

COUNTY ADMINISTRATOR'S RECOMMENDED BUDGET



For Fiscal Year 2019
July 1, 2018 – June 30, 2019

Table of Contents

Introduction and Overview

Board of Supervisors.....	5
Staff.....	6
Budget Award	7
Guide to Using this Document.....	9
Budget Message	11
Budget Strategy	21
Budget at a Glance.....	33
Overview of Spotsylvania County	37
Supplemental Information	49
County Vision, Mission, & Goals.....	53
Linking County-wide & Functional Goals	55
Budget Summary – All Funds.....	57

Financial Structure, Policy & Process

Organization Chart by Function.....	59
Organization Chart by Departments.....	60
Fund Structure & Basis of Budgeting.....	61
Funds, Functions & Departments	65
Fiscal Policies	69
Planning Processes	81
Annual Budget Process	83
FY 2019 Budget Calendar.....	85

Financial Summaries

Budget Summary – All Funds.....	87
Sources and Uses of Funds	88
Budget Summary – By Fund.....	90
Individual Fund Sheets.....	92
Changes in Fund Balance – All Funds ...	104
Revenues.....	107
Budget Summary – Revenue	135
Financial Forecast	147

Capital and Debt

Capital Improvement Plan	153
Capital Projects Staffing.....	173
Debt Information	257

Function/Department Budgets

Total Full-Time Equivalents	263
Salary and Benefits	265
Personnel Changes.....	266
Compensation Board Positions.....	269
Net Tax Supported Expenditures.....	270
Citizen Services/Regional Agencies.....	271

Function/Department Budgets.....	273
----------------------------------	-----

Executive Services

Board of Supervisors	279
County Administration	280
County Attorney	281
Non-Departmental	282
Executives Services Staffing.....	283

Administrative Services

Human Resources.....	294
Commissioner of Revenue.....	295
Assessment.....	296
Treasurer	297
Financial Services.....	298
Information Services	299
Administrative Services Staffing	301

Voter Services.....

Electoral Board/Registrar	308
Voter Services Staffing	309

Judicial Administration

Circuit Court.....	315
General District Court.....	316
Magistrate	317
Juvenile & Domestic Relations Crt ...	318
Clerk of the Circuit Court.....	319
Commonwealth’s Attorney	320
Victim/Witness Program	320
Judicial Administration Staffing	322

Public Safety	323
Sheriff	331
Fire, Rescue and Emergency Mgmt..	335
Fire & Rescue Allocation & Consolidated Budgets.....	338
Fire EMS Service Fee	339
Regional Detention Facilities.....	340
Rappahannock Regional Jail	340
Rappahannock Juvenile Center	340
Court Services Unit.....	341
Chaplin Youth Center	341
Medical Examiner.....	342
Building Division	343
Public Safety Staffing	345
Public Works	349
Facilities Management	355
Refuse Management	357
Water & Sewer	359
Public Works Staffing.....	364
Health & Welfare	367
Local Health Department	372
Rappahannock Area Community Services Board	373
Social Services	374
Children’s Services Act (CSA).....	375
Germanna Community College	377
Health & Welfare Staffing.....	378
Parks, Recreation & Cultural	379
Parks & Recreation	383
County Museum	385
Regional Library.....	386
Parks, Recreation & Cultural Staffing ...	388

Community Development	389
Planning.....	395
Economic Development	397
Economic Development Opportunities Fund	398
Tourism.....	399
Visitor Center	399
Virginia Cooperative Extension	400
Zoning Division	401
Community Development Staffing	403

Transportation	405
County Transportation Program	406
Joint Fleet Maintenance.....	409
Transportation Staffing.....	410

Education	411
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Appendix

Changes from FY 2018 Adopted Budget to FY 2019 Recommended Budget.....	417
Glossary/Acronyms.....	421

Board of Supervisors



Courtland
David Ross



Salem
Paul D. Trampe



Battlefield
Chris Yakabouski



Chancellor
Timothy J. McLaughlin



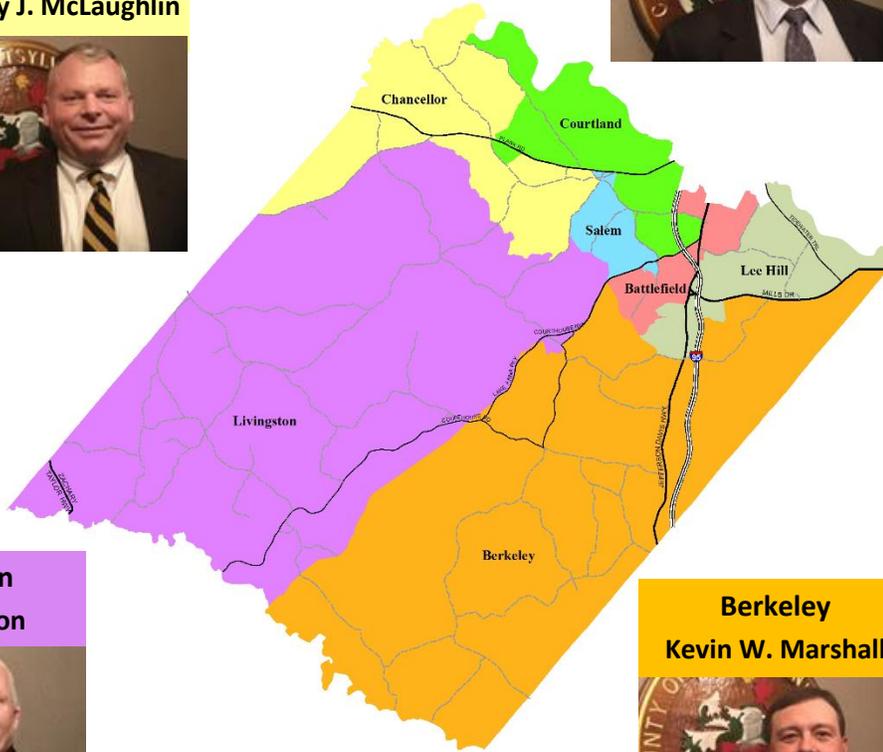
Lee Hill
Gary F. Skinner



Livingston
Greg Benton



Berkeley
Kevin W. Marshall



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Courtland	David Ross	Phone: 571-594-0814; email: david.ross@spotsylvania.va.us
Lee Hill	Gary F. Skinner	Phone: 540-891-6610
Livingston	Greg Benton	Phone: 540-903-5261; email: gbenton@spotsylvania.va.us
Salem	Paul D. Trampe	Phone: 540-850-9073; email: ptrampe@spotsylvania.va.us

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County Administrator

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Deputy County Administrator

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Finance Director

Bonnie L. Jewell
Budget Manager

Vacant
Sr. Financial Analyst

Holly S. Dove
Budget Analyst

Barbara H. Verhaalen
Budget Analyst

Complete budget available on the County's website at:

www.spotsylvania.va.us/budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the County of Spotsylvania, Virginia, for its annual budget for the fiscal year beginning July 1, 2017.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we will submit to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Spotsylvania County
Virginia**

For the Fiscal Year Beginning

July 1, 2017

Christopher P. Morrell

Executive Director

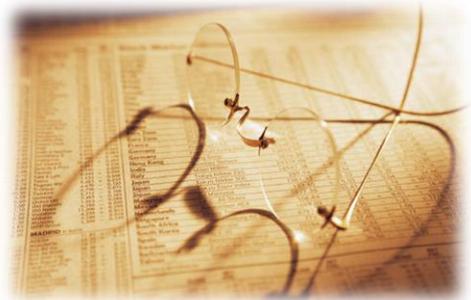


Guide to Using this Document

Spotsylvania County Government is responsible for many different programs designed and operated to provide quality community services. The oversight of these programs is a daily challenge for County employees, but understanding them can be of equal challenge for citizens. This budget document was developed to provide key information to help the reader understand the work and challenges faced by Spotsylvania County and the decisions that were made to address those challenges in FY 2019. Because of its size, reading the budget document can be a daunting task. However, if it is approached in pieces, it is more easily understood. The Guide to Using this Document section provides readers with a quick overview of the information in the document. For specific page numbers, please refer to the Table of Contents.

Introduction and Overview This section includes information to familiarize readers with the major issues Spotsylvania County faces and the factors that influenced the decisions made in the development of the FY 2019 budget.

- The County Administrator’s Budget Message – a statement summarizing the challenges and the strategic priorities and budgetary plans for addressing those challenges;
- The Budget Strategy – a discussion explaining the development of the FY 2019 budget. This section includes short term factors and underlying assumptions that influenced the decisions made in development of the FY 2019 budget;
- The Budget at a Glance – a summary of the highlights of the FY 2019 budget;
- General information about the County and statistical data to help the reader better understand the demographics of Spotsylvania County;
- The County’s Mission Statement – a display of the County’s mission and vision, and the high-level, long-term goals the County has set to meet its mission. Also included is a matrix showing the links between County-wide long-term goals and goals specific to functions; and
- The Budget Summary – historical and projected revenue and expenditures by function.



Financial Structure, Policies & Processes Includes information to help the reader understand the processes, policies and procedures that guide the decisions of this locality. It includes:

- County Wide Organizational Charts – an illustration of the oversight of County operations, by function and by department;
- Fund Types – a matrix detailing the different types of funds utilized by the County, and a general guide to appropriation;
- Financial controls and policies – a summary of the financial policies adopted by the Board of Supervisors; and

- Budget & Planning Processes – a discussion about the budget process and a matrix showing how the processes the County uses interconnect to guide decisions and to plan for the future.

Financial Summaries Includes several levels of financial summaries to help the reader understand the expenditure, revenue, and fund balance projections included in this budget. It includes:

- Various Graphs and Charts – a visual explanation of the sources and uses of funds;
- Budget Summary by Fund – a chart detailing FY 2019 revenues by type and FY 2019 expenditures by function and category for each fund;
- Individual Fund Summaries – a collection of charts that detail historical and projected revenues by type and expenditures by function and category for each fund;
- Revenue Summaries – A description and display of major revenue sources and explanation of the underlying assumptions used for projecting FY 2019 revenue; and
- Financial Forecast – A five year projection of revenues and expenditures for the County’s major funds (General Fund, Transportation and Utilities).

Capital and Debt Includes information related to planned capital projects expenditures and associated debt service obligations of the County. It includes:

- Capital Improvement Plan – charts and narratives that detail the County’s five year capital project needs; and
- Debt Service – an explanation of the annual debt service obligations of the County.

Function/Department Budgets Includes function and department level data to help the reader understand the purpose of each County department/office and the costs associated with the work of departments/offices. It includes:

- Personnel Summary – a chart showing historical and approved positions;
- Net Tax Supported Expenditures – a chart showing the tax supported expenditures for each County department/office;
- Regional Agency Funding – a chart showing the level of funding provided by Spotsylvania County for regional agencies;
- Function Narratives – includes challenges and opportunities; accomplishments; goals and objectives; and performance measures for each function;
- Department/Office Summaries – charts, tables and narratives explaining the purpose and the historical and projected funding for each County department/office; and
- Staffing – table listing number of positions, by position title, for each department/office.

Appendix Includes a chart showing the changes made to the FY 2018 Budget to yield the FY 2019 Budget and a glossary of terms and acronyms.



Budget Message – February 13, 2018

Dear Spotsylvania County Board of Supervisors:

As reported in our Comprehensive Annual Financial Report for FY 2017, our county's economy continues to be strong. Our strength shows in the continuing decline in our unemployment rate; in our continuing local job creation; in the continuing expansion of our tax base; and in our continuing strong credit ratings.

The vitality of Spotsylvania County's economy is also reflected in the approximately 7.7% (\$1.1 billion) increase in our 2018 reassessed land values compared to 2017 land values. This increase contributes to \$4.6 million in new real estate tax revenue at the equalized rate of \$0.8164, which alone accounts for more than half of the \$8.4 million in additional revenues included in the Recommended Budget. Increases of approximately \$2.0 million (5.2%) in personal property tax revenue and about \$535,000 (3.0%) in sales tax revenue are expected, as well as a combined increase of about \$450,000 (4.4%) in meals and transient occupancy (hotel) tax receipts.

The FY 2019 Recommended Budget totals \$527.0 million – an increase of \$24.3 million (4.8%) compared to the FY 2018 Adopted Budget. When capital projects funds are excluded, the FY 2019 Recommended Budget is a \$17.4 million (3.8%) increase over the FY 2018 Budget.

	FY 2018	FY 2019	Difference	
	Adopted	Recommended	\$	%
General Fund	\$124,562,391	\$129,261,294	\$4,698,903	3.8%
Economic Dev. Opportunities Fund	906,755	1,280,113	373,358	41.2%
Code Compliance Fund	3,993,647	4,301,792	308,145	7.7%
Transportation Fund	8,358,320	8,232,484	-125,836	-1.5%
School Operating	274,525,185	284,220,055	9,694,870	3.5%
School Food Service	10,199,132	11,322,972	1,123,840	11.0%
Utilities	<u>30,927,443</u>	<u>32,303,953</u>	<u>1,376,510</u>	4.5%
Subtotal Operating Expenditures	\$453,472,873	\$470,922,663	\$17,449,790	3.8%
Capital Projects Fund	\$9,838,216	\$15,337,926	\$5,499,710	55.9%
School Capital Projects	27,361,447	30,799,918	3,438,471	12.6%
Utilities Capital Projects	<u>12,066,600</u>	<u>9,948,451</u>	<u>-2,118,149</u>	-17.6%
Subtotal Capital Expenditures	\$49,266,263	\$56,086,295	\$6,820,032	13.8%
Total Budget	\$502,739,136	\$527,008,958	\$24,269,822	4.8%

Addressing the Board of Supervisors' Priorities

Development of the FY 2019 Recommended Budget started with the staff's solicitation of input from the Board of Supervisors using a written survey. The Board members discussed their survey responses at the pre-budget public hearing in early October. Since then, more input has been received from Supervisors and integrated with the initial survey results. Supervisor Marshall, whose first term on the Board commenced on January 1st, has also met with the budget team and has shared his priorities and concerns. A summary of the correlation of the Recommended Budget to the Board's budget priorities is included as an attachment to this budget message (page 19).

With all Supervisors' inputs to date being considered, it is clear that the Board's priorities for FY 2019 focus on maintaining competitive compensation for all employees and improving, by strategic investment, our fire & rescue, law enforcement, education, and criminal justice services.

Stated more simply, the Board of Supervisors' most frequently expressed priorities appear to be in roughly the following order of priority:

1. Fund the Evergreen Study implementation: the second third for County staff and the first third for the Schools staff, with both staffs being similarly treated;
2. Increase tax relief to the elderly;
3. Increase transfer to the Transportation Fund;
4. Fund departmental operations sufficient to maintain existing levels of service;
5. Fund 1/5 of OPEB (phase-in towards full OPEB funding by FY 2023);
6. Fund additional needs for the Financial System Upgrade project; and
7. Fund Fire/Rescue positions necessary to ensure Advanced Life Support (ALS) coverage 24/7 for stations 1, 4, and 8.
8. Fund new County office building for Department of Social Services and Health Department to address space and co-location needs;

Implementation of Compensation Adjustments

In the Summer of 2017, we recognized that more than a decade had passed since Spotsylvania County had conducted a comprehensive compensation study. To comply with the Board-adopted Personnel Policy and to ensure the competitiveness of our compensation, I determined to undertake such a study. I invited the Schools' Superintendent to undertake a comprehensive compensation study for the Schools at the same time, with the thought that conducting studies concurrently might provide optimally useful data and provide the best benefit.

My goal from the beginning was that both studies were to be completed in time for implementation to begin in FY 2018. However, the Schools did not complete their compensation study in time for its implementation to begin in the current fiscal year, but is expected to begin in FY 2019. It was also my thinking from the beginning that implementation of the Evergreen study recommendations should follow the same pattern for both the County

and the Schools. For County staff, we layered implementation of a CPI-indexed COLA, an incremental longevity adjustment to recognize years of service¹, and one-third of the respective Evergreen Classification Date Parity. This is my very simple view of parity or similarity of treatment between the County and the Schools.

