



## FY 2019 BUDGET ADOPTED

The FY 2019 budget represents the Board of Supervisor’s revenue and expenditure policy direction after budget work sessions with the School Board and Finance Committee. During the budget work sessions, many issues were discussed. Public safety needs and concerns, education needs, and the use of fund balance funding to balance the budget are just a few of the areas that needed to be addressed. The commitment of the Board, the School Board, and county staff has allowed us the opportunity to continue to provide necessary services with a continued low real estate tax rate in comparison to surrounding localities. With this commitment in mind, we have produced a budget that considers limited revenue sources, expenditures, and the needs of Frederick County citizens.

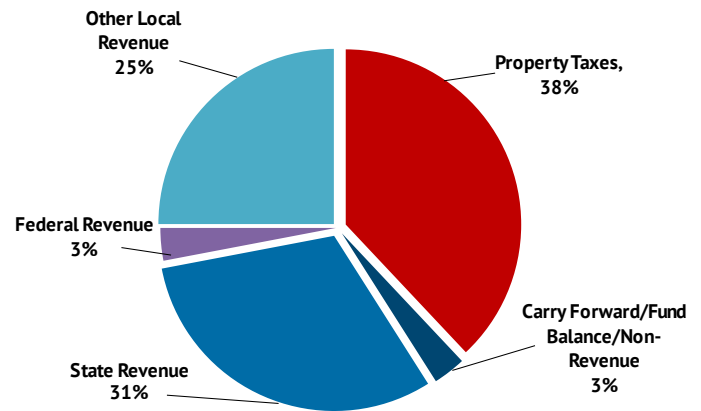
The FY 2019 budget process began in October 2017 with departments and outside agencies receiving budget packets for completion and submission to the Finance Department in November 2017. The Finance Committee Chairman presented a budget priorities memo in October 2017 to share her concerns on the upcoming budget. In her memo, the Chairman outlined several priorities to serve as direction for administration and staff in crafting a budget.

- Consider public safety and education needs of the community as a priority.
- Provide responsible stewardship for county funds to ensure citizens receive the best services possible for the funds expended.
- Maintain fund balance guidelines consistent with GFOA and adhere to debt policies.
- Identify and quantify prioritized deferred capital plan.
- Continue to minimize the size of government wherever possible.

These components were relayed as part of the budget directive given to department heads and constitutional officers.

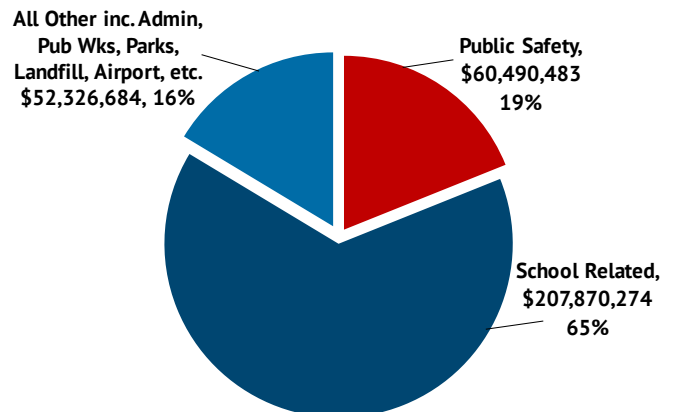
## FY 2019 Adopted Budget – All Funds \$320,687,441

Where Does It Come From?



## FY 2019 Adopted Budget – All Funds \$320,687,441

Where Does It Go?



A County Administrator's Budget Committee was established at the beginning of the budget process to meet with departments, constitutional offices, and outside agencies to listen and understand the requests being presented and formulate strategies. Meetings were held throughout the budget process and continue today. Administrative objectives were developed to also guide in budget preparations.

- Reduce operating costs and promote efficiencies wherever possible.
- Address public safety needs.
- Provide sufficient employee compensation to retain quality staff.
- Provide for technology upgrades to ensure equipment and infrastructure are up to date and secure.
- Address critical staffing needs.

