



COUNTY OF FAUQUIER
OFFICE OF THE COUNTY ADMINISTRATOR

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CATHERINE M. HERITAGE
Assistant County Administrator

June 30, 2008

Honorable Board of Supervisors and Citizens of Fauquier County:

The budget for Fiscal Year (FY) 2009, adopted on April 2, 2008, 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, 2008 through June 30, 2009.

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

The FY 2009 Budget represents the County's response to unprecedented budgetary challenges. Similar to most Virginia jurisdictions, Fauquier County is facing growing demands for services, increasing operating costs, and limited growth from existing revenue sources, the FY 2009 budget year presents a "Perfect Storm" of budgetary issues. In 2006, as part of the FY 2007 budget development, long range forecasting estimated the possibility of an increase in FY 2009 real estate tax of a \$0.18 to \$0.20 per \$100 of assessed value. This significant growth was primarily attributed to the planned opening of Kettle Run High School and Greenville Elementary School. Faced with a real estate tax rate increase required just to support opening the two new schools, the County also was confronted with decreased State revenue and increased unfunded mandates. In addition, the County is experiencing rising costs for services and materials needed to conduct business while seeing, for the first time in over 20 years, flat revenue projections in real estate, personal property, and sales taxes. Decreased housing starts, resulting from the decline of the residential market that began in FY 2007, impacts from the sub-prime mortgage issue and the very real specter of an economic recession have resulted in a

significant slowing of the overall economy in FY 2008 with little expectation that it will recover in FY 2009. The only projected new revenue was generated by the Fee for Service Ambulance Billing Program. That revenue, however, was pledged by the Board of Supervisors to support the additional 24-hour advanced life support services staff approved in FY 2008.

Development of the FY 2009 Budget was a truly challenging task. Over \$27.7 million in new requests were received including 70 positions. These included support for operational issues previously approved by the Board of Supervisors such as opening of the Northern Sports Complex, additional law enforcement personnel for Court Room Security, debt service for capital projects, and a change in the retirement multiplier for the Sheriff's sworn staff. Along with these issues were a number of increases related to State mandates such as new programs for the identification and treatment of children with mental health issues, an increase in the Virginia Retirement System (VRS) rate, and a significant growth in the cost to address services for children under the Comprehensive Services Act. Other concerns for FY 2009 include capital construction needs, the increased costs of fuel, material, equipment, services, and comprehensive and liability insurance. Compensation and benefits increases for both School and County employees were also key issues in order to retain and attract quality workers. However, as the Board is aware, the most significant budget issue is the impact of opening Kettle Run High School and Greenville Elementary School.

The Board of Supervisors recognized it could not fund all the requests identified in the budget process and that there will even be greater demands on limited resources in future years. After months of review and deliberations with staff, citizens and the School Board, the Board of Supervisors funded only the most essential requirements. To meet the most essential needs of the County and School Division, a real estate tax rate increase of \$0.12 was approved, raising the total real estate tax rate to \$0.765 per \$100 of assessed value. To minimize the tax rate increase, 14 County positions were eliminated or not funded and over 40 percent of the departments and agencies were reduced or received no increase from their FY 2008 funding levels. This is the second consecutive year of budget reductions or relatively level funding for more than one-third of the County organizations. Funding priorities for FY 2009 are education and public safety, which account for 86.3 percent of the new funding.

For FY 2009, 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. This is especially true in a period of declining revenues. Citizen involvement included expanded participation in numerous budget work groups, such as the Capital Improvements Program Review Committees that assisted in the development of major capital funding recommendations for the next ten years. Citizen participation in the process allowed the County to benefit from the direct input and perspective of taxpayers when developing the budget. During the budget process, briefings were provided to a number of citizen groups, both to inform and 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 was 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 2009, the Budget and the 10 year Capital Improvements Program are available via the Internet or on computer disk.

