

BOARD OF SUPERVISORS WORK SESSION

GOVERNMENT CENTER BOARD ROOM

OCTOBER 28, 2008 - 4 P.M.

A. Call to Order

B. Roll Call

C. Board Discussions

1. County Investments
2. Financial Trends (Presentation)
3. Human Resource Update

D. Adjournment



HR Update



Presented by
Carol Luckam
Human Resource Manager

October 28, 2008

Overview



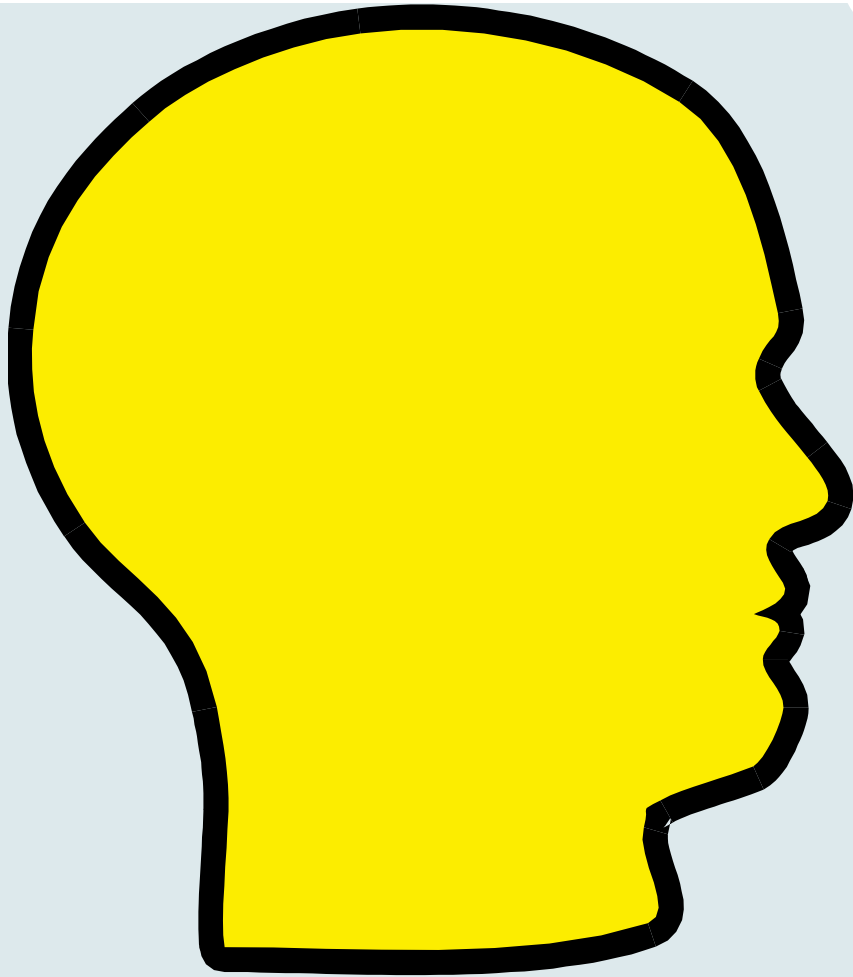
- Profile of County Employees
- Follow-up to Board Questions
- Employee Discussion Results

Overview



- **Profile of County Employees**
- Follow-up to Board Questions
- Employee Discussion Results

General Fund Employee Composite



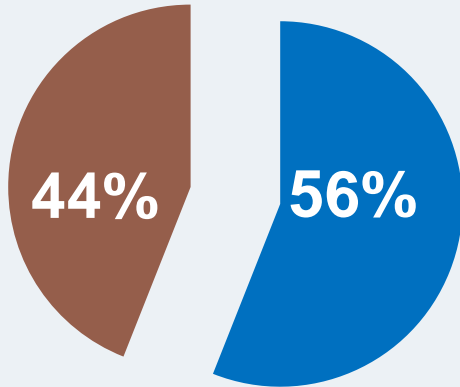
- Full time position
- 10 years service
- Salary < \$60,000
- Lives in JCC/Wmsbg
- 42 year old non-minority male

June 2008

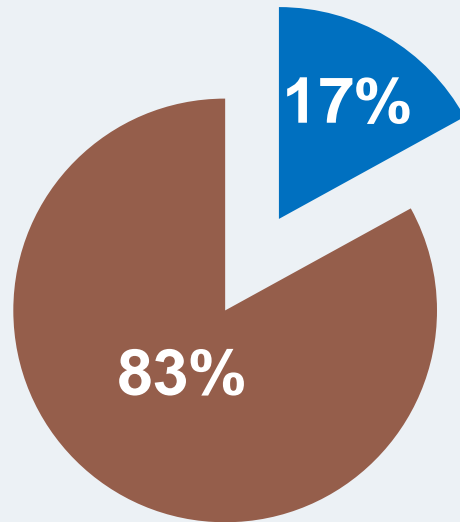
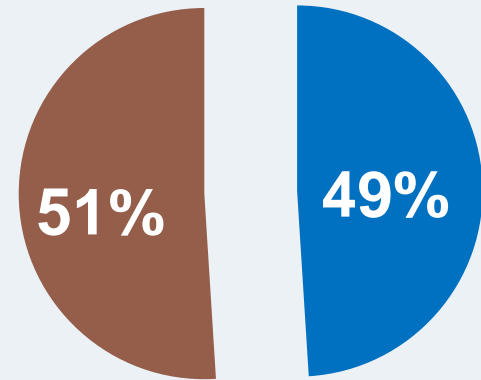
Employees



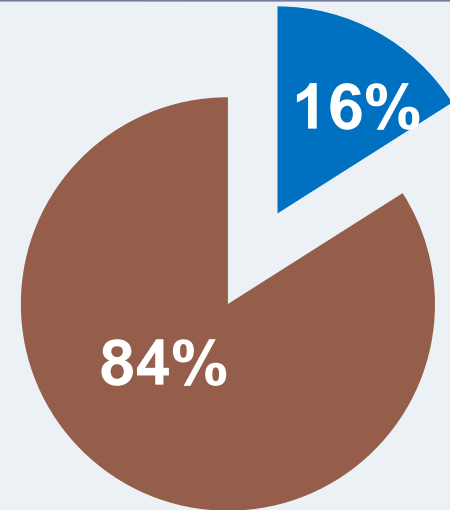
Community



Gender
Male
Female



Race
Minority
Non-Minority



Overview

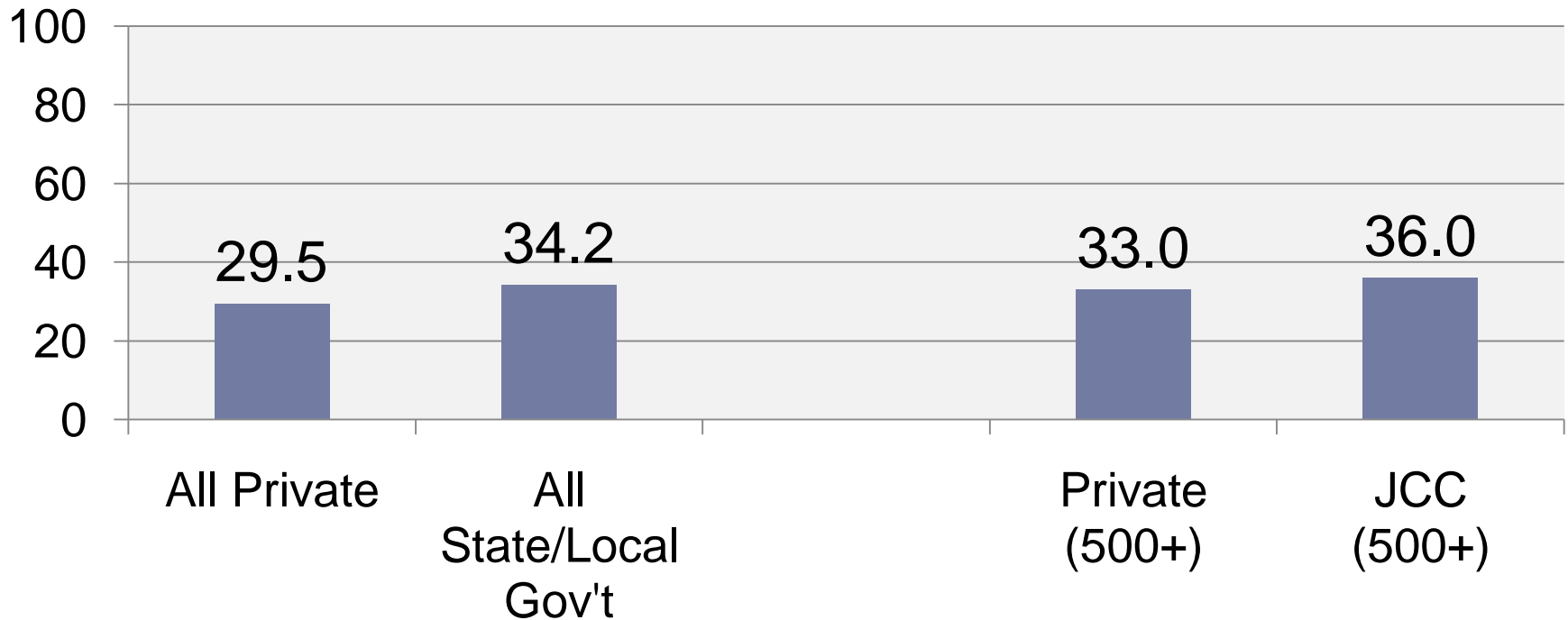


- Profile of County Employees
- **Follow-up to Board Questions**
- Employee Discussion Results



**How do County benefits
compare to comparable
private sector
businesses?**

Benefit Cost as % of Total Compensation



Source: Employer Costs for Employee Compensation (June 2008)
published by Bureau of Labor Statistics

