



COUNTY OF FAUQUIER
OFFICE OF THE COUNTY ADMINISTRATOR

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June 30, 2005

Honorable Board of Supervisors and Citizens of Fauquier County:

The budget for Fiscal Year (FY) 2006, adopted on March 31, 2005, has been prepared in accordance with Chapter 4 of Section 15.2 of the Code of Virginia. The Adopted Budget represents the official County plan of revenues and expenditures for the Fiscal Year of July 1, 2005 through June 30, 2006.

According to Virginia Code, a County budget is a work plan, expressed in terms of dollars, representing a tool for fiscal management. It is prepared and developed as a plan of County operations, maintenance, capital outlay, and debt service for a one-year period.

BACKGROUND

Fauquier County, similar to most Virginia jurisdictions, faces growing demands for services, additional facilities and rising operating costs. This was somewhat mitigated by recovering economic conditions that improve revenue projections for FY 2006. However, requests for funding exceeded revenue projections by more than \$15.4 million. Major emphasis from the Board of Supervisors in developing the FY 2006 Budget was to address expanding essential needs while minimizing the impact of taxes on County citizens. A significant element of the FY 2006 budget process was the Board of Supervisors' interest in continuing the revenue sharing program with the School Division. This revenue sharing program provides a known funding level to support the School Division from year to year. Several counties in the State use school revenue sharing effectively. FY 2006 is the third year that the revenue sharing process has been used.

The County Budget was adopted in late March before the full impact of the State Budget was known. Responding to the unknown in State funding, maintaining essential operations, and funding important growth in services and programs while minimizing the impact of taxes on County citizens was a significant challenge. Despite these obstacles, in its FY 2006 Budget, Fauquier County maintained the real estate tax rate at the overall FY 2003 level of \$.99 per \$100 of assessed value.

Fauquier County has increased high priority services to our citizens, and maintained stable tax rates, in spite of the impacts of adverse external influences, such as increases in unfunded mandates, unknown levels of State funding, uncertainties in the economy, and the changing expectations of citizens in recent years. This is a direct result of the quality of our planning process and our commitment to efficient government.

For FY 2006, enhancements to citizen involvement and the use of the Internet were instrumental in continuing to improve the budget as a policy document and financial plan. Citizen involvement included expanded participation in numerous budget-workgroups, including the Capital Improvements Program Committee that develops major capital funding recommendations for the next ten years. Citizen participation in the process allows the County to benefit from the perspective of taxpayers when developing the budget. During the budget process briefings were provided to a number of citizen groups both to inform and to receive comments on the proposed budget. This initiative resulted in an improved understanding by concerned citizens of the budget elements and identification of citizen budget issues.

The Budget Office's Internet web page was expanded to provide additional information on budget timelines, status updates and an extensive budget summary for citizens and County staff during the development process. The web page is also used to solicit and respond to inquiries concerning the budget and the budget process, as well as other financial actions taken during the year. Use of the Internet as a mode of communication will continue to expand in the future to include surveys and responses to related inquiries. For FY 2006, the budget and the 10 year Capital Improvements Program can be accessed through the Internet or is available on CD.

REVENUE PLAN

Total taxable real property assessment values for Calendar Year (CY) 2005 are \$5.8 billion, an increase of \$.2 billion over CY 2004. Real property taxable parcels for CY 2005 total 29,957 or 2.5 percent over CY 2004. The overall tax rate for FY 2006 remains unchanged from FY 2005, however, the General Rate is now \$0.925 and the Fire and Rescue Levy has been reduced to \$0.045. This change resulted from the transfer of Fire and Emergency Service operations from a separate fund to the General Fund. For FY 2006, the levy for the Conservation Easement Program was established at \$0.02.

The personal property tax rate will also remain unchanged at the 1998 level of \$4.65 per \$100 for motor vehicles. For FY 2006, the rates for special personal property tax classifications such as for handicapped equipment also remain at the 1998 level.

