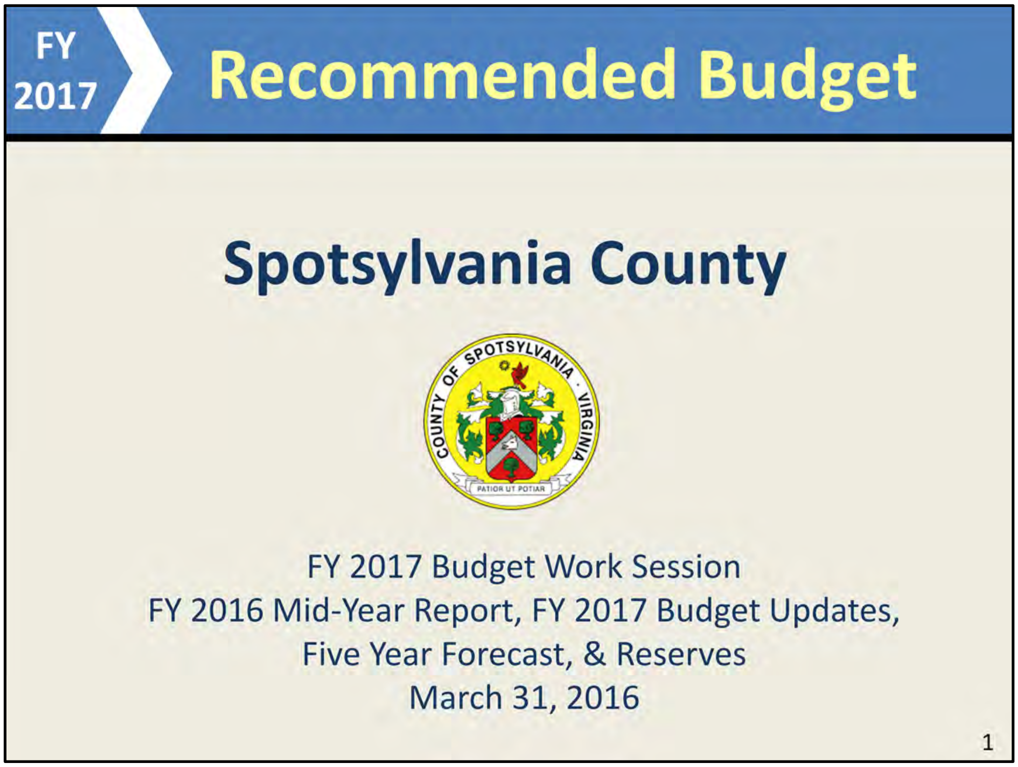



Good evening.

We have combined a number of topics into tonight's presentation because they are all related to one another and factor into discussion of the FY 2017 Budget.

- FY 2016 mid-year report
- FY 2017 budget updates
- Five year forecast
- Reserves


The first topic will be the FY 2016 mid-year report. Though it is the mid-year report, we are factoring in the latest data through March, where available. Based on what we know and the data we have available, these are our best projections for changes in revenue and expenditures through the end of the fiscal year.

FY 2017 **Recommended Budget**

## FY 2016 Mid-Year Budget Updates -

| General Fund Budget Item | Adjustment |
|---|---|
| ***Revenue:*** | ($ in millions) |
| Personal Property | $0.6 |
| Delinquent Personal Property | $0.6 |
| Railroad Reimbursement | $0.4 |
| Real Estate | $0.3 |
| DSS State Revenue | $0.3 |
| W/S Admin Fee | $0.2 |
| Business License | $0.2 |
| Public Service Corporation R.E. | $0.2 |

3

Overall, we project our FY 2016 revenues to be $3.2 million (1.3%) higher than currently budgeted. This increase is spread over numerous revenue lines and is not concentrated in any certain area. The adjusted projections are detailed over the course of the next several slides.

Read from slide

- Note that the railroad reimbursement revenue is predominantly collection of prior years' reimbursements and will not be a significant adjustment moving forward.

FY 2017

# Recommended Budget

## FY 2016 Mid-Year Budget Updates -

| General Fund Budget Item | Adjustment |
|---|---|
| ***Revenue:*** | ($ in millions) |
| Penalties/Interest/Collection Fees | $0.2 |
| Bank Stock Tax | $0.1 |
| Transient Occupancy | $0.1 |
| Meals Tax | $0.1 |
| Recordation Tax | $0.1 |
| Fire & Safety Inspections | $0.1 |
| Insurance Recovery | $0.1 |
| Recycling Revenue | ($0.1) |

4

Read from slide.

FY 2017 **Recommended Budget**

## FY 2016 Mid-Year Budget Updates -

| General Fund Budget Item | Adjustment |
|---|---|
| ***Revenue:*** | ($ in millions) |
| Sale of Gov't Equipment (surplus) | ($0.1) |
| Communication Sales Tax | ($0.2) |
| Refuse Disposal Fees | ($0.2) |
| Miscellaneous | $0.2 |
| **Total Revenue Projection Adjustments** | **$3.2** |
| | |
| ***Expenditures:*** | |
| General Gov't | ($0.5) |
| Judicial Administration | ($0.1) |

5

Read from slide through "Total Revenue Projection Adjustments"

Regarding expenditures, we expect a savings of $1.8 million (1.5%) through the end of the fiscal year. This is a combination of savings across many accounts and departments primarily related to:

- vacancies and turnover of staff,
- utilities costs,
- reduced costs for the jail (jail "true up"), and
- savings in the budgeted contingency.

FY 2017 **Recommended Budget**

## FY 2016 Mid-Year Budget Updates -

| General Fund Budget Item | Adjustment |
|---|---|
| ***Expenditures:*** | ($ in millions) |
| Public Safety | ($0.3) |
| Public Works | ($0.3) |
| Health & Welfare | ($0.2) |
| Non-Departmental (contingency) | ($0.4) |
| **Total Expenditure Projection Adjustments** | **($1.8)** |
| | |
| ***Combined Revenue & Expenditure Impact*** | ***$5.0*** |
| Fund Fiscal Policies | ($2.5) |
| **Available One-Time Funding** | **$2.5** |

6

The projected revenue increases and expenditure savings in FY 2016 combine to total $5.0 million. Funding all adopted fiscal policy reserves through their FY 2017 levels, we set aside $2.5 million. Fully funding the reserves with what's available in FY 2016 frees some on-going funding in FY 2017 for other use, as will be presented on a later slide.

Because we have already or are factoring the changes in FY 2016 revenue and expenditures into the FY 2017 Budget, the $2.5 million projected to be available at the end of FY 2016 is one-time funding. Please be reminded that the appropriate use of one-time funding is limited to one-time costs such as paying cash for capital and should not be used for on-going purposes such as funding staff pay increases or debt service.

We will now move to providing an update of the FY 2017 Budget and will be sure to return to this $2.5 million one-time funding to allow questions and comments.

FY 2017

# Recommended Budget

## FY 2017 Budget Updates

7

FY 2017 **Recommended Budget**

**FY 2017 Budget Updates -**

| General Fund Budget Item | Adjustment |
|---|---|
| ***Revenue:*** | ($ in millions) |
| Revenue Adjustments from 3/8 | $0.6 |
| Real Estate | $0.3 |
| Personal Property | $2.1 |
| Refuse Disposal | ($0.2) |
| Recycling Revenue | ($0.1) |
| Miscellaneous | $0.1 |
| **Total Revenue Projection Adjustments** | **$2.8** |

8

Overall, revenue projections for FY 2017 are expected to be $2.8 million (1.2%) greater than that originally assumed in the FY 2017 Recommended Budget. This $2.9 million includes $0.6 million in DSS and CSA adjustments previously reported to the Board on March 8. The most significant change in revenues occurring since that time stems from Personal Property and the running of the NADA values. There are two adjustments impacting PP revenue … a base assessed value that is higher than expected, and a NADA adjustment that was lower than expected. When projections were originally made in December, the base assessed value was $726.6 million. To that figure, we applied the 3-year average decline in NADA … a 9% reduction. By the time the NADA values were run in mid-March, the base assessed value had increased by $31.7 million to $758.3 million. Additionally, the actual NADA run netted a 7.8% decline in values versus the assumed 9%. The combination of these two adjustments results in $2.1 million in additional PP revenue being projected for FY 2017.

