to solidify our tax base
- ✓ Local sales and use tax revenues are projected to decline just under \$1.1 million or 1.8 percent, representing some mixed signals regarding economic strength in Henrico
- ✓ Business and professional occupancy license (BPOL) receipts are anticipated to grow just over \$540,000, a 1.8 percent increase over the prior year estimates
- ✓ Hotel and motel tax revenues – all of which is dedicated in the budget to the Greater Richmond Convention Center – reflect an increase of \$740,000 in the FY15 Proposed Budget

In looking at projected revenues from the State in the budget before you, \$16.9 million in increased State aid is anticipated. Of this amount, as previously noted, \$14.4 million reflects increased Gasoline Tax revenues from the State as the Virginia General Assembly recognized a lane mile calculation that closer reflects actual costs. State revenues for Schools reflect an increase of \$5.3 million as compared to the current fiscal year, \$3.9 million of which is associated with Schools' 24.4 percent increase in the teacher VRS rate. It should be noted that while State aid for Schools is growing in FY15, the level of funding for Schools from the State remains below FY09 levels.

State aid for all other Government functions is expected to increase approximately \$420,000, mostly due to an increased allocation of House Bill #599 funds for Police in the amount of \$375,000, which is being dedicated to the construction of a new central station in the budget before you. Partially offsetting these increases in State aid is the movement of \$3.3 million in State aid for Social Services from the General Fund to the Special Revenue Fund to more properly account for this function, as the majority of revenues for Social Services are now State and Federal resources. In fact, \$7.0 million in Federal revenues for Social Services from the current fiscal year budget are also being reallocated to the Special Revenue Fund, as these are purely categorical (designated) revenues and now must be accounted for in the Special Revenue Fund.

## Reestablishing Structure in a Challenging Economic Environment

In cutting expenses over the past four years without increasing tax rates and without cutting core services, a number of short-term strategies have been implemented that have significantly impacted the County's cash reserve position, reserves that are critical in maintaining its all-important triple-AAA bond rating. In fact, as can be seen to the right, the County's cash reserves have declined each year since FY09, \$55.0 million over the four-year period, with more than \$24 million of that decline in the past fiscal year alone. If these practices continue without being addressed, current estimates indicate a drop of more than \$100 million by the end of FY15. In addition, the County will soon be required to record nearly \$460 million in liabilities from the State's systemic underfunding of VRS obligations and the State's new practice to pass such liability to the localities. This would eliminate all of Schools' net assets and one-third of the County's overall net assets; assets that took decades to accumulate. The Virginia Association of Counties (VACo) was unsuccessful in its efforts at this year's General Assembly to have this state/local responsibility properly apportioned, and this will be discussed during our Legislative Budget Review worksessions.



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### Schools FY15 Proposed Budget

The Proposed Budget allocates all of the County's available General Fund resources for the Henrico County Public School system. That budget is increasing \$20.5 million or 5.0 percent. The meals tax in Henrico County allocates \$9.0 million to Schools' operating costs and \$9.0 million has been dedicated directly to the capital budget to address deferred school facility maintenance projects. Further, an additional \$6.5 million of State aid for Schools is being allocated, as well as \$5.0 million in additional local funding, including the planned use of \$4.5 million in VRS Reserve funds for Schools. Of the total increase in the FY15 Proposed General Fund Budget for HCPS, nearly 70% of it is funded with locally generated revenues. These funds will be specifically utilized to address structural requirements in the areas of student safety and security, academic and student performance, maintaining existing average class sizes, and rewarding eligible full-time staff with performance-based salary increases. It cannot be understated that the success of our school system is a key component of the County's triple-AAA bond ratings.