General Fund revenue estimates for FY 2006 were impacted in a number of positive ways. Economic conditions resulting in new construction, car and home purchases and the financing of mortgages increased several revenue elements. Improving economic conditions within the State and growth in the County's student population also resulted in favorable revenue support from the General Assembly. Offsetting some of these gains was the impact on Personal Property Tax revenue from the significant devaluation in automobile values by the National Automobile Dealers Association (NADA) whose guides are used to assess vehicle values when determining

Personal Property Tax bills. Of the \$7.8 million in new General Fund Revenue, \$3.5 million is projected in the General Property Tax category. This revenue category includes: Real Estate Tax, Public Services, and Personal Property Tax. The Other Local Tax category, which includes Sales Tax and Recording Tax and Fees, accounts for \$2.4 million, with the Permits, Fees, and Licenses category expected to generate an additional \$310,000. Community Development fees will generate the bulk of the new revenue in the Permits, Fees, and Licenses Fee category.

Reflecting the Board of Supervisors continued fiscal conservatism, the FY 2006 Budget does not use any fund balances to support operations. One of the County's principle financial policies is to establish and maintain an unreserved, undesignated General Fund balance of not less than ten percent of General Fund Revenues. This goal was met at the end of FY 2004 when fund balances in excess of ten percent used to address a number of School and County facility issues on a cash basis. Only through the maintenance of an adequate level of fund balance, can the County sustain operations during economic downturns, minimize adjustments in taxes and fees, and realize cost savings in issuing debt.

To minimize the tax burden on senior citizens in FY 2006, the Board of Supervisors continued its support of the Tax Relief for the Elderly program at the State's maximum authorized levels. The number of participants in this program has increased 26.7 percent in the past three years, resulting in over \$.9 million in real estate revenue exonerations for qualifying the lowest income senior citizen homeowners in Fauquier County.

EXPENDITURE PLAN

The FY 2006 Expenditure Plan for all County funds is \$206.6 million, an increase of \$36.7 million or 21.6 percent greater than the FY 2005 Adopted Budget. The primary factors for this net increase is local, State and Federal funding for the School Division, increased operational support in the General Fund, reductions in Federal and State funding for Airport construction, and a significant increase in construction projects funded in the Capital Fund.

General Fund

The General Fund expenditure plan, excluding Schools, totals \$48.7 million, an increase of 11.4 percent or \$5.0 million. Education continues to be a high priority with a budget allocation of \$110.4 million including a local funding commitment of \$72.7 million. General Fund support to education increased by 5.7 percent or \$3.9 million over the FY 2005 Adopted Budget level. The transfer to the School Division represents 59.7 percent of the General Fund appropriations, not including the allocation of shared services, which represents an additional \$5.4 million of local support. The percentage of General Fund appropriations supporting the School Division has remained basically unchanged from the FY 2004 level.

Personnel

After several years of limited staffing growth, additional positions were added to address a significant increase in workloads throughout the County Government. The FY 2006 Adopted Budget also contains several changes in personnel related costs. These include staffing adjustments that occurred during FY 2005, and staffing, salary, and benefit issues for FY 2006.

During FY 2005 and for FY 2006, as part of the continued emphasis on public safety, six positions were added in the Sheriff's Office and six positions were added for Fire and Emergency Services.

Positions Added During FY 2005

Full Time

General Fund Staffing Adjustments:

Building Plans Reviewer	Community Development
Adult Court Services Officer	Adult Court Services (State Funded)
Animal Control Officer	Sheriff's Office
Custodians (3)	General Services
Firefighter/Paramedic (6)	Fire and Emergency Services

Positions Added For FY 2006

Full Time

General Fund Staffing Adjustments:

Deputies (3)	Sheriff's Office
Sergeant	Sheriff's Office
School Resource Office	Sheriff's Office
Deputy Clerk II	Clerk of the Circuit Court
Assistant Maintenance Crew Chief	General Services
Librarian, Youth Services	Library
Aquatics/Program Coordinator	Parks and Recreation
Facilities Manager	Parks and Recreation
Senior Building Inspector	Community Development
Office Assistant II	Economic Development
Social Worker	Social Services