I recognize that the authority to set or adjust the actual compensation for school division employees, of course, lies exclusively with the School Board. So, my thinking about the Schools' Evergreen study merely guides my recommendation concerning the transfer of local dollars to the Schools in this proposed budget – nothing more. My recommended transfer to the Schools for FY 2019 is \$126,742,093 – a net increase of \$2,666,778 over the FY 2018 transfer (a \$3.0 million increase in on-going funding and reduction of the \$333,222 in one-time funds). This proposed transfer combined with anticipated additional funding from the State should be sufficient to enable the School Board to implement the Schools' first one-third of their Evergreen study, if they choose to follow the pattern of implementation initiated this year by the Board of Supervisors for the County staff.

In sum on this matter, the Recommended Budget includes funding for the County's second year of implementation of the Evergreen study, for the Schools first year of implementation of the Evergreen study, and for a 2.0% CPI-indexed COLA for both County and Schools, with both staffs being provided for similarly. (Note: Based on current estimates, implementation of the Evergreen study over *two* years instead of *three* – completion of implementation for County employees and first-half for Schools employees in FY 2019 – would ADD a combined cost of \$1.3 million to my recommended budget.)

Maintaining Existing Services

We look for opportunities for operational savings as budgets are prepared. The Citizens Budget Review Committee looks for them, as well. If such opportunities are found, they are reported and acted upon. For example, a \$360,670 reduction in existing debt service is budgeted for FY 2019, significantly reducing the impact of anticipated new debt service (\$401,640) to be incurred in FY 2019 for the CAD System upgrades and Animal Shelter improvements. In addition, the proposed FY 2019 Budget includes more than \$3.2 million in other expenditure reductions, of which \$1.9 million are adjustments to capture what have become routine savings stemming from lapse and turnover of positions and health insurance budget savings.

¹ The longevity increment was introduced for County employees to begin treating the pay compression that had developed over time. Specifically, in FY 2018, the COLA was applied first, followed by the longevity, and then those employees who still needed further adjustments to arrive at their classification date parity pay were shifted upwards to that classification parity pay. The County's FY 2018 longevity was applied at 1% for employees with service dates of 5 to 9.9 years; 2% for those at 10-14.9 years; and 3% for those at 15 or more years. The longevity planned in FY 2019 is 0.5% for 3 and 12 years, and 1% for 5, 10 and 15 years.

The largest single base operational increase that we expect for the FY 2019 Budget is \$1,278,330 for one-fifth of the County's Other Post-Employment (OPEB) liability, per the Board's policy. Other significant operational cost increases include approximately:

- \$800,000 for the County's increased share of the cost of operating the Rappahannock Regional Jail;
- \$541,000 in maintenance service contracts, primarily in Information Services where multi-year contracts are set to be paid in FY 2019 along with maintenance contracts for additional software;
- \$336,000 for full-year funding of six Firefighter/Medic positions that were added after the start of FY 2018 to pick up shifts not manned by the Chancellor volunteers;
- \$204,000 in base library funding;
- \$168,000 for Line of Duty Act mandated costs;
- \$150,000 for Children's Services Act (CSA) mandated costs;
- \$122,000 for Department of Social Services (DSS) program costs;
- \$117,000 for janitorial services;
- \$115,000 for "Four 4 Life" & State Fire Programs costs to match to the revenue expected to be received from the State for Fire/Rescue equipment and training;
- \$111,000 for the DSS Family Services Worker and Training Specialist added to the budget at the beginning of FY 2018; and
- \$104,000 for Fire/Rescue training largely due to revised State requirements for EMT certifications.

These expenditures together with smaller adjustments made to more than 75 account types and net of the expenditure reductions indicated above combine to result in the FY 2019 Recommended Budget including \$3,387,371 in additions to base operational expenditures. This includes the second-year compensation adjustments and aligns with the Board's priority to maintain existing levels of service.

Real Estate Tax Rate & Personal Property Taxes

As noted above, the FY 2019 Recommended Budget was constructed at the equalized real estate tax rate of \$0.8164 per \$100 of assessed value. The budget includes a 3-penny reduction in the personal property tax rate (to include automobiles; campers; motorcycles; motor homes and RVs; heavy trucks; and trailers), and in the rate on boats and boat trailers.

Transportation Funding & Elimination of “Set-Asides”

Recall that we used to transfer the full amount of the motor vehicle license fee revenue from the General Fund to the Transportation Fund. Recall also that for a time, 10% of increased tax revenue generated in the County’s four special service districts was also transferred to the Transportation Fund. When the recession hit, that funding – the license fees and the 10% set-asides – was more critically needed to balance the General Fund, and the transfer to the Transportation Fund was reduced in FY 2011 and ceased altogether in FY 2012. The Budget Office staff has been alerting us to the fact that additional funding from the General Fund will be needed to balance the Transportation Fund, and consequently, the past two budgets have included a \$700,000 transfer from the General Fund. For FY 2019, nearly twice that amount is needed to begin a plan of long-term solvency of the Transportation Fund given ongoing expenses like the FRED bus service and annual subsidies to the Virginia Railway Express plus new debt service associated with planned capital expenditures for road projects.

To meet our Transportation funding need in FY 2019, the budget assumes that \$673,370 in accumulated and reserved set-asides are used to fund the Transportation Fund. We recognize that the use of these reserved set-aside funds is a one-time fix to an ongoing funding need. However, it does bridge the gap for FY 2019. Based on the CIP being recommended along with this budget, in addition to the \$700,000 ongoing base transfer, the Transportation Fund will need:

- another \$1.1 million from the General Fund in FY 2020 – a cumulative transfer of \$1.8 million;
- another \$1.0 million on top of that in FY 2021 – a cumulative transfer of \$2.8 million;
- another \$0.5 million in FY 2022 – a cumulative transfer of \$3.3 million; and
- another \$0.5 million in FY 2023 – a cumulative transfer of \$3.8 million.

Note that what I describe here are real, fact-based funding needs based on projects for which we have already committed to providing a local match to the State’s Revenue Sharing funding; for which we have applied for Revenue Sharing funding; and several other projects that Board members have requested be added to the CIP. The need for this funding can be impacted by revising downward the CIP for transportation projects. Absent that, these transfers are in our immediate future and will mean this funding will not be available for General Fund purposes.

Further, I recommend that the special tax district set-aside process be eliminated. I have learned that the tracking of the 10% revenue from approximately 100 parcels across the four service districts is a completely manual process performed primarily by the Commissioner’s Office and the Treasurer’s Office, but which the Finance Department spends time on, as well.

The 10% equates to about \$760,000 a year. With the base \$700,000 transfer to the Transportation Fund along with what in the very near future will be a multi-million additional transfer, we are essentially using those set-asides. As such, I do not see the need to continue what is an overly cumbersome and burdensome tracking process when the end goal of funding transportation costs can otherwise be tallied and met, and so I respectfully recommend that the set aside process be eliminated.

FY 2019 New Initiatives

The Recommended Budget includes a number of new initiatives:

- Funding for Phase I of Fire/Rescue's 24/7 Staffing Plan (1 Lieutenant & 5 Firefighters) to provide ALS coverage in Station 1 in FY 2019. (Note: I believe Chief Cullinan has shared his staffing plans with you for which Option 1 adds six more staff members in FY 2020 followed by 12 more in FY 2021 to provide ALS in Stations 4 and 8, over the next several years, while Option 2 advances the additional staffing to occur in FY 2019. Given funding available at the equalized rate and other budget priorities, the Recommended Budget includes the 24/7 plan for Station 1 for FY 2019.)
- Funding for the Sheriff's Office to add 2 Animal Control Officers, convert 5 part-time Animal Control Assistants into 4 full-time positions, and funding for more over-time that is needed in the Sheriff's Office.
- Funding for DSS to convert one part-time Family Services Worker and one part-time Aide position to full-time, and to add a part-time Aide.
- Funding for four full-time Economic Development & Tourism Assistant positions which is partially offset by the deletion of part-time and overtime funding for 10 Visitor Center Counselor positions.
- Funding for satellite library branches at the Spotsylvania Towne Center and in the Berkeley District.
- Miscellaneous initiatives to include:
 - a. \$20,000 for median mowing along Rt. 208 from Wild Turkey Drive to Four Mile Fork; Rt. 3 from Bragg Road to Andora Drive; and the Rt. 1 corridor between Spotsylvania Parkway and the county line with Fredericksburg;
 - b. \$50,000 budgeted in the Information Services budget for text message archiving software;
 - c. \$30,000 for collection development for the County Museum in conjunction with the County's upcoming 300th anniversary. This is funded with a \$14,791 reserve set aside several years ago for the 300th anniversary, as well as the available fund balance since this is anticipated to be a one-time expense.
 - d. \$67,455 in one-time equipment purchases for Parks & Recreation, the Sheriff's Office and Fire/Rescue.

- e. \$6,329 in funding to temporarily overfill a full-time position due to the pending retirement of a long-tenured staff member.

Addressing the Available FY 2017 General Fund Balance

Consideration of the \$12 million General Fund balance on hand at the end of FY 2017 has led to two actions:

First, we have again sharpened our projections. Our Budget Manager has increased revenue projections for FY 2018 by more than \$2.5 million, causing the starting point for FY 2019 projections to be higher. Additionally, as mentioned earlier, decreases of \$1.9 million were made to FY 2019 expenditure projections to capture lapse and turnover of positions and health insurance budget savings, all in an effort to enhance the accuracy of our forecasting.

Second, we have considered how to make the best use of this fund balance for the benefit of our community. Staff has developed recommendations for cash-funding certain capital projects using the policy-level (\$9.8 million) transfer of cash to capital along with \$8.0 million from the available General Fund balance. These investments will meet important – if not critical – community needs, while avoiding borrowing and debt service costs. The largest single capital item proposed to be funded with this cash is the \$9 million construction of a new building in the Courthouse area to house the Department of Social Services and the Health Department, relieving the acute lack of space in Social Services, rationally co-locating services for the convenience of the community, and creating space needed to address our foreseeable needs. Cash-funding capital investments will give our community tangible benefits from the fund balance (“something to show for it”) and savings from avoided interest costs for years to come. These recommendations are included in the proposed FY 2019 – FY 2023 Capital Improvement Plan.

Third, the Recommended Budget assumes use of the available General Fund balance for start-up costs related to library facilities at Spotsylvania Towne Center and in Berkeley District, and a few smaller, one-time items occurring in FY 2019. While the new satellite libraries will have on-going costs, Spotsylvania is responsible for the full start-up and first year costs. In subsequent years, the operating costs of the facilities will be subsumed in the system-wide library budget and each participating jurisdiction will share in the costs of operations.

Conclusion

The FY 2019 Recommended Budget is in keeping with Spotsylvania County’s mission “to ensure the delivery of quality government services that are customer-focused; promote a safe, healthy, and prosperous community; and reflect excellence in financial stewardship.” The budget team and I were careful in our development of this budget to ensure a high degree of correlation between items proposed for funding and the Board’s stated priorities. Please see page 19 for the correlation table.

This message is merely a brief introduction to the FY 2019 Recommended Budget document which follows. In it, you will find much more detailed information about the revenues and

expenditures proposed for FY 2019, as well as information about the Constitutional Offices, Departments, and agencies that provide and support Spotsylvania County's services to our community. The full FY 2019 Recommended Budget will be viewable via a link on Spotsylvania County's website.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark B. Taylor". The signature is written in a cursive style with a large, prominent initial "M".

Mark B. Taylor
County Administrator

Correlation of Recommended Budget to Board's Expressed Budget Priorities

Priority	ALL FUNDS - Potential Budget Items - FY 2019	\$	✓	Action in Recommended Budget
High -				
	Longevity pay adjustments (0.5% at 3 yrs & 12 yrs; 1% at 5 yrs, 10 yrs and 15 yrs) - part of approved comp study implementation	\$86,073 - GF	✓	Included.
	Implementation of Schools' Comp Study (Classification Date Parity cost from Evergreen report) - one-third to match County's 3-year implementation. (One member suggested this be changed to fund one-half instead of one-third in FY 2019 - cost would have to increase by \$919,874.)	\$17,040 - Other \$1,839,747	✓	Added \$3.0M to on-going transfer. Combined with est. add'l \$7.0M State revenue & savings in VRS rates, should allow funding of net new debt service, 1/3 of comp study, est. longevity & 2% COLA.
High to Mid -				
	Enhancements to tax relief for the elderly program (increase max relief by inflation since last adjustment, or through some other method)	\$130,372 to increase max relief to \$1,500		Not included.
	Transfer additional funding to Transportation Fund towards long-term solvency of that fund	\$700,000	✓	Use accumulated setasides to balance FY19. Must increase annual transfer beginning in FY20.
	Maintain existing levels of service in the base budget	in base budget	✓	Maintained.
	Pay adjustment tied to annual CPI for 2017 (2% estimated) - part of approved comp study implementation	\$1,163,346 - GF \$224,894 - Other	✓	Included. Combined add'l State revenue and local transfer, should fund Schools' 2%, as well.
	Second phase of Comp Study - part of approved comp study implementation	\$3.5M - Schools \$343,510 - GF \$46,489 - Other	✓	Included.
	OPEB - must complete phase in by FY 2023 (1/5th)	\$1,278,330	✓	Included. Opportunity to reduce increasing costs by revising retiree health insurance benefit and establishing OPEB trust fund.
	Equalize real estate tax rate - reassessment year. \$0.8164 based on current assessment updates.	N/A	✓	Included.
Mid -				
	Add'l \$ for financial system upgrade project	\$1,326,100 - FY19 \$331,500 - FY20	✓	Included in CIP.
	Implement Fire/Rescue's 24/7 staffing plan providing ALS coverage to Stations 1, 4, and 8	\$343,374 - FY19 \$774,645-outyears	✓	Included funding for coverage at Station 1. Out-year budgets to include Stations 4 & 8.
	New County office building (Social Services & Health Department) at Courthouse	\$1,200,000 - FY19 \$7.8M in FY20&21	✓	Included in CIP and cash funded with \$8M from available General Fund balance.
	Decrease/Eliminate BPOL	up to \$4.25M		Not included. Threshold increased to \$1M for 2018, as planned in FY 2018 Budget.
Mixed to Low -				
	Third phase of Comp Study	\$343,510 - GF \$46,489 - Other		Not included. County Administrator recommends following 3-yr plan approved by Board on 6/27/17.
	Replacement for Harrison Road community center	TBD		Not included.
	\$1M add'l for revised scope of work approved by the Board for Animal Shelter	\$2,153,333 - FY19 \$1,076,667 - FY20	✓	Included additional scope of work as well as \$2.2M increased cost estimate in CIP.
	Reduce gun permit fee as much as legally possible	\$54,446		Not included.
	Reduce Personal Property tax rate (specific mention of boats, trailers & RVs)	\$180,000	✓	Included a 3-penny reduction in the Personal Property and Boat/Boat Trailer tax rates.
	Cash to CIP	\$8,961,314	✓	Included add'l \$961K in policy-level xfer, plus \$8.0M use of fund balance for new building.
	Road projects, generally mentioned by McLaughlin. \$500K for Livingston roads requested by Benton.	\$36,879,923 over 5-year CIP	✓	CIP includes Rev. Sharing awarded or applied projects. Also includes placeholder for local share of corridor study implementation, Bloomsbury to State standards, & right turn at Lansdowne/Rt. 2.
	Revitalization of Rt. 1	\$65,000 - study	✓	Included in CIP.
	Library at Massaponax (Budget note - This project is planned for FY 2020 in the existing Adopted CIP.)	\$12,850,000 over 5-year CIP	✓	Included in CIP. Staff investigating library space in shopping center instead of building new.
	School bus driver pay increases	TBD		TBD upon release of School Board's budget.
	Tax rebate	TBD		Not included.
	Public safety response - additional deputies	\$250,683	✓	Included add'l overtime for law enforcement and add'l Animal Control Officers per Sheriff's request.
	Strategic planning consultant	TBD		Not included.
	Upkeep of medians	\$20,000	✓	Included.