## FY 2017 Recommended Budget

### FY 2017 Budget Updates -

| General Fund Budget Item | Adjustment |
|---|---|
| ***Expenditures:*** | ($ in millions) |
| Expenditure Adjustments from 3/8 | ($0.5) |
| Add back Animal Shelter for discussion | $0.3 |
| Adjust fuel accounts | ($0.2) |
| Transfer to Capital Projects Fund | $0.1 |
| **Total Exp./Transfer Proj. Adjustments** | **($0.3)** |
| | |
| ***Combined Revenue & Expenditure Impact*** | ***$3.1*** |
| $ freed by funding fiscal policies in FY 2016 | $1.0 |
| **Available On-Going Funding** | **$4.1** |

9

Overall, expenditures are expected to be $300K less than assumed in the Recommended Budget. A nearly $500K savings was presented to the Board at the March 8 work session, the bulk of which was debt service savings stemming from an assumed reduction in the scope of work for the Animal Shelter. Given comments received at that meeting and since, and the fact that this project was included in the initial CIP adopted by the Board in November, we are adding the debt service associated with this project back in for additional discussion.

Based on savings in fuel accounts we're experiencing in FY 2016 and factoring in expected fuel price projections from the U.S. Energy Information Administration, we feel comfortable in lowering our fuel accounts by a total of approximately $200K in FY 2017.

Finally, because the transfer to Capital Projects is a percentage of revenue and revenues are increasing, the transfer of cash to capital increases by $100K.

When the $2.8 million in additional revenue is combined with the $0.3 million expenditure savings, there is a $3.1 million positive impact on the FY 2017 Budget. Additionally, recall that we mentioned and factored in funding the fiscal policy reserves through FY 2017 with the funds projected to be available at year-end FY 2016 several slides ago. Doing that frees the $1.0 million in on-going funding that was included in the Recommended Budget for allocation to the reserves. This added to the combined $3.1 million revenue increases and expenditure decreases net $4.1 million in available on-going funding for your consideration in the FY 2017 Budget.

FY 2017 **Recommended Budget**

**FY 2016 & 2017 Budget Updates -**

| General Fund Budget Item | Adjustment |
|---|---|
| ***Available Funding for Budget Discussion:*** | ($ in millions) |
| One-Time Funding | $2.5 |
| On-Going Funding | $4.1 |

Potential Use of Funding:

- ✓ **One-Time** - Allocation to capital projects saves $407k in on-going debt service
- ✓ **On-Going** – Fund the Recommended Budget at $0.83 (less than the $0.8313 equalized rate)

10

In sum, when we combine the FY 2016 and FY 2017 new projections, $2.5 million in one-time funding and $4.1 million in on-going funding is expected to be available. Recall that the appropriate use of one-time funds is limited to one-time items such as capital projects. Application of the $2.5 million to short-term financed items in FY 2017 would yield debt service savings of $407K. The availability of $4.1 million in on-going funding would fund the Recommended Budget at $0.83 - less than the $0.8313 equalized Real Estate rate.

FY 2017 **Recommended Budget**

## Five Year Forecast

11

In the five year forecast, we generally project the out-year costs of the current budget and CIP. In this case, the "current budget" is the FY 2017 Recommended Budget and CIP updated to reflect the revenue and expenditure adjustments presented in earlier slides. The forecast is meant to provide an order of magnitude of revenue and expenditures for any given year. While we make individual projections for each revenue, we make fairly broad assumptions as to the way in which expenditures may change based on judgment and reason. For instance, we do not look at and analyze every operating account to gauge the amount each might increase in the future. Instead, we apply the three-year average change in the CPI (+1.4% in this case).

We will present 2 scenarios this evening:

1. Project the out-year costs of the FY 2017 Budget (adjusted as noted above to reflect known changes in revenue and expenditures) to include debt service and operating costs associated with the projects in the CIP.
2. Project the out-year costs of the budget and CIP and exclude certain capital projects.

Scenario 2 is provided to answer the Board's question as to how changes in the CIP might combine to reduce the gap between revenue and expenditures.


The general revenue assumptions we've made for the model are shown on this slide. Because the same revenue assumptions apply to each of the two scenarios, this slide doesn't repeat. These are the revenue assumptions for each scenario.

Based on the net new on-going funding available for FY 2017, this model assumes the Board will adopt the equalized $0.83 tax rate.

Given that new construction has averaged 1.3% for the past few years, we're assuming 1.5% for 2017 and beyond. The five-year average annual growth in Personal Property assessments has been 1.2%, and we're making that same assumption moving forward. We are assuming a constant level of State revenue for constitutional offices and that State revenue for DSS and CSA increasing as program expenditures increase. All other revenues projections are driven by trends.

FY 2017

# Recommended Budget

## Five Year Forecast -

### Scenario 1 – Out-Year Costs of Rec. Budget & CIP:

- ✓ Assume 1.4% increase in base expenditures (ave. 3-year change in CPI)
- ✓ Changes in existing debt service
- ✓ New debt service corresponding to CIP projects
- ✓ 2% compensation adjustment in each out-year
- ✓ Transfer to Schools based on 100% of debt service + estimated CPP x estimated enrollment
- ✓ CPP based on local CPP planned in the FY 2017 Recommended Budget other than debt service
- ✓ Schools' base increased by 1.4% and comp. adj. assumed at 2% … both factored into CPP calcs.

13

Scenario 1 projects the out-year costs of the FY 2017 Budget (adjusted to reflect known changes in revenue and expenditures) to include debt service and operating costs associated with the projects in the CIP. It assumes a 1.4% adjustment to base (non-personnel) expenditures and a 2% compensation increase in each year.

We have no set revenue sharing agreement with the Schools, so we've tried to come up with a formula to use to make assumptions on the out-year transfers to the Schools. The model assumes that we will transfer 100% of debt service to include net new debt service associated with the Schools' CIP projects. We then back into a cost per pupil (CPP) figure for all other non-debt service School costs based upon the local transfer included in the Recommended Budget. Each year, the non-compensation portion of that CPP figure is increased by a 1.4% CPI adjustment and the compensation portion is increased by an assumed 2% compensation adjustment. Those respective CPPs are then multiplied by the enrollment being projected by the Schools' staff.

FY 2017 **Recommended Budget**

## Five Year Forecast -

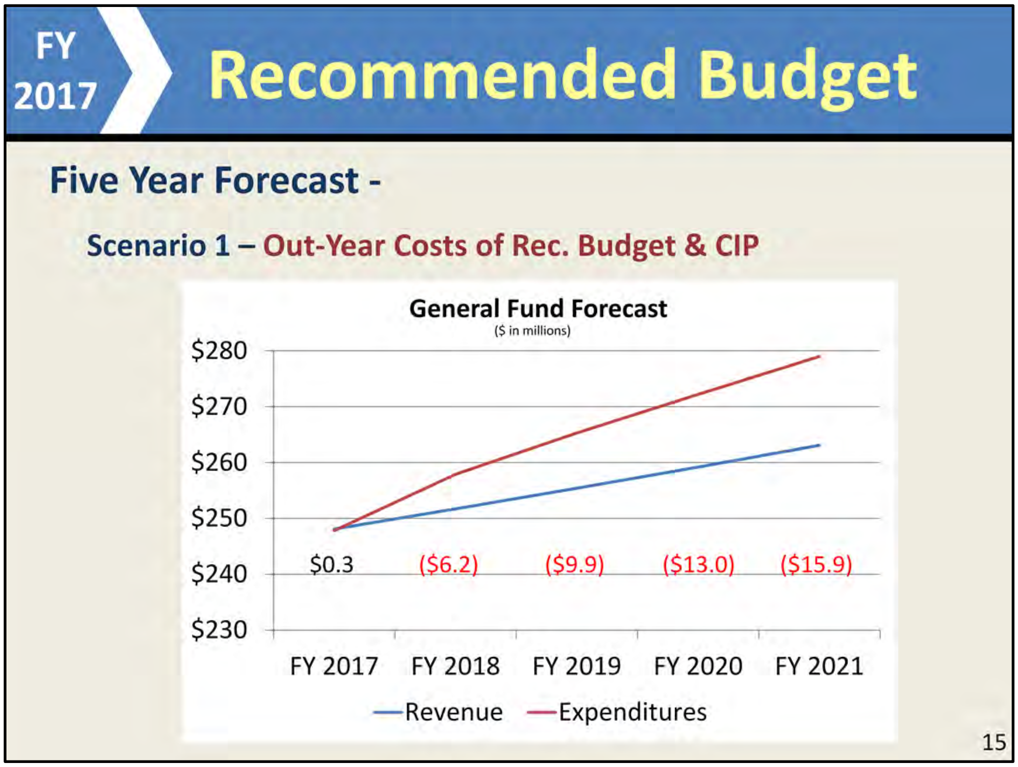
**Scenario 1 – Out-Year Costs of Rec. Budget & CIP:**

- ✓ Assumes $1.5 million currently available for J-Ramp is allocated to Exit 118 for reduction of debt issuance in FY 2017
- ✓ $1.5 million added to out-year need for J-Ramp to make whole
- ✓ Transfer of $2.8M in decal revenue from GF to Transportation. $0.7M in set asides can remain in GF for one more year.

