



FISCAL YEAR 2020 BUDGET ADOPTED

The FY 2020 budget represents the Board'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 of Supervisors, 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 2020 budget process began in October 2018 with departments and outside agencies receiving budget packets for completion and submission to the Finance Department in November 2018. The Finance Committee Chairman presented a budget priorities memo in October 2018 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.
- Address capital needs with emphasis on transportation funding for schools and public safety.
- Address critical staffing needs.
- Implement succession planning.
- Be aware of budget uncertainties including the following: state funding, insurance costs, and the County reassessment.

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

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.

The County Administrator presented the proposed FY 2020 budget and a public hearing was held at the Board of Supervisors meeting on March 27, 2019. The advertised budget presented totaled \$343,449,409. Of this amount, 63% is school related, 18% for public safety, and the remaining 19% is for all other county functions combined including administration, public works, parks, landfill, and airport.

The proposed budget reflected the following:

- \$11.0 million increase in revenue
- \$6.8 million natural increase
- \$3.3 million derived from the real estate reassessment
- \$7.0 million to create County Capital Fund. Of that, \$4.0 million will be transferred to the School Capital Fund.
- \$16.1 million increase to the General Fund. Total requests were for \$26.1 million.
- \$8.2 million increase to the School Operating Fund. Total request was for \$9.4 million, including the capital preservation fund.
- \$1.7 million increase to the School Debt Service Fund.

The final budget was adopted on April 10, 2019 in the amount of \$343,508,674 (not including transfers to other funds).

Administrative objectives were developed to also guide in budget preparations.

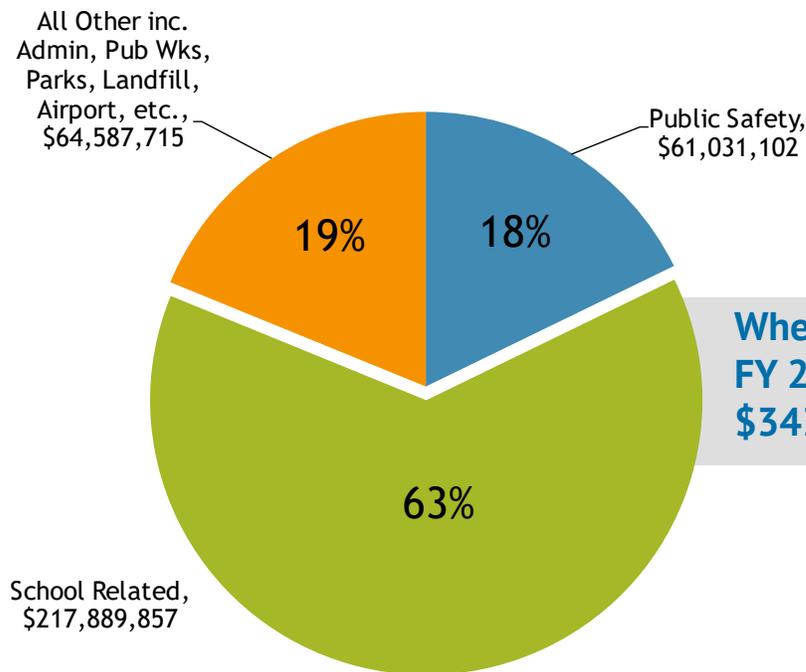
- Reduce operating costs and promote efficiencies where possible.
- Prioritize funding requests for new initiatives.
- Address staffing needs and succession planning.
- Provide sufficient employee compensation to retain quality staff.
- Ensure critical County and school capital needs are met.
- Establish County Capital Fund.

Board of Supervisors and Finance Committee budget work sessions began in January 2019. The work sessions began with the County Administrator giving a budget overview of the General Fund budget

requests, expected revenue increases, proposed budget cuts, and projected school needs. Over the next few work sessions, presentations were made by the Fire & Rescue Chief, the Sheriff, Social Services Director, the Parks & Recreation Director, the Airport Executive Director, and the Winchester-Frederick County Visitors Center Executive Director concerning their budget needs. There was also a joint Board of Supervisors/School Board Budget work session held to discuss the Superintendent's FY 2020 budget proposal. The Board of Supervisors reached consensus early in the budget cycle to advertise the reassessment at the current tax rate, which would generate an additional \$3.4 million in real estate tax revenue.