Part Time

Surveyor/Engineer (15 hours)	Community Development
Building Inspector (15 hours)	Community Development
Office Associate II (+10 hours)	Budget Office
Environmental Health Specialist (20 hours)	Public Health

Other Fund Staffing Adjustments:

Full Time

Recycling Education Coordinator (+10 Hours)	Environmental Services
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Employee compensation and healthcare costs also received priority for FY 2006. The system-wide Pay for Performance Program initiative implemented in FY 2001 continued to be emphasized. The performance merit pool for FY 2006 is three and one half percent of FY 2006 total salaries. Actual merit increase awards may range higher or lower than the three and one half percent based on the results of the performance evaluations. For FY 2006, additional

funding was provided to implement the results of a system-wide pay and classification study which is conducted approximately every four years.

To avoid an increase in healthcare costs to employees in FY 2006, the County will absorb the projected increase in premiums for full time employees. However, to mitigate the significant cost increase projected for health care, adjustments were made to the existing healthcare plan benefits. In the future, sharing more of the costs with the employees is highly probable. As part of our on-going effort to provide County and School employees the best possible health care coverage, Delta Dental has been contracted, beginning in FY 2006, to insure dental coverage.

General Government Administration

General Government Administration represents 7.3 percent, or \$8.9 million of the total General Fund expenditures. General Government Administration includes 12 departments: Board of Supervisors, Commissioner of the Revenue, County Administration, County Attorney, Finance, Independent Auditor, Information Technology, Budget Office, Human Resource, Geographic Information Systems (GIS), Registrar and the Treasurer. The FY 2006 General Government Administration budget increased \$631,000 or 7.6 percent from FY 2005. The bulk of the growth is attributed to healthcare costs and merit pay allocations. Other increases include transfer of the Water Resource Management function from a separate element within the General Fund and combining it with the GIS Department, higher costs of property and casualty insurance and State funding for the purchase of disabled accessible voting machines. The most noteworthy issue in this budget category is the Information Technology (IT) Department's coordinated effort with School and County staff to complete several significant new projects, a Wireless Computer Network for improved data transmission and backup for remote sites, and upgrade of the County Web Site to allow greater flexibility and information access for staff and County citizens.

Judicial Administration

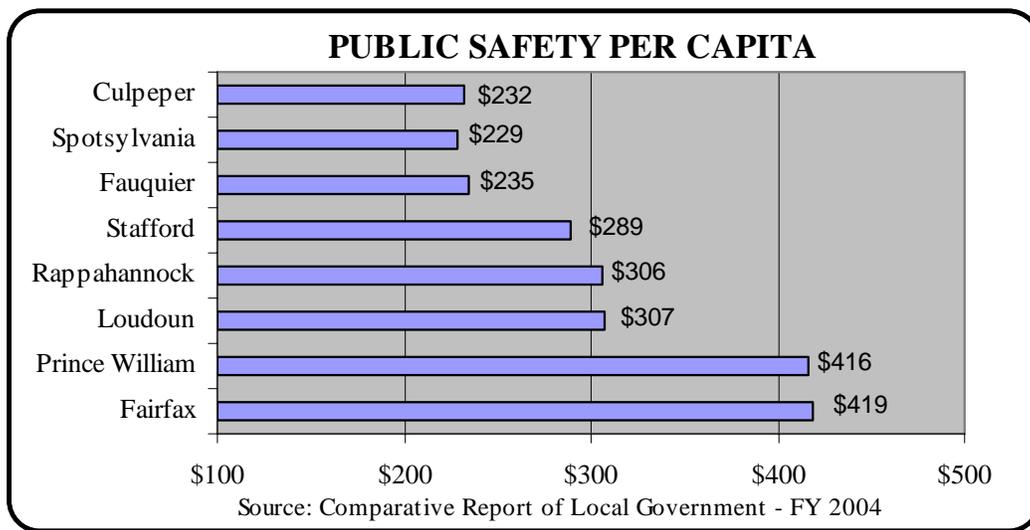
Judicial Administration appropriations of \$2.6 million represent 2.2 percent of the total General Fund budget. This is an increase of \$185,000 or 7.6 percent over the FY 2005 funding level. This category includes Adult Court Services, Circuit Court, Clerk of the Circuit Court, Commissioner of Accounts, Commonwealth's Attorney, General District Court, Juvenile and Domestic Relations Court and the Magistrates. Adding a Deputy Clerk II position for the Clerk of the Court Office and a State funded Court Services Officer to Adult Court Services during FY 2005 are the major factors of the new funding. The added staffing in the Clerk of the Court's Office is needed to address a 22 percent increase in document processing workload. As with the other categories, a portion of the increase is attributed to merit pay and healthcare related costs. It is also to be noted that, with the exception of merit pay and benefit funding, over 40 percent of the offices and agencies in this budget category have received no funding increases during the past three years.