<b>Increase in FY15 HCPS Budget</b>	
Meals Tax – Operating	\$9,000,000
VRS Reserve	\$4,500,000
Other Local Funding	\$513,603
<b>Total, Local Funding Increase</b>	<b>\$14,013,603</b>
State Funding	\$6,500,000
<b>Total Increase</b>	<b>\$20,513,603</b>

### Police

The proposed budget before you includes ten new Police Officers to Patrol Operations to increase service coverage; the second year of a five-year commitment of adding ten new positions per year. The goal in adding these fifty positions within five years is to attain a goal of 90 percent service area coverage. As in FY14, these ten positions were offset from vacant positions eliminated in other County departments due to recognized operational efficiencies.

The FY15 Proposed Capital Budget includes funding for two critical Public Safety projects. Funding for a new Central Police Station, the County's third such station, has been included in the budget to provide additional coverage in central Henrico. In addition, \$39.1 million has been included for the replacement of the County's 800 MHz radio communication system, critical in that the current 15-year old system will soon be obsolete and unsupported. This project is perhaps the most significant regional effort undertaken by Henrico, Hanover, and Chesterfield Counties, and the City of Richmond,

in the past 15 years. Regional Public Safety communications systems are the lifeline for emergency response and that lifeline needs to be maintained in order to best respond to citizens' calls for service. These systems are expensive, and this is a cost that the County needs to plan for every 15 years. This project is anticipated to cost in excess of \$60 million, and will be funded with a combination of debt financing and cash. The budget before you also includes \$800,000 for the first-year debt service payment for this project. The bond financing is included in the recommended capital budget.

#### Road Maintenance

As a result of the transportation bill passed by the 2013 General Assembly, Henrico County's lane mile rate used for gasoline tax allocation purposes was increased to reflect the true cost of maintaining the County's secondary roads. Henrico is one of only two counties in the Commonwealth of Virginia that maintains its own secondary roads, and has the third largest road network in the State – only behind the State itself and the City of Virginia Beach. The additional gasoline tax revenues are being recognized in the FY15 Proposed Budget for the first time, and will be utilized for appropriately maintaining the County's extensive road network and a number of bridge replacement projects which are included in the recommended capital budget. Hopefully, snow events will not be of the magnitude that we have experienced this year, as expenses for snow removal in the current year have exceeded \$3.0 million. Let us hope...

#### Libbie Mill and Varina Area Library Bond Projects

The budget before you includes partial-year funding for ten new positions associated with opening both the Libbie Mill and Varina Area Libraries, both scheduled to open in 2015. These ten positions will join the existing staffs at the existing Dumbarton Area Library and Varina Branch Library, and are necessary due to the significant increases in size and scope from the current library operations at these two facilities.

#### Mitigate Use of One-Time Cash Reserves

As previously noted, cash reserves in Henrico have dropped for four consecutive years and \$55 million over that period, with estimates to exceed \$100 million by the end of FY15 without addressing this structural imbalance. The FY15 Proposed Budget directly addresses the use of one-time cash reserves, by allocating more than \$17 million in current General Fund revenues for the following efforts:

- ✓ Funds with current revenues the FY14 Schools' need for \$5.5 million in one-time carry forward funding used in the prior two fiscal years
- ✓ Allocates \$4.0 million in General Fund revenues to the Risk Management Fund in an effort to mitigate the annual use of the County's Self-Insurance Reserve
- ✓ Eliminates the one-time funding of \$6.6 million in vehicle replacement funds for Police, Fire, and Schools and replaces it with annual revenues
- ✓ Allocates \$1.0 million in General Fund revenues to the Technology Replacement Fund in an effort to sustain this critical program, as all computer and related equipment for the past two years has been funded with accumulated one-time cash reserves in this area
- ✓ Fully funds all anticipated grants and required local matches in the budget with current revenues, mitigating the need for future amendments to the budget and eliminating the need for an estimated \$250,000 annually in cash reserves