Numerous Board of Supervisors and Finance Committee budget work sessions began in December 2017, also continuing presently. The work sessions begin with preliminary budget scenarios and future debt services discussions. Presentations were made by the Fire & Rescue Chief concerning his request for 20 new positions. The school Superintendent also presented the School Board's budget. The Board also considered a vehicle replacement model to assess the need for vehicle replacement requests. In mid-February, eight budget and funding scenarios were presented which included a combination of strategies on tax rates, fund balance funding, and capital/debt reserve funding. The Board ultimately reached consensus to advertise a budget which included a \$0.01 real estate tax increase and an increase to the aircraft tax to \$0.50.

The County Administrator presented the proposed FY 2019 budget and a public hearing was held at the Board of Supervisors meeting on March 28, 2018. The advertised budget presented totaled \$319,822,441. Of this amount, 65% is school related, 19% for public safety, and the remaining 16% is for all other county functions combined including administration, public works, parks, landfill, and airport. The proposed budget reflected the following:

- \$7.8 million increase in revenue (approximately 4.3%)
  - \$6 million natural increase
  - \$1 million derived from the \$0.01 real estate tax increase
- \$6.8 million reduction in the use of fund balance funding used.
- \$3.8 million increase to the General Fund. Total requests were for \$15.5 million.
- \$6.0 million increase to the School Operating Fund. Total request was for \$6.6 million.
- \$2.7 million decrease to the School Capital Project Fund. Total request was for \$2.7 million.

The final budget was adopted on April 11, 2018 in the amount of \$320,687,441, a slight increase over the original advertised budget. The difference represents a combination of an increase in the amount of \$2.3 million to the School Capital Project Fund, a decrease of \$865,000 to School Operating, and a \$570,000 decrease Board of Supervisors Contingency in the General Fund. The remaining \$865,000 required to fund the increase to the School Capital will come from the General Fund fund balance.

Budget work sessions for the County remain ongoing to make final determinations on specific allocations of General fund appropriations. The following are continuing discussion items:

- County General Fund departmental budget requests included 35 new positions, of which 28 were public safety.
- The uncertainty of Medicaid expansion in Virginia. The impact on the County will not be known until the state approves a budget.
- County General Fund capital requests.

### **Budget Priorities of the Finance Committee**

- *Consider public safety and education needs of the community as a priority.*
- *Provide responsible stewardship for county funds to ensure citizens receive the best services possible for the funds expended.*
- *Maintain fund balance guidelines consistent with GFOA and adhere to debt policies.*
- *Identify and quantify prioritized deferred capital plan.*
- *Continue to minimize the size of government wherever possible.*