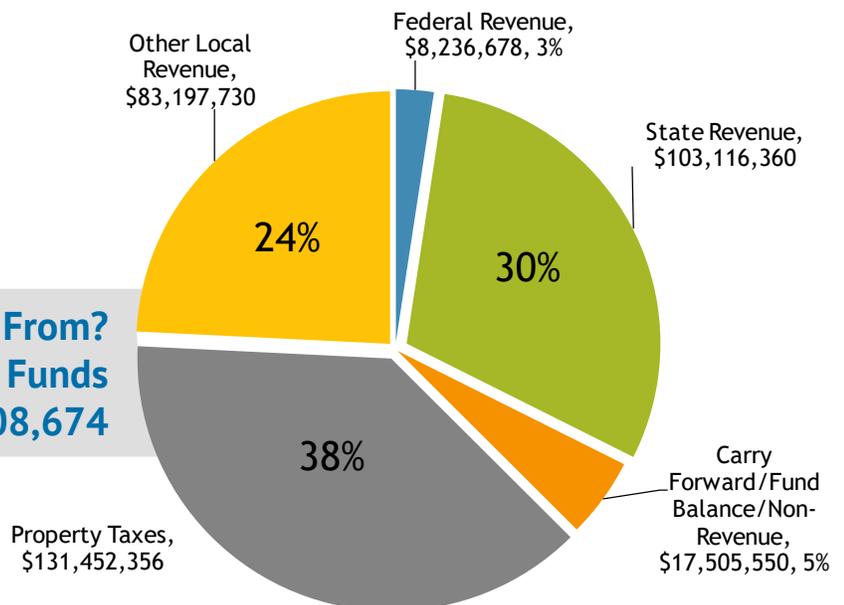
Work session discussions continued on capital priorities, and the County Administrator proposed the creation of

a County Capital Fund which would be funded annually by a transfer from the unreserved fund balance ("rainy day fund") equal to the amount above a 20% operating reserve. Future capital funding would come from the Capital Fund and would eliminate the use of unreserved fund balance funding in the FY2020 proposed budget. The Board adopted the County Capital Fund Policy and \$7 million was transferred to the Capital Fund. Discussions were also held on the airplane tax rate and the transient occupancy tax. It was ultimately decided to set the airplane tax at \$0.01 for all aircraft and increase the transient occupancy tax by 1% to 3.5%. Funds generated from the 1% increase in the transient occupancy tax must be spent solely on tourism and travel (per the Code of Virginia).