14

The model assumes that since the J-Ramp project will not be ready to move forward in FY 2017, we will make use of the $1.5M we currently have on hand for the J-Ramp to reduce the amount we borrow for Exit 118 in FY 2017. We will then make the J-Ramp project whole by adding $1.5 million to the FY 2018 project budget.

This action and the shift of the J-Ramp project out one year (as discussed in previous work sessions and at Transportation Committee meetings) is expected to enable us to keep the $0.7M set asides revenue in the General Fund in FY 2018. However, we will still need to transfer the $2.8M decal revenue to Transportation to balance the fund.




This is a graph showing the resulting comparison of revenue and expenditures.

FY 2017 **Recommended Budget**

### Five Year Forecast -

**Scenario 2 – Scenario 1 adjusted to exclude certain projects:**

✓ Projects **included**:

- Facility Asset Management program
- All public safety technology projects
- Landfill development
- Replacement vehicles, heavy equipment & F/R apparatus
- Local portion of already approved Revenue Sharing projects at Hickory Ridge/Rt. 1 and Exit 118 … apply $1.5M J-Ramp funds to reduce

16

Scenario 2 builds upon Scenario 1 by removing certain capital projects. Scenario 2 is not meant to be received as a recommendation from staff. Scenario 2 is provided in response to previous questions from the Board as to how changes to the CIP … doing only those projects which staff perceives as "must dos" … would impact the projected out-year gap.

The list here shows which projects remain in the assumptions made for Scenario 2. The following page will show which projects are assumed to be removed. Again, the expenditure assumptions are not meant to be interpreted as staff's recommendations, but should otherwise be viewed as an indicator of how these changes in the CIP might combine to reduce the gap between revenue and expenditures.

FY 2017

# Recommended Budget

## Five Year Forecast -

**Scenario 2 – Scenario 1 adjusted to exclude certain projects:**

✓ Projects **excluded**:

- Holbert & Marshall Center renovations
- Animal Shelter expanded scope of work
- Active Gas Collection Systems – Cells 3 & 4
- Convenience Center paving
- Green Waste Composting @ landfill
- All P& R projects other than fencing replacements
- Fire Training Center
- J-Ramp
- Implementation of corridor study findings
- General transportation engineering consultant

17

These are the projects excluded in the model to yield Scenario 2

FY 2017

# Recommended Budget

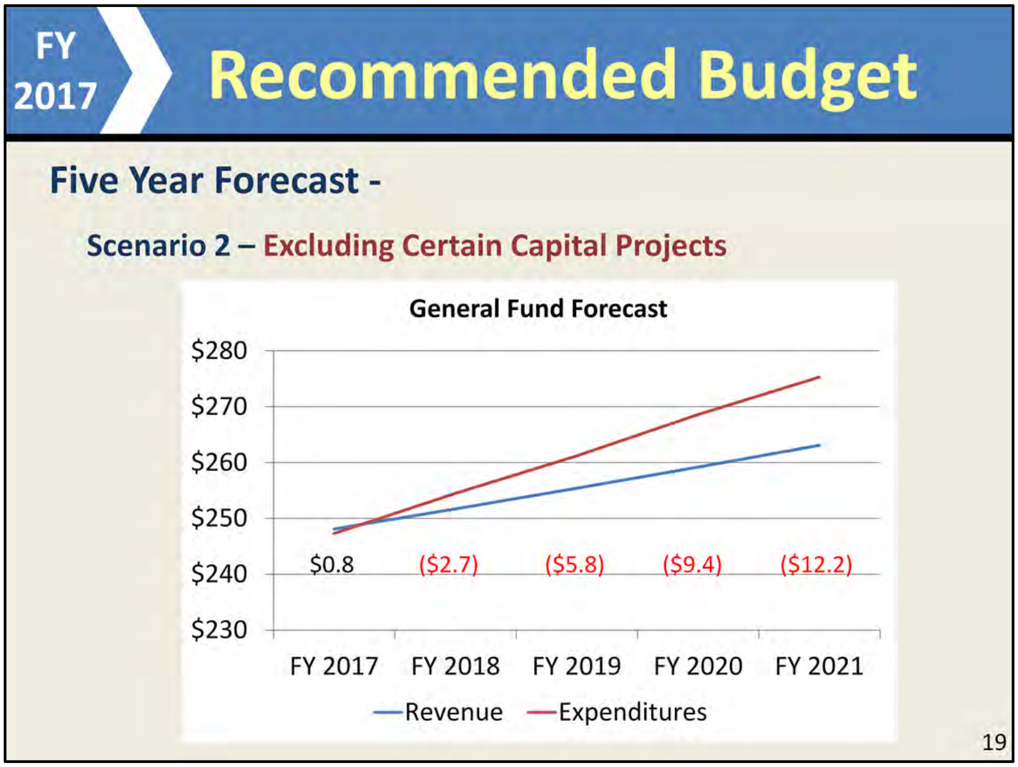
## Five Year Forecast -

**Scenario 2 – Scenario 1 adjusted to exclude certain projects:**

- ✓ Transfer of \$0.7M in set asides necessary to balance Transportation Fund in FY 2018 & FY 2019.
- ✓ Decal fee revenue to remain in GF until FY 2020 at which time \$1.8M (vs. full \$2.8M) to be transferred out to balance Transportation Fund.

18

These are the projects excluded in the model to yield Scenario 2

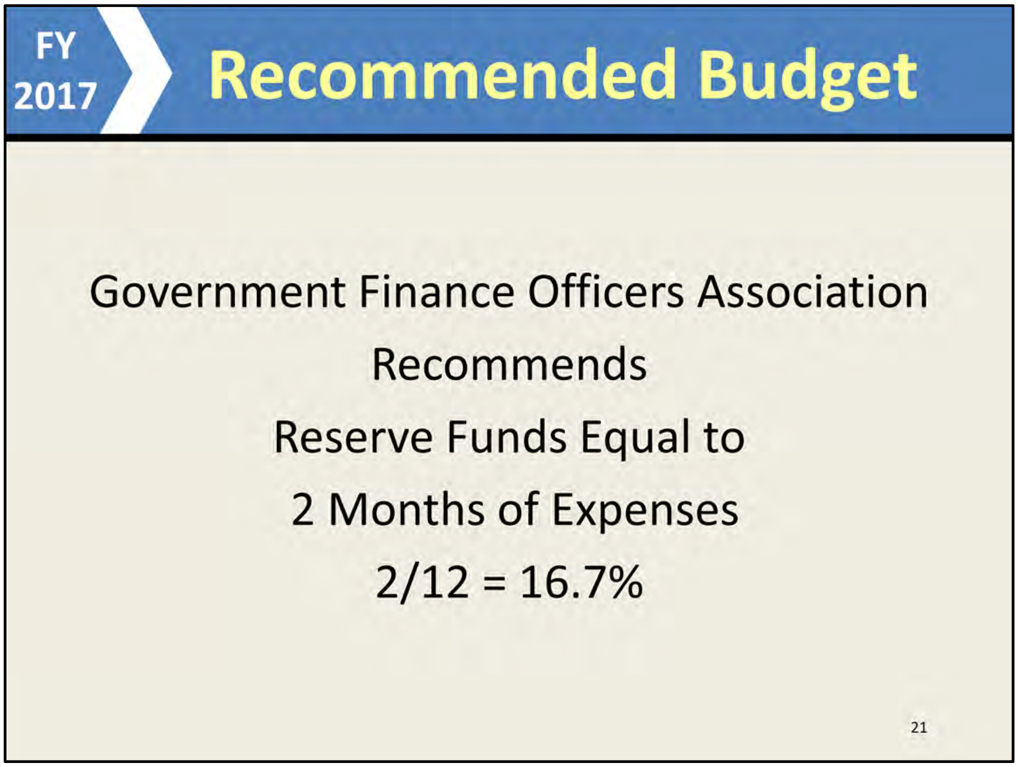



This is a graph showing the resulting comparison of revenue and expenditures.

