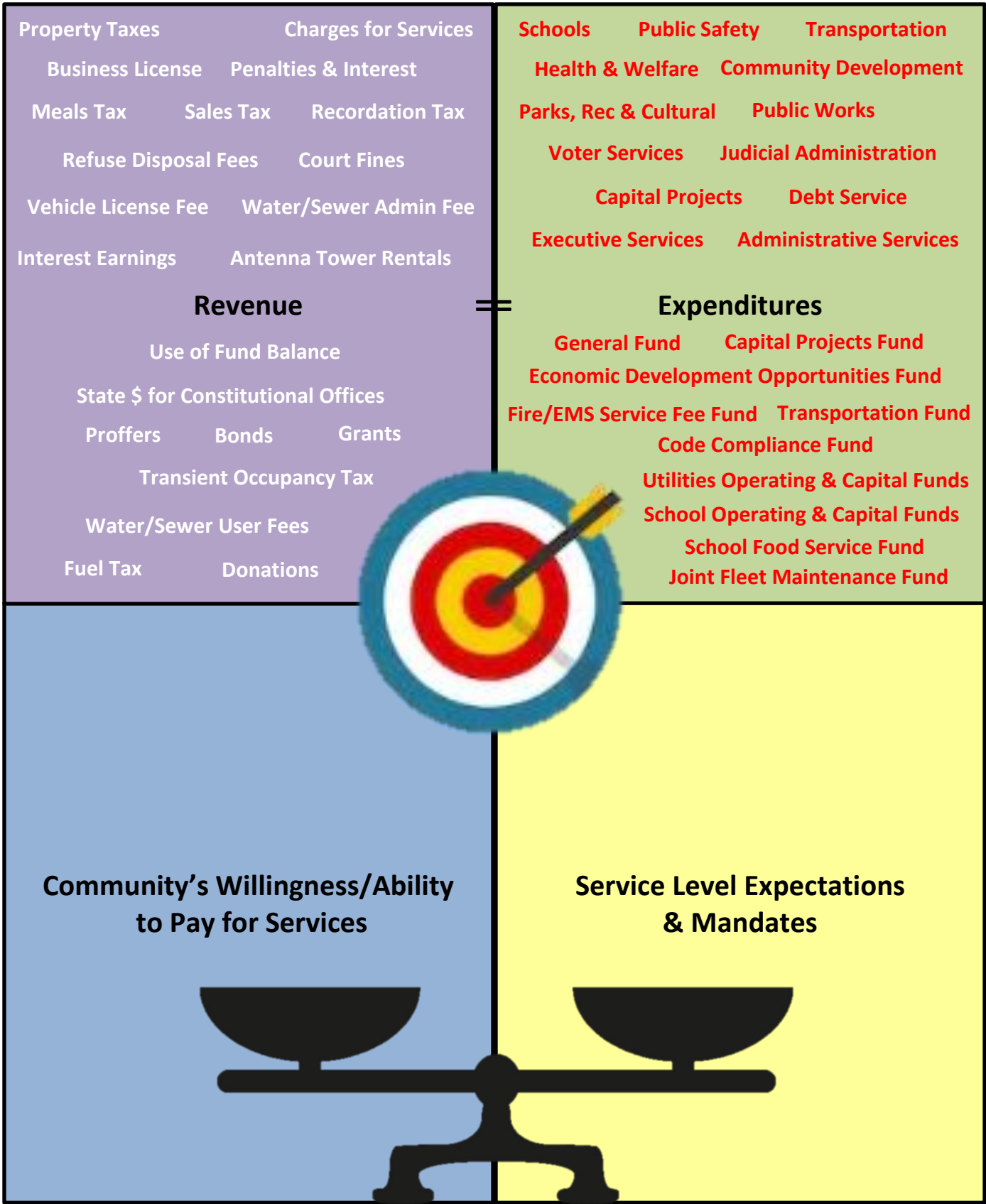


Budgeting – Big Picture



Property Taxes

Business License

Meals Tax

Refuse Disposal Fees

Vehicle License Fee

Interest Earnings

Charges for Services

Penalties & Interest

Sales Tax

Court Fines

Water/Sewer Admin Fee

Antenna Tower Rentals

Schools

Public Safety

Transportation

Health & Welfare

Community Development

Parks, Rec & Cultural

Public Works

Voter Services

Judicial Administration

Capital Projects

Debt Service

Executive Services

Administrative Services

Revenue

Use of Fund Balance

State \$ for Constitutional Offices

Proffers

Bonds

Grants

Transient Occupancy Tax

Water/Sewer User Fees

Fuel Tax

Donations

Expenditures

General Fund

Capital Projects Fund

Economic Development Opportunities Fund

Fire/EMS Service Fee Fund

Transportation Fund

Code Compliance Fund

Utilities Operating & Capital Funds

School Operating & Capital Funds

School Food Service Fund

Joint Fleet Maintenance Fund



Community's Willingness/Ability to Pay for Services

Service Level Expectations & Mandates



Budgeting – Big Picture

What is the budget and why is it important?

- Plan that identifies and allocates resources to address the community's priorities
- The one time of the year when all requests for funding are stacked up and relative priorities can be gauged
- Where the community puts its money where its priorities are
- We are the 8th largest county in Virginia. As the population continues to grow, service expectations grow, as well. Need for planning and prioritizing.

Big Picture

- Revenues and expenditures have to balance.