Public Safety

Public Safety related appropriations represent 10.1 percent or \$12.3 million of the total General Government expenditures, an increase of 35.6 percent or \$3.2 million. Approximately \$1.9 million of this growth represents the transfer of the Fire and Rescue Service operations from the Fire and Rescue Fund and the addition in FY 2005 of six additional firefighter/paramedic

positions to the General Fund. This category also includes the Detention Center, Clarke-Fauquier-Frederick-Winchester (CFFW) Regional Adult Detention Facility, Juvenile Detention, Juvenile Probation and the Sheriff's Office. For FY 2006, the County's share of CFFW Regional Detention Facility operations increased 27.6 percent based on the impact of adding 27 new positions to support growth in the inmate population. Future funding support can also be expected to increase due to plans to expand the facility. FY 2007 should reflect the impact of this expansion.

For FY 2006, the County Sheriff's Office budget was increased by seven positions to improve service to the community. Included was funding for additional road deputies to provide overlapping shifts to ensure adequate road coverage support throughout the day. Two School Resource Officers were also added for FY 2006.



Public Works

Public Works, consisting of the Solid Waste Convenience Sites and the Department of General Services, represents 4.4 percent or \$5.4 million of the General Fund budget. For FY 2006, this category was increased 8.8 percent or \$435,000. Of these funds, \$146,000 was for increased healthcare costs and merit pay allocations, \$117,000 supported three custodian positions added in FY 2005 to provide services previously contracted and an Assistant Maintenance Crew Chief position included for FY 2006. New initiatives included the establishment of a budget for operations and maintenance of the County Armory, funded by State revenue, and the inclusion of a Courthouse Maintenance element funded by revenue generated by the court system. The bulk of the remaining increase supported the growing cost of contract maintenance services and maintenance supplies such as lumber, electrical and plumbing fixtures.

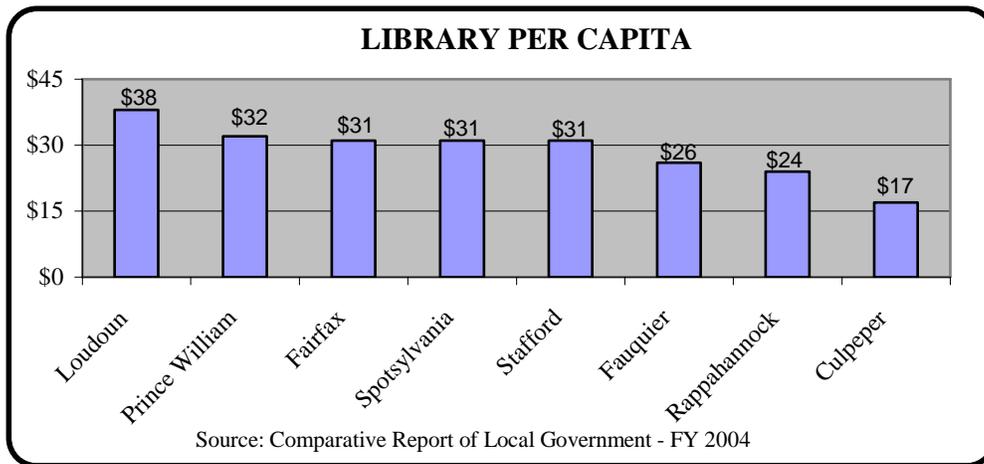
Maintenance of existing facilities continues to be one of the highest priorities of the Board of Supervisors.