Examples of County Jobs with Uniforms

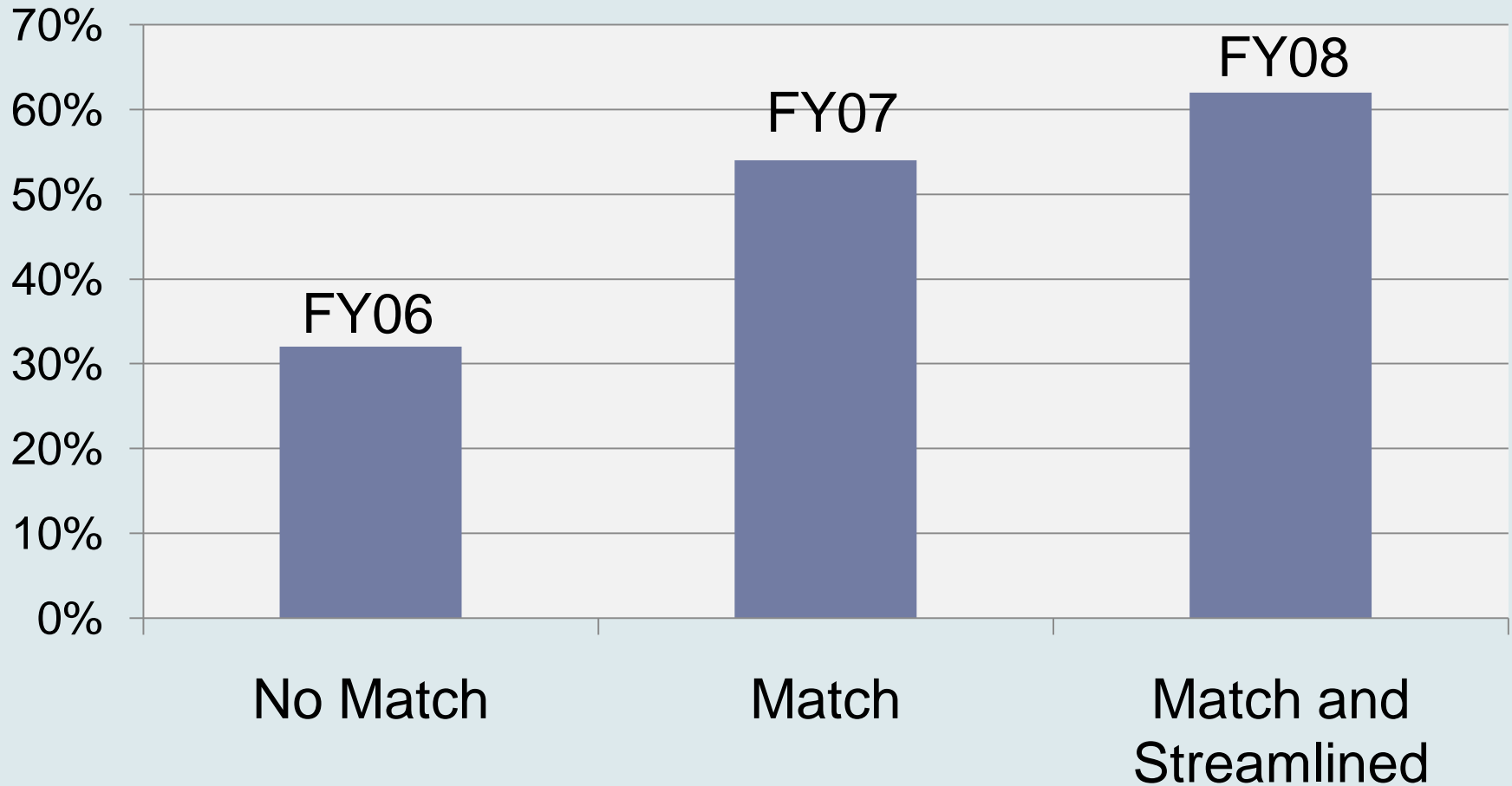


- Police Officer
- Firefighter
- Custodian
- Groundskeeper
- Facilities worker
- JCSA operations staff



How can we increase participation in deferred compensation especially among lower-paid employees?

Deferred Compensation Participation



August 2008

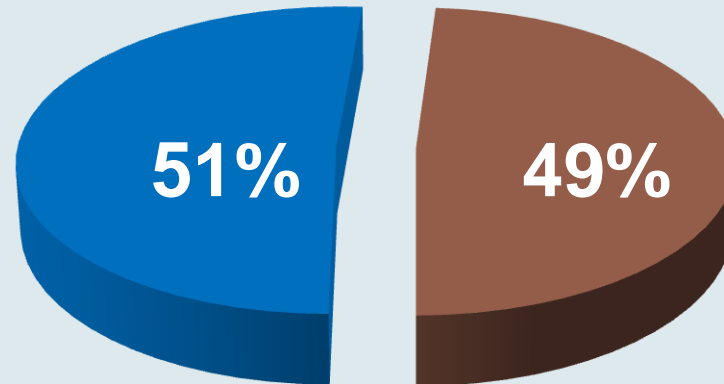


**How can we enhance
Employer-Assisted Home
Ownership Program to
attract more public safety
employees to live in the
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Residence



Public Safety Employees

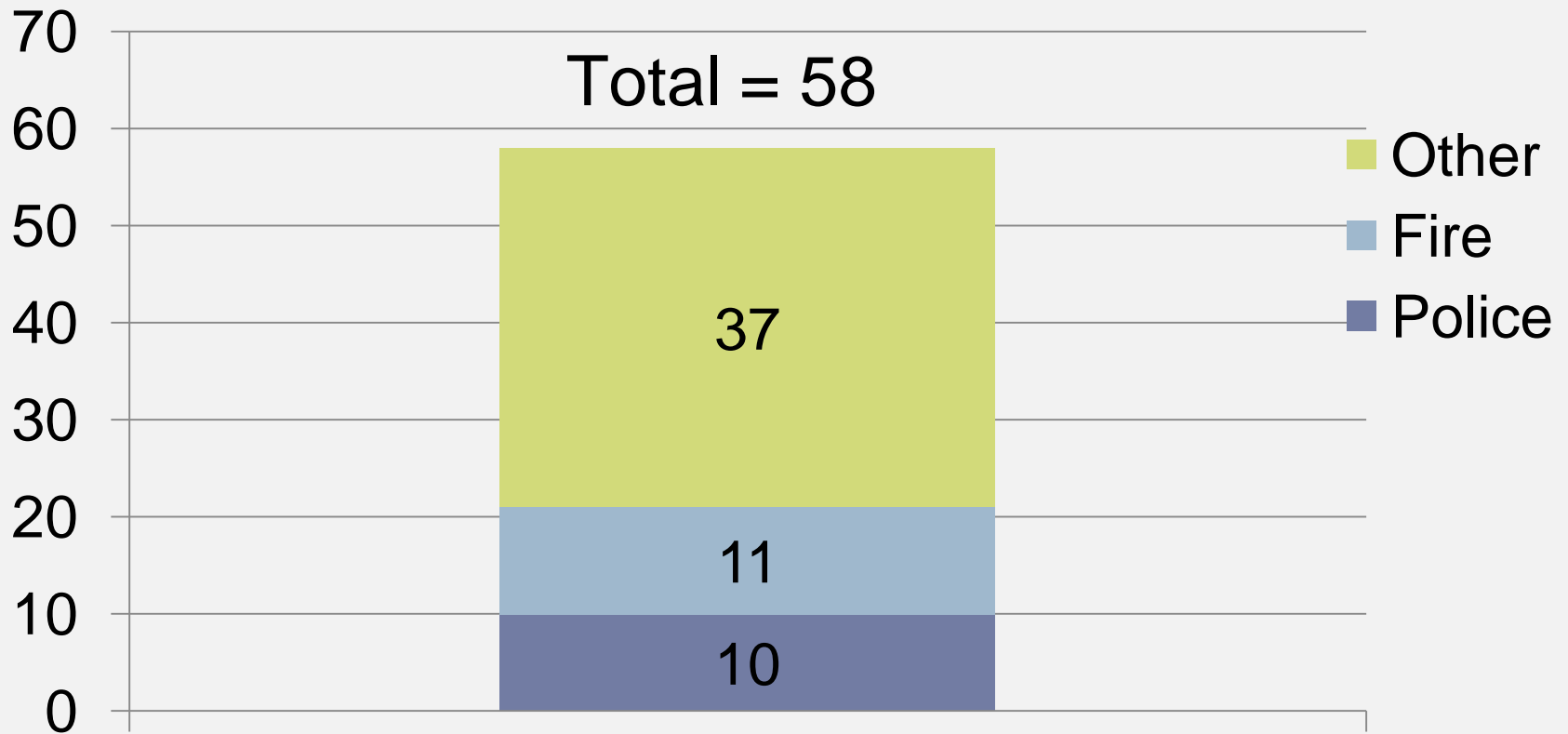


■ In JCC/Wmsbg

■ Outside JCC/Wmsbg

September 2008

Home Ownership Program Participants



FY02-09

September 2008



**What should we consider in
deciding whether to adopt
the enhanced VRS for
Police and Fire?**

Retirement Factors



	Other Employees	Public Safety Employees	Enhanced Public Safety
Minimum Retirement Age	55	50	50
Minimum Years of Service	30	25	25
VRS Multiplier	1.70%	1.70%	1.85%
Hazardous Duty Supplement (payable until Social Security age)	N/A	\$11,508/yr	\$11,508/yr

Enhanced VRS



- What's the cost to JCC?
 - + 0.59% of payroll = \$195,000/yr
 - 12.76% → 13.35%
- What are others doing?
 - 67/188 entities have adopted = 35.6%
 - Williamsburg, Poquoson, VA Beach, Henrico
- Why have others done it?
 - Attraction, retention, employee satisfaction

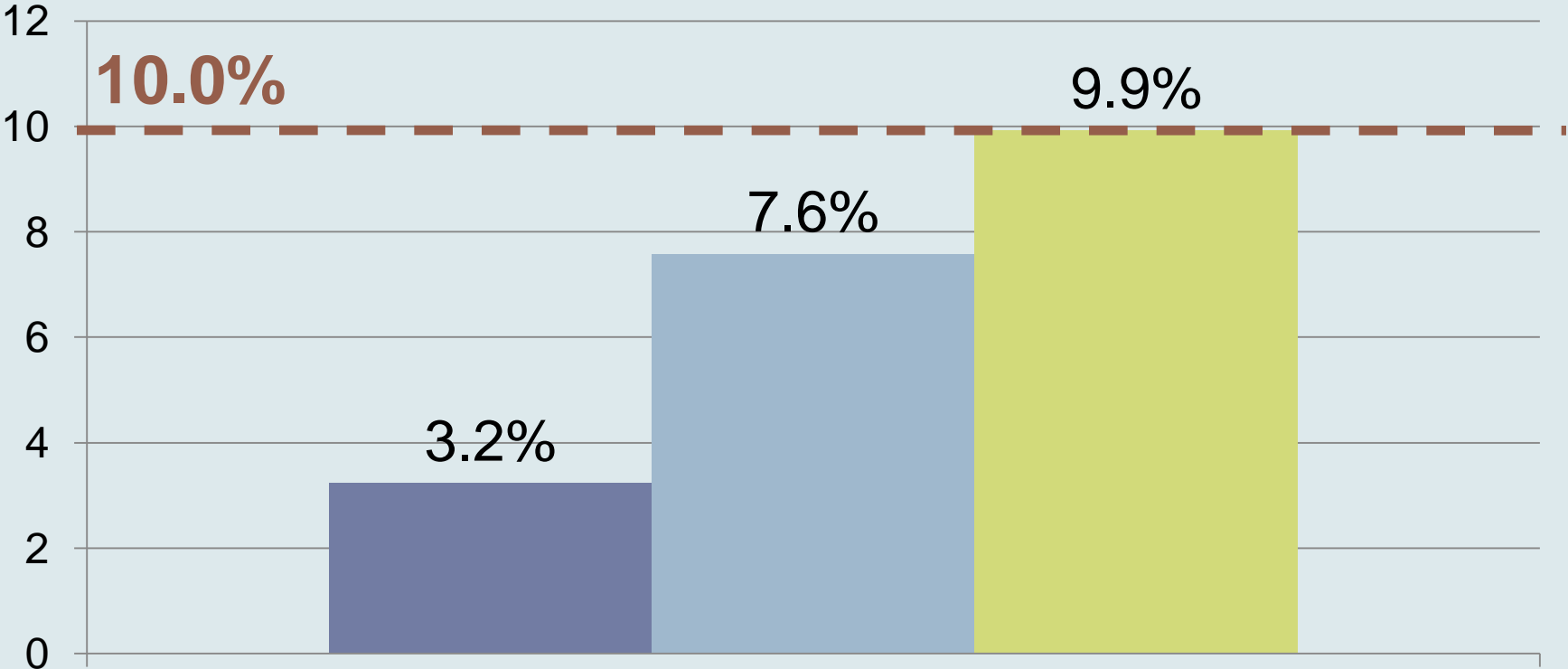


Will bonuses help retain employees in positions with high training costs, such as Police and Fire?