- The County must meet mandates and other obligations (debt service, regional commitments, etc.).
- If it's to become reality, expectations of service levels have to be matched with payment for those service levels.
- Match of on-going revenues to on-going services; one-time revenues to one-time costs.
- Forecasting ... 5 year forecast of the cost of the adopted budget & adopted CIP into the future.

Priorities

- Direct services provided to citizens and businesses
 - Schools
 - Public Safety
 - Sheriff's Office – Law Enforcement, Animal Control, Communications, Courts
 - Fire/Rescue
 - Some components of Social Services (i.e. Child Protective Services)
 - Building (permits and inspections)
 - Transportation
 - DSS, Health Department
 - Refuse Collection and Disposal
 - Voter Services
 - Commonwealth's Attorney, Courts, Jail, Juvenile Detention Center
 - Planning/Zoning/Erosion– Comprehensive Plan – Code Enforcement
 - Parks & Recreation
 - Library
 - Water/Sewer
 - Economic Development
 - Tourism & events
- Departments in support of those providing direct services provided to citizens and businesses
 - Executive Services - County Administration; County Attorney
 - Administrative Services – Information Services; Finance (Accounting, Budget, Procurement, Grants, Payroll); Human Resources; Commissioner of Revenue; & Treasurer
- General Fund –
 - Personnel (57%). Spotsylvania County is the County's 2nd largest employer with more than 1,100 employees. SCPS is largest employer with more than 3,200 employees.
 - Operating (35%)
 - Debt Service (7%)
 - Capital (1%)