FY 2019 Budget Strategy

The Budget Strategy provides a discussion about the development of and the underlying assumptions within the FY 2019 Recommended Budget. Major changes within revenues and expenditures are identified. This section essentially tells the story behind the development of the FY 2019 Recommended Budget.

Building the Budget – From the Top

For the past several years, the County has experienced budget surpluses where revenues exceed expectations and expenditures were less than expected. From the outset of the FY 2019 Budget development process, Finance staff wanted to address the surplus issue through proactive adjustments to the base budget.

On the revenue side of the budget, staff reviewed FY 2018 receipts through the beginning of December 2017, revised projections for FY 2018 revenue, and then used those revised FY 2018 projections as the take-off point for making FY 2019 and out-year projections. This increased the revenue by \$2.5 million.

On the expense side of the budget, we know that savings routinely stems from lapse and turnover of positions and health insurance budget savings. In an effort to enhance the accuracy of our forecasting, staff reviewed the budget performance of all personnel budget line items over the past three years and is including an overall budget reduction to base personnel in FY 2019 to capture the lapse and turnover savings, as well as to reduce the base health insurance budget. This reduced budgeted expenditures by \$1.9 million.

The combined result of these changes amounted to \$4.5 million being available in the FY 2019 base budget:

Action Taken in the Base Budget to Address Year-End General Fund Surpluses	
Revenue:	
Real Estate – increase FY 2018 projections & factor into FY 2019	\$1.2M
Personal Property – increase FY 2018 projections & factor into FY 2019	0.9M
Other FY 2018 adjustments factored into FY 2019	0.4M
Adjusted Revenue Takeoffs for FY 2019 Projections	\$2.5M
Expenditures:	
Project lapse & turnover savings based on prior 3 years (other than HI)	(\$1.3M)
Increase projected lapse & turnover savings in IS & DSS (other than HI)	(0.2M)
Decrease overall HI budget based on prior 3 years’ budget savings	0.5M
Adjusted Expenditures to Begin FY 2019 Projections	(\$1.9M)*
Resulting Net Budget Impact/Funds Available	\$4.5M*

“HI” = health insurance *Appears not to add due to rounding

Building the Budget – Revenues

Overall, General Fund revenues other than transfers in and the use of fund balance are projected to increase by \$8.4 million (3.3%) when compared to the FY 2018 Adopted Budget. Following are revenue items of notable interest to this budget:

Growth in Assessed Value of Real Property

2018 is a reassessment year. Preliminary assessed values have been used to estimate the real estate tax revenue that will come to the County in FY 2019. Overall, taxable assessed values of real property are projected to increase by 7.7% over last year's land book records and new construction and rezonings are expected to add another 1.8% for calendar year 2019. Real estate revenue is expected to increase by \$4.6 million in FY 2019 at the equalized rate of \$0.8164. This Recommended Budget is built upon the equalized rate.

Preliminary reassessment figures reflect an approximate 8.2% increase in residential values and an approximate 5.9% increase in commercial values. Since the equalized rate is calculated using total Countywide values, any property owner whose assessed value increases by more than the overall 7.7% increase in values will see an increase in their tax bill at the equalized rate. Likewise, any property owner whose assessed value increases by less than 7.7% or decreases will see a decrease in their tax bill at the equalized rate.

Increasing Personal Property Tax Revenue; Decreased Tax Rate

Each year, County vehicle values are assessed based on 50% of the clean retail value from the National Automobile Dealers Association (NADA). The business furniture and equipment portion of personal property is valued with a depreciation schedule applied to the original cost of the item. Changes in the NADA guide values can vary widely from one year to the next. For example, application of the new NADA values resulted in the 2009 assessed value of all existing vehicles being 21% less than the 2008 assessed values. Then, when the updated NADA values were applied in 2010, the change in value was less than 1%. The 2018 NADA update is not yet available.

For the past five years, actual personal property tax revenue has exceeded projections. In an attempt to tighten projections, Finance staff worked with the Treasurer's Office staff last year to obtain additional data to understand changes in values occurring through the various stages of property book issuances. While there is no clear trend in book values, personal property revenue consistently increases by approximately \$1.3 million per year. As such, the base projection of FY 2019 receipts is made assuming a \$1.3 million increase over current FY 2018 estimates – a \$2.2 million increase over the FY 2018 Adopted Budget projection.

However, the tax rate for other-than-business Personal Property to include the separate rate on boats and boat trailers is recommended to decrease by three pennies. This recommendation sets the personal property tax rate at \$6.52 and the rate on boats and boat trailers at \$6.22. The rate reduction reduces the revenue projection by \$180,000.

Changes in Other Local Tax Revenues

Meals & Sales Taxes: Receipts from meals and sales taxes continue to increase year over year, adding an estimated \$0.8 million to the FY 2019 Budget. Sales tax receipts returned to pre-recession levels in FY 2014 and are expected to increase by 3.0% (\$535,000) in FY 2019. Somewhat surprisingly, meals tax receipts never declined during the recession and have been increasing by an average of 5% per year for each of the past three years. Meals tax receipts are projected to increase by approximately \$273,000 in FY 2019. Since each of these taxes is calculated as a percentage of sales, changes in prices of goods and meals, as well as changes in the volume of sales impact the revenue.

Delinquent Property Taxes: Collections on delinquent taxes have increased in recent years as a result of the Treasurer's Office hiring a third party to pursue taxes owed the County. Revenue from delinquent personal property tax collections has averaged 11% of current collections for the past three fiscal years while revenue from delinquent real estate tax collections has averaged about 2% of current collections. As such, we are assuming delinquent tax collections of 10% of current collections for personal property and 1.7% of current collections for real property in FY 2019. A combined net increase of approximately \$238,000 is projected for FY 2019.

Transient Occupancy: Revenue from the transient occupancy tax – the tax levied on the amount paid for hotel and motel rooms with 3% dedicated to the promotion of tourism - has remained stable at \$1.0 - \$1.3 million per year since FY 2006 with FY 2017 receipts being \$1.4 million. The FY 2017 increase in revenue was likely associated with increasing local attractions and additional marketing of tourism opportunities. As such, \$1.5 million is projected in FY 2019, a \$175,000 increase over the FY 2018 projection.

Motor Vehicle License: The projection of revenue from motor vehicle licenses (formerly decals) is increased in FY 2019 to be consistent with the average \$3.1 million annual collection for the past three years. Revenue is projected to increase by \$100,000 in comparison with the FY 2018 Adopted Budget.

Changes in Certain Other Revenues

Interest Earning on Cash & Investments: A combination of increased fund balance, slightly increased interest rates, and positive investment performance results in a \$200,000 increase in the projection of interest earnings for FY 2019.

Refuse Disposal Fees: Based on receipts from commercial hauler disposal at the landfill over the past three years, revenue is expected to increase by \$100,000 in FY 2019 to \$1.9 million.

Sheriff's Local Services: The Sheriff's Office provides traffic control and other services to churches, schools, and other entities on a reimbursable basis. Revenue from these activities is increased by \$100,000 to be in line with actual receipts of the past two years.

Water/Sewer Administrative Fee: As a self-supporting entity, the Utilities Operating Fund reimburses the General Fund for direct services provided by General Fund departments such as

Finance, the Treasurer's Office, and Information Services for Utilities billing, collections, and technology services. The FY 2019 revenue projection is decreased by about \$194,000 to \$1.8 million.

Penalties & Interest Receipts: Based on penalty and interest revenue collected in FY 2017, the FY 2019 projection is reduced by approximately \$125,000.

Changes in State & Federal Revenues

State Payments for Social Services Programs: The County receives partial reimbursement from the State for Social Services and CSA programs. Reimbursement rates vary depending upon the program. When expenditures are expected to increase for these programs as they are expected to do in FY 2019, we apply typical reimbursement rates to projected expenditures and arrive at an increased level of reimbursement revenue, as well. In FY 2019, State revenue for CSA is expected to increase by \$286,055 due to increases in mandated program costs while Social Services base revenues are expected to increase by \$242,641.

Funding for Constitutional Offices – The State provides funding to localities to partially fund the costs of constitutional officers (Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer) and certain positions within the offices of those elected officials. Additionally, the State funds a portion of the cost of the Registrar. State revenue for purposes of funding these offices is expected to increase by approximately \$266,000 in FY 2019 primarily due to State salary adjustments occurring for partial year in FY 2018 that will be full year in FY 2019.

State Fire Programs – The State Fire Programs funding is derived from 1% of fire-related insurance coverage premiums and is allocated to localities based on population. The projection of revenue from the State in FY 2019 is increased by \$100,000 to be in line with receipts in recent years.

SAFER Grant: The County was awarded a two-year SAFER grant for nine Firefighter/Medic position in FY 2017 and FY 2018. In FY 2019, approximately \$450,000 in SAFER grant revenue will no longer be available to the County and will have to be absorbed in the budget as we continue to fund these positions.

Use of the Fund Balance

The County's fiscal policies call for a reserved and committed General Fund balance equal to at least 11% of the subsequent year's projected General Fund and School Operating Fund revenues. Known as the Fiscal Stability Reserve, this reserved portion of the fund balance is set aside to meet a critical, unexpected financial need costing at least \$1 million and resulting from a natural disaster or declared state of emergency, or from a local catastrophe that cannot be resolved through other less extraordinary budgetary action. By policy, the Fiscal Stability Reserve must be replenished to the 11% minimum level within three fiscal years of any use. The County's financial advisors have advised that the Fiscal Stability Reserve policy is the single most important financial policy to preserve strong credit ratings.

Additionally, a Budget Stabilization Reserve (BSR) must be accounted for within the unassigned General Fund balance. Beginning in FY 2016, the BSR was funded at \$1.0 million with an amount equal to 0.25% of General Fund and School Operating Fund revenues to be added each year until such time as the reserve reaches a maximum of \$5.0 million. The BSR will be available to address potential revenue declines or other economic stress placed on the budget. Any use of this reserve must be replenished within two fiscal years.

“A commitment to maintain reserves at or above policy-determined levels has contributed to the county’s overall fiscal stability.”

MOODY’S
INVESTORS SERVICE

At the end of FY 2019:

- Fiscal Stability Reserve will be funded at 11% of FY 2020 projected revenues;
- Budget Stabilization Reserve will be funded at \$4.2 million; and
- \$0.2 million will remain in the fund balance in excess of these and other policy reserves.

In FY 2019, \$8,905,673 of the General Fund balance is budgeted for use as identified in the table below:

FY 2019 Use of General Fund Balance	
Transfer to Capital Projects Fund in excess of fiscal policy level of \$9.8M	\$8,000,000
First year start-up and operating costs for two satellite library branches	315,802
Use of Economic Opportunities Reserve for other than tax-based incentives	270,000
Various Parks & Rec minor capital improvements included in operating budget	81,550
Costs associated with moving training room and network from Marshall Center	57,500
3 additional gear extractors for cleaning fire turnout gear	36,000
Towed side scan sonar system for rescues and recoveries	30,000
Use of reserved tourism revenue for wayside bases & exhibit cases	21,037
Replacement walk-in freezer for animal shelter	20,000
Use of reserved tourism revenue for a portion of museum collection expansion	15,209
Use of reserved 300 th anniv. funding for portion of museum collection expansion	14,791
Equipped trailer for Parks & Rec events	14,355
Rebuild of Sheriff’s Office total station equipment	10,000
Add heater units to Sheriff’s Office dispatch consoles	8,500
Temporary overfill of Deputy Treasurer position due to an upcoming retirement	6,329
Sonar system for Sheriff’s Office investigations	4,600
Total Use of Fund Balance	\$8,905,673

FY 2018 Adopted Budget – Revenue (General Fund)

\$ in millions

\$260.1

Changes in General Estimates	
Real Property Tax	\$4.5
Personal Property Tax	2.0
Local Sales Tax	0.5
DSS/CSA State Revenue	0.5
Meals Tax	0.3
State Revenue for Constitutional Offices & Registrar	0.3
Delinquent Property Taxes	0.2
Interest Earnings	0.2
Transient Occupancy Tax	0.2
State Fire Programs	0.1
Refuse Disposal Fees	0.1
Local Motor Vehicle License Fees	0.1
Sheriff's Local Services	0.1
Penalties & Interest	(0.1)
Water/Sewer Administration Fees	(0.2)
SAFER Grant	(0.5)
Miscellaneous	0.1
Subtotal Changes	\$8.4
Changes in Transfers	
Transfer from Code Compliance Fund	\$0.1
Transfer from Fire/EMS Service Fee Fund	<u>(0.2)</u>
Subtotal Changes	(\$0.1)
Change in Use of Fund Balance	
One-time added transfer to Capital Projects Fund	\$8.0
First year start-up/operating costs for two satellite library branches	0.3
Use of Economic Opportunities Reserve for other than tax-based incentives	0.3
Various Parks & Rec minor capital improvements and equipment	0.1
Various other one-time costs in FY 2019	0.2
Remove one-time transfer to Schools in FY 2018	(0.3)
Remove other one-time uses in FY 2018	<u>(0.4)</u>
Subtotal Changes	\$8.2

\$ in millions

FY 2019 Recommended Budget – Revenue (General Fund)**\$276.6**

Categorical breakdowns may not tie exactly to financial summaries due to the groupings displayed here.

Building the Budget – Expenditures

Adjustments made to the FY 2018 Adopted Budget expenditures and transfers to yield the FY 2019 Recommended Budget can be summarized as follows for the General Fund:

Transfer to Capital Projects Fund	\$8,701,314
Base budget adjustments	5,096,401
Transfer to Schools	2,666,778
New initiatives – public safety	647,157
New initiatives – 2 satellite library branches.....	320,752
New initiatives – DSS.....	87,985
New initiatives – other.....	255,638
Transfers to Other Funds	424,639
Net new debt service	40,970
Address end-of-year expenditure savings	<u>(1,750,000)</u>
Total Change in General Fund.....	\$16,491,634

Significant portions of these General Fund adjustments are outlined in this section and the correlation of the budget to the Board’s expressed priorities is summarized on page 19.

Base Budget Adjustments

- A total of \$1.6 million is budgeted for the County’s second year of the three-year phase in of the compensation study. This funding includes a 2.0% CPI-indexed cost of living adjustment (COLA) and a longevity adjustment of 0.5% for employees with 3 and 12 years of service, and 1% for 5, 10, and 15 years of service. To best align with VRS reporting dates, any approved compensation adjustments will have an effective date of July 16, 2018 and will first appear on paychecks on August 3, 2018.
- The County is accruing a liability now for future health insurance benefits current employees will have, based on current policy, when they retire. Retiree health insurance benefits are currently paid on a pay-as-you-go basis, but as more employees retire, our annual payments will continue to increase. Our current total General Fund liability is \$76.6 million. To meet this liability, actuaries have calculated the “annual required contribution (ARC)” at \$6.4 million beyond the \$1.2 million we pay annually for current retiree health insurance coverage.

For the past several years, OPEB contributions have been funded in the smaller County funds such as Code Compliance and Transportation. County policy requires that once we begin funding the OPEB contribution for the General Fund, full funding of the on-going ARC will occur within eight years. The **one-time** set-aside of \$1.9 million of the fund balance in FY 2016 for OPEB kicked off the eight year policy timeframe, leaving now five budget years to achieve an **on-going** contribution for this purpose. \$1,278,330 or one-fifth of the \$6.4 million is set aside in the Recommended Budget as progress towards meeting the full ARC no later than FY 2023.