Public Safety Turnover FY 08



■ Police ■ Fire ■ Avg. County

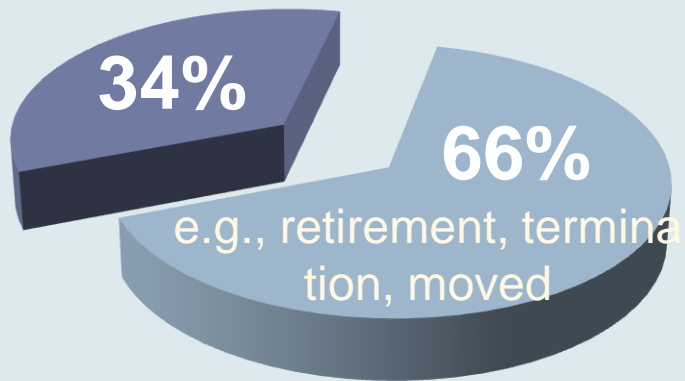


June 2008

Public Safety Turnover FY 04-08

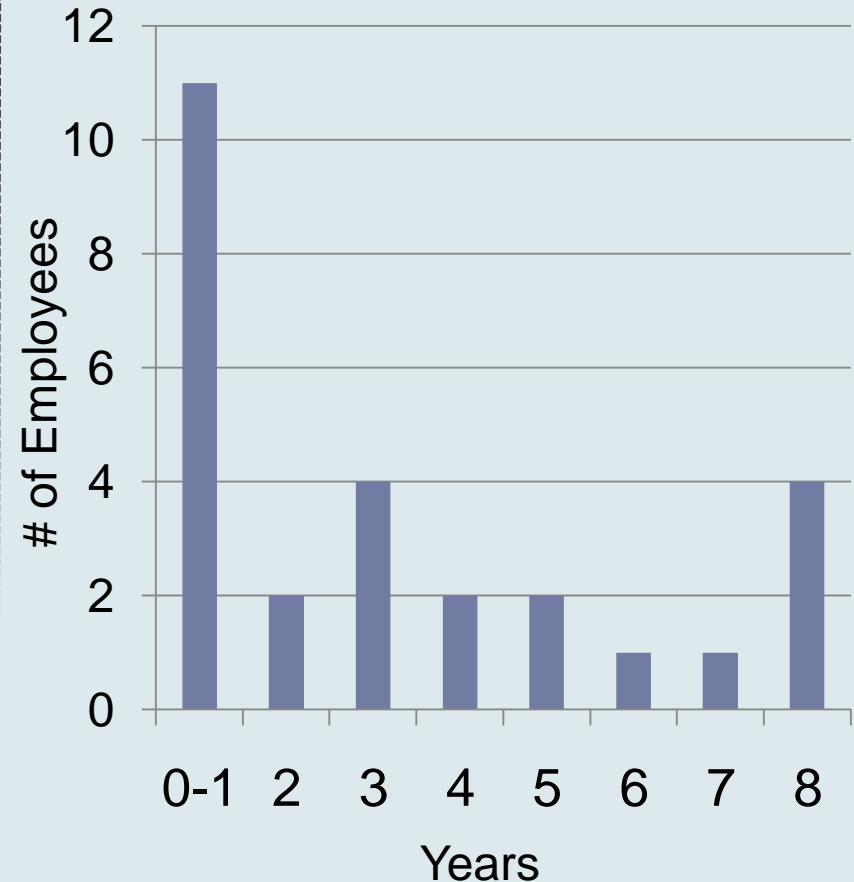
Reasons

■ Job ■ Other



79 Employees

Tenure



June 2008

Slide Updated 10/31/08

What Are We Already Doing?



- Career Ladder Classes
- Recalibration
- Tuition Assistance
- Police Take Home Cars

Overview



- Profile of County Employees
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- **Employee Discussion Results**

Employee Discussions



- Met with cross-section of about 50 full-time employees in September 2008
 - **98% said they would recommend JCC to family/friend**
- Asked: *Why did you choose to work for the County and why do you stay?*

What attracted/retains you?



- Salary and benefits
- Also
 - The community – quality of life
 - The job itself - making a difference
 - The organization – leadership/coworkers
 - Opportunities - training/education/advancement
 - Excellent equipment and technology
 - Flexible work environment



Questions?



Financial Trends FY08-FY10

October 2008



FY08 Year End

FY08 Estimated Revenues	FY08 Actual Revenues	Variance
\$169,338,169	\$169,376,204	\$38,035

Real Estate Revenues

■ FY08 Actual Revenues

- \$81.9 million

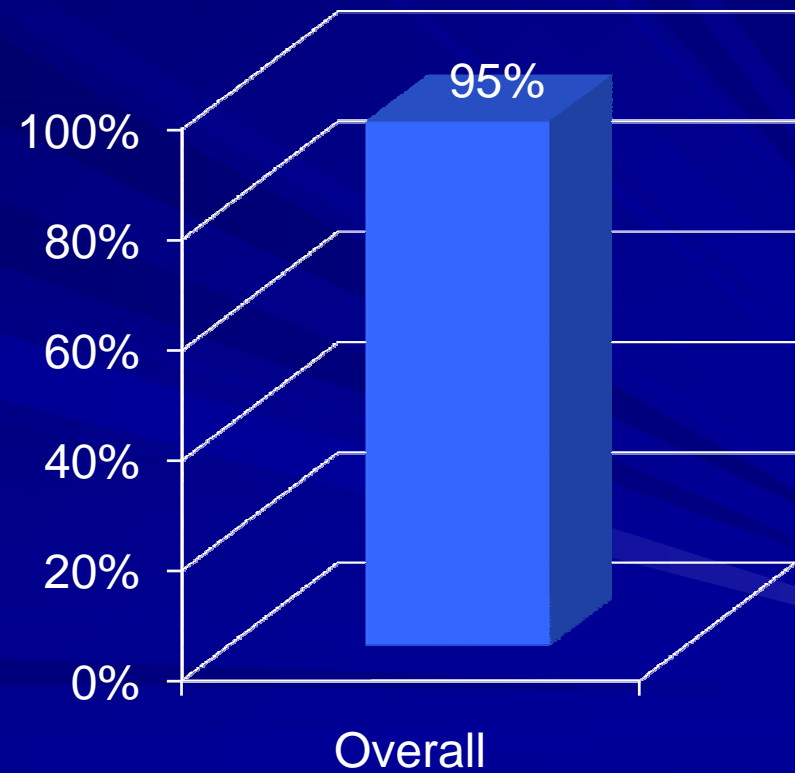
Fiscal Year	Adopted Budget/Plan	Current Estimate	Variance
2009	\$83.1 M	\$83.7 M	\$600,000
2010	\$85.7 M	\$84.1 M	(\$1.6M)

- FY09 variance due to timing of supplements
- FY10 expected lower assessments

Real Estate Sales/Assessment Median Ratio January – September 2008



■ 612 transactions



Personal Property Revenues

- FY08 Actual Revenues
 - \$15.4 million

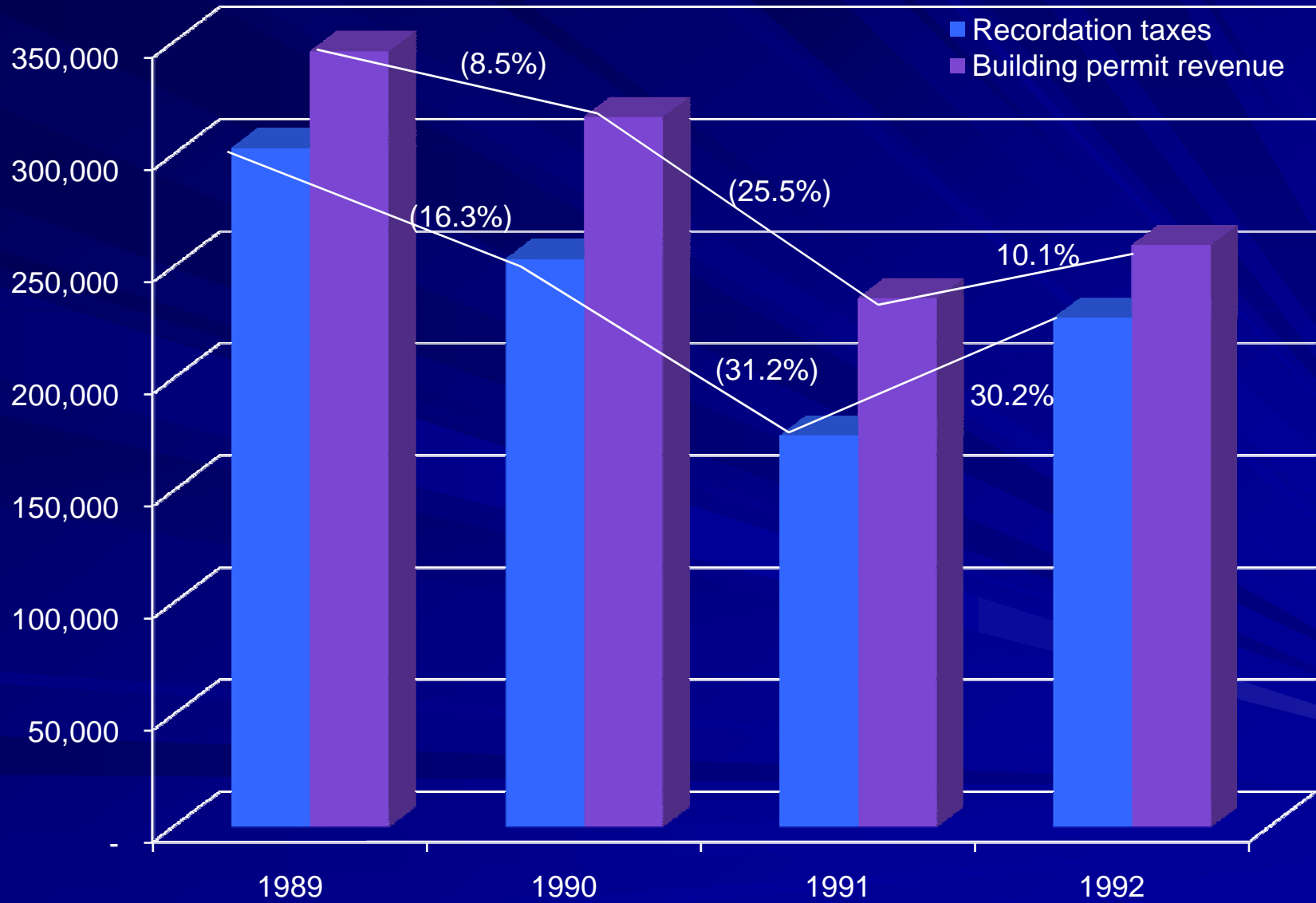
Fiscal Year	Adopted Budget/Plan	Current Estimate
2009	\$16.1 M	\$15.4 M
2010	\$17.6 M	\$16.4 M