Where Does It Go?
FY 2020 Adopted Budget - All Funds
\$343,508,674

Where Does It Come From?
FY 2020 Adopted Budget - All Funds
\$343,508,674



FY 2019 UNASSIGNED FUND BALANCE

As of March 31, 2019

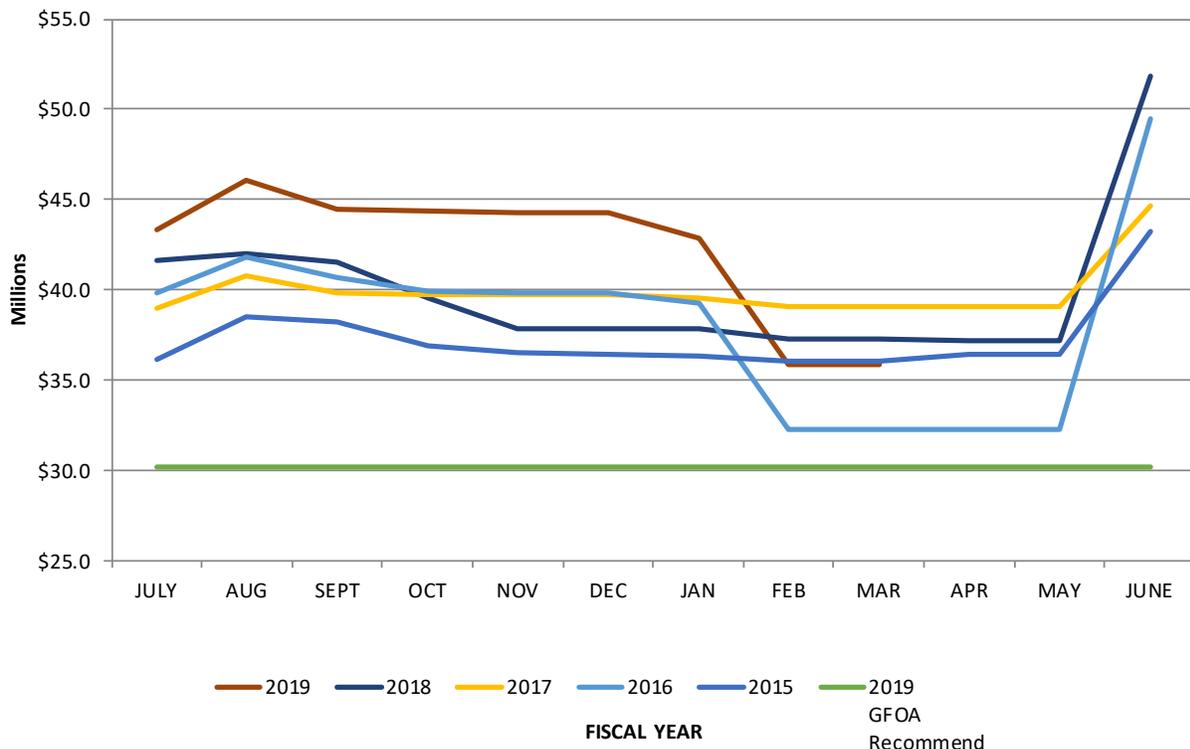
Fund Balance is the excess dollars of what the County owns (assets) and what the County owes (liabilities). There are several reasons that fund balance is important. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces 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 \$30.2 million or 16.7% of the total general fund operating budget for FY 2019. As of March 31st, the County’s fund balance is above the recommendation at 19.7% (\$35.9 million). Quarter 3 fund balance has decreased by \$8.4 million primarily due to the transfer of \$7.0 million to the newly created County Capital Fund. The Board of Supervisors created the Capital Fund to set aside unreserved fund balance funds in excess of 20% of the regular general fund operating budget to address current and future capital needs for the County and the Schools. The remainder of the decrease can be attributed to \$1.2 million to implement Phase II Safety & Security upgrades at Frederick County Public Schools.

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 million to balance the FY 2019 budget. This represents a decrease of \$5.9 million compared to the fund balance funding used to balance the FY 2018 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.

Unassigned Fund Balance



Year to Date OVERALL GENERAL FUND PERFORMANCE FY 2019, THIRD QUARTER

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 2019 appropriated budget for revenues and expenses (including transfers to other funds) is \$180,339,207 and \$187,299,808 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, 2019 has increased \$4.8 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 60% of yearly appropriated expenditures. The County is 75% of the way through the current fiscal year, and actual expenditures are falling slightly below.

General Fund Revenues

The total General Fund revenue collected through March 31, 2019 shows a net increase of \$4.8 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 \$2.3 million or 4.2% through the third quarter of FY 2019 compared to FY 2018. The increase includes \$1.4 million in real estate and \$1.0 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, 2019; however, taxes on the new values will not be collected until June 2019. 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 \$1.0 million through March was impacted by an increase in local sales and use tax, recordation taxes, business licenses, utility taxes, and meals tax combined with decreases in communications sales tax and motor vehicle license fees.

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 \$323,958, or 4%, through the third quarter of FY 2019 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 \$168,846 when compared to last year. Contributing to the decrease was a decrease in development review fees and building permits.

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 ⬇️

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no rates hikes for calendar year 2019. The Fed also reduced expectations for growth in GDP and inflation. The Federal Funds rate remains unchanged and interest income should remain flat in the coming months.