- The budget includes an \$800,000 increase in the County's contribution to the Rappahannock Regional Jail due to an increase in the County's usage at the facility and a decrease in the amount of one-time funding used to reduce locality debt service. The increase is offset by a reduction in the facility's overall operational budget, net of a 2% merit increase for Jail staff, the addition of two full-time clerical positions, and the conversion of a part-time pre-trial officer to full-time.
- Approximately \$541,000 is added to maintenance service contracts accounts, primarily in Information Services where multi-year contracts are set to be paid in FY 2019 along with maintenance contracts for additional software;
- Full year funding for six Firefighter/Medic positions added during the course of FY 2018 to pick up shifts no longer manned by Chancellor Volunteer Fire and Rescue is included in the base budget at a cost of \$336,045.
- The library's full \$4,591,049 base funding request is included in the Recommended Budget. This represents a \$204,417 increase relative to the FY 2018 Adopted Budget and funds Spotsylvania's share of an anticipated 2% salary increase for library staff, a projected 3.9% increase in health insurance costs, an increase for books and materials. In addition to the \$4,591,049 payment to the library, the County directly pays the debt service of the Salem Church Library branch which in FY 2019 will be \$167,834, and pays the utilities, insurance, and maintenance on the two library branches in the County.
- Costs related to the mandated Line of Duty Act increase by \$168,231 in FY 2019.
- \$150,000 is added to the budget for CSA mandated services to be consistent with FY 2017 actual expenditures and with trends in program utilization. Nearly 60% of the full mandated service program cost of \$8.8 million is expected to stem from the Schools' Individualized Education Program (IEP) placements into private day facilities. These expenses are partially funded by the State. Additionally, DSS program costs are expected to increase by \$121,715.
- Janitorial services contracts are expected to increase by approximately \$117,000 in FY 2019 due to the additional of several locations to be cleaned by the outsourced vendor. This cost is partially offset by a reduction in part-time funding.
- State Fire Programs funding and "Four for Life" funding is increasing. \$115,000 is added to the operating budget to match to this revenue for equipment and training. This funding is restricted and if not spent in FY 2019 must be reserved and rolled forward to FY 2020 to be used for equipment and training by Fire/Rescue.
- The budget reflects full year funding of approximately \$111,400 for the Family Services Worker and Training Specialist positions in DSS that were added during the course of FY 2018. The State revenue that will be received towards these positions is included in the budget, as well.

- \$104,375 is added to the budget for Fire/Rescue training. This increase is largely due to revised State requirements for Emergency Medical Technician (EMT) certifications.
- Given our claims history and insurance reserve balances, health insurance rates are expected to remain constant in FY 2019. There is no overall change in costs, and there is no change in the employer/employee split of premium costs for the plan year.
- Several years ago, we began budgeting reductions in personnel expenditures within the Information Services and Social Services budgets to capture the lapse and turnover savings that typically occur within those departments. For FY 2019, we are reducing larger amounts within each budget based on trends, netting an overall base budget decrease of \$168,000.
- Changes in personnel costs related to salary adjustments, turnover, and changes in benefits choices, unemployment insurance, and workers' compensation rates result in a decrease of about \$2.0 million in the base budget. This includes the \$1.75 million adjustment made by Finance staff to address end-of-year personnel and health insurance budget savings.

New Initiatives for FY 2019

Following is a listing of the position changes included as new initiatives for FY 2019:

Fund/Position	Public Safety FTEs	Other FTEs
<i>General Fund:</i>		
Convert 5 part-time Animal Control Shelter Assistants to 4 full-time positions	0.98	-
Animal Control Deputies	2.0	-
Firefighter/Medic – 24/7 Staffing Phase I (ALS coverage)	5.0	-
Lieutenant – 24/7 Staffing Phase I (ALS coverage)	1.0	-
Convert part-time Family Services Worker II to full-time	-	0.5
Convert part-time Bilingual Aide to full-time	-	0.37
Part-time Eligibility Aide	-	0.63
Economic Development & Tourism Assistants	-	4.0
Remove Visitor Ctr. Counselors (10 positions, but 1 0.63 FTE)	-	(0.63)
General Fund Total	8.98	4.87
<i>Code Compliance Fund:</i>		
Commercial/Residential Plans Reviewer	-	1.0
Convert part-time Clerk to full-time Permit Technician	-	0.37
Code Compliance Fund Total	-	1.37
<i>Utilities Fund:</i>		
Electrician I – Massaponax WWTP	-	1.0
Utilities Field Crew Workers (valve maint.) – W/S Transmission	-	2.0
Construction Technician I – Line Location	-	1.0
Utilities Fund Total	-	4.0
Total Change in Full Time Equivalents (FTEs)	8.98	10.24

Additionally, the following items are included in the budget as new initiatives:

- A three-penny reduction in the personal property rate and the rate on boats and boat trailers. This reduction brings the general personal property rate to \$6.52 and the rate on boats/boat trailers to \$6.22.
- In addition to the base budget amount of \$4.6 million requested by the library, approximately \$321,000 is added to the budget for the first year start-up and operating costs of two satellite library branches. \$280,752 is budgeted for a library branch to be located at the Spotsylvania Towne Center which is expected to ease overcrowding and overuse of the Salem Church branch in addition to being a community venue for mall visitors. \$40,000 is budgeted for a satellite location in the Berkeley district to provide information access, computers, books, and homework support on a weekly basis to a part of the County lacking internet connectivity.

While these new satellite branches will have on-going costs, Spotsylvania is responsible for the full start-up and first year costs. In subsequent years, the operating costs of the satellite facilities will be subsumed in the system-wide library budget and each participating jurisdiction will share in the costs of operations. As such, the first year costs are being funded from the General Fund balance in FY 2019.

- \$70,000 is budgeted as an increase in law enforcement overtime.
- \$50,000 is added to the budget for text message archiving software.
- The General Fund balance is used to budget for:
 - purchase of a \$30,000 towed side scan sonar system for use during water rescues and recoveries;
 - \$14,600 for the purchase of a sonar unit and to rebuild the existing total station equipment for the Sheriff' Office;
 - \$14,355 for an event trailer stocked with tables, chairs, cones and trash cans for Parks & Recreation events;
 - \$8,500 for heater units to be added to all dispatch consoles
 - \$6,329 added to the Treasurer's Office budget to overfill a full-time Deputy Treasurer position to allow the new employee to work with the retiring employee to gain an understanding of job duties.
- \$30,000 in one-time funding is added for museum collection development items. \$14,791 of this amount is funded with money reserved several years ago for the upcoming 300th anniversary of Spotsylvania County. The remaining \$15,209 is funded by the General Fund balance.

- \$20,000 is added for median mowing along Rt. 208 from Wild Turkey Drive to Four Mile Fork; Rt. 3 from Bragg Road to Andora Drive; and the Rt. 1 corridor between Spotsylvania Parkway and the county line with Fredericksburg.

Transfers to Other Funds

Schools – The recommended transfer to the Schools is \$126,742,093 – a net increase of \$2,666,778 over the FY 2018 transfer (a \$3.0 million increase in on-going funding and reduction of the \$333,222 in one-time FY 2018 funds). This proposed transfer combined with anticipated additional funding from the State should be sufficient to enable the School Board to implement the Schools’ first one-third of their compensation study if they choose to follow the pattern of implementation initiated in FY 2018 by the Board of Supervisors for the County staff.

Capital Projects Fund – Consistent with fiscal policy guidelines, a transfer from the General Fund to the Capital Projects Fund is budgeted at \$9.8 million. To meet the County’s policy goal of cash funding capital projects at an amount equal to 5% of General Fund revenue, beginning in FY 2008, the County established the transfer from the General Fund to the Capital Projects Fund at 1%, with an additional 0.25% to be added each year thereafter. In FY 2019, the transfer is budgeted at 3.75% of General Fund revenues.

In addition to the policy level transfer, \$8.0 million is transferred from the General Fund balance to the Capital Projects Fund to cash fund additional capital projects, the single largest of which is the \$9.0 million construction of a new building in the Courthouse area to house the DSS and the Health Department. Further, the one-time \$270,000 transfer budgeted in FY 2018 for miscellaneous equipment related to new positions is removed from this budget.

Code Compliance Fund – The cost of core and basic services for the Building and Zoning offices are funded by a transfer from the General Fund to the Code Compliance Fund annually. The transfer to Code Compliance is increases by \$29,639 in FY 2019.

Economic Development Opportunities (EDO) Fund – A transfer from the General Fund to the EDO Fund occurs annually to fund the costs of previously approved incentives. Overall, the transfer to the EDO Fund increases by \$395,000 for FY 2019.

Transportation Fund – Since 2011, we have maintained vehicle license fee revenue and set-asides equaling about \$3.9 million in the General Fund as opposed to transferring those funds to the Transportation Fund as had been the practice prior to 2011. To begin to address the long-term needs of the Transportation Fund, the FY 2017 and FY 2018 budgets each included a \$700,000 transfer from the General Fund to the Transportation Fund. For FY 2019, nearly twice that amount is needed to begin a plan of long-term solvency of the Transportation Fund given ongoing expenses like the FRED bus service and annual subsidies to the Virginia Railway Express plus new debt service associated with planned capital expenditures for road projects.

To meet our Transportation funding need in FY 2019, the budget assumes the base \$700,000 transfer from the General Fund and assumes \$673,370 in accumulated and reserved set-asides residing within the Transportation Fund balance are used to fund the Transportation Fund.

	\$ in millions
<i>FY 2018 Adopted Budget – Expenditures (General Fund)</i>	<i>\$260.1</i>
Mandated services ¹ (39.7%)	\$103.3
Commitments ² (35.7%)	\$92.8
Other services (24.6%)	<u>\$64.0</u>
	\$260.1

Base Budget Adjustments

Compensation adjustments to include COLA and longevity	\$1.6
OPEB on-going contribution	1.3
Contribution to Rappahannock Regional Jail	0.8
Maintenance service contracts	0.5
Full year of 6 Firefighter/Medics hired subsequent to FY 2018 budget	0.3
CSA mandated costs/DSS programs	0.3
Base contribution to Library	0.2
Line of Duty Act mandated costs	0.2
Janitorial services contracts	0.1
Match to revenue for State Fire Programs & Four for Life	0.1
Full year of DSS positions hired subsequent to FY 2018 budget	0.1
Fire/EMS training – changes in State requirements for EMT certifications	0.1
Turnover, personnel adjustments, & changes in benefit choices/rates	<u>(2.2)</u>
Subtotal Changes	\$3.4

New Initiatives

Cost of new initiatives related to public safety	\$0.6
First year start-up and operating costs of 2 satellite library branches	0.3
Cost of new DSS initiatives	0.1
Costs of other new initiatives	<u>0.3</u>
Subtotal Changes	\$1.3

Changes in Transfers

Transfer to Capital Projects Fund	\$8.7
Transfer to Schools	2.7
Transfer to EDO Fund	<u>0.4</u>
Subtotal Changes	\$11.8

	\$ in millions
<i>FY 2019 Recommended Budget – Expenditures (General Fund)</i>	<i>\$276.6</i>

Categorical breakdowns may not tie exactly to financial summaries due to the groupings displayed here.

¹ Is representative of the legally required local contribution to Schools and mandated services such as Constitutional Officers, Social Services, solid waste collection and disposal, etc. May not be exact.

² Reflects County and Schools debt service, regional agency contributions, the transfer of cash to the CIP, and the transfer to Schools above the amount necessary to satisfy legal and debt service requirements.

Budget at a Glance

The *Budget at a Glance* infographic on the following pages is a summary of the FY 2019 Budget and related data. Readers seeking further information on its components are invited to see the descriptions below.

- **Budget Focus** – A list of the central themes around which the budget is built. For further information see the *Budget Message*, pages 11 – 19.
- **Budget Highlights** – A list of noteworthy items incorporated into the budget such as changes to certain tax rates and planned new expenditures and/or programs. For further information, see the *Budget Strategy*, pages 21 – 32.
- **Operating and Capital Expenditures** – A table summarizing the operating and capital expenditures by fund for the FY 2018 and FY 2019 budgets. For further information, see the *Budget Summary - By Fund* and *Individual Fund Sheets*, pages 90 – 103, as well as information presented throughout the budget document.
- **Expenditures by Function, All Funds** – A graphical answer to the question “Where Does the Money Go?” The pie chart compares budgeted expenditures by government function. For further information, see the *Budget Summary – All Funds and Sources and Uses of Funds*, pages 87 – 89, as well as information presented throughout the budget document.
- **General Fund Forecast** – The forecast represents the costs of the FY 2019 General Fund budget over the course of the next four years. Projected costs are compared to projected revenues to arrive at an estimate of annual budget deficits or surpluses. For further information, see the *Five-Year Financial Forecast*, pages 147 – 148.
- **Breakdown of General Fund Transfer to Schools** – The table provides a breakdown of the General Fund transfer showing the required local effort, the required local match for optional programs, the required local match for federal grants, the transfer necessary to pay debt service on school capital projects, and the additional local transfer. For further information, see *Overview of Education Function*, pages 413 – 414, as well as the Schools’ budget document available at www.spotsylvania.k12.va.us.
- **Average Residential 2018 Real Estate Tax Bill** – A display of the approximate breakdown of the average residential real property tax bill. The average is derived from preliminary 2018 land book values and the equalized real property tax rate of \$0.8164 per \$100 of assessed value. The intention of the graphic is to show how a typical citizen’s real estate tax bill is used to fund various government operations and services. For further information, see *Real Property Taxes*, pages 108 – 110, as well as information presented throughout the budget document.



FY 2019 Recommended Budget at a Glance

Budget Focus

- Correlate budget to Board's expressed priorities (see page 19)
- Maintain all fiscal policies and priority services (education, public safety, and transportation).
- Fund commitments (jail, juvenile center, regional agencies, existing debt service, Social Services/CSA).
- Address continuing public safety needs.
- Continue three-year phased implementation of Compensation Study (FY 2019 is second year).

Budget Highlights

Schools –

- Local transfer to Schools increases by \$3.0M above the FY 2018 ongoing base transfer. This increase combined with anticipated additional funding from the State should be sufficient to enable the School Board to implement a phased approach to compensation adjustments stemming from the Evergreen study. The full local transfer to the Schools in FY 2019 is \$126,742,093.

Public Safety –

- Addition of 2 Animal Control Officers, conversion of 5 part-time Animal Shelter Assistants to 4 full-time positions, and increased overtime funding for law enforcement.
- Addition to Fire/Rescue of 1 Lieutenant and 5 Firefighters to provide Advanced Life Support (ALS) coverage at Co. 1. Out-year plans include similar staffing being added to Co. 4 and Co. 8.

Transportation –

- Fuel tax revenue allows suspension of transfer of vehicle license fee and set-aside revenue for the ninth year. However, as begun in FY 2017, \$700,000 in on-going funding is transferred to the Transportation Fund to help address projected out-year imbalances in that fund.
- \$673,370 in accumulated "set asides" from service districts is used to balance the Transportation Fund and it is proposed that the set aside tracking be eliminated (see pages 15 – 16 for explanation).
- The local share of approved/applied for revenue sharing projects is included in the CIP along with planning figures for implementation of findings from previously budgeted corridor studies.

Tax Rates/Fees –

- Real Estate tax rate assumed at the equalized rate of \$0.8164.
- Personal Property tax rate for automobiles, campers, motorcycles, motor homes and RVs, heavy trucks, trailers recommended at \$6.52 – a decrease of \$0.03.
- Personal Property rate for boats and boat trailers recommended at \$6.22 – a decrease of \$0.03.
- Adjustments to the additional tax rate for three of the four special service districts to pay debt service costs existing for improvements undertaken in those districts (see page 125 for rates).