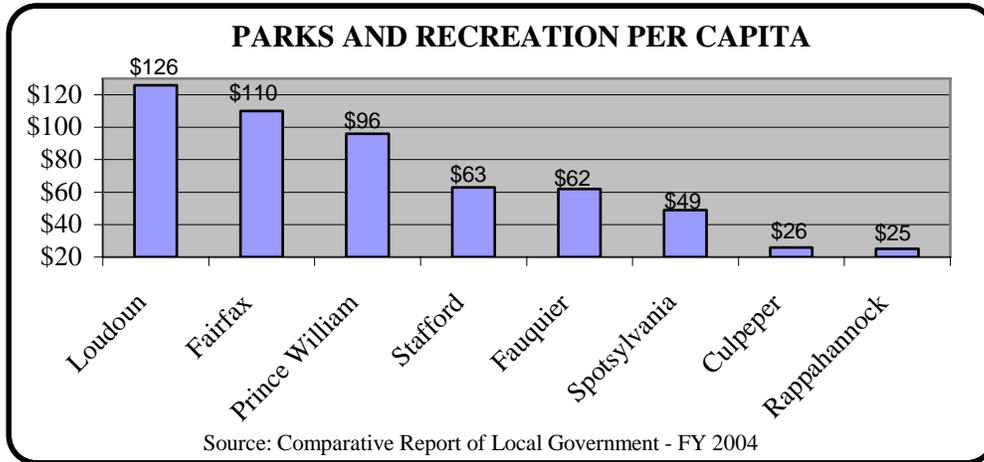
Health and Welfare

The Health and Welfare related appropriations totaling \$7.8 million represents 6.4 percent of the total General Fund budget. This is an increase of 13.4 percent from FY 2005. This financial category includes the Community Services Board, Comprehensive Services Act (CSA) Office, Institutional Care, Public Health and Social Services. The majority of Health and Welfare funding is provided for Social Services related programs such as Foster Care and Family Preservation Services. A social worker position was approved to support these programs for FY 2006. Of the increased Social Services costs, approximately 85 percent will be funded by Federal and State revenue. After several years of minimal funding increases, the CSA Office, which works with special needs youth and their families, received an increase in funding to support a growing number of at-risk children. Of this increase, 51.2 percent is supported by additional State funding. Also for FY 2006 a part time Environmental Health Specialist position was added to the Public Health Department to monitor alternative sewer systems approved by the Board of Supervisors.

Culture

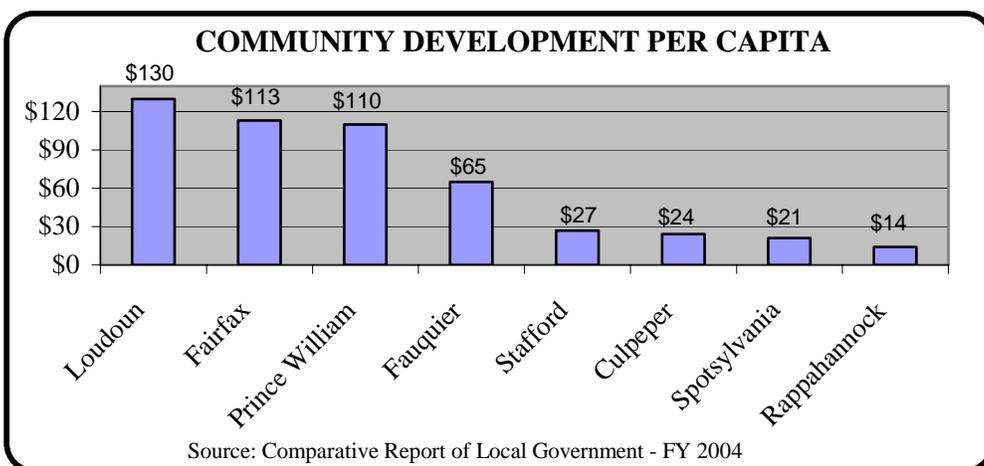
Culture appropriations of \$4.2 million represent 3.4 percent of the total General Fund budget. This category includes the Library, Parks and Recreation, and support for Lord Fairfax Community College. For FY 2006, funding increased 8.5 percent from FY 2005. Contributing to this increase was the addition of four positions, two Parks and Recreation Facility Managers to oversee operations at the Vint Hill Village Green and the Marshall Community Center, an Aquatics/Program Coordinator position to coordinate operations at the Larry Weeks Swimming Pool and a Youth Services Librarian position for the Bealeton Branch Library. These positions were added to address the growing citizen requests for Library and leisure services. Other funding was provided to address inflationary factors in the purchase of equipment, books, subscriptions and materials.