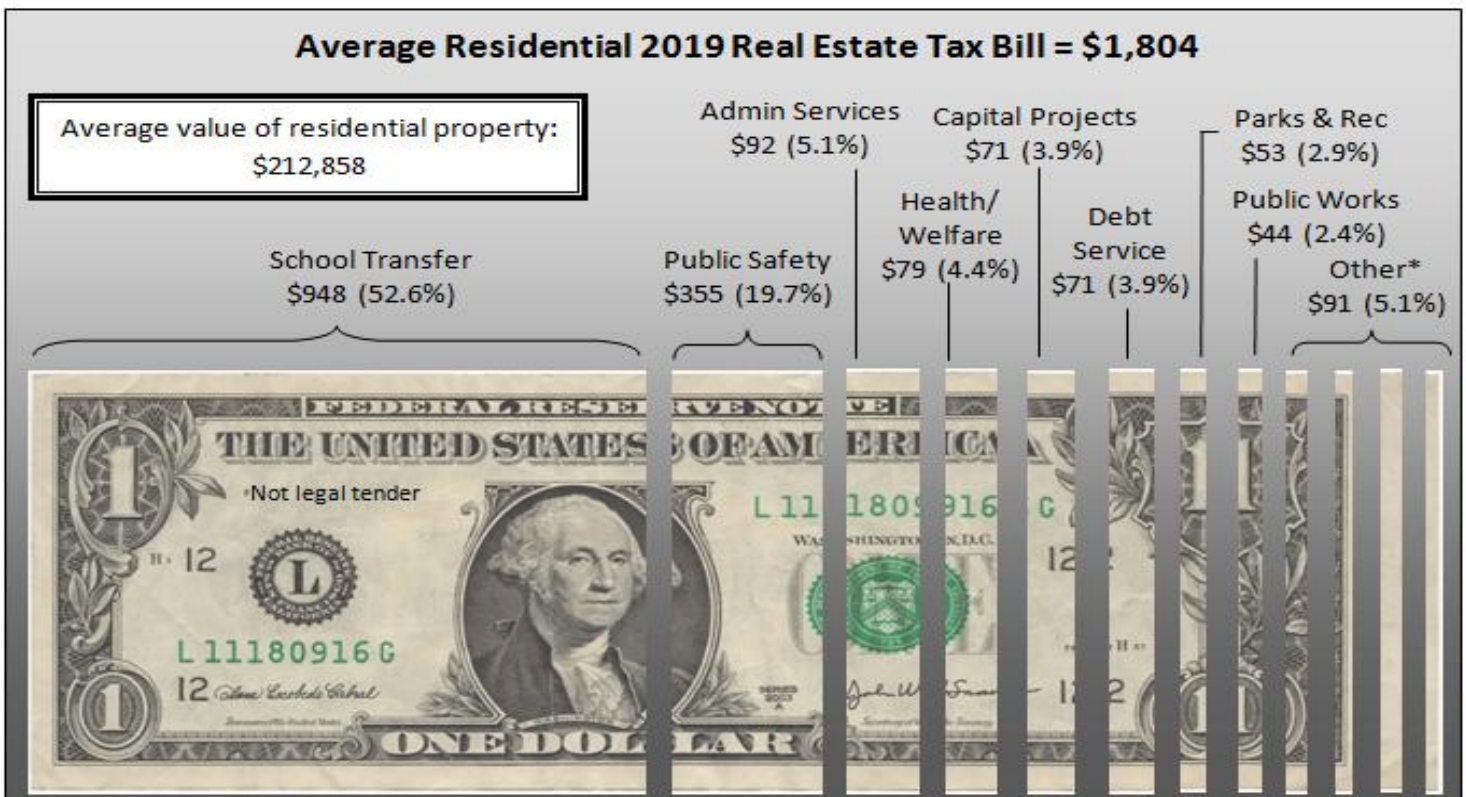
Budgeting – Big Picture

Resources

- Federal/State/Local
 - Limited by Dillon rule – only allowed to collect revenue sources authorized by State Code

- Over 150 different revenue sources that we must estimate
 - Many driven by factors tied to the economy
 - Home sales/modifications, vehicle sales, sales tax, meals, etc. (RE & PP account for ~62% of General Fund revenue)
 - Will people pay bills on time? Late payment fees, interest, etc?

	FY 2019 Adopted	FY 2020 Adopted	Difference	
			\$	%
General Fund	\$130,499,695	\$142,308,884	\$11,809,189	9.0%
Economic Dev. Opportunities Fund	1,280,113	1,343,683	63,570	5.0%
Code Compliance Fund	4,284,767	4,456,568	171,801	4.0%
Transportation Fund	8,232,778	8,162,626	(70,152)	(0.9%)
School Operating Fund	285,970,055	296,830,329	10,860,274	3.8%
School Food Service Fund	11,322,972	12,341,528	1,018,556	9.0%
Utilities Operating Fund	<u>32,370,945</u>	<u>33,951,778</u>	<u>1,580,833</u>	4.9%
Sub-Total Operating Expenditures	\$473,961,325	\$499,395,396	\$25,434,071	5.4%
Capital Projects Fund	\$15,920,062	\$17,274,275	\$1,354,213	8.5%
School Capital Projects Fund	30,799,918	28,904,696	(1,895,222)	(6.2%)
Utilities Capital Projects Fund	<u>9,948,451</u>	<u>10,325,000</u>	<u>376,549</u>	3.8%
Sub-Total Capital Expenditures	\$56,668,431	\$56,503,971	(\$164,460)	(0.3%)
Total Budget	\$530,629,756	\$555,899,367	\$25,269,611	4.8%