FY 2017 Recommended Budget

# Reserves

20




2 months of operating reserve is a very basic guideline. It's what you would teach kids about household budgeting … in fact, the rule of thumb for personal finances is to have 3-6 months of living expenses are emergency funds.
Why?
A 2 month reserve is a cushion against the unforeseen.
It's protection against risk and uncertainty.

FY 2017 **Recommended Budget**

Spotsylvania County Policy
called for 8 to 10% Reserve
from 1992 to 2006, and set
Reserve at 10% from 2007 to 2015.

22

For several years, all 3 major credit rating agencies made comments suggesting that we should "look at" or consider increasing our reserves. All 3 agencies have focused repeatedly on the availability of fund balance and our capacity to cover or address unforeseen needs or emergencies. All have about our adherence to our policy of transferring cash to capital and ask us to explain which capital projects could be postponed in order to free-up cash if it were needed. They've shown concern about our capacity to adapt to changing demands. All have asked about details as to how we spend the fund balance and want to ensure that we're spending it only for one-time things. Before assigning a rating that investors will rely upon, the agencies want to know that our County can afford to pay its debt service obligations – even in the face of unforeseen circumstances while continuing to provide critical services to citizens.

The object of establishing policies to provide for adequate reserves and exercising the conservative discipline to fund those reserves is to provide for the stable and sustainable operation of our entire local government – Public Safety, Schools, and other services we provide.

Our bond rating is an indicator of our capacity to provide stable and sustainable operations. The weight of respect accorded to bond ratings as indicators is what makes the difference in borrowing costs for those with the highest rating. The difference in interest rate paid with a AAA rating versus a AA rating is currently projected to be just under one-quarter of 1% - so in the current credit market the dollar value of the difference is not that great on a percentage basis. BUT, apply that difference in interest costs to magnitude of funds borrowed for capital projects, and that small percentage difference in interest rates adds up to big dollar savings for as long as the AAA is maintained!

On the other hand, there is the risk of coming up short – experiencing a catastrophe and finding our reserves inadequate – which can disrupt our ability to continue operations and provide the services our community counts on us to provide, as well as negatively impacting our credit rating.

FY 2017

# Recommended Budget

The Board of Supervisors

Adopted Revised

Spotsylvania County Fiscal Policies

October 13, 2015

Reserve Policies Now Call For

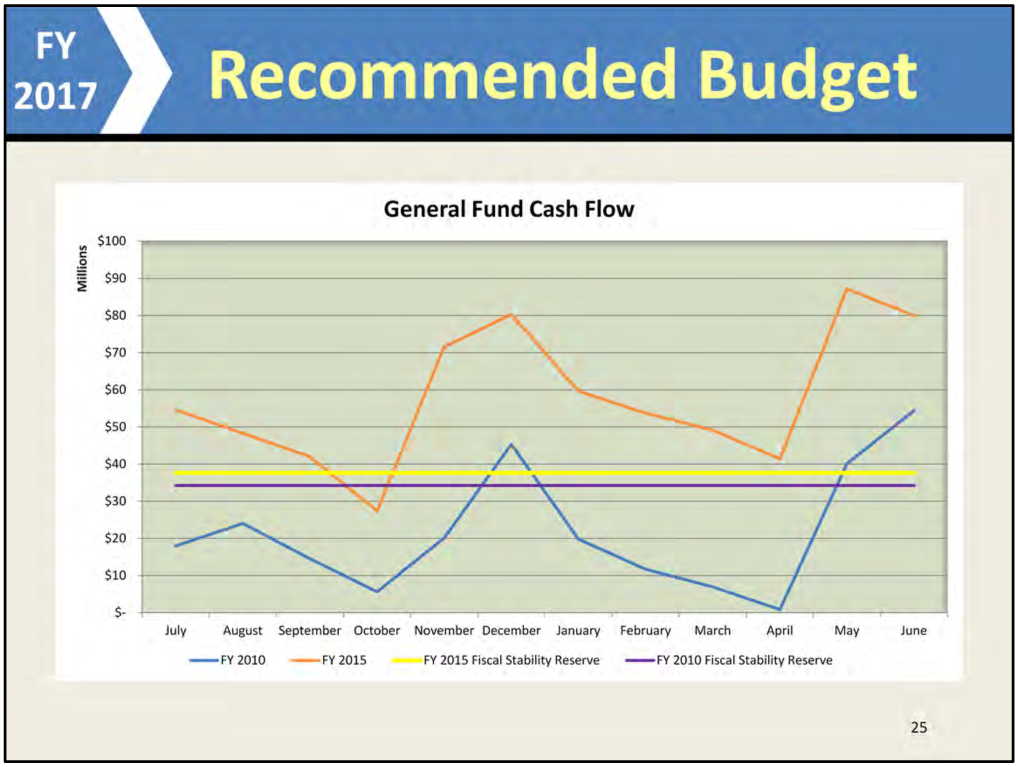
Reserves Totaling 12.25% (+ $2M ED)

23

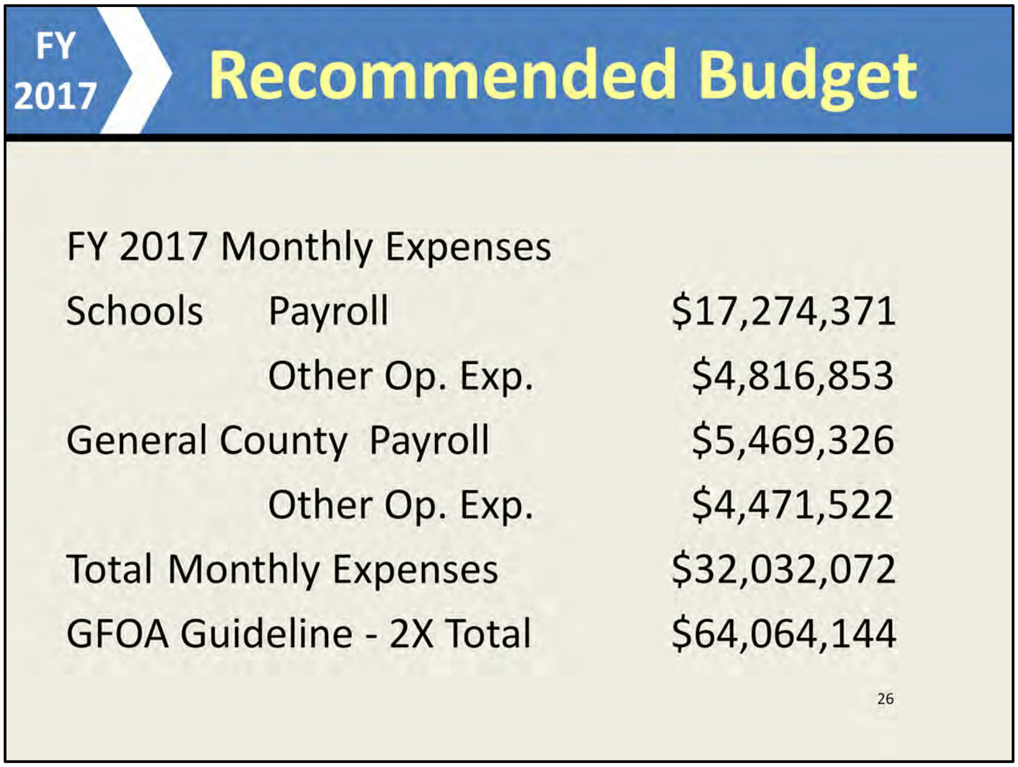
Our Reserves are “All-In” funds to ensure continuity of all County operations.
The School Division does not carry its own reserve. Consistent with its Fiscal Responsibility for our Community as a whole, the Board of Supervisors maintains Reserves that are Recovery Funds and Budget Uncertainty Funds for our whole Community.
Our Reserves are calculated based on the TOTAL REVENUE in the General Fund AND School Operating Fund.
Our new policies call for a Fiscal Stability Reserve equal to 11% of General Fund AND School Operating Fund totals. The FSR truly is our “Recovery Fund.” It is our community’s emergency reserve of last resort that is set aside to meet a critical, unexpected financial need of $1,000,000 or more resulting from a Natural Disaster, Declared Emergency, or Local Catastrophe. Your policies say that this Reserve is only to be tapped in DIRE CIRCUMSTANCES.
Your new policies also call for a Budget Stabilization Reserve equal to 1.25% of General fund AND School Operating Fund totals. The BSR is the County’s Budget Uncertainty fund. This fund is easier and quicker to tap into with Board approval, of course – and it’s expected to be replenished faster than the FSR.
Why are these funds separate? Both the rating agencies and our own financial advisors have commented that it is prudent “good practice” to describe and maintain these funds separately – because the FSR should truly be carefully reserved for DIRE CIRCUMSTANCES ONLY.