- Lower vehicle values expected

Building Related Revenues

Comparing the early 1990's
to the present

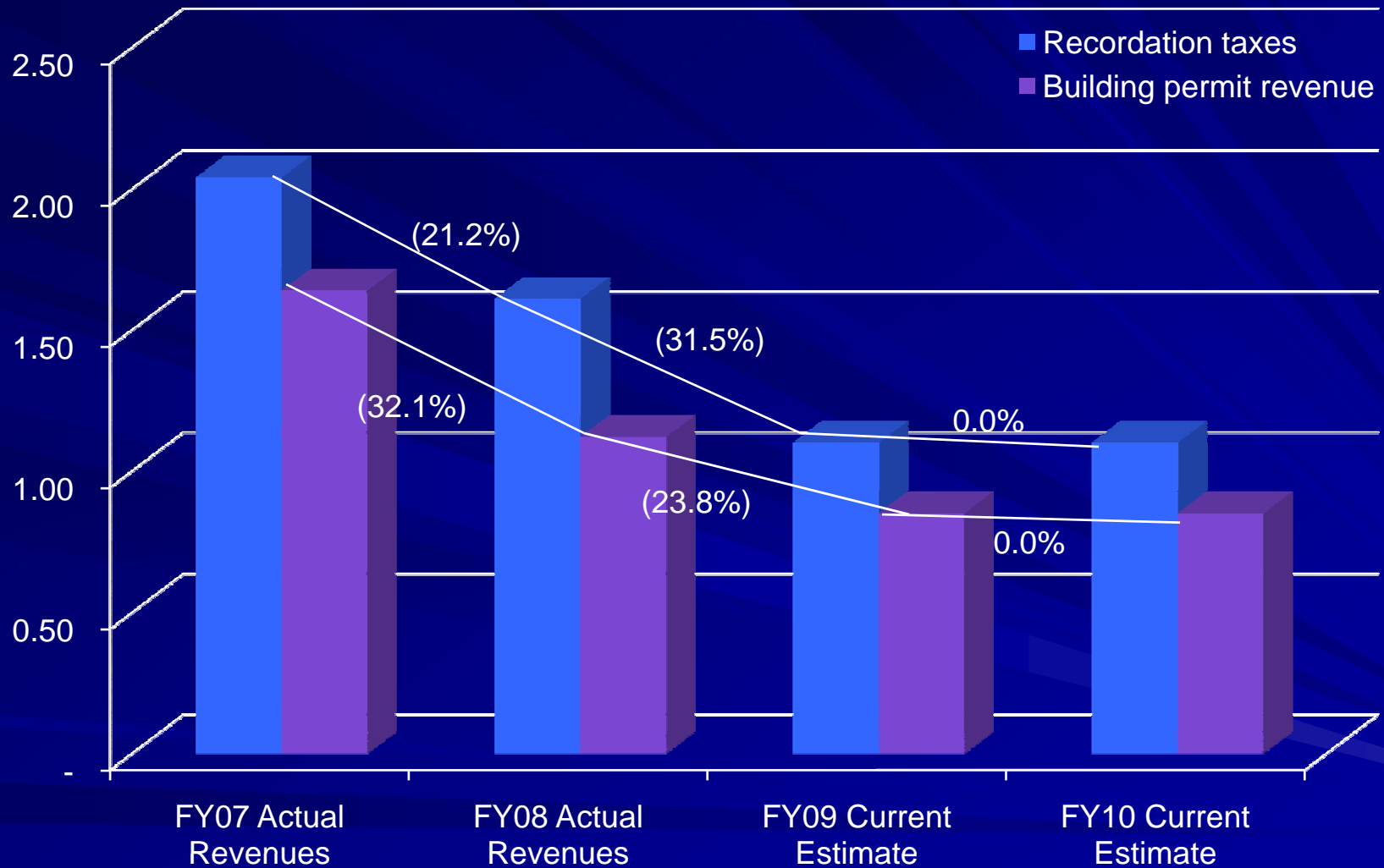
Historical Data FY89-FY92



Building Related Revenues

- Early 1990's saw two fiscal years of decline before rebounding

Recordation Taxes & Building Permit Revenue (in millions)



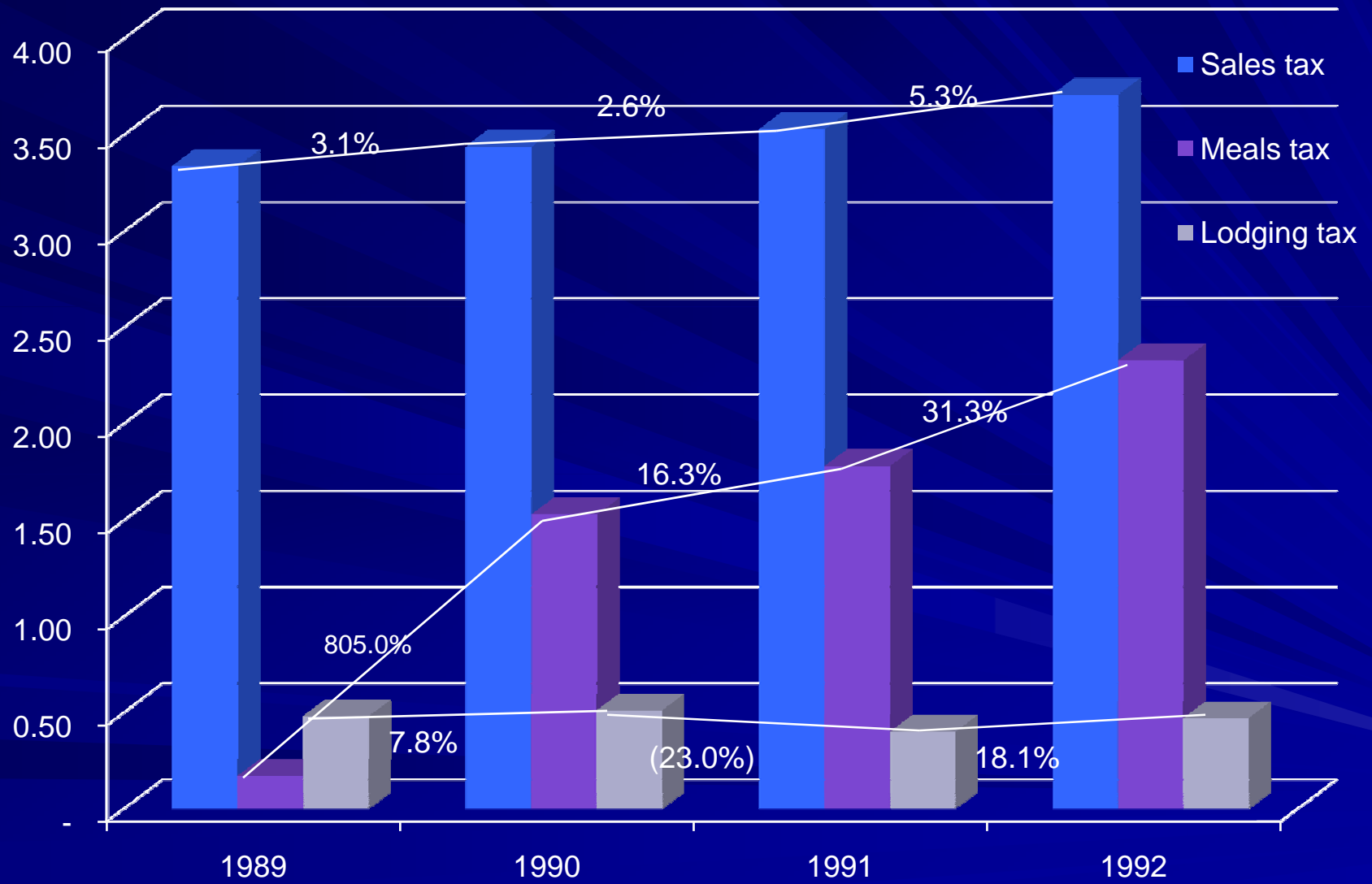
Building Related Revenues

- FY09 1st Qtr revenues down from same time last year
 - Building Permits 24%
 - Recordation Taxes 32%
- Two year trend lower than the 1990's
- No projected rebound forecast for FY10

Sales, Meals and Lodging

Comparing the early 1990's to
the present

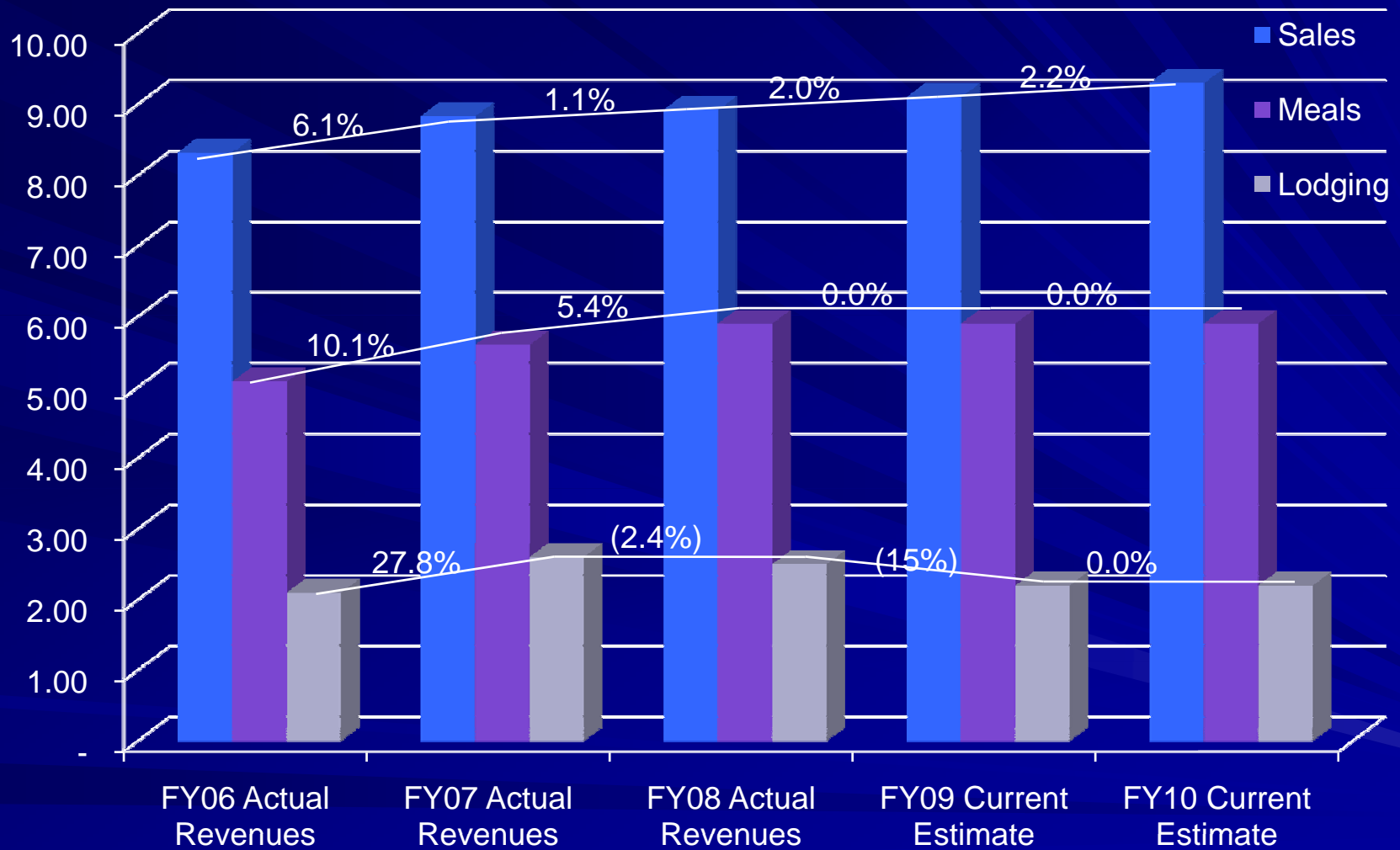
Historical Data (in millions) FY89-FY92



Sales/Meals/Lodging

- Early 1990's saw steady growth in Sales and Meals Tax revenue
 - Meals Tax implemented in November 1988
 - Lodging Tax suffered

Sales, Meals and Lodging Taxes (in millions)



Sales/Meals/Lodging

- 1st two months for FY09 are a mixed bag

↑Sales 6.3%

↑Meals 3.6%

↓Lodging 11.8%

- Revised estimates for FY09 and FY10

- Sales-lowered to growth of 2% each year
- Meals-flat for both FY09 and FY10
- Lodging-decrease of 15% for FY09 & flat for FY10

BPOL Revenues

- FY08 Actual Revenues

- \$6.2 million

Fiscal Year	Adopted Budget/Plan	Current Estimate
2009	\$6.0 million	\$6.0 million
2010	\$6.2 million	\$6.0 million

- Next two years expected to be lower than FY08

ALS/BLS Fees

- FY08 Actual Revenues
 - \$1.5 million

Fiscal Year	Adopted Budget/Plan	Current Estimate
2009	\$1.25 million	\$1.58 million
2010	\$1.25 million	\$1.63 million

- Modest 3% growth expected in FY09 and FY10

Investment Earnings

- FY08 Actual Revenues
 - \$1.5 million

Fiscal Year	Adopted Budget/Plan	Current Estimate
2009	\$1,000,000	\$700,000
2010	\$1,000,000	\$500,000

- Lower interest rates expected

State Revenues

- HB599 (State funding for Public Safety)
 - Additional FY09 \$60,000 reduction
 - Entire \$1.5 million budget may be eliminated in FY10.
- State Sales Tax for Education
 - Current FY09 State estimate reduced by \$150,000
 - Flat estimate for FY10

Updated FY09 Revenue Projections

FY09 Adopted General Fund Budget	FY09 Current General Fund Estimate
\$170 million	\$167 million