Charges for Services are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is an increase of \$170,825 when comparing year-to-date collections.

Miscellaneous revenues are monies collected that do not fall under any specific category. This category reflects a third quarter decrease in the amount of \$5,600.

Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has increased by \$367,011 when compared to last year. This increase is mainly due to a larger purchasing card rebate, a greater amount collected for EMS transport expense recovery, and timing of the receipt of Millwood Station's debt service payment.

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 capital 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 \$260,175 increase from the Commonwealth primarily consists an increase in the wireless 911 grant and a return of unspent funds from the VA Department of Health.

General Fund Expenditures

The total FY 2019 expenditures, including transfers, have decreased \$3.1 million year to date compared to FY 2018 for the same period. The largest portion of the decrease is due to transfers, which realized a net decrease of \$3.8 million primarily due to the \$4.3 million transfer for the Board of Supervisors capital reserve fund in FY 2018 that was zero in FY 2019.

General fund expenditures offset the decrease by increasing in the amount of \$0.7 million which is a mainly a combination of a \$2 million decrease in economic development incentives and increases of \$1.2 in public safety, \$0.5 million in general administration, and over \$0.2 million in both parks & recreation and public works. The increases include \$164 thousand for firewall support and switch replacement, \$194 thousand for six trucks (2 Inspections, 1 Engineering, 3 F&R including emergency lighting and equipment), and \$786 thousand increase in salaries for new F&R positions.

General fund expenditures offset the decrease by increasing in the amount of \$0.7 million which is a mainly a combination of a \$2 million decrease in economic development incentives and increases of \$1.2 in public safety

A comparative statement of general fund revenues and expenditure is provided (see below).

Snapshot

Year Over Year Expenditures

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

Year to Date

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES Ending March 31, 2019

REVENUES:		FY19	FY18	YTD
		3/31/2019	3/31/2018	Actual
	Appropriated	Actual	Actual	Variance
General Property Taxes	123,179,515	57,226,603	54,893,986	2,332,617
Other local taxes	36,959,731	23,815,612	22,760,865	1,054,746
Permits & Privilege fees	1,838,386	1,521,243	1,690,089	(168,846)
Revenue from use of money and property	538,094	1,137,981	574,168	563,813
Charges for Services	3,090,299	2,181,903	2,011,078	170,825
Miscellaneous	586,231	459,143	464,742	(5,600)
Recovered Costs	1,650,574	1,508,357	1,141,346	367,011
Proffers	-	1,030,766	830,440	200,325
Intergovernmental:				
Commonwealth	12,491,878	14,189,368	13,929,193	260,175
Federal	4,500	70,465	97,073	(26,609)
Insurance Recoveries	-	3,104	-	3,104
Transfers	-	52,896	-	-
TOTAL REVENUES	180,339,207	103,197,440	98,392,982	4,804,459