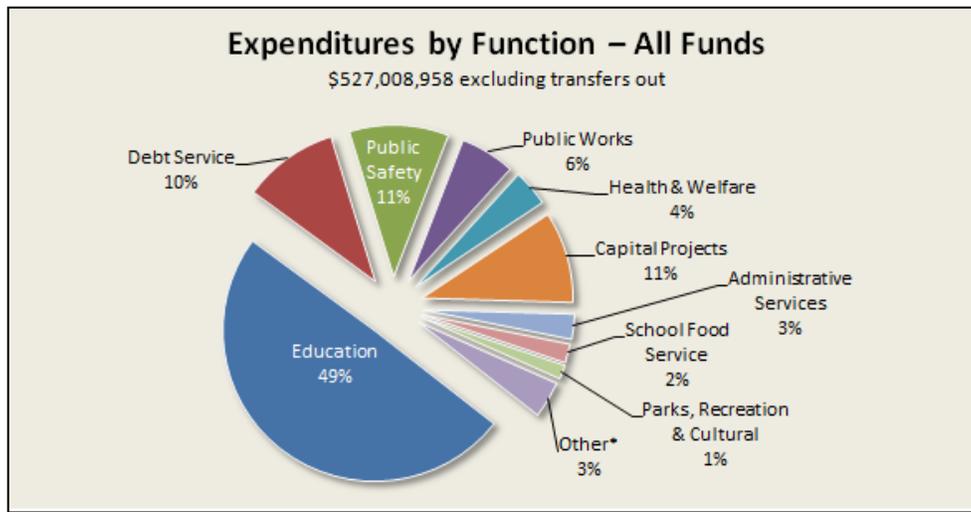
Compensation –

- Funding to implement the year 2 of the County's three-year implementation of the compensation study to include a 2% COLA; longevity adjustments of 0.5% for employees with 3 and 12 years of service and 1% for 5, 10 and 15 years of service; and the second third of implementation of the classification parity.

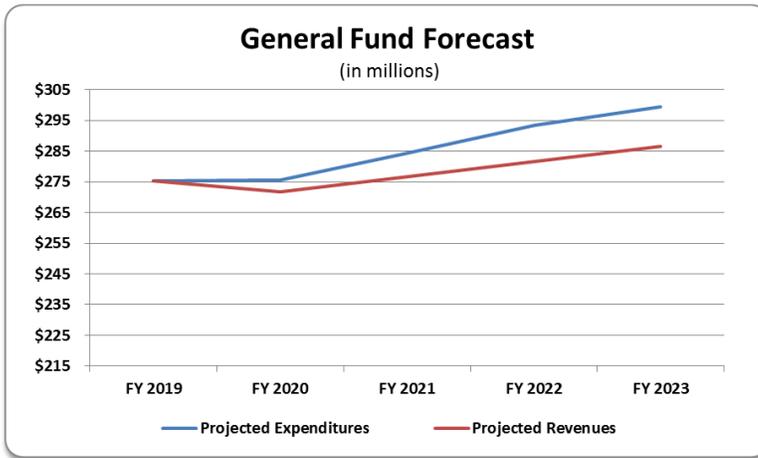
Capital Projects –

- Transfer of cash to the CIP is increased by \$1.0M to meet the 3.75% policy-level transfer. An additional \$8.0M is transferred from the fund balance to fund a new building for DSS and the Health Department.

	FY 2018 Adopted	FY 2019 Recommended	Difference \$	%
General Fund	\$124,562,391	\$129,261,294	\$4,698,903	3.8%
Economic Dev. Opportunities Fund	906,755	1,280,113	373,358	41.2%
Code Compliance Fund	3,993,647	4,301,792	308,145	7.7%
Transportation Fund	8,358,320	8,232,484	(125,836)	(1.5%)
School Operating	274,525,185	284,220,055	9,694,870	3.5%
School Food Service	10,199,132	11,322,972	1,123,840	11.0%
Utilities	<u>30,927,443</u>	<u>32,303,953</u>	<u>1,376,510</u>	4.5%
Sub-Total Operating Expenditures	\$453,472,873	\$470,922,663	\$17,449,790	3.8%
Capital Projects Fund	\$9,838,216	\$15,337,926	\$5,499,710	55.9%
School Capital Projects	27,361,447	30,799,918	3,438,471	12.6%
Utilities Capital Projects	<u>12,066,600</u>	<u>9,948,451</u>	<u>(2,118,149)</u>	(17.6%)
Sub-Total Capital Expenditures	\$49,266,263	\$56,086,295	\$6,820,032	13.8%
Total Budget	\$502,739,136	\$527,008,958	\$24,269,822	4.8%

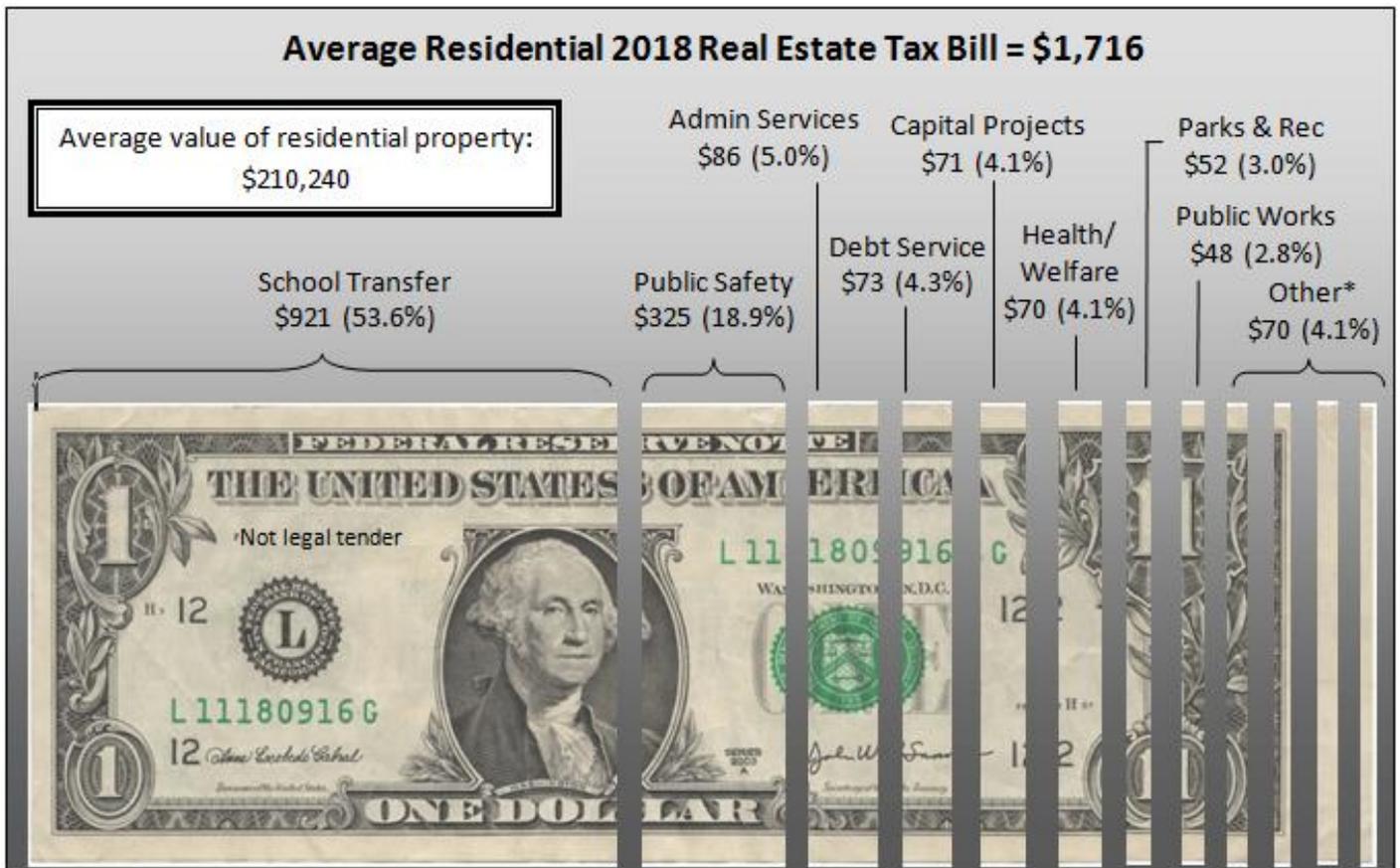


*"Other" includes Community Development, Executive Services, Judicial Administration, Transportation and Voter Services functions and tax relief.



Breakdown of General Fund Transfer to Schools

	2018 Adopted	2019 Recommended
Required Local Effort - SOQs	\$54,018,514	\$57,978,170
Required Local Match for Non-SOQ Programs	2,027,313	2,531,713
Required Local Match for Federal grants	25,110,085	25,110,085
Debt Service	25,581,896	27,016,808
Additional Local Transfer	17,337,507	14,105,317
Total Local Transfer	\$124,075,315	\$126,742,093



*"Other" includes Executive Services; Community Development; Judicial Administration; Voter Services; and Transportation.



Overview of Spotsylvania County



Spotsylvania County contains a mix of beautiful rural and urban landscapes and is one of Virginia’s fastest-growing counties. Within its boundaries, the County possesses the scenic beauty of Lake Anna, rural vistas, suburban amenities and a wealth of historical attractions from the Colonial and Civil War eras. The growing Spotsylvania community has attracted many dynamic commercial and retail businesses which serve area residents and visitors. These resources also make the County a favorite tourist destination.

History

In 1721, a vast new county was formed in the young colony of Virginia. Extending far beyond the Blue Ridge Mountains, this frontier outpost was named for Alexander Spotswood, Colonial Governor of Virginia. Much of the County’s early development is attributed to Spotswood’s ironworks that he founded in the early 1700’s. His “Iron Mines Company”, a mining and smelting operation, was founded in 1725 at Germanna. A blast furnace, also founded by Spotswood, was operated in this area from 1730 through 1785. Remnants of the ironworks are still found in the County.

Known as the “Crossroads of the Civil War”, four major Civil War battles were fought on Spotsylvania soils including one of the bloodiest of the war, the Battle of Spotsylvania Courthouse, in May 1864. It was during this battle that the clash between the armies of Ulysses S. Grant and Robert E. Lee known as the “Bloody Angle” took place and at Chancellorsville, Stonewall Jackson fell to the mistaken fire of his own men.



The National Park Service maintains more than 4,400 acres of Civil War battlefields in various locations throughout the County.

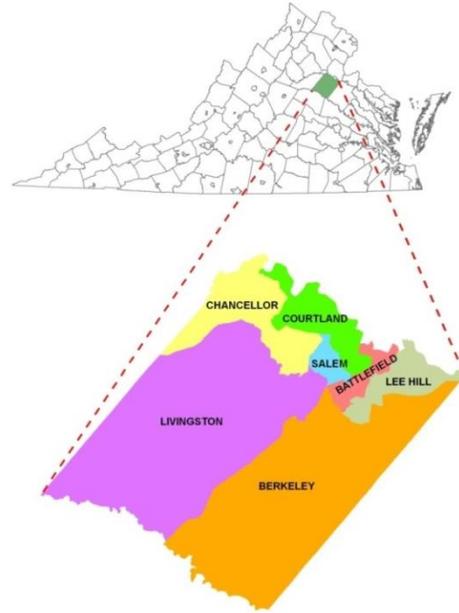
Geography

Spotsylvania County is located along Interstate 95, midway between the Nation's capital of Washington D.C. and the State's capital of Richmond.

The County is bounded by Caroline County on the east; Louisa and Hanover counties along the North Anna River on the south; Culpeper and Stafford counties and the City of Fredericksburg on the north along the Rappahannock and Rapidan rivers; and Orange County on the west.

About 65% of the County is located in Virginia's Piedmont physiographic province and about 35% is in the Coastal Plain.

The County's area is 414.25 square miles and elevations range from sea level to 540 feet.



Government

Spotsylvania County is governed by a seven-member Board of Supervisors, elected for staggered four-year terms. The terms of four current members expire on December 31, 2019, with the terms of the remaining three members expiring on December 31, 2021. The Board of Supervisors sets county policies, adopts ordinances, appropriates funds, approves land rezoning and special exceptions to the zoning ordinance, and carries out other responsibilities set forth by the State and County code.

The County functions under the traditional form of government with a Board-appointed County Administrator who acts as the Board's agent in the administration and operation of the departments and agencies. Additionally, County citizens elect and are served by five constitutional officers: Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's Attorney.

The Health Department and the court system are under the control of the Commonwealth of Virginia, while mental health services are provided by the Rappahannock Area Community Services Board.

Spotsylvania County Public Schools are governed by a seven-member elected School Board.

The County provides general governmental services for its citizens including emergency medical services and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries, and detention centers. Other services provided by the County for

which partial funding is received from the State include public education in grades preK-12 and certain technical, vocational and special education, mental health assistance, agricultural services, law enforcement, health and social services, and judicial activities.

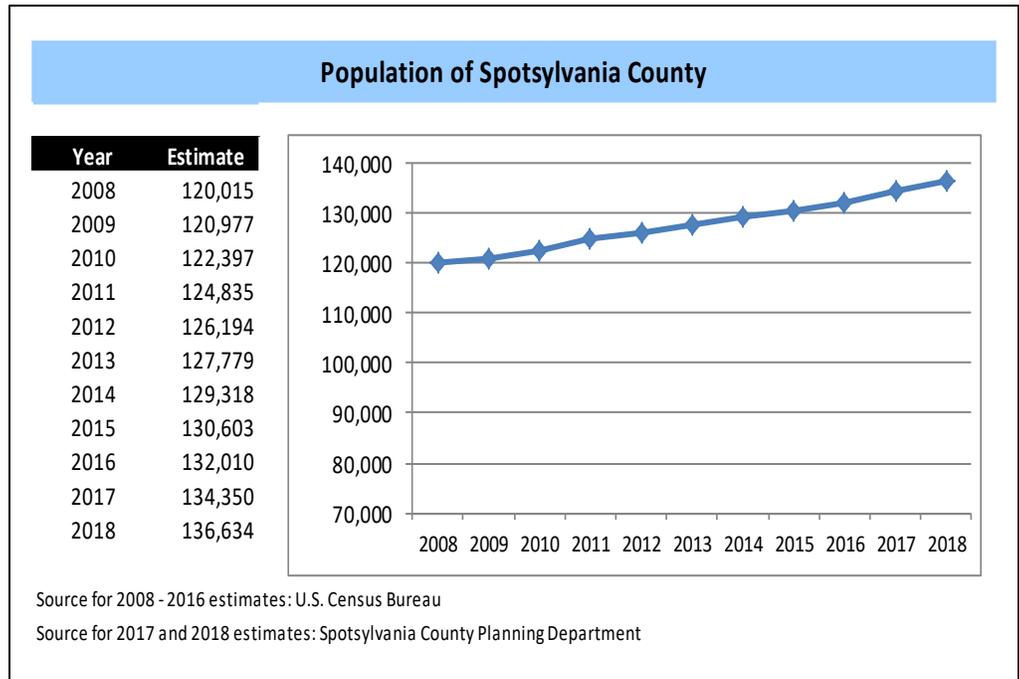
Population

The Planning Department estimates the County's 2018 population to be 136,634.

The County's population has grown each of the past ten years. Annual population growth rates were between 3.7% and 5.7% from 2000 through 2005, peaking in 2002 at 5.7%. Beginning in 2006 and corresponding with the Board's desire to curb residential

growth in the County, growth rates declined. The rate of population growth between 2017 and 2018 is estimated at 1.7%.

The County's Planning Department estimates the County's population growth to average between 1% and 2% per year into the next few decades. The following table compares the estimated population at these two percentage rates.