- Variances concentrated in:
 - Personal Property
 - Building Related
 - Sales, Meals and Lodging

Updated FY10 Revenue Projections

FY10 General Fund Plan	FY10 Current General Fund Estimate
\$176 million	\$167 million

- FY10 Plan estimated 3.5% overall growth
- FY10 current estimate show no growth from FY09

FY09 – FY10

Expenditure Revisions

General Fund Budget

Fiscal Year	FY09 Expenditures	FY10 Expenditures
Adopted Budget/Plan	\$170 million	\$176 million
Projected Revenue	\$167 million	\$167 million
Targeted Revisions	(\$3 million)	(\$9 million)
Percentage Revision	(1.8%)	(5.1%)

FY09 Expenditures

	Targeted Revisions	Current Budget
Capital Projects	(\$1,205,000)	\$4,200,000
Operations	(1,000,000)	52,583,000
Non Departmental	(395,000)	2,439,000
Outside Agencies	(250,000)	13,703,000
Schools	(150,000)	74,845,000
Debt Service	0	22,230,000
Total	(\$3,000,000)	\$170,000,000

FY09 Expenditure Revisions - \$3 million

Capital Projects \$1,205,000	Delay Warhill Community Gym – reallocate current cash balance within Capital Budget
Operations \$1,000,000	Personnel Costs – \$1,700,000 less turnover savings already budgeted (\$1,000,000) plus \$300,000 in operating expenses
Non Departmental \$395,000	Contingency, Local Grants Match, Innovation reduced
Outside Agencies \$250,000	Pass-through – room tax reductions
Schools \$150,000	Pass-through – State sales tax reductions

FY10 Plan Expenditures

	Targeted Revisions	Current Fiscal Plan
Capital Projects	(\$2,720,000)	\$4,200,000
Operations	(2,000,000)	54,788,000
Non Departmental	(1,500,000)	1,943,000
Outside Agencies	(450,000)	14,269,000
Schools	(2,330,000)	77,033,000
Debt Service	0	23,767,000
Total	(\$9,000,000)	\$176,000,000

FY10 Expenditure Revisions - \$9 million

Capital Projects \$2,720,000	Delay Warhill Community Gym – reallocate current cash balance within Capital Budget
Operations \$2,000,000	Personnel Costs – \$2,800,000 less turnover savings already budgeted (\$1,250,000) plus \$450,000 in operating expenses – no pay raise projected
Non Departmental \$1,500,000	Contingency reduced, Local Grants Match, VDOT Match eliminated
Outside Agencies \$450,000	Pass-through – room tax reductions and selective agency reductions
Schools \$2,330,000	FY10 funding = FY09 funding

Revised Spending Strategies

- Vacancy freezes, eliminating vacant positions, transferring employees preferred over layoffs, furloughs or pay reductions
 - FY09 – “pruning” as opposed to chopping, streamlining, realigning based on priorities, in-kind services vs. cash for outside agencies
 - FY10 – freezes continue, continued realignment of vacancies, no pay raise is projected

Revised Spending Strategies

- Operational efficiency or internal service reductions preferred over public service reductions
 - FY09 – travel, dues, food, clothing, fuel, eliminate vehicle replacements, reallocate existing fleet, defer building maintenance, eliminate equipment purchases
 - FY10 – results of organizational efficiency study, selective service reductions perhaps unavoidable

Revised Spending Strategies

■ Capital Budget

- FY09 – community gym cash used to continue other CIP projects and reduce general fund contributions
- FY10 – community gym cash balance reductions continue, scrubbing commences on all other CIP balances to reduce planned spending to address revenue shortfalls from general fund and from other revenues such as proffers – waiting on Nov 2008 bid opening for 2 schools – additional savings possible

General Fund Budget

Fiscal Year	FY09 Expenditures	FY10 Expenditures
Adopted Budget/Plan	\$170 million	\$176 million
Projected Revenue	\$167 million	\$167 million
Targeted Revision	(\$3 million)	(\$9 million)
Percentage Revision	(1.8%)	(5.1%)

Schedule

November	School Bid Opening Revised State Revenues – FY09
December	Governor's FY10 Budget Released
January	Board of Supervisor's Budget Retreat Pre-Budget Public Hearing Reassessment of County Real Property Calendar Year 2009 Personal Property Book
February	Results of Efficiency Study Public
March	General Assembly Adopts FY10 State Budget School Board Adopts Budget County Administrator's Budget Proposal
April	Board of Supervisors FY10 Budget Public Hearing, Worksessions and Adoption

Questions??





James City County, Virginia

Board Work Session – Report on Investments

October 28, 2008

PFM Asset Management LLC

4350 N. Fairfax Drive, Suite 580

Arlington, VA 22203

(703) 741-0175

(703) 516-0283 fax

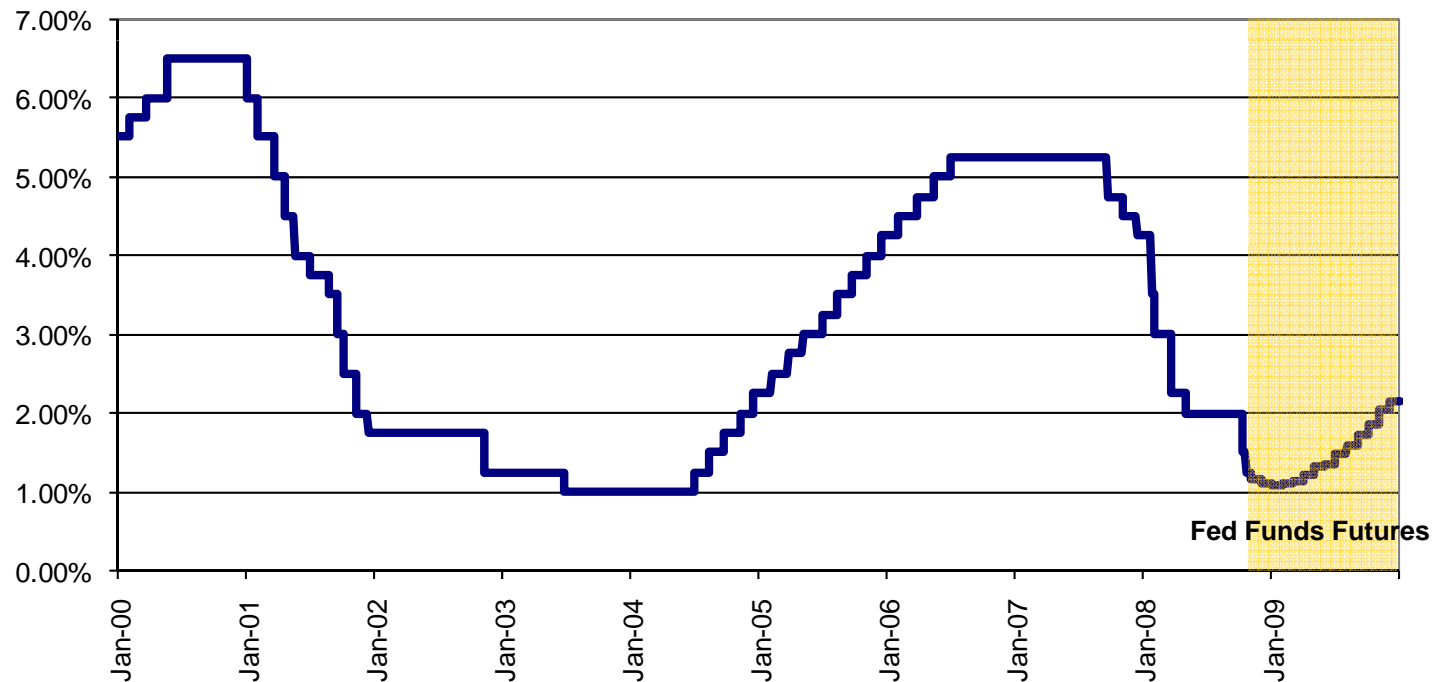
www.pfm.com



Federal Funds Target Rate Falls

- On October 8th, the Federal Open Market Committee reduced the Federal Funds Target Rate by 50 basis points to 1.50%.
- Some market participants believe the Fed will decrease rates again soon.

Federal Funds Target Rate and Fed Funds Futures
January 1, 2000 – October 16, 2008



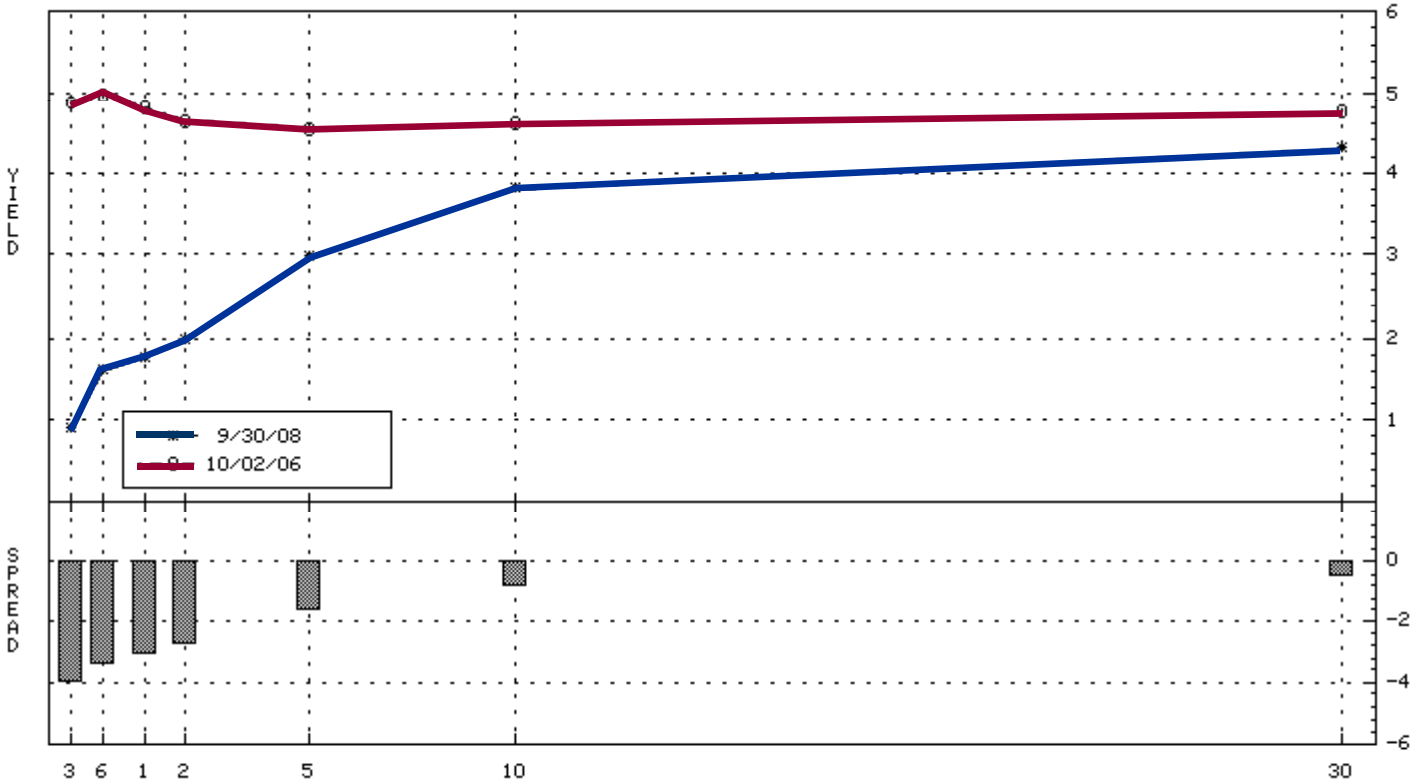
Source: Bloomberg

PFM Asset Management LLC

Treasury Yields Drop Dramatically

- The yield on the 2-year Treasury Note decreased by over 250 basis points since September 30, 2006.