The $2 Million is a separate Reserve set aside expressly for Economic Development. It’s an opportunity fund, not a recovery fund or a stability fund.


Read.
Note the 4% is almost one-quarter of the GFOA Guideline.




Our Reserves are not stagnant “Pots of Money” – They are fractional set-asides that sustain our cashflow. Because we only “get paid” twice a year, there are BIG fluctuations in our cash flow.
Historically, our lowest dip – our “Limbo Month” if you will – is April, when December tax payments are nearly all expended and we’re not yet seeing the beginning of payments for the first half of the Calendar Year.
This graph shows 2 significant Aprils – 2010, when reserves dipped to around $800,000 – and
2015 – with Reserves back up – showing around $41,000,000 or about 10%
With no more data than this, the $800,000 looks pretty scary and the $41,000,000 looks comparatively VERY GOOD
But, what does $41,000,000 really amount to?




The projected, fully-funded $49 million in reserves equals about 7 weeks of our operating expenses.
Is that an adequate fund to ensure the continuity of ALL COUNTY SERVICES, including Schools, NO MATTER WHAT?

- I have experienced as a County Attorney in another locality exactly what happens when revenues come in low, expenses come in high, and operating revenue literally ran out before Spring tax payments started rolling in. I was tasked to road-map the process for the locality to secure “revenue anticipation financing” – otherwise known as a Payday Loan. At every turn, well-meaning advisors warned me of what such a financing would do to the locality’s credit. The Payday Loan was avoided by the Supervisors, the Treasurer, and others contacting major taxpayers in the community and requesting voluntary early tax payments. Those payments covered the payroll and kept the County afloat.

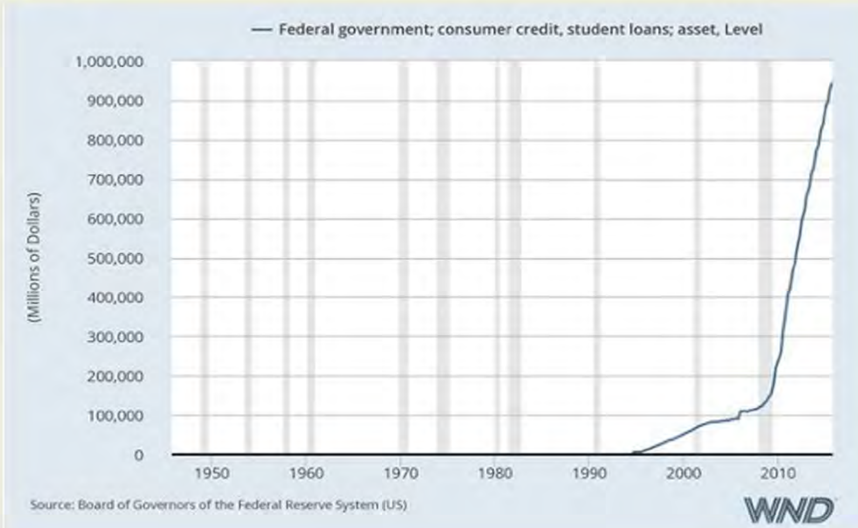
- I have also heard the story of a locality that suffered the catastrophic failure – the crash – of their mainframe computer just prior to the issuance of June tax bills. That catastrophe had the governing body publicly discussing a mid-year tax increase – not a popular concept among citizens who were already wondering what lack of foresight or failure of management had left the community with broken, outdated computer equipment and no funds on hand or financing in place to fix or replace it. Many also wondered, of course, whether the tax bill they subsequently received was based on accurate data. I don’t recall how, but the computer somehow got replaced, the data got restored, the bills got processed and payments got collected. The taxpayers’ trust was gradually regained.


Why Worry?
There are multiple threats for us to be concerned about in our modern world.
I will talk about just 2 threats:

1. We are vulnerable to changes in the national economy. Almost one-half of all Virginians receives some sort of federal support or entitlement payment. 94% of Virginians 65 and over receive federal payments. This is according to a June, 2014 JLARC Study (Joint Legislative Audit and Review Commission).
2. Damaging weather events continue to increase significantly in frequency, severity, and cost of recovery.

FY 2017

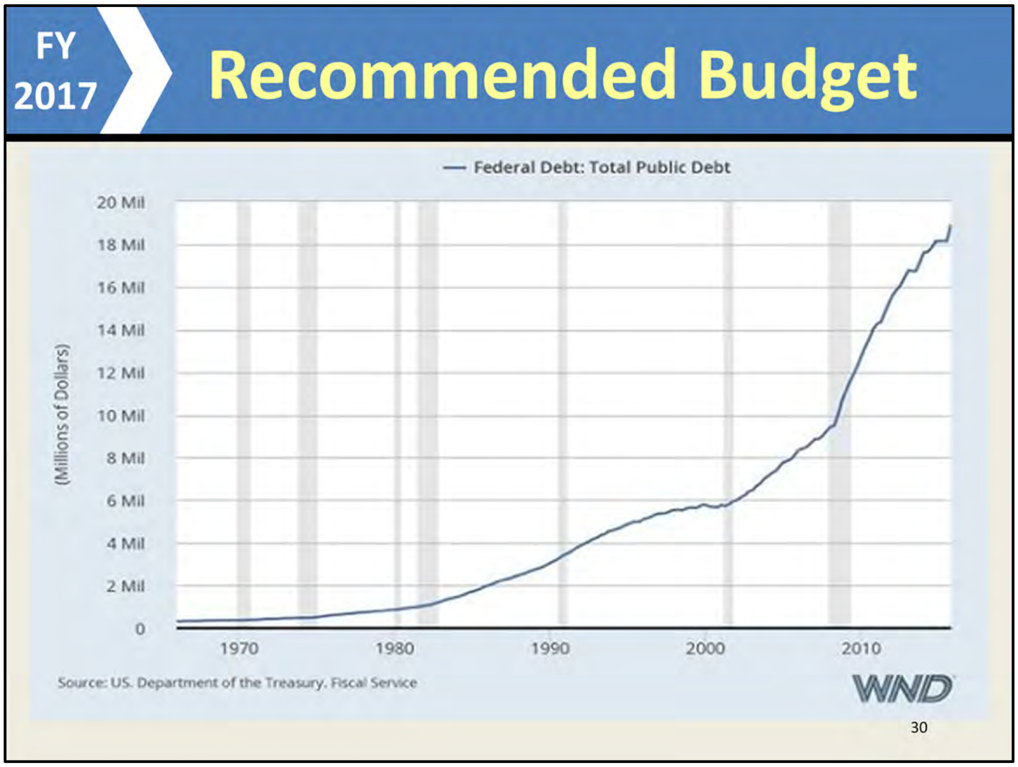
# Recommended Budget



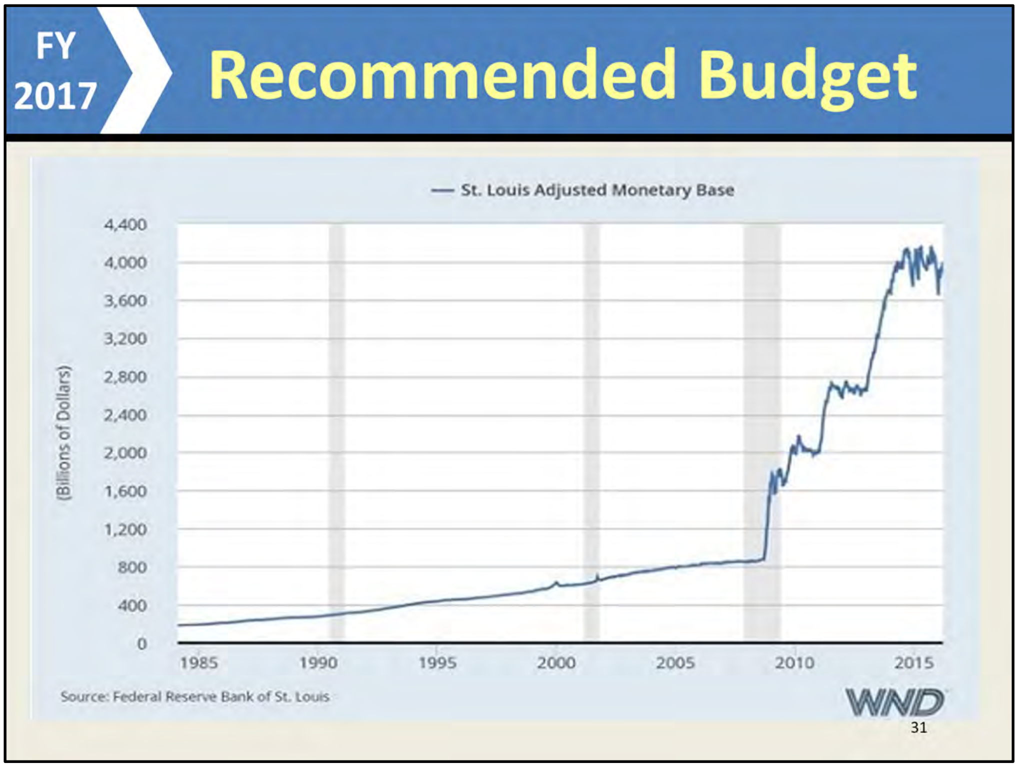

28

I will very quickly run through 9 indicators of our national economic condition that conservative commentators have pointed to as signs of concern.
First is the Federal Reserve Board’s data on Student Loan Borrowing.