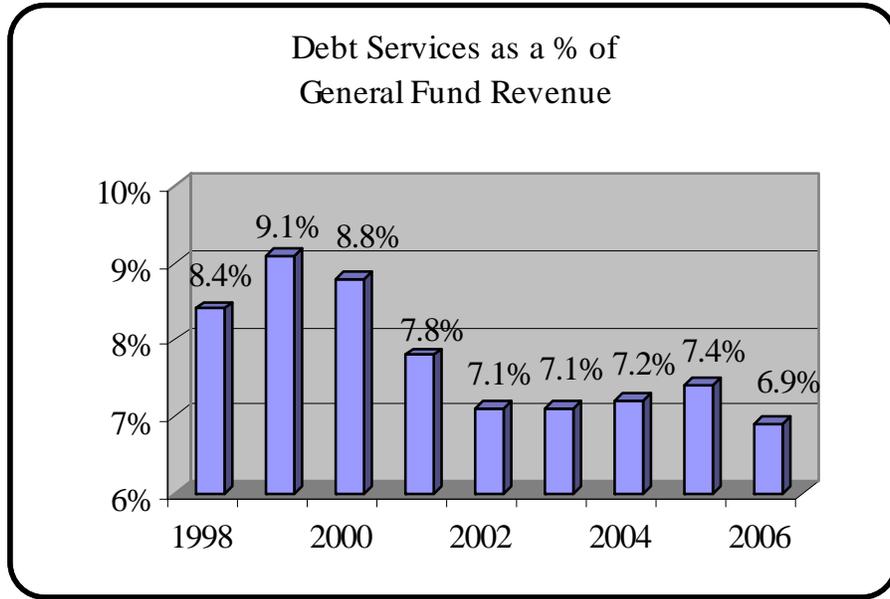
Community Development

Community Development related appropriations are 3.5 percent, or \$4.3 million, of the total General Government expenditures. This category includes Community Development, Agriculture Development, Contributions, Economic Development, Extension Office, John Marshall Soil and Water Conservation District and the Planning Commission/Board of Zoning Appeals. Of the \$356,000 increase for FY 2006, 94.1 percent, or \$334,000, is for the Community Development Department. A significant expansion of new construction and development resulted in the addition of two full time and two part time positions for that Department. A Building Plan Reviewer position was approved in FY 2005, and Senior Building Inspector, part time Surveyor/Engineer and Building Inspector positions were added for FY 2006. The new positions are supported by Community Development fee revenue.



Debt Service

The General Fund Debt Service reflects the lease/purchase funds for the branch library in Bealeton and debt service related to purchase an emergency public radio system in FY 2003.