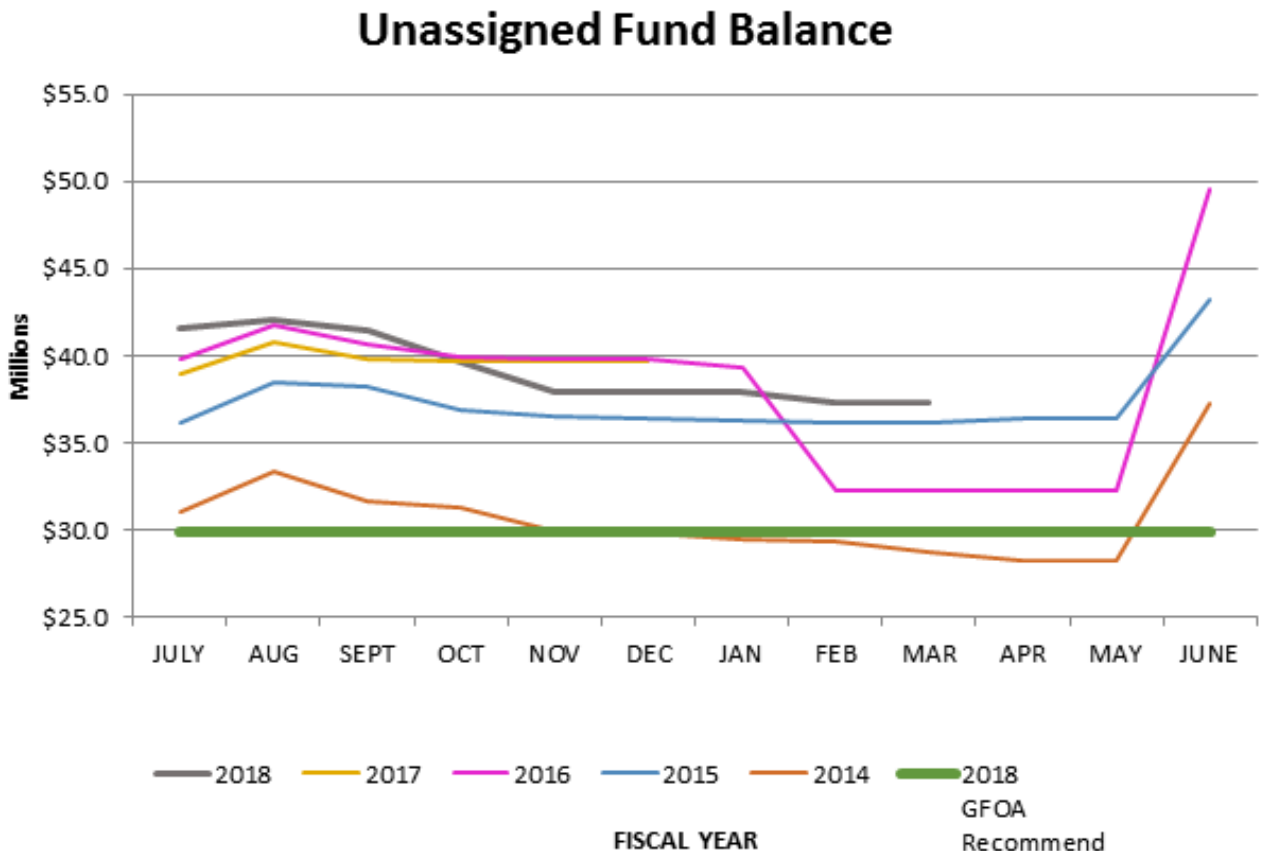
# UNASSIGNED FUND BALANCE

Fund Balance is the excess dollars of what the County owns (assets) and what the County owes (liabilities). There are several reasons that fund balance is important. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing for operations and cash flows. Cash flow becomes a critical component since half of the largest revenue source is collected at the end of the budget year with the June 5th tax collection.

The Government Finance Officers Association (GFOA) recommends that unassigned fund balance be maintained at no less than two months of regular operating revenues or regular operating expenditures and states that it “is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates.” For Frederick County’s general fund, that equates to approximately \$29.9 million or 16.7% of the total general fund operating revenues for FY 2018. Currently, the County’s fund balance is above the recommendation at 20.7% (\$37.3 million). Quarter 3 shows a current year decrease in fund balance of approximately \$4.3 million. This is attributed to supplemental appropriations approved throughout the fiscal year, which include \$2.0 million for an economic development incentive for Navy Federal Credit Union, \$0.6 million to replace the self-contained breathing apparatus for Fire & Rescue, \$0.3 million for 3 Sheriff’s deputies and required equipment, and \$1.3 million to carry forward unspent school operating funds from the prior year for unspent grant funds and school buses.

The County monitors unassigned general fund balance monthly. Over the years, fund balance has been used to balance the General Fund budget. The General Fund fund balance was reduced by \$2.5 million to balance the FY 2018 budget (57% schools, 43% county general fund). This represents a decrease of \$1.1 million compared to the fund balance funding used to balance the FY 2017 budget. Fund balance has been regularly used to balance the budgets in the past. At year-end those funds have been routinely returned to unassigned fund balance as a result of unbudgeted revenues or unspent expenditures. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

The chart below shows a five-year history of the County’s unassigned fund balance.



# OVERALL GENERAL FUND PERFORMANCE

## FY 2018 QTR 3

The General Fund is the chief operating fund for the County and includes multiple programs, services, and activities for the citizens of Frederick County. The FY 2018 appropriated budget for revenues and expenses (including transfers to other funds) is \$171,298,698 and \$189,064,292 respectively. The appropriated budget includes the original adopted budget plus any budget amendments after the start of the fiscal year.

Frederick County's overall General Fund revenue comparison through March 31, 2018 has increased \$4.6 million compared to the previous year. The largest revenue source is property taxes that are due in December and June each year. Actual expenditures are at 69% of yearly appropriated expenditures, which is right on track.