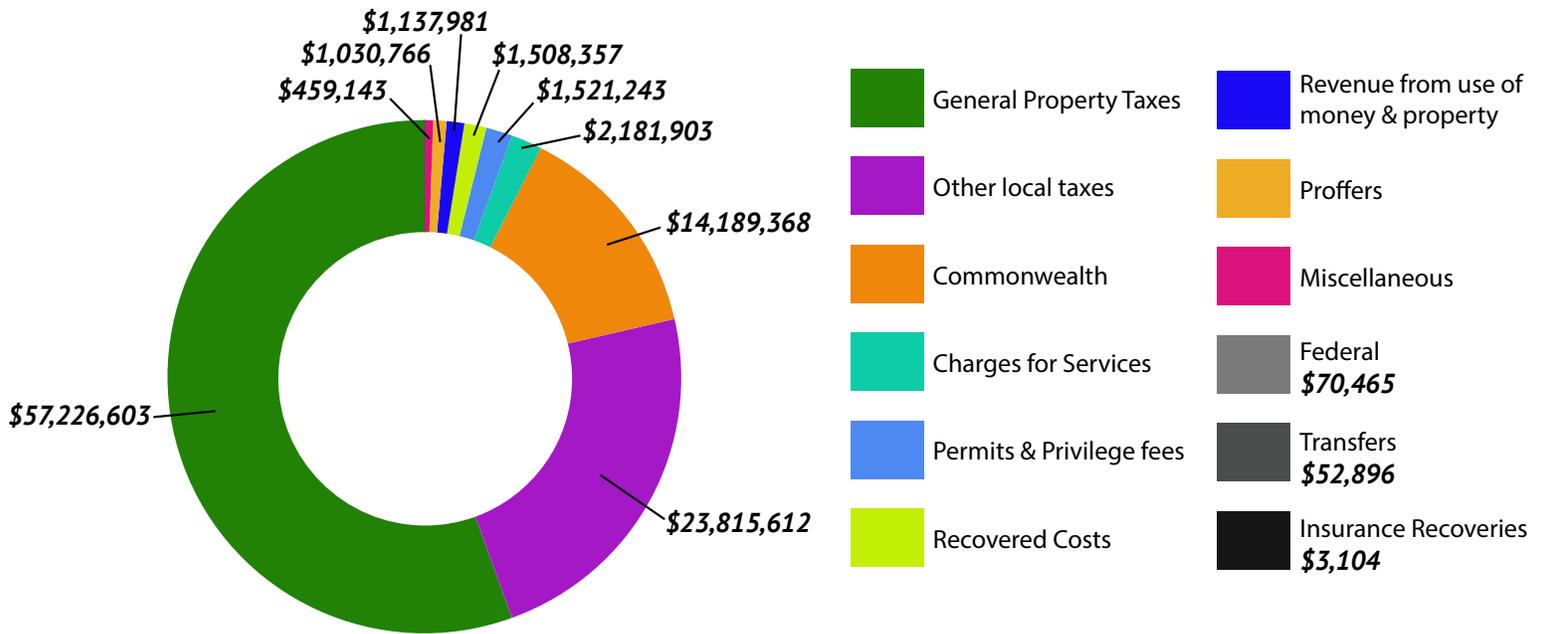
EXPENDITURES:				
General Administration ^	13,063,734	9,766,706	9,250,309	516,397
Judicial Administration	2,928,601	2,058,721	1,877,376	181,345
Public Safety	39,851,331	29,577,589	28,363,794	1,213,795
Public Works	6,219,996	3,837,298	3,615,014	222,283
Health and Welfare	10,223,475	6,330,111	6,202,280	127,831
Community College *	81,080	60,810	57,240	3,570
Parks, Recreation, Culture	8,932,116.30	5,044,072.20	4,785,491.89	258,580
Community Development	2,188,820.46	1,148,832.41	3,014,234.38	(1,865,402)
TOTAL EXPENDITURES	83,489,153	57,824,138	57,165,739	658,400

OTHER FINANCING SOURCES (USES):				
Transfer to School Operating *	82,917,536	41,730,199	40,951,339	778,861
Transfer to School Operating Capital *	4,067,416	4,067,416	3,088,287	979,129
Transfer to School Debt Service *	14,535,820	7,267,910	7,986,238	(718,328)
Transfer to County Debt Service ^	2,252,302	1,747,271	2,213,272	(466,002)
Reserves and Contingencies ^	37,580	4,250	4,328,823	(4,324,573)
Operational Transfers ^	0	2,276	16,048	(13,771)
TOTAL OPERATING TRANSFERS TO / FROM	103,810,655	54,819,323	58,584,006	(3,764,683)