**U.S. Treasury Yields
September 30, 2006 versus September 30, 2008**



Source: Bloomberg

PFM Asset Management LLC

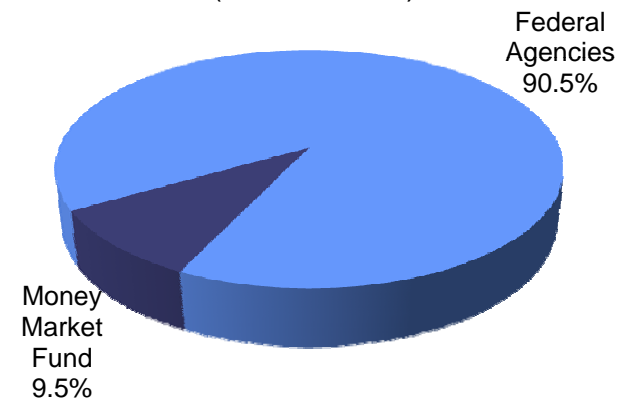


Current Portfolio Holdings

James City County Portfolio Composition
September 30, 2008

Security Type	Investment Amount	% of Portfolio
U.S. Treasuries	\$0.00	0.0%
Federal Agencies	12,663,580.71	90.5%
Commerical Paper	0.00	0.0%
Bankers Acceptances	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%
Certificates of Deposit	0.00	0.0%
Repurchase Agreements	0.00	0.0%
Municipal Obligations	0.00	0.0%
MBS/CMO	0.00	0.0%
Other ABS	0.00	0.0%
Money Market Fund	1,335,662.88	9.5%
Totals	\$13,999,243.59	100.0%

Portfolio Composition
(as of 9/30/08)



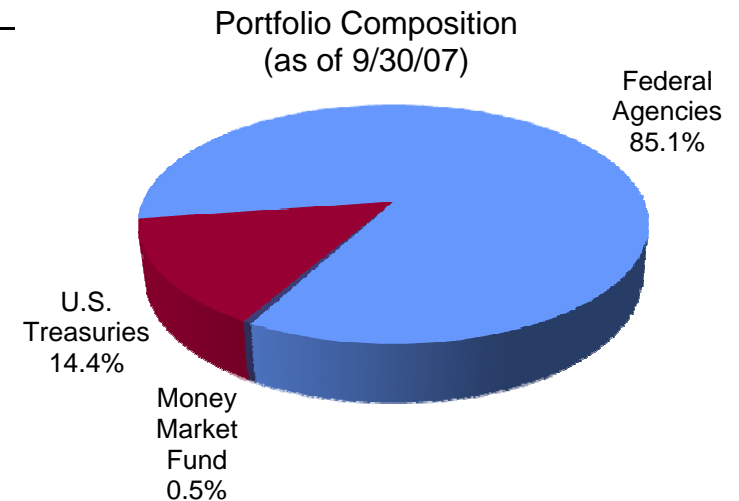
PFM Asset Management LLC



September 2007 Portfolio Holdings

James City County Portfolio Composition
September 30, 2007

Security Type	Investment Amount	% of Portfolio
U.S. Treasuries	\$1,929,224.22	14.4%
Federal Agencies	11,410,235.58	85.1%
Commerical Paper	0.00	0.0%
Bankers Acceptances	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%
Certificates of Deposit	0.00	0.0%
Repurchase Agreements	0.00	0.0%
Municipal Obligations	0.00	0.0%
MBS/CMO	0.00	0.0%
Other ABS	0.00	0.0%
Money Market Fund	62,136.38	0.5%
Totals	\$13,401,596.18	100.0%

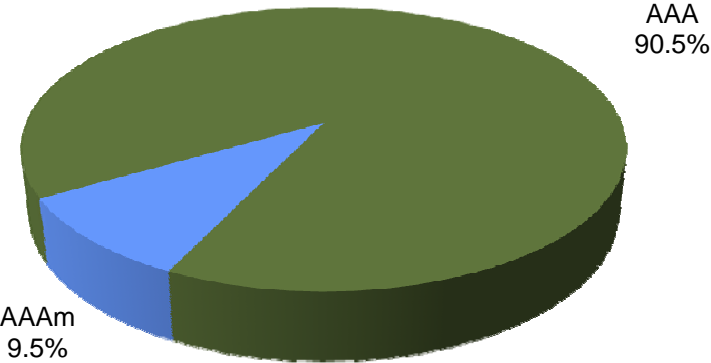


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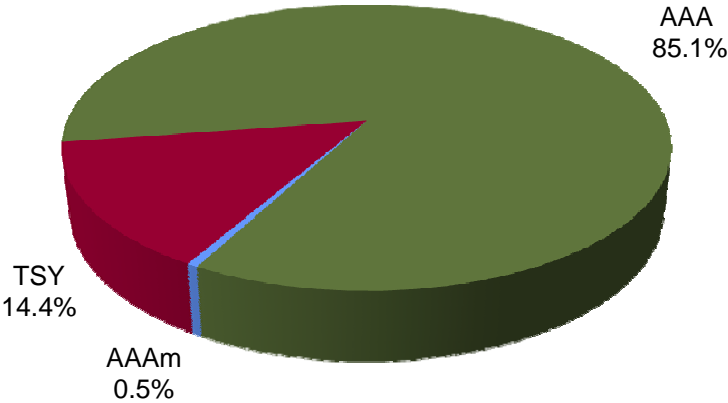


Portfolio Credit Quality

Credit Quality Distribution
(as of 9/30/08)



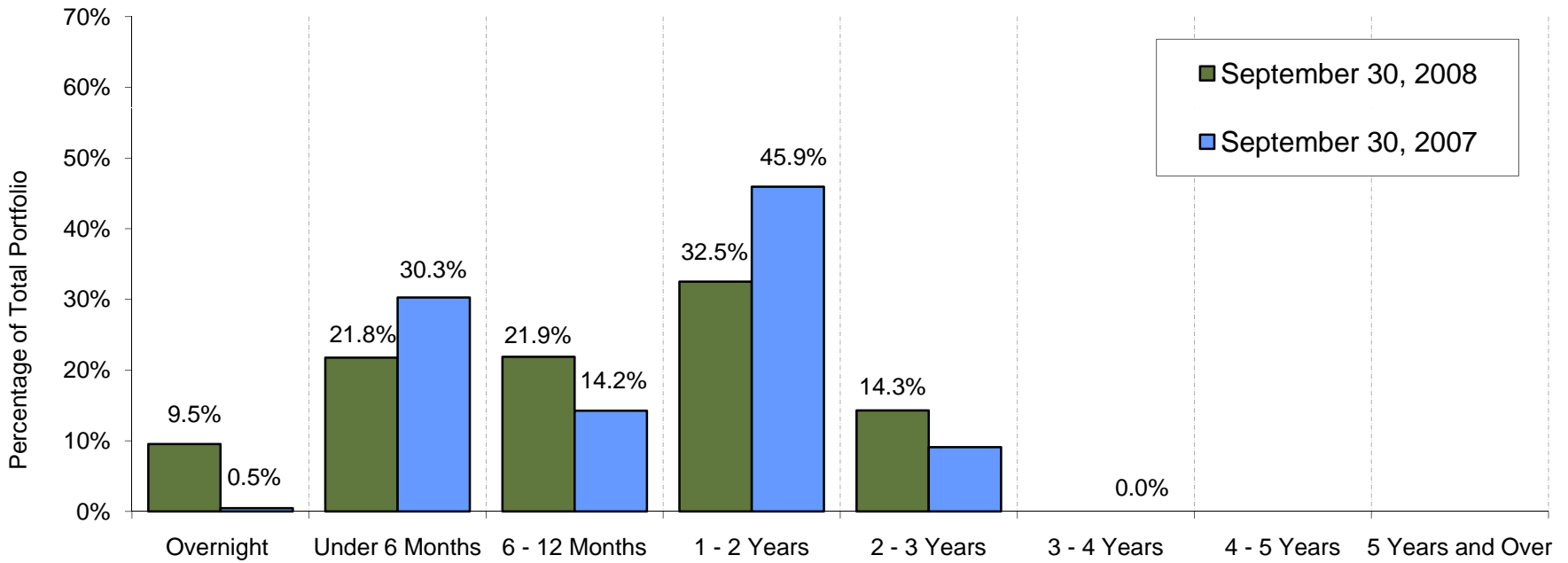
Credit Quality Distribution
(as of 9/30/07)



PFM Asset Management LLC



Portfolio Maturity Distribution



PFM Asset Management LLC

Portfolio Performance



Portfolio Performance

	Quarter Ended	Annualized	Last	Last	Since
Total Return ^{1, 3, 5}	September 30, 2008	Quarterly Return ⁴	12 Months	24 Months	Inception ⁶
General Fund	-0.04%	-0.16%	5.60%	5.43%	3.41%
Merrill Lynch 1-Year U.S. Treasury Note Index ²	-0.18%	-0.72%	5.42%	5.30%	3.18%
Portfolio Yields ⁵	September 30, 2008	September 30, 2007			
Yield at Market	3.21%	5.26%			
Yield on Cost	3.69%	4.98%			

Notes:

1. Performance on trade-date basis, gross of fees in accordance with CFA Institute's Global Investment Performance Standards (GIS).
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. Periodic Performance numbers are presented both as the periodic return and on an annualized basis.
4. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only.
5. Includes money market fund in performance and yield computations.
6. Since Inception Performance is calculated from March 21, 2002, to present.

PFM Asset Management LLC

MEMORANDUM

DATE: October 28, 2008

TO: The Board of Supervisors

FROM: Suzanne R. Mellen, Assistant Manager of Financial and Management Services
John E. McDonald, Manager of Financial and Management Services

SUBJECT: Financial Trends FY 2008 – FY 2010

At the October 28, 2008, work session, staff will provide an overview of FY 2008 revenues and current revenue estimates for FY 2009 and FY 2010. The format of the presentation will look at the total General Fund and also several significant revenue streams and provide the latest status on State cuts and the impact to James City County.

Staff will also provide recommendations to bring expenditures into line with the revised revenue estimates.

Staff continues to review revenue projections and changes in proposed spending. In order to provide the Board the most current and accurate information, staff will distribute a copy of the staff presentation on Monday, October 27, 2008.

We do not expect the Board to take action on Tuesday. Staff anticipates direction from the Board regarding any formal adjustments to the FY 2009 Budget and any changes in budget guidance for FY 2010.