### GENERAL FUND REVENUES

The total General Fund revenue collected through March 31, 2018 shows a net increase of \$4.6 million when compared to the same time last year.

**Property Taxes** are taxes collected for property housed in the County, including real estate, personal property, and machinery and tools tax. Total property taxes collected increased \$4.7 million or 9% through the third quarter of FY 2018 compared to FY 2017. The increase includes \$2.6 million in real estate and \$1.9 million personal property. Increases in property taxes can be due to the timing of payments, increased personal property purchases above any sales of personal property, supplemental improvements to real property, and changes in real estate values due to reassessment. The most recent real estate reassessment was effective January 1, 2017. The most comparable quarters each year are the second and fourth due to tax collection due dates.

**Other Local Taxes** include local sales and use tax, communications sales tax, utility taxes, business licenses, auto rental tax, motor vehicle licenses fees, recordation taxes, meals tax, lodging tax, street lights, and Star Fort fees. The total net increase of \$327,765 through March was impacted by increases in local sales and use tax, utility taxes, motor vehicle licenses fees, lodging tax, and meals tax combined with decreases in business licenses, communications sales tax, recordation taxes, and auto rental tax.

Local sales taxes consist of the portion of the state sales tax that is remitted to the locality. The state sales tax is 5.3% with the state returning 1% back to the locality. Collections increased \$143,348, or 2%, through the third quarter of FY 2018 compared to the prior year.

**Permits and Privilege Fees** mainly include dog licenses and various building related permits. These permit collections fluctuate with the economy and housing industry. The total permits have decreased \$49,729 year-to-date, the largest being building permits that are down \$159,978 compared to the same time last fiscal year. During the first two quarters of the year there was an 8% drop in permits issued, partially attributed to the rush of home building permits that were issued in the last quarter of FY 2017. The third quarter has shown a slight increase in permits issued, but the permits have been limited to mostly residential with a limited amount of permit fees being generated by larger commercial projects. Commercial permits generally have higher values than home building permits.

Revenue from the **Use of Money and Property** includes investment income and rental income. The Federal Reserve, under the new leadership of Chairman Jerome Powell, raised the Federal Funds Rate in March 2018 by 25 basis points. This

## Snapshot

### Year Over Year Revenue Collection

- Property Taxes ⬆️
- Other Local Taxes ⬆️
- Permits & Privilege Fees ⬇️
- Use of Money & Property ⬆️
- Charges for Services ⬇️
- Recovered Costs ⬇️
- Proffers ⬇️
- State Revenue ⬆️
- Federal Revenue ⬆️
- Miscellaneous ⬇️

*The total General Fund revenue collected through March 31, 2018 shows a net increase of \$4.6 million when compared to the same time last year.*

is the first of three expected rate increases for 2018. The County continues to earn more interest than the previous year, resulting in the majority of the \$303,870 net increase for FY 2018.

**Charges for Services** are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is a decrease of \$219,108 when comparing year-to-date collections. This was due to a coding error in 2017 that was corrected in quarter 4.

**Miscellaneous** revenues are monies collected that do not fall under any specific category. This category reflects a third quarter decrease in the amount of \$572,441 which is a result of a \$500,000 Animal Shelter donation in the previous year. Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has decreased by \$149,242 when compared to last year. This decrease is mainly due to the timing of reimbursements that were received in March last year, but not until April this year.

A **Proffer** is an offer by a landowner during the rezoning process to perform an act or donate money, a product, or services to justify the propriety of a proposed rezoning. Proffers cannot be budgeted and are generally designated for specific uses. Intergovernmental revenues are monies received from the State of Virginia and the Federal government that is designated for specific purposes. This revenue can be somewhat inconsistent year to year depending on various grant availability and funding cycles. The \$487,162 increase from the Commonwealth primarily consists of the timing of the receipt of Four-for-Life funds, Sheriff and Victim Witness shared expenses, and an increase in social services public assistance grants related to the addition of five positions.