#### National Pollutant Discharge Elimination System (NPDES) permit/Chesapeake Bay TMDL

In preparation of future mandated cost requirements, the FY15 Proposed Budget has identified just over \$2.3 million of real estate tax revenues, all associated with residential and commercial real estate new construction in 2013, to be placed into a reserve for the County's Chesapeake Bay TMDL program implementation. The implementation of this program will be necessary to be in compliance with the NPDES permit requirements which the Department of Public Works anticipates to go into effect in FY15. Failure to comply with the terms/requirements of this federally mandated program can result in substantial fines. The Chesapeake Bay TMDL Reserve will initiate a recurring source to help

meet the anticipated requirements outlined in the NPDES permit for street sweeping, and maintenance of outfalls. The County's permit requirements will be fully known during calendar year 2014.

#### Virginia Stormwater Management Program (VSMP)

Beginning July 1, 2014, the Commonwealth of Virginia is requiring all cities and counties in the State to adopt and implement a local stormwater management program. In response to this mandate, Henrico County must hire three additional staff in the Department of Public Works, and fund associated equipment necessary to perform the duties required of the VSMP. The FY15 Proposed Budget includes just under \$200,000 to begin this program. To fund these efforts, the State is requiring localities to implement a stormwater permit fee on new construction projects. While this program is locally managed, the State has mandated that of all permit fees collected, 28 percent of all fees collected must be allocated to the State for "permit administration" and the locality will be allocated the other 72 percent. Of the \$200,000 cost to Henrico of administering the program, anticipated locally allocated permit fee revenues only total \$170,000 in FY15, and other local resources have been allocated to cover the difference.

To accomplish the task of balancing each of these structural and mandatory cost increases with inadequate increased revenues, eliminating vacant positions, across-the-board reductions, and targeted cuts were all needed. Each balancing action was taken with the impact on both FY15 and FY16 in mind. Examples of these FY15 balancing strategies are as follows:

#### Eliminating Vacant Positions

A total of 13 vacant positions have been eliminated from a number of Government departments. In total, 195 General Government positions have been either unfunded or eliminated since FY10. Further, the County is currently holding more than 250 vacant positions, 140 of which are outside of public safety. These positions represent services that are needed and strained without such positions, but need to remain either vacant or frozen until funding resources are sustainable. Each Government department has also been allocated an assumed vacancy savings rate, totaling \$4.3 million across all County agencies. Each function of government, including Schools, has been tasked with finding ways to meet our customers' requirements with fewer resources. As this practice continues and as Henrico continues the transition to a high performing organization, this County will continue to become even leaner and vacant positions will continue to be considered for elimination.

#### Voluntary Retirement Incentive Program (VRIP)

In addition to a 2.0 percent vacancy savings rate applied to all General Government departments in the FY15 Proposed Budget, the County will offer a one-time voluntary retirement incentive eligible employees. The County offered an incentive of this nature in FY13 and generated at least \$2.7 million in savings by not filling some positions, reclassifying positions at lower levels, or replacing higher salaried employees with lower salaries. It is assumed that this incentive will generate at least \$1.0 million in permanent savings.

#### Additional Reductions

An additional \$1.4 million in targeted reductions were needed to balance the FY15 Proposed Budget within available resources, with some examples as follows:

- ✓ More than \$760,000 was cut across many departments due to planned reclassifications of vacant positions and under filling existing vacant positions
- ✓ Police is saving \$250,000 annually in vehicle replacement costs, which can be sustained over a five-year period without service delivery impact
- ✓ An additional \$220,000 in operating and capital outlay line items have been reduced due to realized efficiencies across many County departments

**Developing the FY15 Budget Required an Eye on FY16**

In order to avoid the trap of “year-to-year” budgeting, each and every budgetary action in the FY15 Proposed Budget was considered only with the assurance that there were no negative implications on the subsequent fiscal year. The table to the right highlights a number of known cost increases forthcoming in FY16. As can be seen in the chart, there are at least \$21.3 million in new operating cost increases planned for FY16, and an additional \$20.0 million in one-time radio equipment associated with the County’s new communication system that will go live in 2016. For the past two fiscal years and for the next three fiscal years, the County has/will set aside in a designated capacity within cash reserves, \$4.0 million annually for this \$20.0 million planned expenditure in 2016.