Suzanne R. Mellen

CONCUR:

John E. McDonald

SRM/JEM/nb
FinTrnds08-10_mem

Attachment



HR Update



Presented by
Carol Luckam
Human Resource Manager

October 28, 2008

Overview



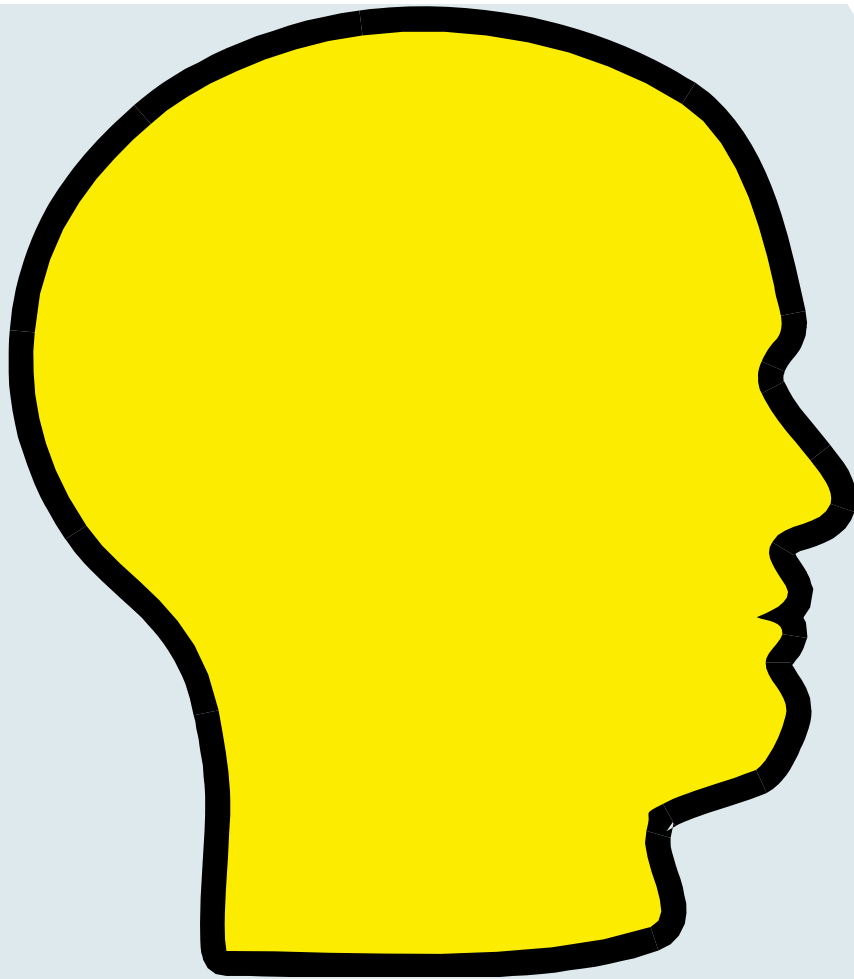
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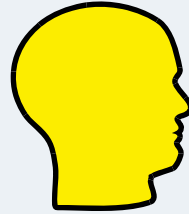
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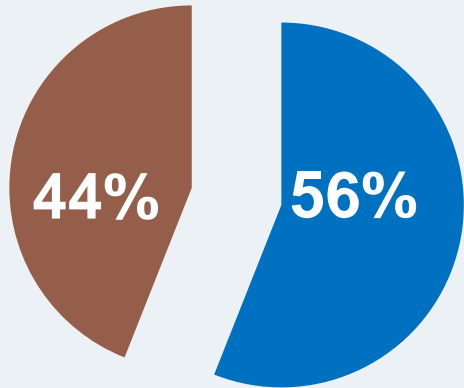
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- Salary < \$60,000
- Lives in JCC/Wmsbg
- 42 year old non-minority male

June 2008

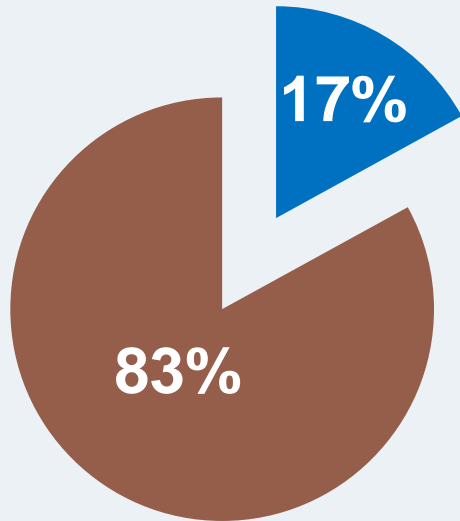
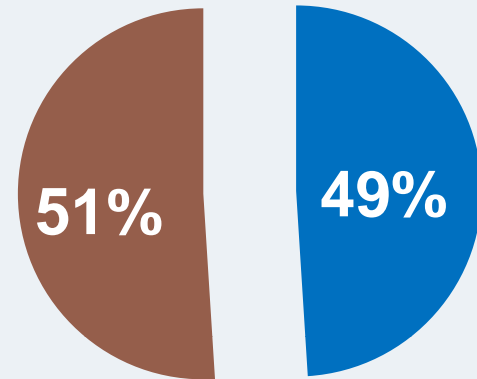
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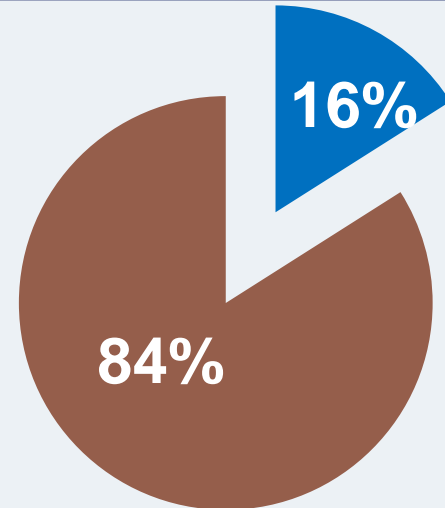
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Gender
Male
Female



Race
Minority
Non-Minority



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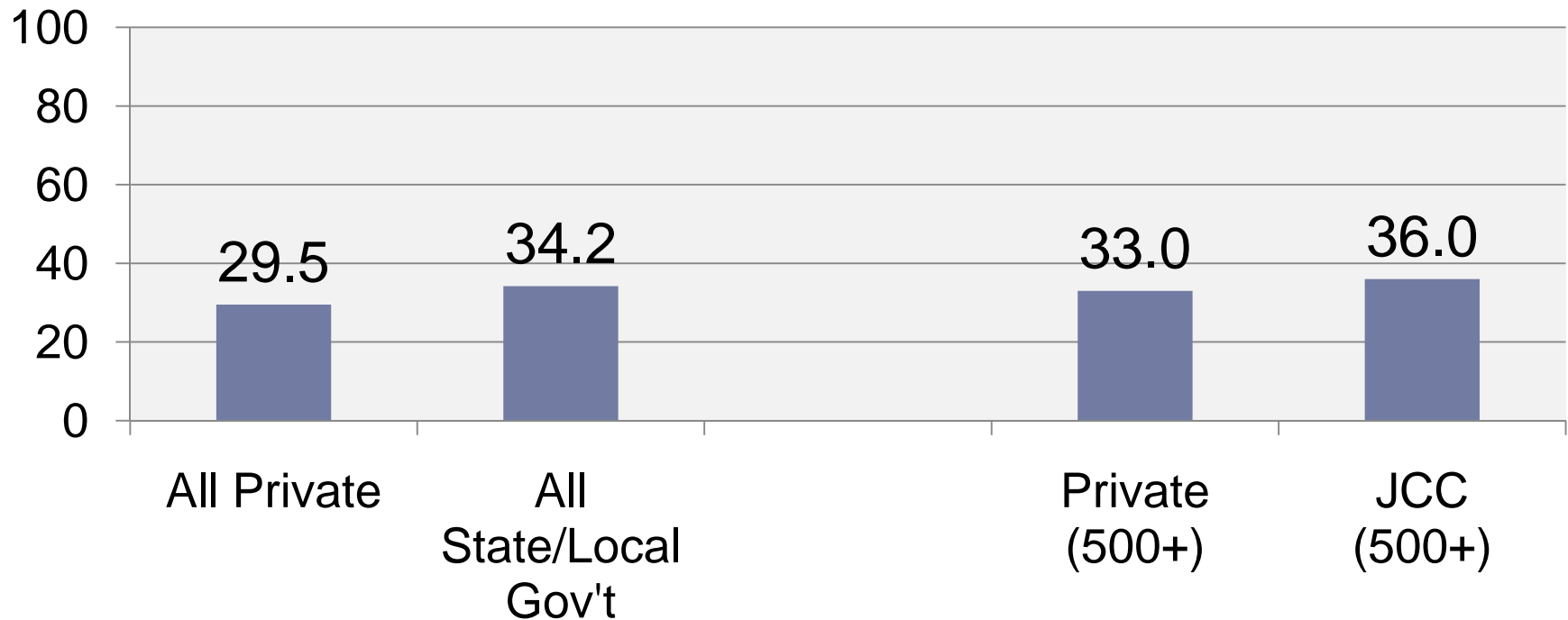


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Benefit Cost as % of Total Compensation



Source: Employer Costs for Employee Compensation (June 2008)
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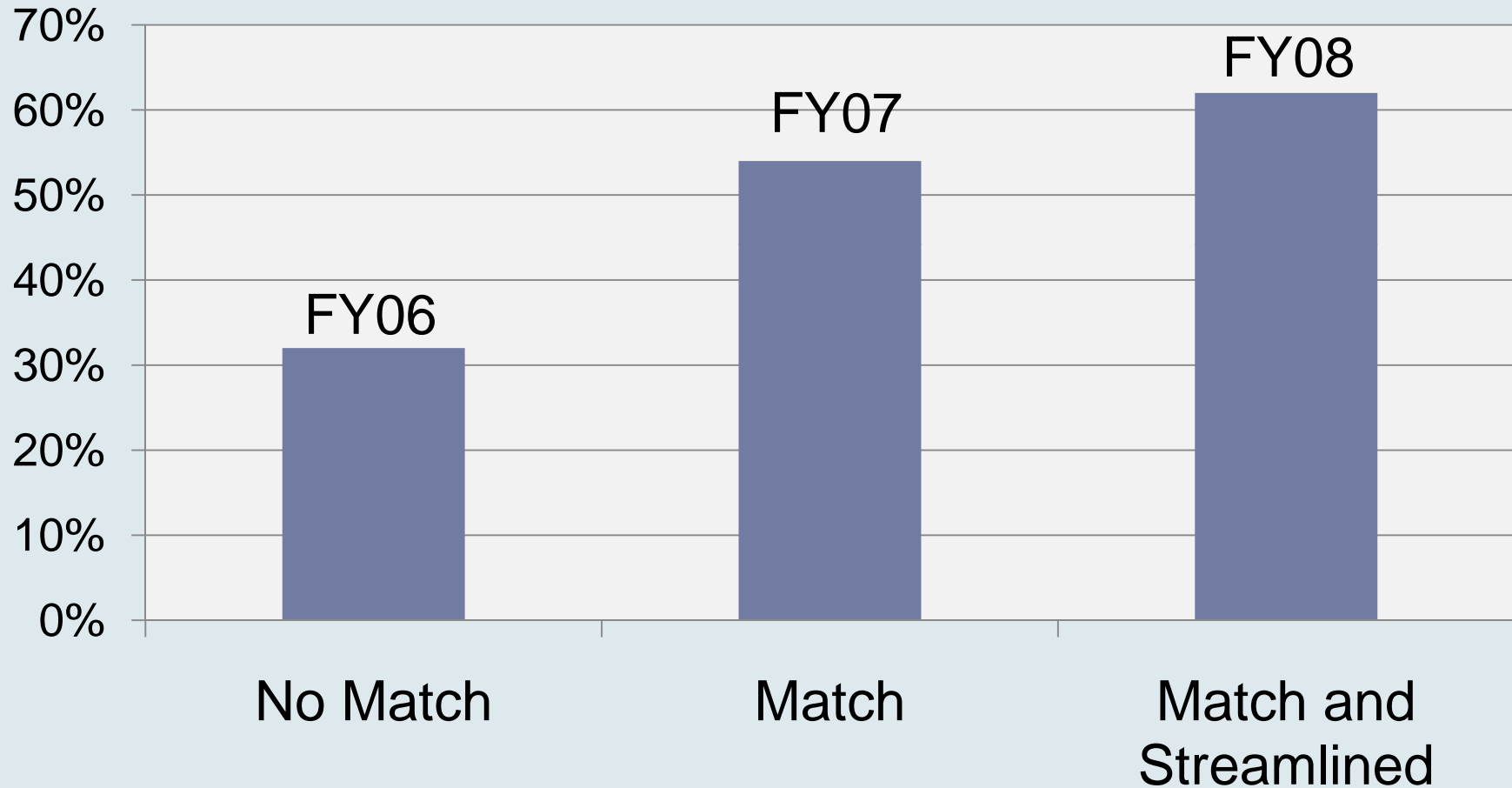
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How can we increase participation in deferred compensation especially among lower-paid employees?