Intergovernmental revenues are monies received from the **State** of Virginia and the **Federal** government that is designated for specific purposes. This revenue can be somewhat inconsistent year to year depending on various grant availability and funding cycles. The \$487,162 increase from the Commonwealth primarily consists of the timing of the receipt of Four-for-Life funds, Sheriff and Victim Witness shared expenses, and an increase in social services public assistance grants related to the addition of five positions.

## GENERAL FUND EXPENDITURES

The total FY 2018 expenditures, including transfers, have increased \$14.9 million year to date compared to FY 2017 for the same period. The largest portion of the increase is due to transfers, which realized a net increase of \$9.2 million and includes \$3.1 million increase in transfers to the school capital, \$1.9 million increase in transfers to the school operating fund, and \$4.3 million for the Board of Supervisors capital reserve.

General fund expenditures make up the remaining increase in the amount of \$5.7 million and includes \$428,491 for the Children's Services Act transfer due to increased expenditures, and \$1.5 million in salaries and fringes for the Sheriff and Fire & Rescue resulting from staff turnover, position reclassifications, and additional positions. Additionally, the contributions to the Volunteer Fire Departments and the Ambulance and Rescue Services increased \$241,474 and includes \$200,136 in proffer funds to Stephens City Fire and Rescue for construction of an Ancillary Building. The local contribution to the Jail increased \$94,547 over the previous year. Community Development reflects \$995,215 increase in transfers to the Economic Development Authority for EDA incentives.

A comparative statement of general fund revenues and expenditure is provided on the following page.

## Snapshot

### Year Over Year Expenditures

- General Administration 
- Judicial Administration 
- Public Safety 
- Public Works 
- Health & Welfare 
- Education 
- Parks & Rec 
- Community Development 

*Increases in general fund expenditures include \$428,491 for the Children's Services Act and an increase of \$94,547 to the Jail.*