Spotsylvania County Population Forecast

Year	U.S. Census Population Estimates	
2000	90,395	
2005	114,909	
2010	122,397	
2015	130,603	
Planning Department Projections		
Year	1% Growth Rate	2% Growth Rate
2020	137,370	142,892
2025	144,377	157,764
2030	151,742	174,184
2035	159,482	192,314
2040	167,618	212,330

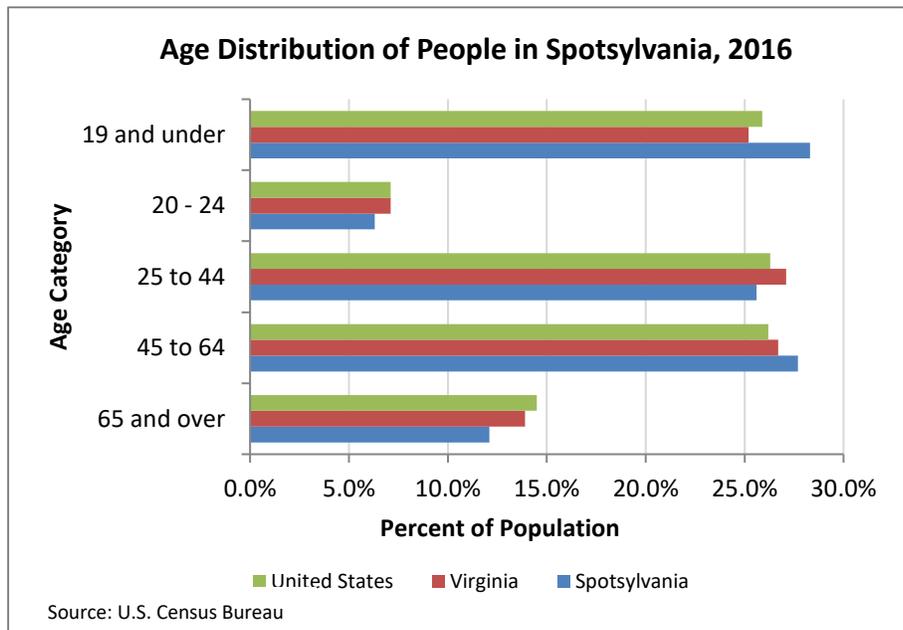
The U.S. Census Bureau estimates that in 2016 just under three-quarters of the population of Spotsylvania County was white and slightly less than one-sixth of the population was black or African-American.

2016 Population by Racial/Ethnic Group

Group	Spotsylvania	Virginia	United States
White	69.1%	62.4%	61.3%
Black or African American	16.4%	19.8%	13.3%
Hispanic or Latino	9.3%	9.1%	17.8%
Asian	2.8%	6.6%	5.7%
American Indian or Alaska Native	0.5%	0.5%	1.3%
Native Hawaiian or Pacific Islander	0.1%	0.1%	0.2%
Other	1.8%	1.5%	0.4%

The majority of the County’s population (66%) was estimated to be greater than or equal to 25 years of age, with 6% estimated between the ages of 20 and 24 and 28% estimated to be 19 or younger.

The percentage of the population between ages 20 and 64 in Spotsylvania is comparable to the makeup of state and national populations, as well. However, according to



census figures, when compared to Virginia and the United States, Spotsylvania has a higher percentage of its population at 19 and under, and a lower percentage of its population at 65 or older than do the state and the nation.

2016 Household Composition

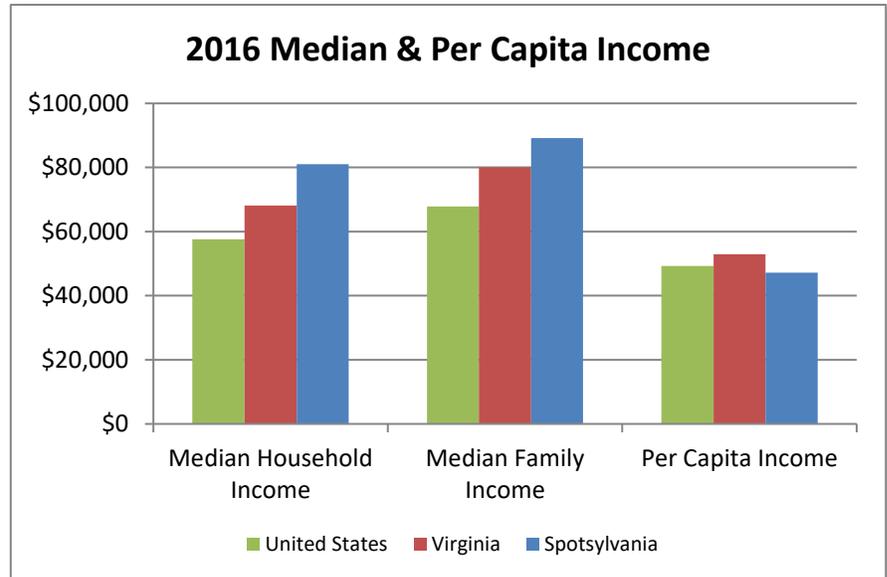
Type of Household	Spotsylvania		Virginia		United States	
Family Households	33,196	77.0%	2,067,943	66.9%	77,608,829	65.9%
With own children under 18 years	15,092	35.0%	900,882	29.2%	33,567,476	28.5%
Married-couple families	26,268	60.9%	1,557,225	50.4%	58,781,405	48.2%
Male householder; no wife families	1,812	4.2%	132,531	4.3%	5,681,312	4.8%
Female householder; no husband families	5,116	11.9%	378,187	12.2%	15,146,112	12.9%
Without children under 18 years	18,104	42.0%	1,167,061	37.8%	44,041,353	37.4%
Nonfamily Households	9,909	23.0%	1,022,235	33.1%	40,107,408	34.1%
Total Households	43,105	100%	3,090,178	100%	117,716,237	100%

Source: U.S. Census Bureau

Personal Income

According to the U.S. Census Bureau, Spotsylvania’s 2016 median household income was estimated at \$81,065 and median family income was estimated at \$89,152.

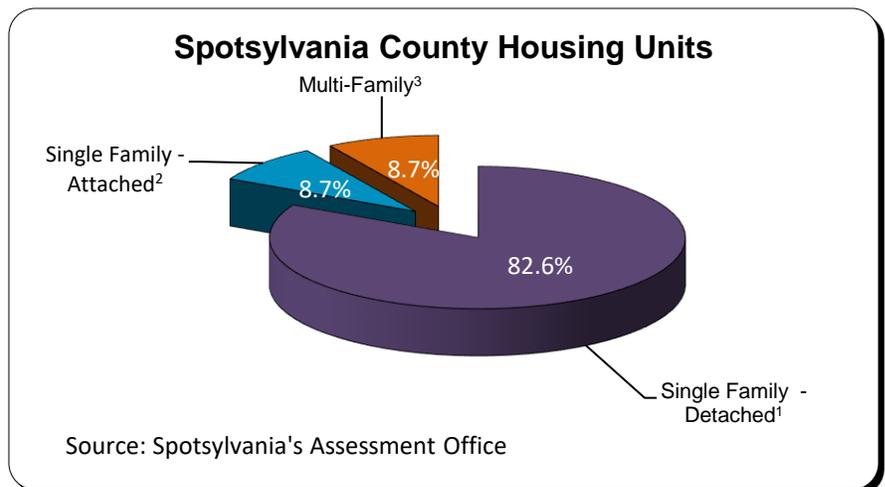
The estimated 2016 combined per capita income for Spotsylvania County and the City of Fredericksburg of \$47,230 is approximately 11% less than the state amount and approximately 4% less than the national amount.



Source: US Census Bureau for Median Household and Median Family Income
Bureau of Economic Analysis (BEA) for Per Capita Income

Housing

As of December 31, 2017 there were 48,614 housing units in Spotsylvania County. A housing unit can be multi-family or single-family, attached or detached. The majority (82.6%) of the housing units in Spotsylvania were single-family detached units. Since 2000, the number of housing units in the County has increased by 45.9%.



Source: Spotsylvania's Assessment Office

¹Includes trailers, manufactured homes and mobile homes

² Consists of duplexes and townhouses

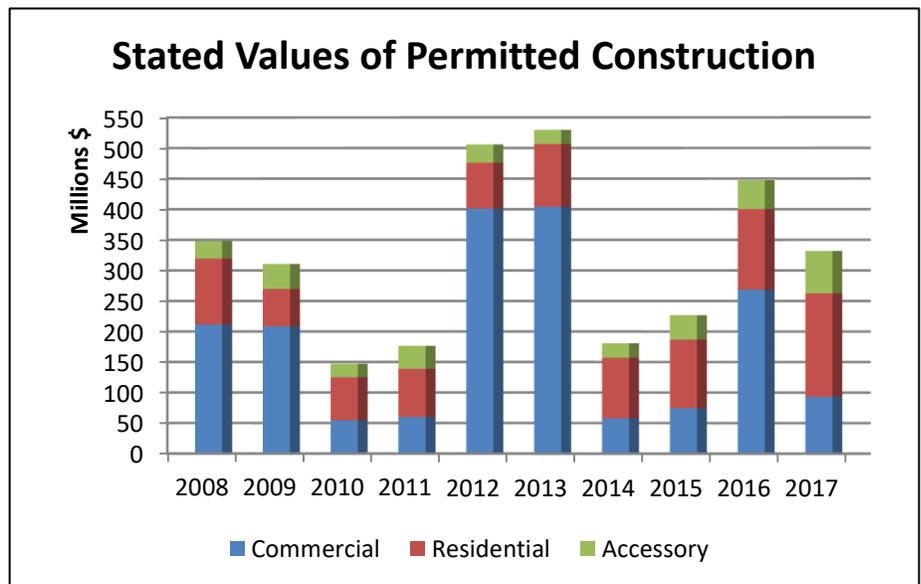
³ Consists of apartments and condominiums and assisted living housing units

Housing Units

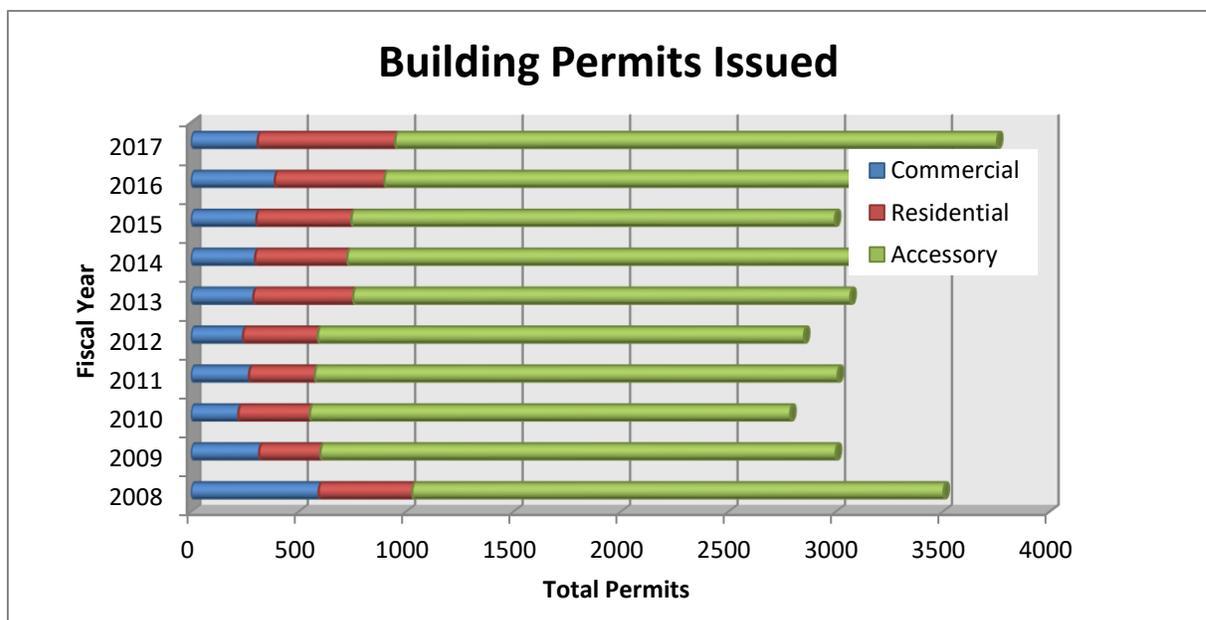
Housing Unit Type	2000	2010	2018
Single Family – Detached	28,804	37,141	40,142
Single Family - Attached	2,522	2,730	4,238
Multi-Family	1,983	3,136	4,234
Totals	33,309	43,007	48,614

The accompanying graphs illustrate construction activity within Spotsylvania during the past 10 years. The number and stated value of residential permitting grew annually from 2000 through 2005, and then began contracting. Commercial growth tends to lag behind shifts in residential growth, and that tendency is evident from historical permitting figures. An increase in the number of commercial permits continued through 2007. Commercial permitting then began declining in 2008, but bolstered by the value of permitted construction for the new Spotsylvania Regional Medical Center, permitted commercial values did not begin a noticeable decline until 2010.

In 2012 and 2013, the County processed multiple site plans for which the stated value of site work being performed was unusually large. Additionally, there were several large commercial building/renovation projects where the stated value of each project was significant. Similar activity occurred in FY 2016 with the submission of several large commercial applications having sizeable stated values, including a substantial site plan for the 921,565 sq. ft. Lidl grocery distribution center.



Values are taken from permit applications as provided by the applicants. These values **do not** represent the value assigned by Spotsylvania's Assessment Office. The FY 2017 figures are as of June 30, 2017.



The FY 2017 building permit figures are as of June 30, 2017.

Approved Development

As of October 2017, the following development has been approved by the Board of Supervisors, but is not yet constructed:

Approved Developments with Unbuilt Units

Development	SFD	SFA	MF	AR	Total	Development	SFD	SFA	MF	AR	Total
Fawn Lake	505	0	0	0	505	Keswick	150	90	240	184	664
Estates of Chancellorsville	56	0	0	0	56	Ni Village	0	164	773	0	937
Estates of Elys Ford	231	0	0	0	231	Lakeside	0	26	0	0	26
Saw Hill	43	0	0	0	43	Brooks	0	2	0	0	2
Estates at Buckingham	42	0	0	0	42	Estates at Terry's Run	10	0	0	0	10
Pelhams East	43	0	0	0	43	Spotsylvania Courthouse Village	358	198	834	50	1,440
Woods of Catharpin	4	0	0	0	4	Crossroads Station	0	0	610	0	610
Whitehall	60	0	0	0	60	New Post	219	104	102	0	425
Tanglewood Estates	2	0	0	0	2	Fortune's Landing	45	0	0	0	45
Estates at Kingswood	28	0	0	0	28	Barley Woods	0	0	0	130	130
Breckenridge Farms	50	0	0	0	50	Heritage Woods	697	180	183	0	1,060
Avalon Woods	98	0	0	0	98	Courtland Park	89	0	0	0	89
Anna Vista, Section 2	10	0	0	0	10	Southpoint Landing	0	0	550	0	550
Pennington Estates	12	0	0	0	12	Legends of Chancellorsville	218	0	0	0	218
Pamunkey Point	20	0	0	0	20	Wheatland	0	98	0	0	98
Lee's Parke	447	0	0	168	615	Thorburn Estates	59	0	0	0	59
Sunrise Bay	34	0	0	0	34	Jackson Village	0	596	1,289	385	2,270
Regency at Chancellorsville	0	0	0	128	128	Retreat at Chancellorsville	0	0	0	192	192
Glen Haven/ River Glen	34	0	0	0	34	Alexander's Crossing	518	971	888	230	2,607
Reserve at Chancellorsville	98	0	0	0	98				0		
Lafayette Crossing	0	21	0	0	21	Plantation Woods	132	0		0	132
Mallard Landing	0	99	0	0	99	Goodwin Cove	35	0	0	0	35
Spring Arbor	0	0	0	6	6	Cedar Forest	29	0	0	0	29
Summerfield	45	21	0	0	66	Summit Crossing Estates	70	0	0	0	70
						Barrington	39	0	0	0	39
Total of all units approved but not yet built							14,042				

SFD = Single Family Detached; SFA = Single Family Attached; MF = Multi Family; AR = Age Restricted

Community Facilities

- 31 Schools
- 12 Parks¹
- 1 Outdoor Amphitheatre
- 5 Community Centers
- 1 Senior Center
- 1 Visitors Center
- 1 County Museum
- 1 Swimming Pool
- 73 Multipurpose Fields²
- 46 Tennis Courts²
- 50 Baseball/Softball Diamonds²
- 43 Basketball Courts²
- 130.7 miles of Trails
- 1 Animal Shelter
- 13 Convenience Centers
- 1 Landfill
- 11 Fire/Rescue Stations
- 2 Dams and Reservoirs
- 49 Pump Stations
- 2 Water Treatment Plants (WTP)
- 3 Wastewater Treatment Plants (WWTP)
- 1,200+ miles water/sewer infrastructure

¹ Includes parks at the County’s two reservoirs

² Includes facilities at schools

Additionally, Spotsylvania participates in regional programs such as the Central Rappahannock Regional Library, FRED Bus Service, Health Department, Rappahannock Juvenile Detention Center and the Rappahannock Regional Jail.