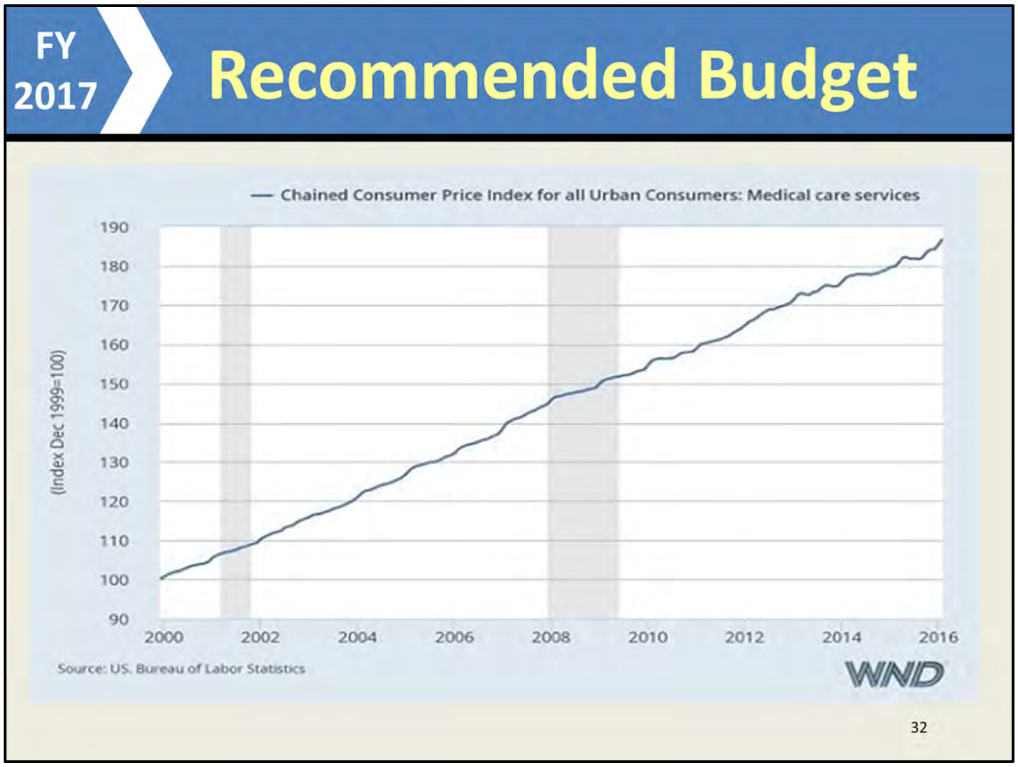

Second is SNAP Assistance – formerly called “Food Stamps” –
This is US Bureau of Economic Analysis data.
It’s unclear whether the dip at the far right end of this graph is attributable to any real reduction in need for assistance or just a decline in benefits because needy people are running out of eligibility for the assistance.




US Treasury Dept chart showing Federal Debt. It was $11.1 trillion in the first quarter 2009. It is projected to exceed $20 trillion by January 2017.

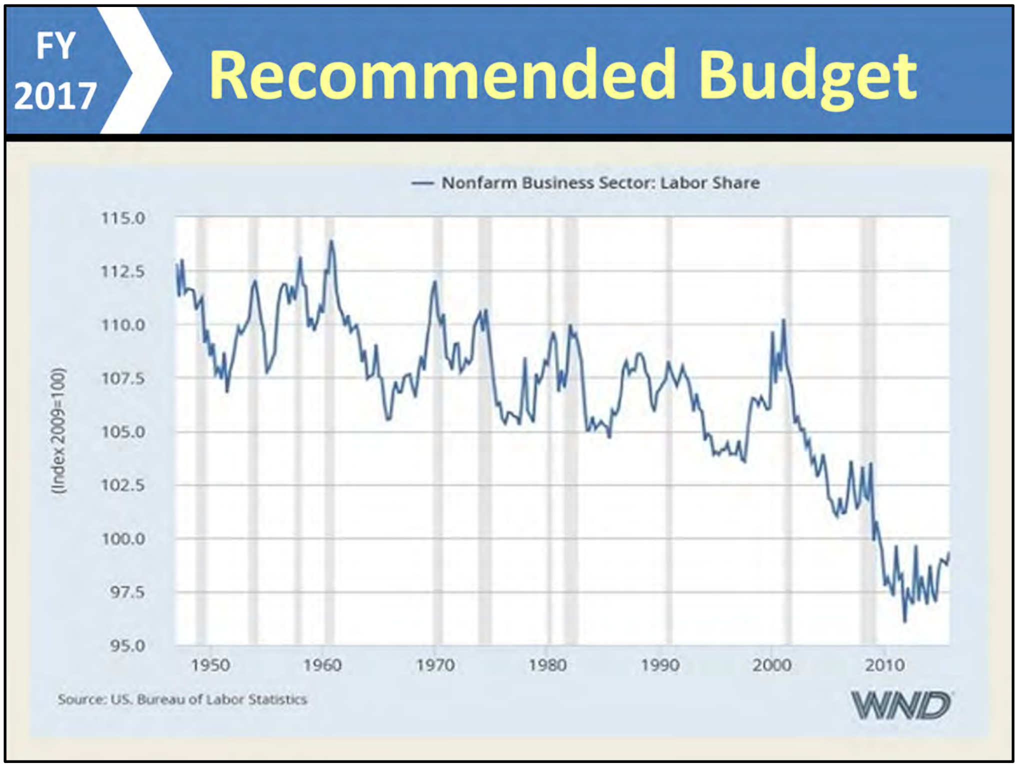



This Federal Reserve Bank of St. Louis chart shows the adjusted monetary base of the United States. The over-supply of money can produce inflation -




This Federal Reserve Bank of St. Louis chart shows the Consumer Price Index, CPI, for medical care services has continued a straight-line increase. The cost of Healthcare has very nearly doubled since 1999.

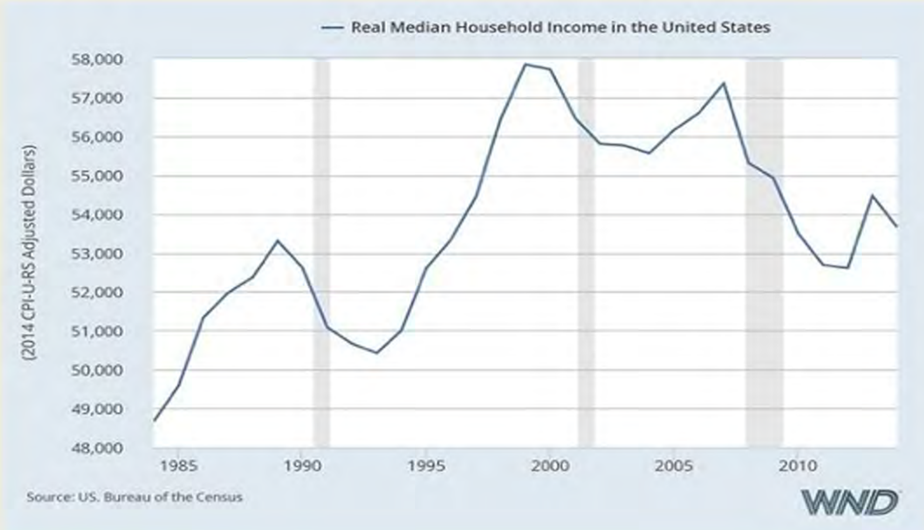

This is US Bureau of Labor Statistics data showing the labor-force participation rate.