Budgeting – Big Picture

Putting it all together ... all at the same time

- Estimate revenues (property books, State budget/memos/emails, Schools' staff, trends)
- Mandates - some level of law enforcement, Courts, DSS, Schools, detention facilities, refuse management, constitutional offices
- Debt Service (loan payments) and other commitments (i.e. Fire/Rescue, regional agencies)
- Grants
- Existing personnel recalcs
- Funding for continued levels of service
- Removal of prior year's one-time budget items
- Budget staff estimates base budget given prior years' trends and other information (i.e. fuel indexes, regional agency input, etc.). Department staffs then can request over/under budget given their specific knowledge of operations and what's coming up in the next year.
- CIP
 - What's the timing of the projects? How can we spread out the cash flow?
 - Do we have proffers to fund this?
 - Do we have interest earning from prior bonds to fund this?
 - Is F'burg sharing in a cost of the project?
 - Can we get/do we have a grant for this project?
 - Do we have referendum authority for this project? Have I funded something that has referendum authority with cash, that I can instead fund with bonds and reallocate the cash to a project that doesn't have referendum authority?
 - When will we need the next referendum? (November 2020)
 - Referendum ... not asking for authority to do projects. Asking for authority to finance them a certain way.

After we do and consider all the items in this section above, we compare revenue projections and revenue expenditures to determine where we are. If at this point in the budget development process revenue exceeds expenditures, the County Administrator can then consider new initiatives. If expenditures exceed revenue projections, then we have to make expenditure reductions to ensure a balanced budget.

- Requests for new initiatives
- The County Administrator recommends a budget, and then the public part of the budget development process begins. Ultimately, the Board of Supervisors must adopt a budget for the coming year that begins July 1.

Then what happens?

- The budget is a plan. We've done our best to try to estimate revenues and expenditures, but reality happens and we have to manage for reality.
- Revenue comes in higher or lower than projected. Can we absorb the loss? Do we need to reduce budgets?
- Expenditures are less or more than expected. Can we absorb the overrun? What's available in the budgeted contingency? Are we seeing increased revenues that can help pay for the overrun? Do we need to reduce budgets elsewhere?

Budgeting – Big Picture

- Is the unplanned financial reality significant enough that it warrants use of a reserve? What is its nature ... one-time or ongoing? Reserves provide time to react, and provide cash flow given that the majority of revenue is received just 2 times per year ...
 - Fiscal Stability Reserve (FSR) – 11% General Fund and School Operating revenues. \$47.4M FY 2019 adopted. Addresses cash flow. Used for critical, unexpected needs costing at least \$1M, resulting from natural disaster or declared state of emergency or, local catastrophe. Only use after contingency, Budget Stabilization Reserve (BSR) and other unassigned balance depleted. Replenish within 3 years.
 - Budget Stabilization Reserve (BSR) – goal of \$5M – FY 2019 adopted \$4.2M – increase by 0.25% GF and School Operating Fund. Address potential revenue declines or other economic stress. Must be replenished within two fiscal years.
 - Health Insurance reserve - \$4.0M for FY 2019 adopted – incurred by not reported (IBNR), plus 3 months claims.
 - Economic Opportunities Reserve - \$2M – matching state grants or to provide other up-front incentives to substantial economic development opportunities.
 - OPEB Reserve - \$1.9M General Fund – plus balances in other funds.

- Budget Amendment policy. Net \$0 generally allowed internally. Change to appropriation means the adjustment has to go to the Finance Committee and then on to the Board for approval. No entity other than the Board of Supervisors has appropriation authority and expenditures must be appropriated.

Originally, this information was provided to the Citizens Budget Review Committee as part of a “Budget 101” presentation on May 20, 2019. These are the notes to that presentation. If you have questions or would like additional information regarding anything herein, please contact Bonnie Jewell at 540-507-7583.