Business, Labor & Employment

The County’s primary economic development mission is to attract new businesses and capital investment, and to provide a supportive climate for the growth of existing businesses in order to stimulate the creation of jobs and tax revenues. The County has implemented numerous initiatives and specific programs to accomplish this mission.

The County’s target industries include healthcare, manufacturing, professional services (high tech/IT/defense), and tourism.

Existing Retail and Mixed Use Developments

Development	Square Footage	Development Type
Spotsylvania Towne Centre	1.6 million	Shopping and dining
Southpoint I & II	1.2 million+	Mixed use retail/commercial
Cosner’s Corner	980,000	Retail and office
Harrison Crossing	600,000	Shopping and dining
Spotsylvania Courthouse Village	500,000	Office, retail, civic: 1,500 residential units

Source: Spotsylvania County Economic Development Department

Number of Jobs by Sector and Wage

Industry	Average Establishments		Average Employment		Average Weekly Wage	
	YoY		YoY		YoY	
	2017	Change ¹	2017	Change ¹	2017	Change ¹
Retail Trade	374	4	6,540	(38)	\$576	\$11
Educational Services	28	(2)	5,026	131	\$749	(\$8)
Health Care and Social Assistance	682	(35)	4,675	(56)	\$789	\$63
Accommodation and Food Service	195	4	4,324	(86)	\$317	\$17
Construction	297	(3)	2,221	(82)	\$840	\$54
Professional, Scientific, and Technical Services	265	(9)	1,856	40	\$1,536	(\$86)
Other Services (except Public Administration)	349	98	1,553	65	\$532	(\$3)
Transportation and Warehousing	71	(3)	1,524	173	\$833	(\$45)
Administrative and Support and Waste Management	125	(3)	1,614	(86)	\$547	\$17
Wholesale Trade	115	(6)	1,208	42	\$969	(\$10)
Public Administration	37	1	1,053	(53)	\$920	(\$61)
Manufacturing	59	-	1,126	8	\$911	(\$172)
Arts, Entertainment, and Recreation	34	-	904	17	\$293	\$12
Real Estate and Rental and Leasing	117	11	565	73	\$737	\$93
Finance and Insurance	95	-	492	(16)	\$955	\$7
Management of Companies and Enterprises	21	1	439	54	\$1,408	(\$222)
Information	28	-	321	5	\$927	(\$12)
Utilities	8	1	N/A	N/A	N/A	N/A
Agriculture, Forestry, Fishing & Hunting	8	-	55	(1)	\$378	\$17
Mining, Quarrying, and Oil and Gas Extraction	3	1	38	N/A	\$1,159	N/A
Unclassified establishments	49	5	98	(29)	\$559	\$29
Total	2,960	65	35,719	590	\$720	(\$1)

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages as of 2nd Quarter 2017

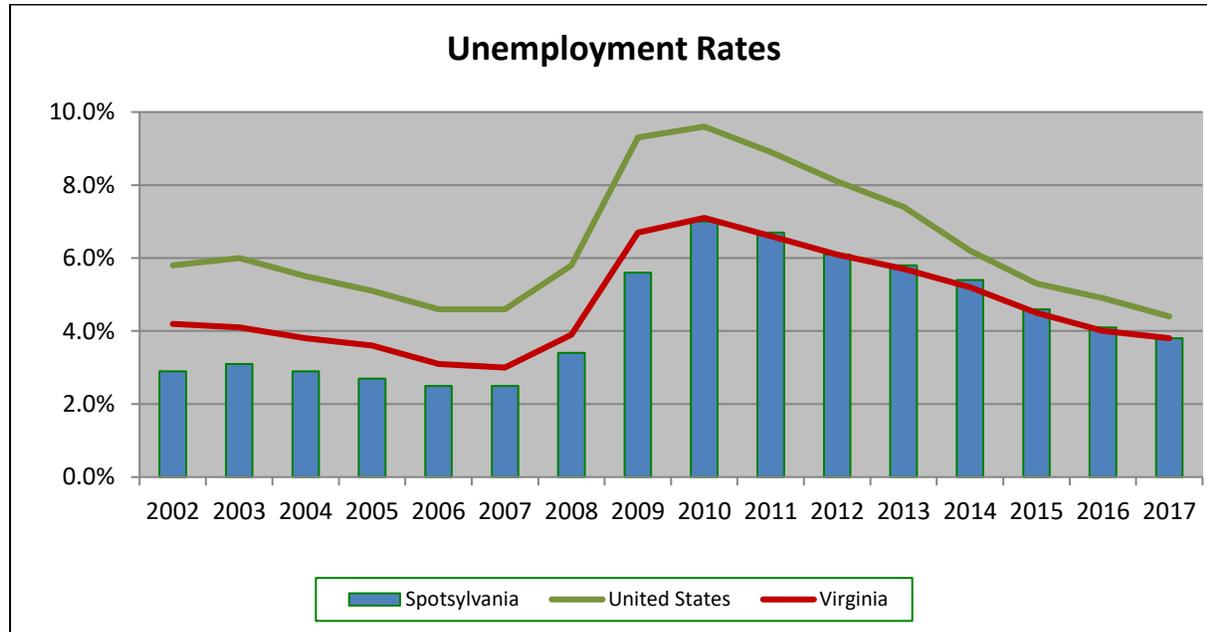
¹Represents the year over year change in amounts reported by the Virginia Employment Commission, Quarterly Census of Employment and Wages from 2nd Quarter 2016 to 2nd Quarter 2017.

Employment Status within Spotsylvania

Employment Status	2000	2016	% Change
Population 16 years old or older	66,138	99,814	50.9%
In labor force	47,747	67,729	41.8%
- Employed - civilian	45,651	63,469	39.0%
- Employed - armed forces	595	496	(16.6%)
- Unemployed	1,501	3,764	150.8%
Not in labor force	18,391	32,085	74.5%

Source: U.S. Census Bureau

Unemployment rates for Spotsylvania have been well below the national level and below, or comparable, to state rates in recent years. The County’s unemployment rate ranked 56 out of 133 counties and cities within Virginia, as reported by the Virginia Employment Commission in November 2017.



Source: Virginia Employment Commission for Spotsylvania and Virginia, U.S. Bureau of Labor Statistics for United States

Top 20 Public & Private Employers within the County

Name	Nature of Business	Employee Range
Spotsylvania County Schools	Education	1,000+
Spotsylvania County Government	Local Government	1,000+
HCA Virginia Health System	Hospital – Spotsylvania Regional	500-999
Wal-Mart	Retail	500-999
CVS Pharmacy	Pharmacy Distribution Warehouse	250-499
Weis Markets	Grocery	250-499
Germanna Community College	Education	250-499
McDonald’s	Restaurant	250-499
Professional Employer Resource	Professional Employer Organization	100-249
Kaeser Compressors	Air Compressor Manufacturer	100-249
Rappahannock Goodwill Industries	Rehabilitation Services	100-249
Carmax	Automotive Dealer	100-249
A-T Solutions, Inc.	Support to Counterterrorist Activities	100-249
Giant Food	Grocery	100-249
Costco	Retail	100-249
West Asset Management	Collection Agency	100-249
Home Instead Senior care	Senior Home Care Services	100-249
Radley Honda	Motor Vehicle and Parts Dealers	100-249
Simmons Bedding Company	Mattress Manufacturer	100-249
Lowe’s Home Centers, Inc	Home and Garden Supplies	100-249

Source: Virginia Employment Commission, as of 2nd Quarter 2017

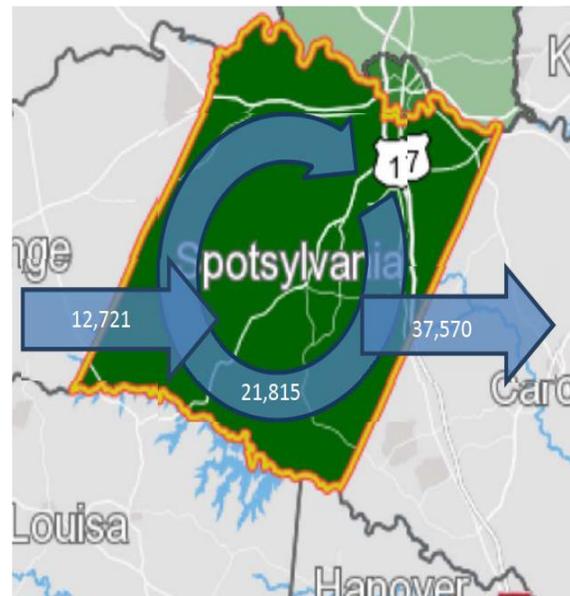
Other Public & Private Major Employers in Surrounding Area

Name	Nature of Business	Employee Range
U.S. Department of Defense	Federal Government Agency	1,000+
GEICO	Insurance Customer Service Center	1,000+
Stafford County Schools	Education	1,000+
Federal Bureau of Investigation	Federal Government Agency	1,000+
Mary Washington Hospital	Hospital	1,000+
County of Stafford	Local Government	1,000+
University of Mary Washington	Education	1,000+
Fredericksburg City Schools	Education	500-999
McLane Mid-Atlantic	Distributor for Convenience Stores	500-999
King George Schools	Education	500-999
Caroline County Schools	Education	500-999
Medicorp Health System	Healthcare	500-999
City of Fredericksburg	Local Government	500-999
YMCA	Social Advocacy Organization	500-999
Stafford Hospital Center	Hospital	500-999
Rappahannock Area Community Services Board	Social Advocacy Organization	500-999
Target Corp	Retail	250-499
WaWa	Fueling Stations/Convenience Stores	250-499
United States Postal Service	Federal Government Agency	250-499
Snowden Services, Inc	Healthcare Services	250-499

Source: Virginia Employment Commission, as of 2nd Quarter 2017

Spotsylvania Commuting Patterns - 2013

Commuting From	Area	Commuting To
-	Arlington County, VA	1,268
1,760	Caroline County, VA	447
510	Culpeper County, VA	572
304	Fairfax County, VA	4,275
1,917	Fredericksburg, VA	9,281
827	King George County, VA	1,516
1,336	Orange County, VA	516
644	Prince William County, VA	4,093
91	Richmond, VA	601
3,130	Stafford County, VA	7,558
36	Washington, D.C.	3,010
2,166	All Other Locations	4,433
12,721	Total Commuters	37,570



Spotsylvania County Workers	
Live and Work in Spotsylvania	21,815

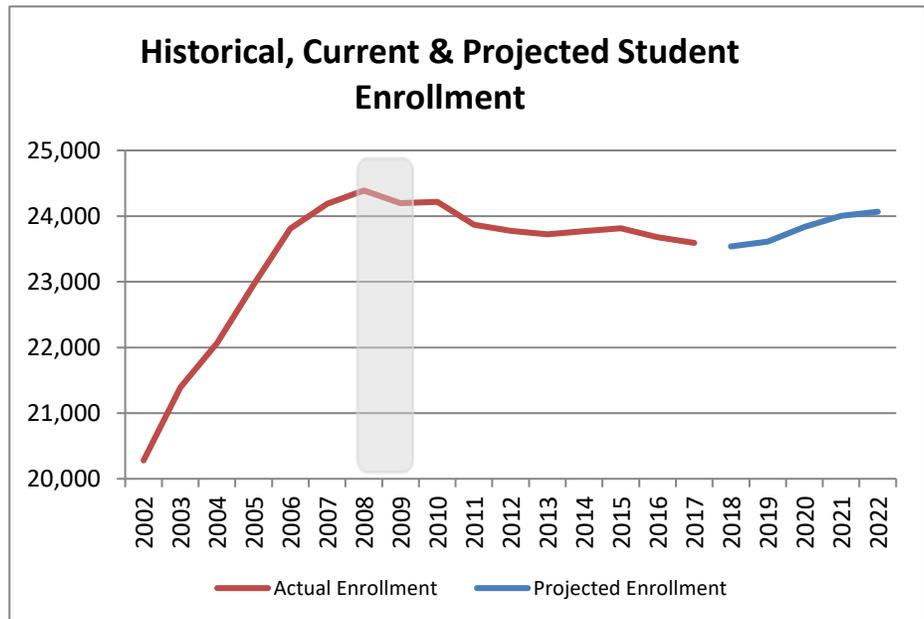
Source: U.S. Census Bureau

Education

Spotsylvania County Public Schools include 17 elementary schools, 7 middle schools, 5 high schools, 1 alternative learning center, and 1 career technical center.

Actual public school enrollment for the 2017 - 2018 school year was 23,814. Enrollment is projected to be 24,425 by the 2022 - 2023 school year.

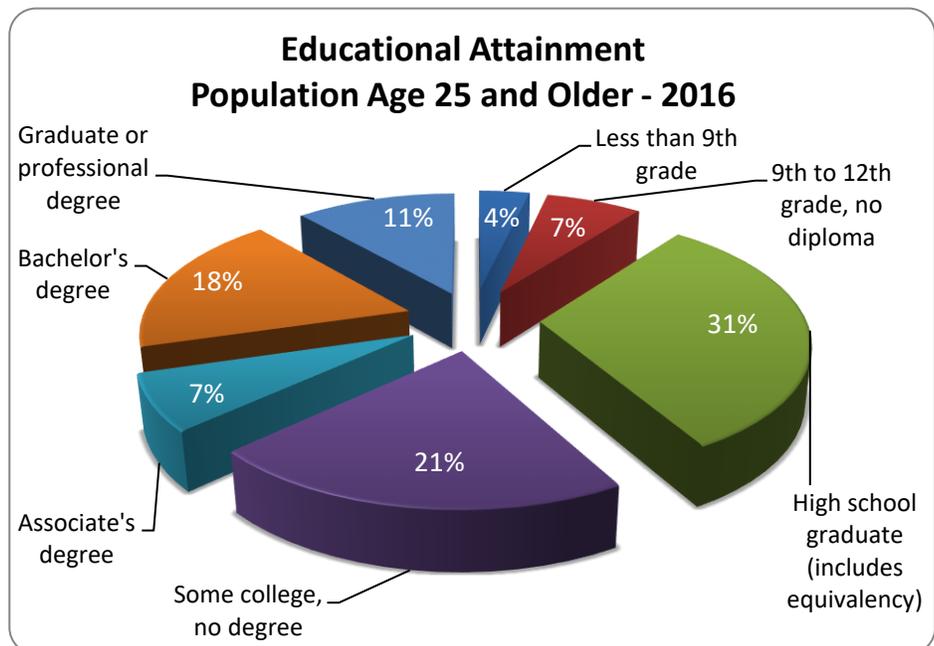
Total enrollment is projected to increase by 82 students countywide for the 2018 - 2019 school year.