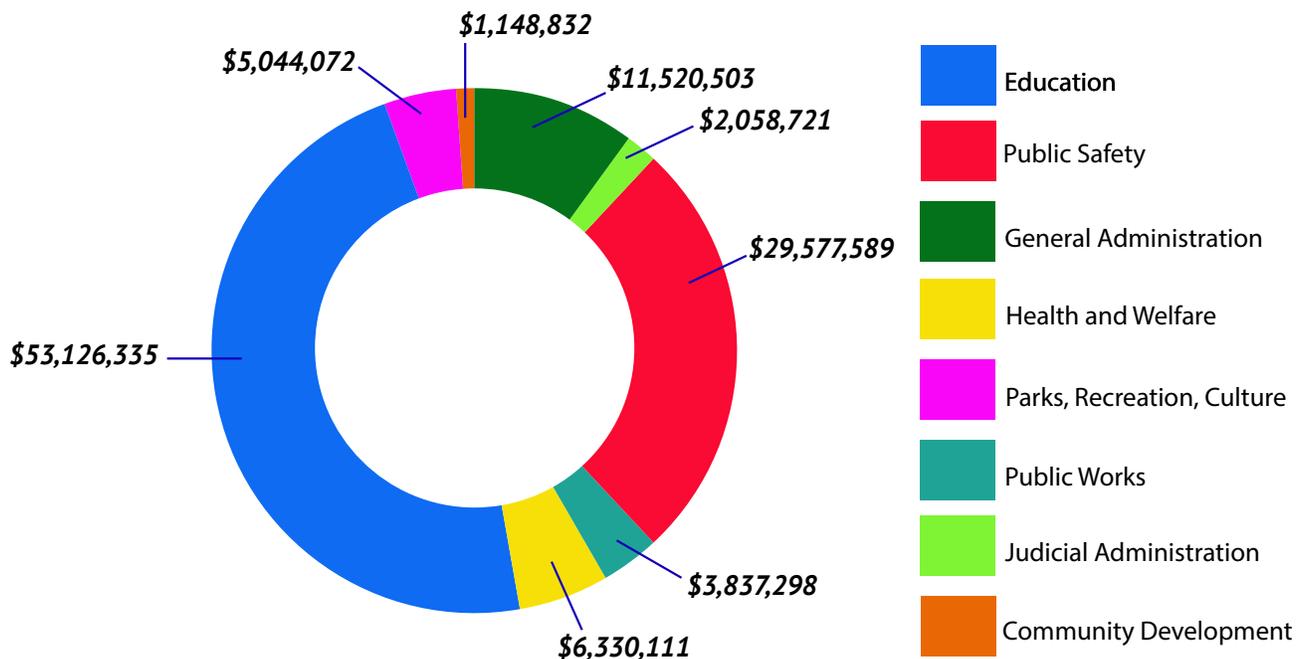
Excess (deficiency) of revenues & other sources over expenditures & other uses	(6,960,602)	(9,446,021)	(17,356,763)	
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Fund balance funding is not reflected in revenues.

FY 2019 REVENUES YEAR TO DATE



FY 2019 EXPENDITURES YEAR TO DATE



FREDERICK COUNTY FINANCE COMMITTEE

SUMMARY OF ACTION ITEMS—FY 2019, THIRD QUARTER

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 2019:

- January 16, 2019
- February 26, 2019
- March 20, 2019

All Finance Committee Agendas and Reports can be found online, www.fcva.us/fincomm.

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

- \$17,818 for an auto insurance claim reimbursement for the Sheriff;
- \$50,000 from donated funds for the completion of design for an Animal Shelter training facility;
- \$33,300 from donated funds for the installation of sand volleyball courts at Clearbrook Park;
- \$925 from donated funds for a park bench and dog waste stations;
- \$29,378 from the Byrne/JAG grant for Sheriff's deputy go bags, a throw phone, camera and items for Project Lifesaver;
- \$6,692 from the sale of surplus equipment to be used for equipment for the Sheriff's command center; and
- \$2,775 for restitution for a damaged Sheriff's cruiser.

The committee also held discussions on the following topics:

- Amendment to Frederick County Code for tax exemption for surviving spouses of certain persons killed in the line of duty;
- Amendment to Frederick County Code for senior citizens and disabled persons tax exemption and deferral;
- The Commissioner of the Revenue provided information on tax relief;
- The FY 2018 Comprehensive Annual Financial Report (CAFR) was presented by Robinson, Farmer, Cox Associates; and
- Application of a school resource officer grant offered by DCJS for one resource officer.

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