The School Operating Fund accounts for 88.9 percent, or \$7.4 million, of the County's total debt service expense. Planned borrowing in FY 2006 includes: \$19.8 million for the first of two borrowings to fund, \$39.6 million of the estimated \$50.6 million for the construction of a third high school. Cash funding of \$11.0 million mitigated the borrowing needed. Also for FY 2006, \$2.7 million will be borrowed for the renovation and expansion of Cedar Lee Middle School. The debt service cost for these two projects will appear in the FY 2007 Budget. In analyzing the need for new or upgraded facilities and funding alternatives, the County continues to maintain debt service within the 10 percent of General Fund Revenue guidelines established by the Board of Supervisors. Though the FY 2006 Debt Service ratio is at its lowest level in over ten years, planned construction in the next several years will result in this ratio moving closer to the 10 percent guideline.

School Operating Fund

Support of the School Division is the one of the highest priorities for the Board of Supervisors. For FY 2006, the School Operating Fund budget rose 9.3 percent or \$9.4 million. Local County funding transfers increased \$3.9 million or 5.7 percent to \$72.7 million. Under the revenue sharing initiative, begun in FY 2003, the School Division received 60 percent of the total General Fund undedicated revenue. In addition, State funding increased 17.3 percent, and Federal funding 11.9 percent. School Board budget emphasis included attracting and maintaining high quality staff through enhanced employee compensation. For FY 2006, increased compensation for staff will range between 2.5 and 7 percent. A beginning teacher's salary will become more competitive as it was increased to \$34,750, up 8.6 percent from FY 2005. As did the County Government, the School Board also absorbed the projected growth in healthcare costs for all full time employees. The School Operating Fund also includes program growth to support

the projected addition of 246 students and the impact of inflationary issues such as the cost of fuel on operational costs.

For FY 2007, continued adherence to the revenue sharing allocations formula is anticipated.

Capital Improvements Fund

The additions to the Capital Improvements Fund, including the Capital Improvements Program (CIP), for FY 2006 total \$24.8 million all of which are for School Division projects. These included the renovation and expansion of Cedar Lee Middle School and the first phase in constructing a new high school. Funding was also budgeted for School roof, heating and air condition unit replacements, the leasing of modular classrooms and the purchase of seven school buses.

Volunteer Fire & Rescue Fund

FY 2006 Volunteer Fire & Rescue Fund support increased by 9.8 percent or \$268,703. These funds will be used to support renovation and construction of facilities. Contributions to the individual companies remain unchanged from the FY 2005 level.

Airport Enterprise Fund

For FY 2006, the Airport Enterprise Fund was decreased by \$2.9 million or 90.0 percent from the FY 2005 Adopted Budget due to the completion of major capital projects. Beginning in FY 2006, the adopted budget will only reflect the recurring expenses and revenue. All Federal and State grant funding for Airport improvements will be appropriated on receipt.

Economic Development

The Fauquier County Department of Economic Development has the primary responsibility of working to expand the economic base of the County by introducing new businesses to the County, by supporting the growth of existing businesses and by encouraging the expansion of tourism. The private sector is represented through the Economic Development Advisory Council and the Tourism Advisory Committee. With more than 62,000 residents, expanded business development has followed.

All sectors of the County economy experienced economic growth during CY 2004. According to the records of the Commissioner of the Revenue, Fauquier County issued a significant number of new business licenses in FY 2004, expanding the total number from 2,219 in FY 2003 to 2,335 in FY 2004. The Virginia Employment Commission reported that the unemployment rate in Fauquier County averaged 1.8 percent in FY 2004 as compared to 3.1 percent for Virginia as a whole.

The business base in Fauquier County paid in excess of \$12.2 million in total taxes in CY 2004. That figure represented 14.6 percent of the total tax base in Fauquier County. With the rapidly expanding population base, the percentage of taxes paid by businesses is critical to maintaining a

balanced and adequate service level for the citizens of the County. Medical and banking services have been two of the most rapidly growing business sectors in Fauquier County during 2004.

The two-year old tourism development program has begun to play an increasingly significant role in the business growth of the County. This program, begun as an initiative of the Fauquier County Board of Supervisors in FY 2003, has assisted in the growth of the tourism sector. In total, the tourism and travel trade grew from 85 to 103 businesses in FY 2004. The most rapidly growing tourism business sector has been the winery business.