Enrollment as measured on September 30 or October 1 of each year. The grey shaded area represents the recession that occurred from December 2007 to June 2009.

Over a third of Spotsylvania County residents hold a degree of associate's or higher, while 90% of residents are high school graduates or higher.

Spotsylvania County's educational attainment is comparable to national percentages. Achievement of Bachelor's and graduate/professional degrees being seven percentage points less than that of Virginia as a whole.



Source: US Census Bureau

Supplemental Information

This section contains various statistics which may be of interest to the reader.

Real Estate Tax Rate History

Calendar Year	Tax Rate	Equalized Tax Rate
1990	\$0.85	*
1991	0.90	
1992	0.82	0.71
1993	0.86	
1994	0.86	*
1995	0.86	
1996	0.86	0.81
1997	0.92	
1998	0.94	0.90
1999	1.02	
2000	1.02	0.94
2001	1.07	
2002	1.01	0.93
2003	1.01	
2004	0.86	0.86
2005	0.89	
2006	0.62	0.62
2007	0.62	
2008	0.62	0.56
2009	0.62	
2010	0.86	0.83
2011	0.86	
2012	0.88	0.90
2013	0.88	
2014	0.86	0.863
2015	0.86	
2016	0.85	0.8313
2017	0.85	
2018	0.8164**	0.8164

*Biennial assessments began occurring in 1996. Prior to that, assessments took place every four years.

** Represents the tax rate assumed in the FY 2019 Recommended Budget.

General Property Tax Rates¹

Calendar Year	Real Estate & Mobile Home	Personal Property ²	Business Furniture & Fixtures	Machinery & Tools	Heavy Construction Equipment
2018 ³	\$0.8164	\$6.52/\$6.22	\$5.95	\$2.50	\$2.00
2017	0.85	6.55/6.25	5.95	2.50	2.00
2016	0.85	6.55/6.25	5.95	2.50	2.00
2015	0.86	6.73/6.25	5.95	2.50	2.00
2014	0.86	6.78	5.95	2.50	2.00
2013	0.88	6.37	5.95	2.50	2.00
2012	0.88	6.37	5.95	2.50	2.00
2011	0.86	6.26	5.95	2.50	2.00
2010	0.86	6.26	5.95	2.50	2.00
2009	0.62	6.26	5.95	2.50	2.00
2008	0.62	5.00	5.00	2.50	2.00
2007	0.62	5.00	5.00	2.50	2.00
2006	0.62	5.00	5.00	2.50	2.00
2005	0.89	5.00	5.00	2.50	2.00
2004	0.86	5.00	5.00	2.50	2.00
2003	1.01	5.00	5.00	2.50	2.00
2002	1.01	5.00	5.00	2.50	2.00
2001	1.07	5.00	5.00	2.50	2.00

¹ Real Property and Mobile Home tax rates are levied per \$100 of assessed value. All others are assessed at no greater than 50% of value or 50% of original cost depending on the classification.

² For years 2001 – 2014, the rate includes all personal property types. Beginning in 2015, there are two adopted rates, one for automobiles, campers, motor homes, motorcycles, pickups, and trucks and a second rate for boats and boat trailers.

³ Rates shown for 2018 represent rates assumed in the FY 2019 Recommended Budget.

Real Estate Tax Rates per \$100 of Assessed Value

Locality	Population ¹	Tax Year 2016 Rate	Tax Year 2017 Rate	Change
Prince William	455,210	\$1.1950	\$1.2067	0.0117
Richmond City	223,170	1.2000	1.2000	-
Fairfax	1,138,652	1.1585	1.1610	0.0025
Alexandria	155,810	1.0730	1.1300	0.0570
Loudoun	385,945	1.1450	1.1250	(0.0200)
Fauquier	69,069	1.0390	1.0390	-
Arlington	230,050	0.9910	1.0060	0.0150
Stafford	144,361	0.9900	0.9900	-
Chesterfield	339,009	0.9600	0.9600	-
Henrico	326,501	0.8700	0.8700	-
Spotsylvania	132,010	0.8500	0.8500	-
Caroline	30,178	0.8200	0.8300	0.0100
Hanover	104,392	0.8100	0.8100	-
Fredericksburg	28,297	0.7700	0.8000	0.0300
King George	25,984	0.6800	0.7000	0.0200
Culpeper	50,083	0.7300	0.6700	(0.0600)

¹ Population figures from the U.S. Census Bureau (Estimate as of July 1, 2016).

Real Estate Tax Bill History¹

Calendar Year	Tax Rate	Equalized Tax Rate	Example AV ²	Annual Tax Bill Based on Example AV ²	Change (\$)	Change (%)
2004	\$0.86	\$0.86	\$150,000	\$1,290		
2005	\$0.89		\$150,000	\$1,335	\$45	6.0%
2006	\$0.62	\$0.62	\$229,350	\$1,422	\$87	6.5%
2007	\$0.62		\$229,350	\$1,422	\$0	0.0%
2008	\$0.62	\$0.56	\$256,367	\$1,589	\$168	11.8%
2009	\$0.62		\$256,367	\$1,589	\$0	0.0%
2010	\$0.86	\$0.83	\$185,200	\$1,593	\$3	0.2%
2011	\$0.86		\$185,200	\$1,593	\$0	0.0%
2012	\$0.88	\$0.90	\$182,070	\$1,602	\$9	0.6%
2013	\$0.88		\$182,070	\$1,602	\$0	0.0%
2014	\$0.86	\$0.863	\$192,794	\$1,658	\$56	3.5%
2015	\$0.86		\$192,794	\$1,658	\$0	0.0%
2016	\$0.85	\$0.8313	\$207,755	\$1,766	\$108	6.5%
2017	\$0.85		\$207,755	\$1,766	\$0	0.0%
2018	\$0.8164	\$0.8164	\$224,687	\$1,834	\$68	3.9%
					\$544	

¹ This analysis is based upon an *example* 2004 assessed value and shows that a house valued at \$150,000 in 2004 would be valued at approximately \$224,687 in 2018. At the recommended \$0.8164 rate for 2018, the real estate taxes on this *example* residential property would have increased by \$544 since 2004 – an average annual increase of 2.5%.

² AV = assessed value

Principal Property Taxpayers

As of December 31, 2016

Name	Type of Business	Assessed Value ¹	Amount of Tax	Percent of Total Taxable AV ²
Spotsylvania Mall Company	Shopping Mall	\$188,295,612	\$1,616,822	1.28%
Dominion Virginia Power	Public Utility	152,474,296	1,296,032	1.04%
Spotsylvania Regional Medical Center	Hospital	81,313,322	1,121,732	0.55%
Rappahannock Electric	Public Utility	77,458,717	696,223	0.53%
Comcast of VA	Public Utility	8,712,475	518,660	0.06%
Verizon VA	Public Utility	49,025,611	435,456	0.33%
CVS VA Distribution	Warehousing	7,264,477	432,236	0.05%
Columbia Gas of VA	Public Utility	41,958,524	356,647	0.29%
GLL BVK Properties	Developer	32,718,900	278,111	0.22%
Station Sq. at Cosner's Corner	Apartments	31,876,193	274,191	0.22%

Source: Treasurer, Spotsylvania County, Virginia

¹ Includes real and personal property taxes. This schedule is arranged from highest to lowest by amount of tax paid. Due to varying rates for real and personal property, assessed values may appear to be out of order.

² AV = assessed value



County Vision, Mission, & Goals

The County's vision is to "be a leading Virginia community in quality of living and a leader in the region in sustained economic development. The County will embrace as its highest purpose the promotion of the common good through ethical and visionary leadership and through motivated and skilled employees." The poster below is displayed in County offices to serve as employees' daily reminder of the County's vision, mission, and values. Representing the County focus, the vision is at the center of the display surrounded by five County values or objectives.



The County's four primary goals of promoting effective governmental, public safety and transportation programs, and managing growth are shown below.



Linking County-Wide & Functional Goals

The following chart displays the links between long-term functional and County-wide goals. Additional information related to the functional goals and performance measures may be found in the Function/Department Budgets section of this document beginning on page 273.

Functional Goals	County-wide Goals			
	General Gov't	Public Safety	Transportation	Growth Mgmt
Executive Services				
• Promote a safe, healthy and prosperous community	✓	✓	✓	✓
• Maintain a customer-focused government	✓	✓	✓	✓
• Support a strong sense of community	✓	✓	✓	✓
• Implement County policy	✓	✓	✓	✓
Administrative Services				
• Provide accurate real property assessments & financial information	✓			
• Provide technical oversight and financial support to County departments	✓			
• Ensure accountability	✓			
• Provide range of technology services	✓	✓		
• Achieve AAA bond rating	✓	✓	✓	
Voter Services				
• Provide registration and voting opportunities	✓			
• Ensure proper operation of elections	✓			
• Satisfy internal and external reporting requirements and requests	✓			
Judicial Administration				
• Prosecute criminal cases		✓		
• Maintain comprehensive law library		✓		
• Provide Victim-Witness program		✓		
• Maintain court of record, deeds and probate	✓	✓		
Public Safety				
• Protect life and property, and reduce the fear of crime		✓		
• Provide 24/7 Fire/EMS service		✓		
• Ensure the humane treatment of animals		✓		
• Provide services to juveniles		✓		
Public Works				
• Provide well-maintained facilities	✓	✓		
• Preserve water quality and environment	✓	✓		✓
• Energy management	✓			✓
• Improve landfill utilization rate	✓			✓

Linking County-Wide & Functional Goals

Functional Goals	County-wide Goals			
	General Gov't	Public Safety	Transportation	Growth Mgmt
Health & Welfare				
• People helping people	✓	✓		
• Strengthen family units	✓	✓		
• Ensure safety and well-being of children in agency custody	✓	✓		
• Investigate report of abuse and neglect	✓	✓		
• Build cooperative and productive relationships with stakeholders	✓	✓		
Parks, Recreation & Cultural				
• Enhance quality of life for residents	✓			
• Provide sustainable recreational programs	✓			
Community Development				
• Contribute to a high quality of life	✓	✓	✓	✓
• Promote business growth and development	✓		✓	✓
• Promote tourism & farmers' markets	✓			
• Provide learning opportunities to include 4-H	✓			
Transportation				
• Partner with State and Federal governments to provide safe and appropriate means of transportation to County citizens		✓	✓	✓
• Ensure government vehicles and equipment are maintained in safe operating condition		✓	✓	✓
Education				
• Provide effective instructional services	✓			
• Promote a positive and effective learning environment	✓			
• Encourage parent engagement and dynamic community partnerships	✓			
• Ensure a supportive organizational structure	✓			
School Food Service				
• Support the learning experience	✓			
Capital Projects				
• Ensure the County maintains effective current and future levels of service and infrastructure for its citizens	✓	✓	✓	✓
Debt Service				
• Maintain compliance with adopted debt policies	✓	✓	✓	✓

FY 2019 Recommended Budget - All Funds

	FY 2017 Actual	FY 2018 Adopted	FY 2018 Amended	FY 2019 Recommended	Variance (rec. to adopt) Amount	Percent
Revenues (by type)						
Property Taxes	\$166,866,873	\$168,849,377	\$168,874,377	\$175,672,725	\$6,823,348	4.0%
Other Local Taxes	\$42,563,067	\$41,646,000	\$41,646,000	\$42,735,253	\$1,089,253	2.6%
Licenses & Permits	\$315,939	\$345,200	\$345,200	\$363,200	\$18,000	5.2%
Charges for Services	\$43,974,737	\$39,875,410	\$39,875,410	\$42,687,186	\$2,811,776	7.1%
Other Local Revenue	\$24,683,398	\$24,127,876	\$27,900,411	\$28,535,545	\$4,407,669	18.3%
Debt Proceeds	\$32,318,729	\$27,361,447	\$29,510,683	\$30,799,918	\$3,438,471	12.6%
State Revenue	\$168,927,890	\$171,136,412	\$172,485,004	\$179,445,040	\$8,308,628	4.9%
Federal Revenue	\$16,753,985	\$17,482,541	\$19,798,871	\$17,254,672	(\$227,869)	-1.3%
Subtotal - Revenue	\$496,404,618	\$490,824,263	\$500,435,956	\$517,493,539	\$26,669,276	5.4%
Transfers In	\$146,112,633	\$149,550,562	\$152,886,948	\$151,946,714	\$2,396,152	1.6%
Use of Fund Balance	\$5,194,314	\$11,914,873	\$103,289,419	\$9,515,419	(\$2,399,454)	-20.1%
TOTAL REVENUE - All Funds	\$647,711,565	\$652,289,698	\$756,612,323	\$678,955,672	\$26,665,974	4.1%
Expenditures (by function)						
Executive Services	\$3,337,426	\$5,014,724	\$3,865,894	\$3,466,185	(\$1,548,539)	-30.9%
Administrative Services	\$12,095,517	\$13,451,416	\$13,813,045	\$14,233,484	\$782,068	5.8%
Voter Services	\$422,650	\$438,212	\$442,963	\$487,944	\$49,732	11.3%
Judicial Administration	\$3,881,296	\$4,182,973	\$4,358,857	\$4,409,933	\$226,960	5.4%
Public Safety	\$51,289,812	\$53,311,500	\$56,376,940	\$57,048,279	\$3,736,779	7.0%
Public Works	\$25,240,059	\$29,565,100	\$29,704,657	\$30,896,246	\$1,331,146	4.5%
Health & Welfare	\$19,687,811	\$19,621,211	\$19,984,445	\$20,292,667	\$671,456	3.4%
Parks, Recreation & Cultural	\$7,077,086	\$7,520,722	\$7,566,256	\$8,295,620	\$774,898	10.3%
Community Development	\$5,050,006	\$5,228,956	\$6,195,377	\$5,878,622	\$649,666	12.4%
Debt Service	\$50,037,323	\$51,231,916	\$51,387,476	\$53,214,907	\$1,982,991	3.9%
Capital Projects	\$61,582,332	\$49,266,263	\$142,312,896	\$56,086,295	\$6,820,032	13.8%
Transportation	\$2,204,356	\$3,673,013	\$3,673,013	\$3,048,967	(\$624,046)	-17.0%
Education	\$242,866,152	\$248,943,289	\$252,353,715	\$257,171,247	\$8,227,958	3.3%
School Food Service	\$9,845,133	\$10,199,132	\$10,599,132	\$11,322,972	\$1,123,840	11.0%
Subtotal - Appropriated Expenditures	\$494,616,959	\$501,648,427	\$602,634,666	\$525,853,368	\$24,204,941	4.8%
Tax Relief	\$1,113,904	\$1,090,709	\$1,090,709	\$1,155,590	\$64,881	5.9%
Subtotal - Recommended Budget	\$495,730,863	\$502,739,136	\$603,725,375	\$527,008,958	\$24,269,822	4.8%
Transfers Out	\$151,980,702	\$149,550,562	\$152,886,948	\$151,946,714	\$2,396,152	1.6%
TOTAL EXPENDITURES - All Funds	\$647,711,565	\$652,289,698	\$756,612,323	\$678,955,672	\$26,665,974	4.1%
Appropriated Expenditures (by category)						
Personnel (salaries & benefits)	\$293,890,391	\$302,856,376	\$307,415,772	\$316,820,874	\$13,964,498	4.6%
Operating (other than debt service)	\$88,234,730	\$97,183,643	\$104,129,207	\$100,946,784	\$3,763,141	3.9%
Debt Service	\$50,037,323	\$51,231,916	\$51,387,476	\$53,214,907	\$1,982,991	3.9%
Capital	\$62,454,515	\$50,376,492	\$139,702,211	\$54,870,803	\$4,494,311	8.9%
TOTAL APPROPRIATED EXPENDITURES - All Funds	\$494,616,959	\$501,648,427	\$602,634,666	\$525,853,368	\$24,204,941	4.8%