# Year to Date

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES ENDING MARCH 31, 2018

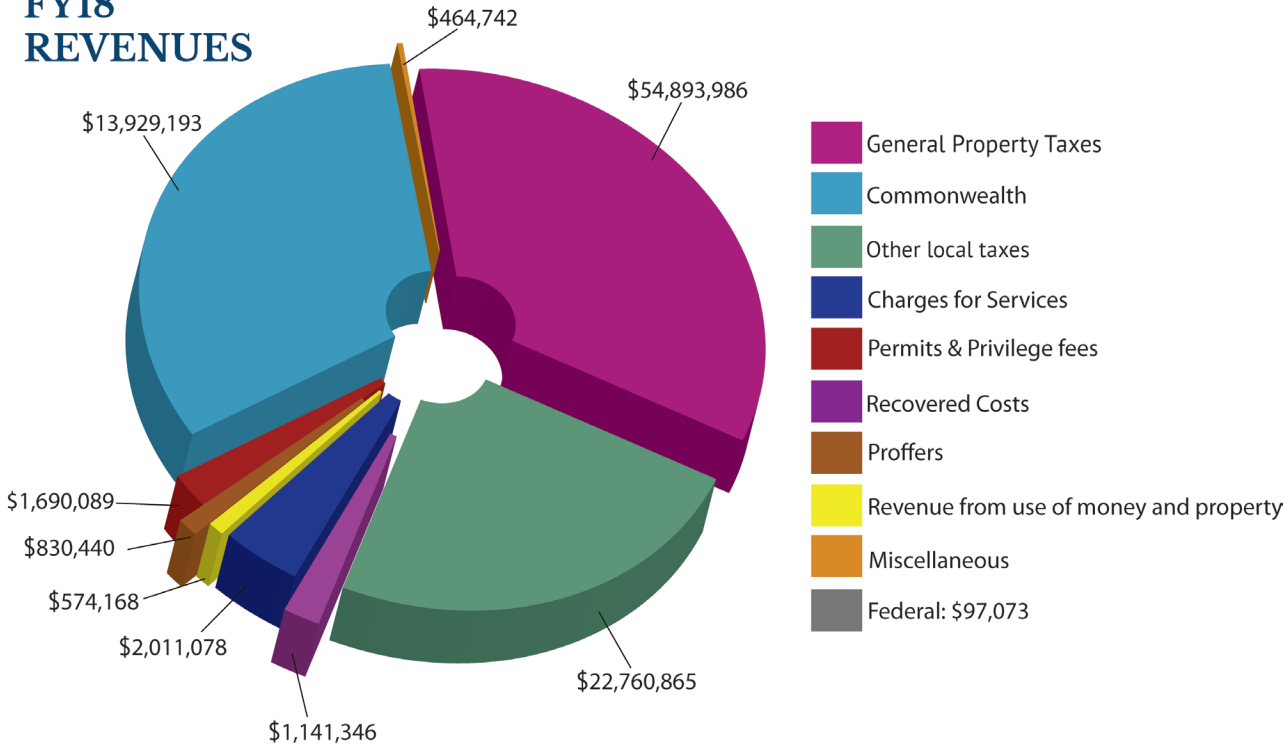
REVENUES:	Appropriated	FY18	FY17	YTD
		3/31/2018 Actual	3/31/2017 Actual	Actual Variance
General Property Taxes	117,080,093	54,893,986	50,167,779	4,726,208
Other local taxes	35,717,875	22,760,865	22,433,100	327,765
Permits & Privilege fees	2,004,806	1,690,089	1,739,818	(49,729)
Revenue from use of money and property	203,241	574,168	270,299	303,870
Charges for Services	3,076,558	2,011,078	2,230,185	(219,108)
Miscellaneous	608,382	464,742	1,037,184	(572,441)
Recovered Costs	1,559,454	1,141,346	1,290,588	(149,242)
Proffers		830,440	1,151,126	(320,686)
Intergovernmental:				
Commonwealth	11,006,617	13,929,193	13,442,031	487,162
Federal	41,671	97,073	33,110	63,963
Transfers		-	-	-
<b>TOTAL REVENUES</b>	<b>171,298,698</b>	<b>98,392,982</b>	<b>93,795,219</b>	<b>4,597,762</b>
<b>EXPENDITURES:</b>				
General Administration	12,087,894	9,250,309	8,224,646	1,025,663
Judicial Administration	2,720,768	1,877,376	1,885,652	(8,277)
Public Safety	40,374,128	28,363,794	25,659,734	2,704,060
Public Works	6,801,102	3,615,014	3,348,939	266,075
Health and Welfare	9,520,883	6,202,280	5,848,981	353,299
Community College	76,320	57,240	59,114	(1,874)
Parks, Recreation, Culture	7,707,012	4,785,492	4,464,698	320,794
Community Development	4,028,049	3,014,234	2,019,020	995,215
<b>TOTAL EXPENDITURES</b>	<b>83,316,155</b>	<b>57,165,739</b>	<b>51,510,785</b>	<b>5,654,953</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to School Operating	79,588,154	40,951,339	39,093,519	1,857,820
Transfer to School Operating Capital	3,088,287	3,088,287	0	3,088,287
Transfer to School Debt Service	15,972,475	7,986,238	7,986,238	-
Transfer to County Debt Service	2,253,648	2,213,272	2,193,695	19,577
Transfer to Development Projects Fund		0	50,000	(50,000)
Reserves and Contingencies	4,845,573	4,323,620	0	4,323,620
Operational Transfers	0	21,251	23,424	(2,173)
<b>TOTAL OPERATING TRANSFERS TO/FROM</b>	<b>105,748,137</b>	<b>58,584,006</b>	<b>49,346,875</b>	<b>9,237,131</b>
Excess (deficiency) of revenues & other sources over expenditures & other uses	(17,765,594)	(17,356,763)	(7,062,441)	(10,294,322)