Deferred Compensation Participation



August 2008

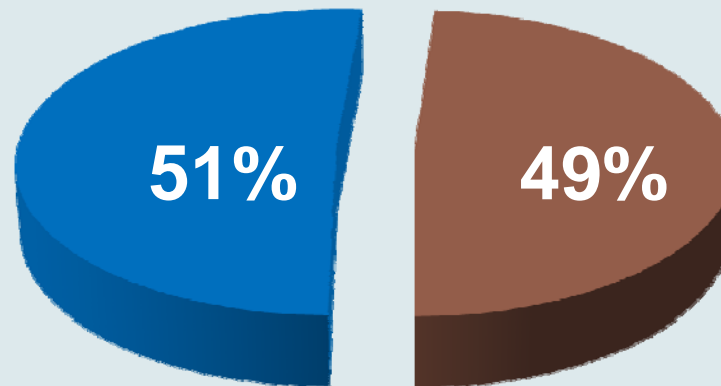


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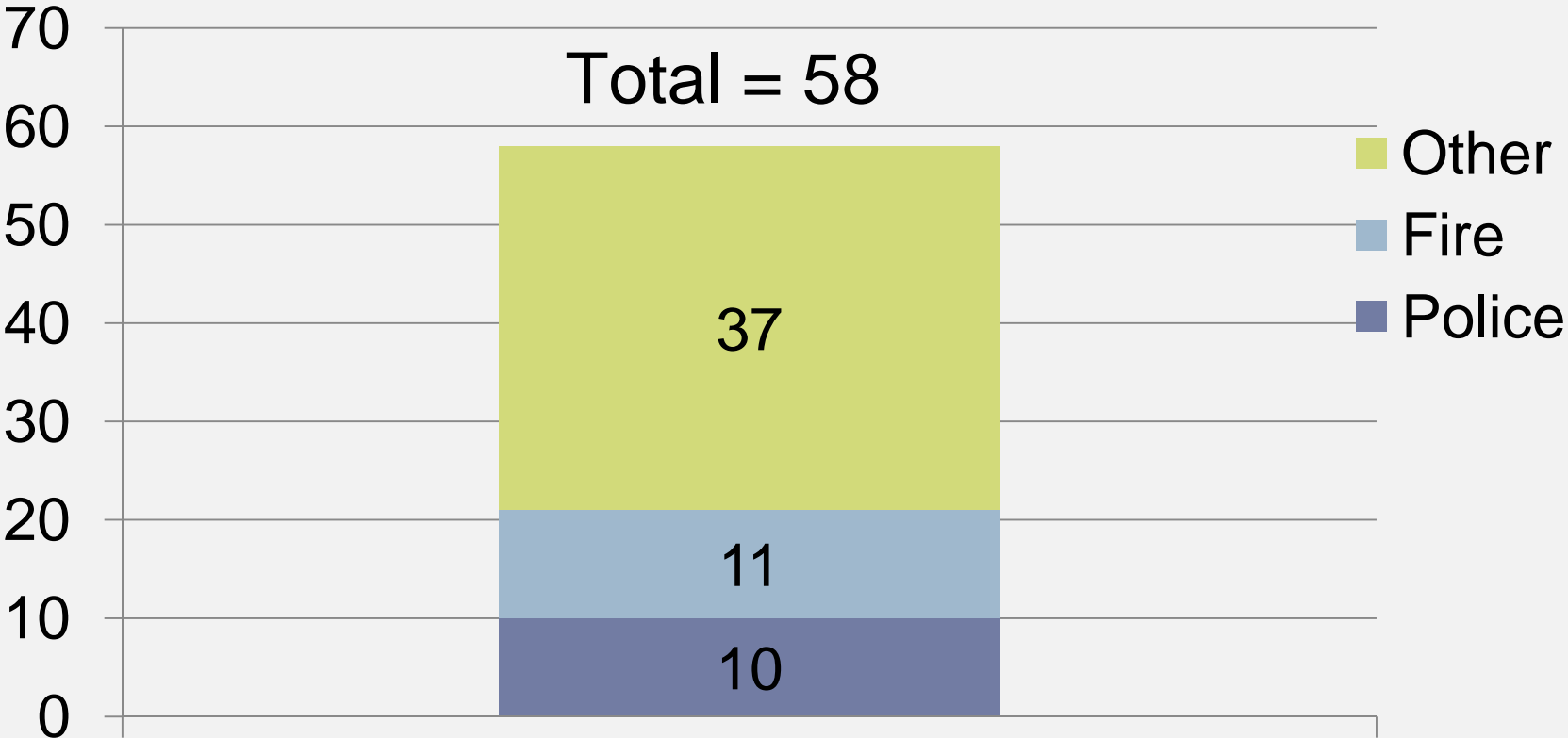


■ In JCC/Wmsbg

■ Outside JCC/Wmsbg

September 2008

Home Ownership Program Participants



FY02-09

September 2008



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Enhanced VRS



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- Why have others done it?
 - Attraction, retention, employee satisfaction

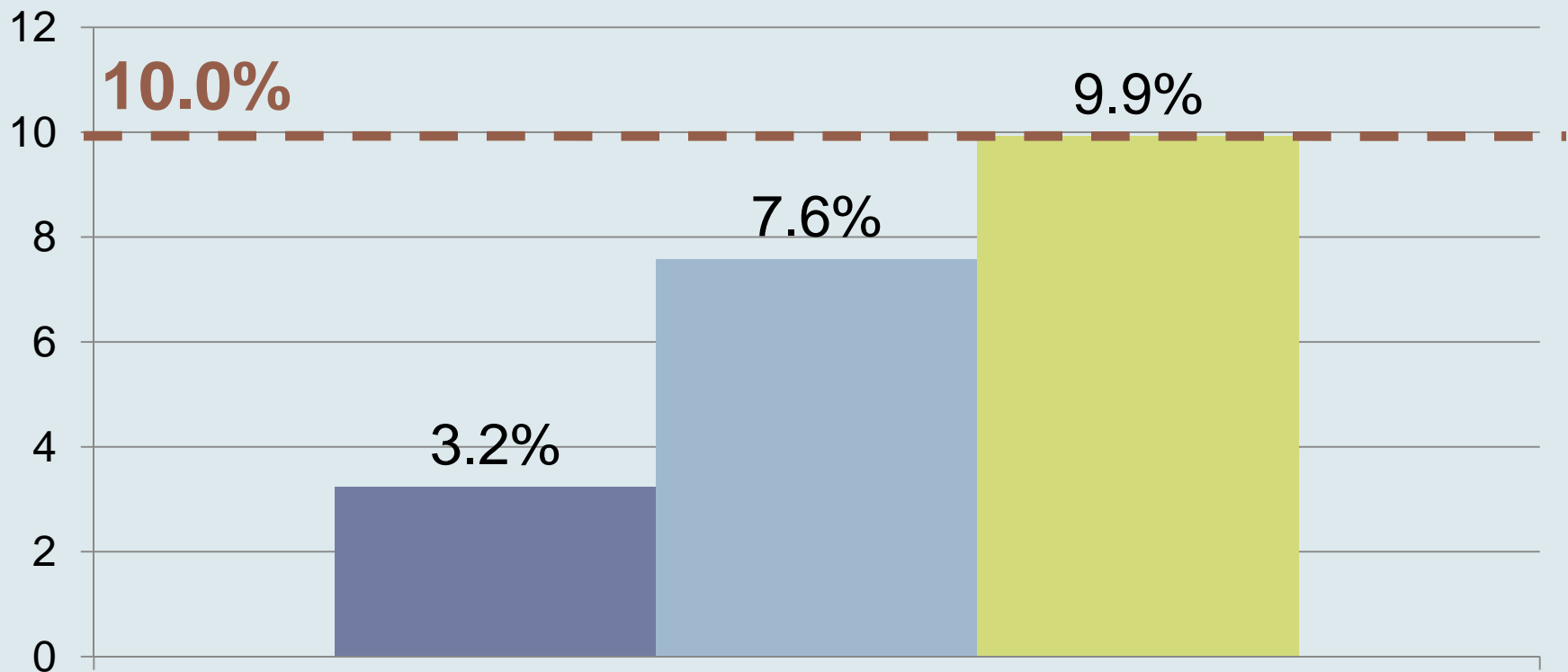


Will bonuses help retain employees in positions with high training costs, such as Police and Fire?

Public Safety Turnover FY 08



■ Police ■ Fire ■ Avg. County

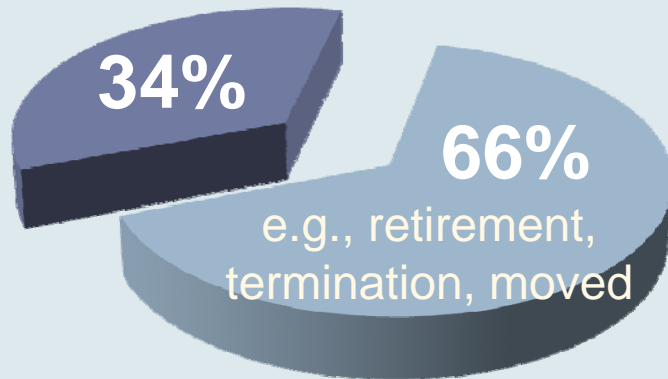


June 2008

Public Safety Turnover FY 08

Reasons

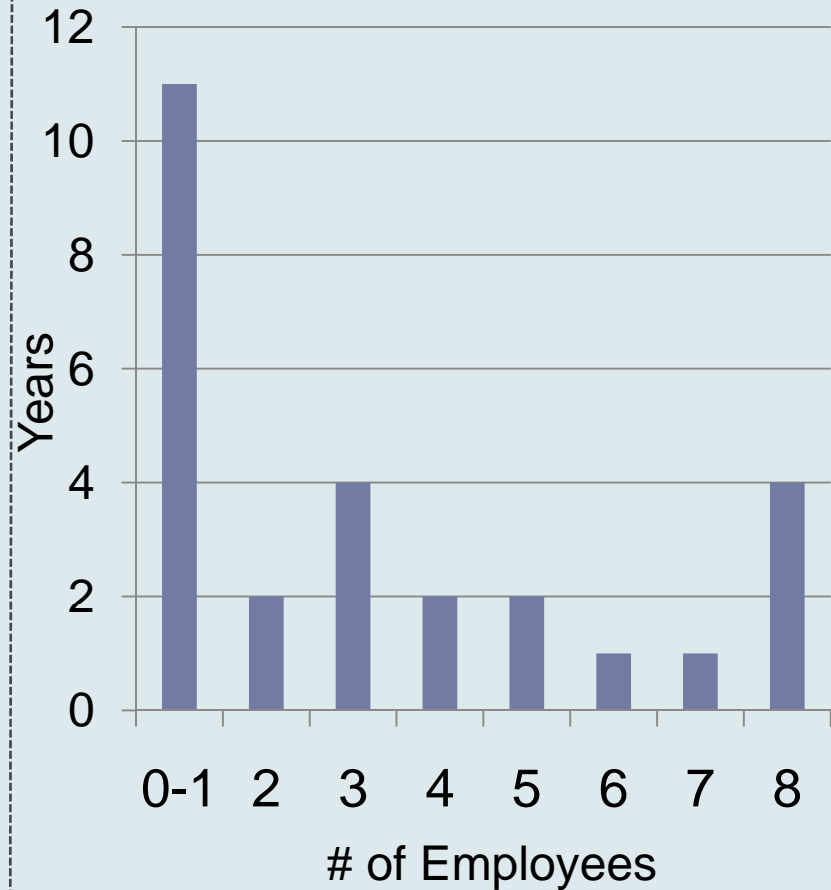
■ Job ■ Other



79 Employees

June 2008

Tenure



What Are We Already Doing?



- Career Ladder Classes
- Recalibration
- Tuition Assistance
- Police Take Home Cars

Overview



- Profile of County Employees
- Follow-up to Board Questions
- **Employee Discussion Results**

Employee Discussions



- Met with cross-section of about 50 full-time employees in September 2008
 - **98% said they would recommend JCC to family/friend**
- Asked: *Why did you choose to work for the County and why do you stay?*

What attracted/retains you?



- Salary and benefits
- Also
 - The community – quality of life
 - The job itself - making a difference
 - The organization – leadership/coworkers
 - Opportunities - training/education/advancement
 - Excellent equipment and technology
 - Flexible work environment



Questions?