The Bureau of Labor statistics measures labor's share of the income produced by nonfarm employment, roughly described as employment in the business sector of the economy. The measure is sometimes referred to as "the worker's share of the economy," with a declining index interpreted as a measure of growing economic discontent among middle class employees.

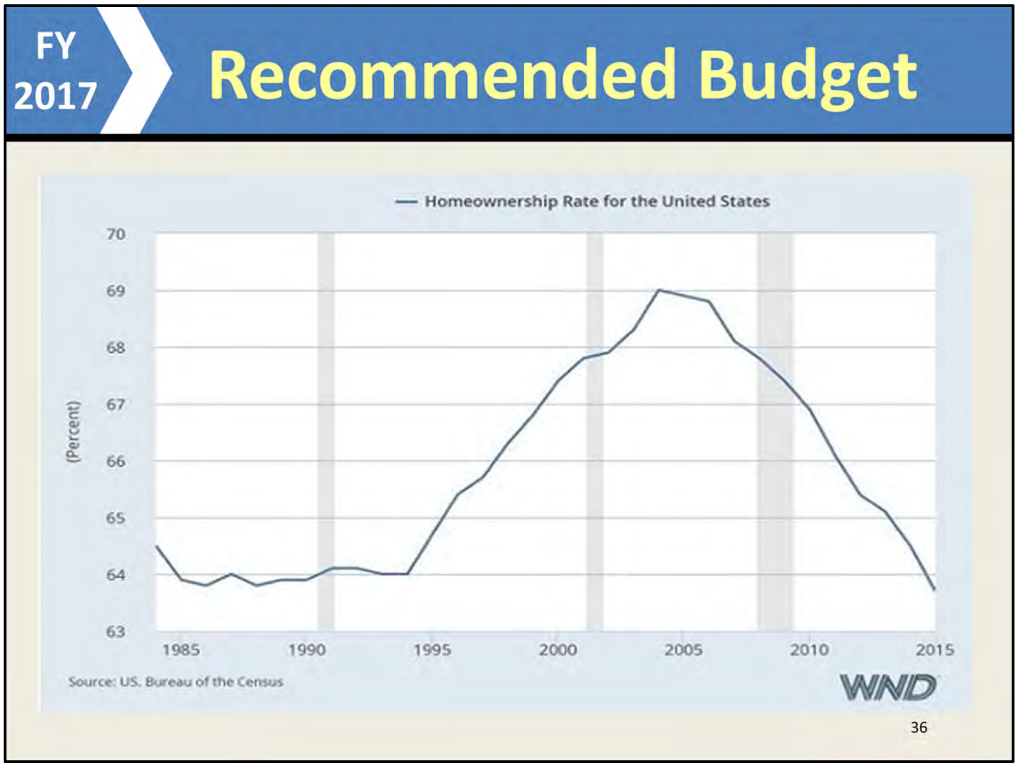
This index has been fluctuating, but workers are clearly struggling for their share of our national economy.

FY 2017 Recommended Budget



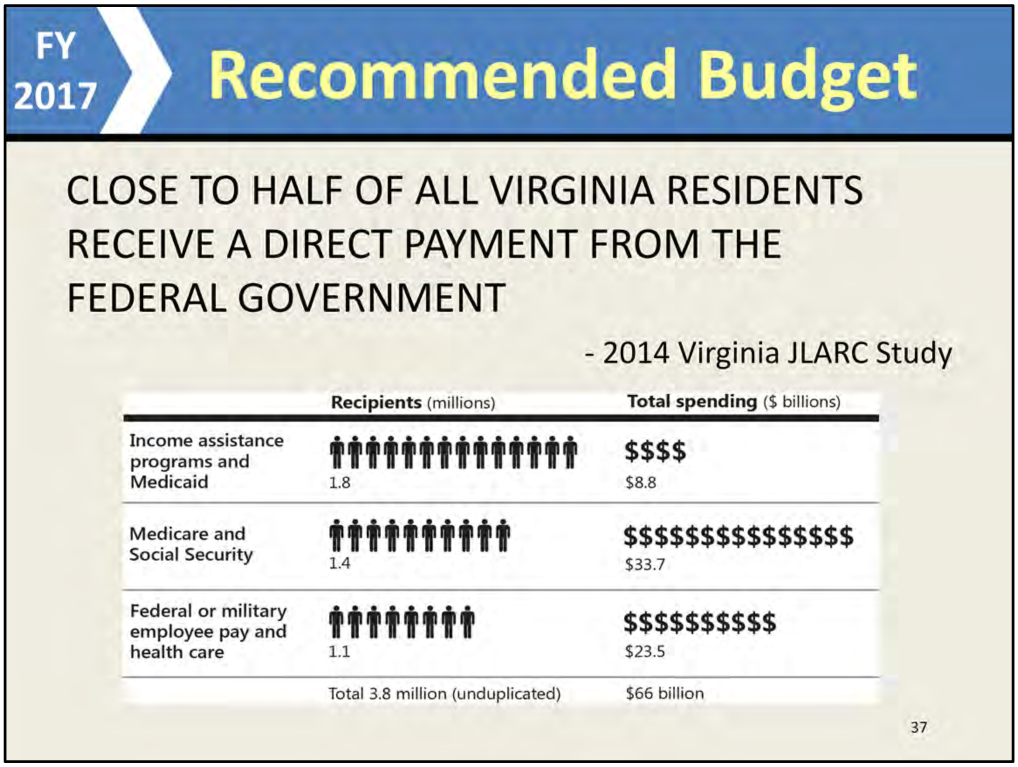

35

This is US Census data on Real Median Household Income in the United States.
It's down again.
It's notable that by this measure, Spotsylvania County is among the most fortunate in the country.
Spotsylvania's 2014 median household income of $75,714 ranks 99th out of the 3,193 counties and cities in the U.S. for which the Census Bureau provides the data.




This is Census Bureau data on home-ownership. The rate hit 63.7 in the second quarter 2015. On July 28, 2015, the Wall Street Journal reported that the rate of home ownership in the second quarter 2015 hit a 48-year low, reflecting the reality that fewer middle class Americans can afford to buy a home.

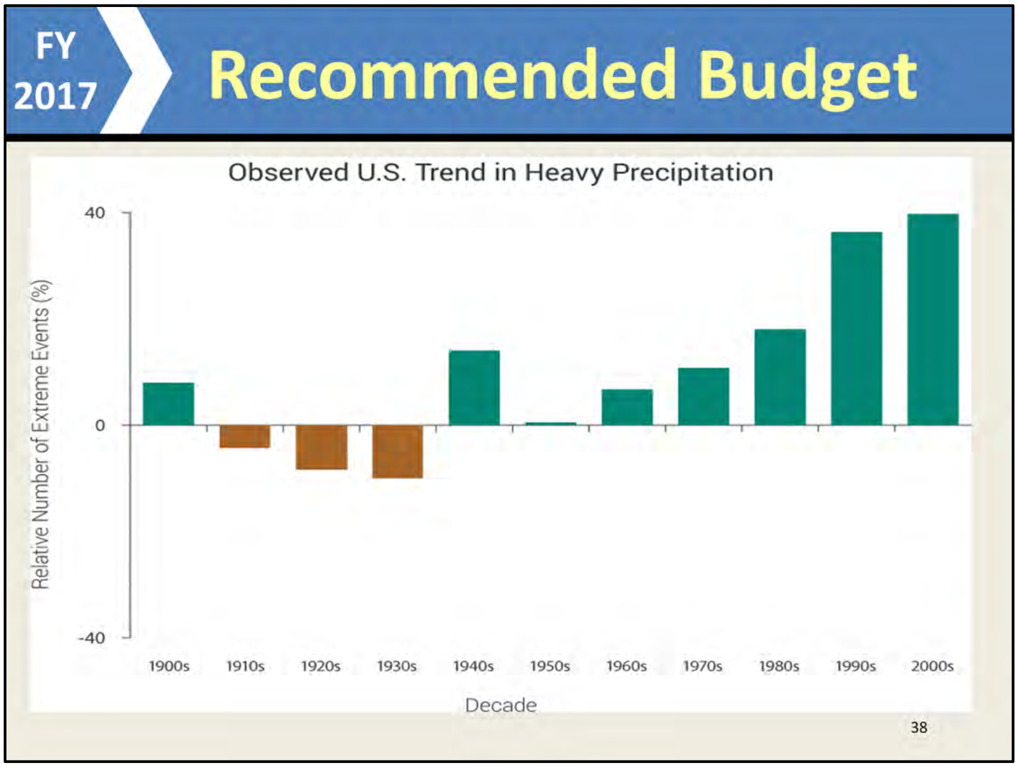
In our local Spotsylvania County economy – where our housing industry is so significant – this chart may be the most important of all.