*\*Fund balance funding is not reflected in revenues.*

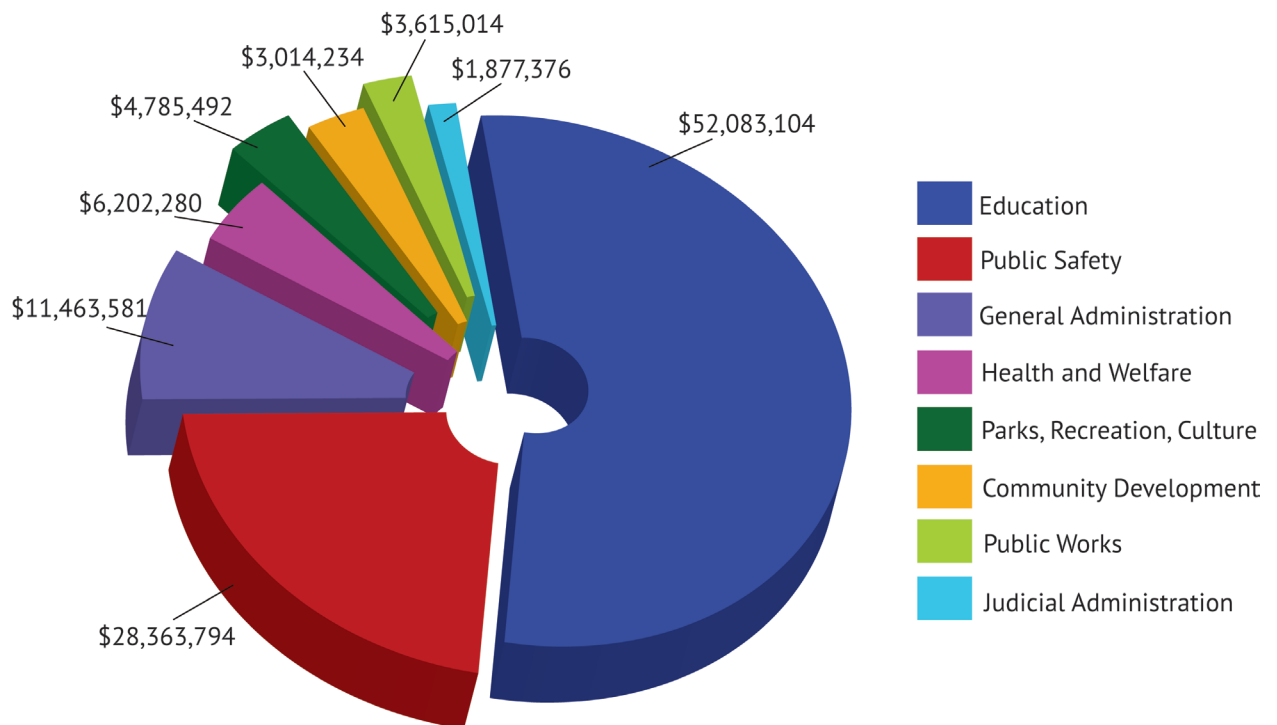
# Year to Date

## REVENUES AND EXPENDITURES ENDING MARCH 31, 2018

### FY18 REVENUES



### FY18 EXPENDITURES



# FREDERICK COUNTY FINANCE COMMITTEE

## SUMMARY OF ACTION ITEMS - FY 2018 QTR 3

The Finance Committee generally meets at 8:00 a.m. on the third Wednesday of each month in the First Floor Conference Room in the County Administration Complex. The committee is comprised of three board members and three citizen members. The Treasurer and the Commissioner of the Revenue serve as non-voting liaisons.

The primary function of the committee is to review matters of a financial nature including proposed changes to fiscal/procurement policies and the review and recommendation for matters of a financial nature coming forward to the Board including, but not limited to, supplemental appropriations, transfers and contracts.

The following were the meeting dates for the Third quarter of fiscal year 2018:

- January 17, 2018
- February 21, 2018
- March 21, 2018 – canceled

All Finance Committee Agendas and Reports can be found online, [www.fcva.us/fincomm](http://www.fcva.us/fincomm).

A General Fund supplemental appropriation request, which required local funds, was approved in the amount of \$607,881 for the replacement of Fire & Rescue self-contained breathing apparatus (SCBA) replacements. In addition, a General Fund budget transfer was approved from unspent salaries to client services for juvenile probation.

The following are General Fund supplemental appropriation requests which required no local funds:

- \$1,000 for a donation to the DARE program;
- \$5,051 for an auto claim reimbursement for the Sheriff's department; and
- \$6,996 for a property claim reimbursement for water damage at Millwood Fire Station.

The Finance Committee also serves as the Audit Committee and was presented the FY 2017 Comprehensive Annual Report (CAFR) by Robinson, Farmer, Cox Associates.

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