With the support of the Board of Supervisors, the business base of Fauquier County and the Town of Warrenton is growing. With an expanding business base, Fauquier County can expect to see more balanced economic growth and continuation of a stable quality of life for our citizens.

LOOKING TOWARD THE FUTURE

Improved economic conditions and anticipated revenue growth for FY 2006 enabled support of essential County and School functions. However while a number of priorities, including those identified by the Board of Supervisors, were addressed in this year's budget, there are many unfunded needs which will be competing against limited future revenues. With this in mind, the Board of Supervisors will have to deal with major issues in future budgets including the impact of population growth, County and School Division facility needs, maintenance of existing structures, employees' healthcare costs and the need to balance the compensation requirements of public employees, County and School, with the expectations of citizens for stable tax rates. The most significant issue facing the County in the next few years is the need to maintain and expand facilities. The ten year Capital Improvements Plan contains 22 construction projects, including four schools and two libraries totaling over \$163.4 million. A new high school, borrowing for which was approved by referendum, costing \$50.6 million to build and approximately \$5.0 million annually to operate, is expected to be open by FY 2009. The building of a new high school will have a monumental impact on the financial status of the County and limit the Board of Supervisors' ability to address other operational needs. Due to the magnitude of the project, a tax increase appears to be inevitable.

To lessen the impact on services from residential growth, the County established a Conservation Easement Service District (CESD) Fund for the purchase of property development rights. The CESD Fund is supported from two cents of real estate tax revenue, as well as revenue generated by tax penalties on land removed from special use tax categories. The two cents level of funding was achieved in FY 2005 through reductions of other elements in the General County Government budget. It is hoped the CESD program can be expanded in future years to help maintain the rich, cultural heritage of Fauquier County and slow future demands for services and service-related costs due to development.

To meet the many budget challenges and maintain a proactive financial posture, Fauquier County has developed a Ten Year Financial Plan and is currently completing the final refinements of a Fiscal Impact Model for operational planning and budget development. Our multi-year projection of revenues and expenditures in the Ten Year Financial Plan will be enhanced by the use of the Fiscal Impact Model which will permit policy makers and staff to forecast future needs

especially the projected growth and impact of school age children. These instruments will be also used to determine the impact of commercial and residential development on the County's infrastructure.

To ensure, overall operational and budget focus, in addition to the Board of Supervisors goals, the County has developed management objectives and effective and efficient measures to achieve three primary objectives based on the County's Vision Statement, in addition to the Board of Supervisors goals. These objectives are:

1. Balance Quality Service with Fiscal Integrity.
2. Manage Growth in a Manner that Protects the County's Agriculture, Environment, Quality of Life, and Historic Resources.
3. Conduct County Government Openly.

For FY 2006, Fauquier County departments and offices have continued to refine the development of specific management performance objectives and quantifiable performance measures. These objectives address both long term and short term goals. The identification of these objectives into easily understood terms and measures will be beneficial to both the administration and County citizens in determining the efficiency and effectiveness of County government. Using these objectives, the departments and offices can more easily align their activities to the County's overall goals. The status of these objectives will be reported to the Board of Supervisors semi-annually.

In its effort to provide the highest level of services to our citizens in a cost effective manner, the Board of Supervisors will continue to examine alternatives to tax rate increases. These alternatives will include a review of current programs for opportunities to increase efficiency seeking additional non-tax derived revenue sources managing the growth of programs and seeking new and innovative ways to better involve the public in the budgeting process.

ACKNOWLEDGEMENTS

I recognize, with sincere appreciation, the outstanding efforts of the individuals in the Budget Office, and services provided by the Commissioner of the Revenue's Office, the Treasurer's Office, the Finance Department and the Revenue Committee in the preparation of this budget.

I look forward to working with the Board of Supervisors to accomplish, in the most efficient and effective manner possible, the priorities that have been established for the County.

Sincerely,

Paul S. McCulla
County Administrator