THIS IS WHY THOSE 9 CHARTS MATTER –
Virginia's economy has significant ties to the National Economy

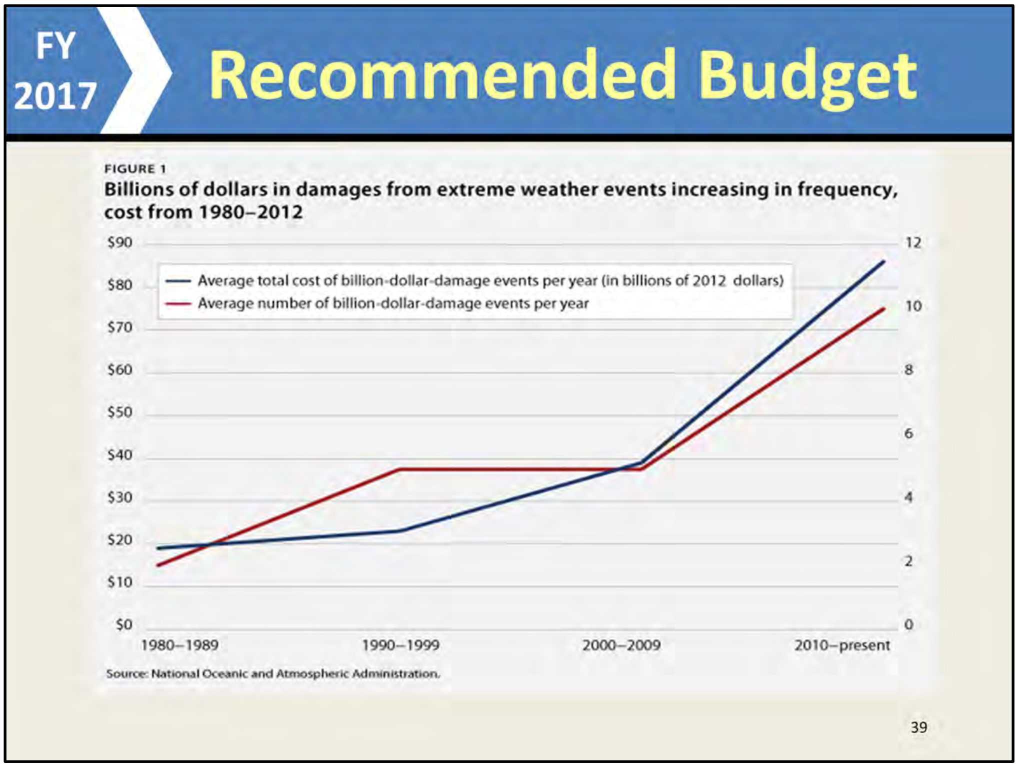
**According to a 2014 JLARC STUDY**
**CLOSE TO HALF OF ALL VIRGINIA RESIDENTS RECEIVE A DIRECT PAYMENT FROM THE FEDERAL GOVERNMENT**
An estimated 3.8 million Virginia residents, or nearly half (47 percent), received at least one type of federal direct payment in 2012, either from assistance programs, retirement payments, or salary and wages. These three groups of recipients do not overlap much.

(NOTE: This estimate excludes the payments made to Virginia residents through procurement contracts and the many corporations in Virginia that provide goods and services to the federal government. Roughly 200,000 individuals are employed by these contractors.)



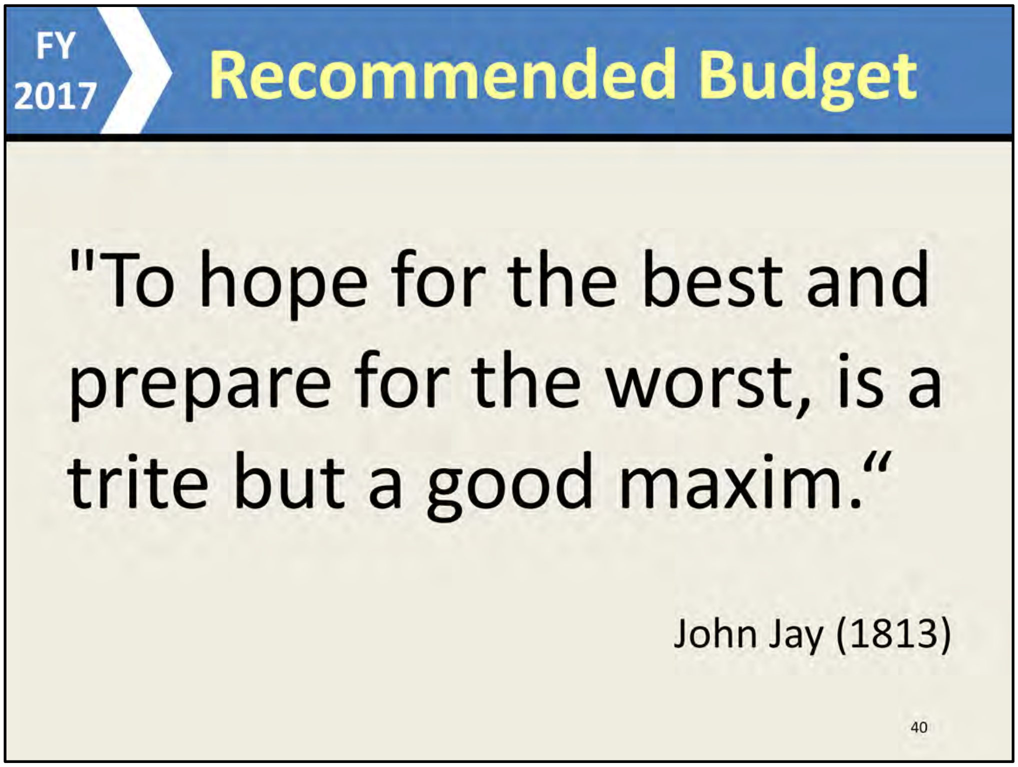

Shifting gears to look at natural threats –
National Climate Assessment
The National Climate Assessment summarizes the impacts of climate change on the United States, now and in the future.
A team of more than 300 experts guided by a 60-member Federal Advisory Committee produced the report, which was extensively reviewed by the public and experts, including federal agencies and a panel of the National Academy of Sciences.
This Assessment raises concerns about both Drought and Floods – pointing to increases in BOTH phenomena.
This graph shows the frequency of extreme precipitation events.

One measure of heavy precipitation events is a two-day precipitation total that is exceeded on average only once in a 5-year period, also known as the once-in-five-year event. As this extreme precipitation index for 1901-2012 shows, the occurrence of such events has become much more common in recent decades. Changes are compared to the period 1901-1960, and do not include Alaska or Hawai'i.




Preparing for the worst –
Data from the past 60 years reveals an increase in both presidential disaster declarations and extreme weather events that cause $1 billion or more in damages.
Clean up cost for Hurricane Andrew – 1992 – $16 Billion – Think of this as a benchmark –
And then consider:
Clean up cost for Hurricane Sandy - 2012 - $65 Billion

[SOURCE: Daniel J. Weiss and Jackie Weidman | Monday, April 29, 2013 article published by the Center for American Progress
**Disastrous Spending: Federal Disaster-Relief Expenditures Rise amid More Extreme Weather]**




Read from slide –
In my mind, all of the foregoing is the foundational thinking undergirding our Fiscal Reserves.
I am very thankful for the Board’s support that led to the adoption of the new Fiscal Policies in October, including our current reserves.
I am very thankful that we have been blessed with the means to fund the Reserves and that the Board took the action to invest in our community and ensure continuity of services by funding the reserves.
Staff and I recommend that the reserves remain intact as adopted and be fully funded as staff presented earlier this evening in their updates to the FY 2016 & FY 2017 budgets.

FY 2017

# Recommended Budget

| Date | Next Steps |
|---|---|
| April 5 | Public hearings on Budget, Tax Rates & CIP |
| April 7 | Budget work session |
| April 12 | Adoption of FY 2017 Budget and 2016 tax rates |

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