<b>Anticipated Cost Increases in FY16</b>	
<b><u>Expense</u></b>	<b><u>Anticipated Cost Inc. FY16</u></b>
Annualizing Salary Increase	\$5.7 million
Replacing VRS Reserve	\$4.5 million
Second-Year Debt Service on Communication System	\$5.5 million
Risk Management with Existing Revenues (Yr 2)	\$4.0 million
Technology Replacement with Existing Revs (Yr 2)	\$1.0 million
<u>Addition of 10 Police Officers (Yr 3)</u>	<u>\$0.6 million</u>
<b>Operating Budget Commitments – FY16</b>	<b>\$21.3 million</b>
Radio Equip. - Comm. System (Desig. Cash Reserves)	\$20.0 million

At this time, estimated resources for FY16 will be inadequate to cover these known cost increases. This is not surprising and, quite frankly, it is expected in this economy. As such, the Board can fully expect further expense reductions being recommended in FY16. Our rightsizing efforts must continue. Only necessary vacant positions will be recommended for hire, and some positions will be filled at lower levels. Rest assured that any expense reduction recommendation coming before you will not impact core government services in Henrico County. It has been said that this is the “decade of the local government” due to the challenging revenue environment and continued cost shifts by other levels of government. Henrico is already the leanest of the lean when examining local governments in Virginia – and in this economic downturn, after cutting \$126 million the past five years – this County has only solidified that position and will continue in that capacity moving forward as we “change how Henrico does business.”

**Summary**

I hope it is quite clear that every dollar in the plan before you was budgeted strategically. The Proposed Budget utilizes both new resources and making further reductions to reestablish budgetary structure, allocates funds in the core areas of our local government, maintains our forward-looking approach to budgeting, and rewards the County’s hard working employees with a performance-based salary increase. This strategic approach would not be possible if it was not for the continued efforts of County staff to do more with less and, of course, the support of our citizens and this Board of Supervisors and our School Board for the meals tax effort in Henrico County.

While we must remain cautious, the positive local economic signs are welcome - real estate assessments are growing for the first time in six years, vehicle sales are positive, and our business community continues to be a strength in Henrico. While there is always uncertainty with future economic conditions, one thing that will be certain is we will do everything to continue providing an environment that fosters positive economic growth. Maintaining the lowest real estate tax rate of any urban locality in Virginia is key in this area.

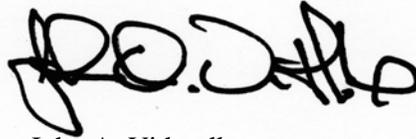
On the service side, the allocation of all of the County’s General Fund increase for the area of Schools was not put forward lightly. It is recommended in recognition of the fact that the success of our local schools is critical to our economic development efforts, our bond ratings, and our quality of life. Expectations are high with this level of support.

As is our common practice, everything put forward in the FY15 Proposed Budget has been vetted for its impact in FY16. We do anticipate the need for further reductions, and this is something that we must be prepared to address. As we push the high performance organization envelope to find efficient ways to accomplish our core mission, we will continue to identify more efficiencies and continue on a positive path. Our residents and businesses expect nothing less.

I would like to thank the County staff for the many hours of hard work that went into the development of this budget. I would also like to thank the Superintendent and the School Board for their efforts and continued cooperation that will result in the continued success of our County. Henrico County employees have been asked to do their respective jobs with significantly fewer resources. It is only because of their efforts and the continued work of our Board of Supervisors that this County has been as successful as it has been during this difficult economic time.

As always, the staff and I stand ready to assist you in making the best possible choices for the future of our community.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. A. Vithoukas", written in a cursive style.

John A. Vithoukas  
County Manager