REVENUE PLAN

As stated earlier, the real property tax rate increased \$0.12 for FY 2009 with the overall rate at \$0.765 per \$100 assessed value, of which the General Fund rate is \$0.72, the Fire and Rescue Levy is \$0.035 and the Purchase of Development Rights Levy is \$0.01. For Calendar Year (CY) 2008, total taxable real property assessment values are \$12.19 billion, an increase of \$201 million (1.7 percent) over CY 2007. Real property taxable parcels for CY 2008 total 31,274 (.88 percent) over CY 2007.

For FY 2009, the personal property tax rate will remain unchanged at the 1998 level of \$4.65 per \$100 assessed value for motor vehicles. The rates for special personal property tax classifications, such as equipment for the disabled, also remain at the 1998 level. Personal property tax on aircraft will remain at the FY 2007 rate of \$0.001 per \$100 assessed value.

As previously stated, the General Fund revenue estimates for FY 2009 were negatively impacted by the measurable slowing of home sales and residential construction. Economic conditions resulting from the drop of residential construction as well as decreases in car and home purchases are anticipated to reduce revenue growth in several areas. These include local sales tax, recording tax and fees, and community development fees. With the exception of the Emergency Services Fee for Service revenue and the \$0.12 real estate tax rate increase, the total increase in General Fund revenue for FY 2009 from all sources is estimated to be less than \$70,000. This is the smallest increase in new revenue in over 20 years. Unfavorable economic conditions have also resulted in reductions in State support of approximately four (4) percent for FY 2009. Federal Revenue also declined slightly, 0.08 percent for FY 2009.

The FY 2009 budget reflects the Board of Supervisors' continued fiscal conservatism as it does not use any fund balance to support recurring operational expenditures. Only through the maintenance of an adequate level of unrestricted fund balance can the County sustain operations during significant economic downturns, minimize adjustments in taxes and fees, and realize cost savings in issuing debt.

In FY 2009, the Board of Supervisors' continued its support of one of the most aggressive programs to minimize the tax burden on senior citizens and permanently and totally disabled in the Commonwealth of Virginia. Exemptions from taxation on the dwelling and up to five (5) acres of property are allowed, if age, income, and combined net worth eligibility requirements are met. It is anticipated that the number of participants in this program will increase 10 percent, resulting in exonerations exceeding \$2.17 million in real estate taxes for the lowest income senior citizen homeowners in Fauquier County.

EXPENDITURE PLAN

The FY 2009 Expenditure Plan for all County Funds is \$227.4 million, a net increase of \$2.2 million (1.0 percent) from the FY 2008 Adopted Budget. The primary factor of this is the School Division's increase of \$11.3 million associated with the opening of new schools, and a decrease in the level of funding for construction projects. In FY 2008, \$13.6 million was appropriated for construction projects, primarily related to the Kettle Run High School and Greenville Elementary School, and in FY 2009 only \$410,000 was recommended to be expended for capital projects. This reduction is due to limited funding and the Board of Supervisors' intent to limit any new debt and related debt services.

General Fund

The General Fund expenditure plan, excluding Schools, totals \$64.2 million, an increase of \$3.6 million (5.6 percent) over the previous year. Education was the highest budget priority with an allocation of \$141.1 million including a local funding commitment of \$98.1 million. Despite a net decrease in the General Fund expenditures for FY 2008, excluding funding for education, support to education actually increased by \$6.8 million (8.5 percent) over the FY 2007 Adopted Budget level. The transfer to the School Division is 60.4 percent of the General Fund appropriations, not including the allocation of shared services from the Departments of Finance, General Services, and Human Resources, which represents an additional \$7.4 million of local support.

Personnel

The FY 2009 Adopted Budget contains several adjustments in personnel related costs. These included staffing changes, a 2% cost of living adjustment, Virginia Retirement System rate increase and a projected growth in health care costs. Staffing needs resulted in the addition of 18 new positions of which four (4) were approved by the Board of Supervisors during FY 2008. To minimize the FY 2009 budget impact of this additional staffing, thirteen (13) previously approved County positions were not funded for FY 2009 and one position was eliminated. As the County seeks to meet the final budget total for FY 2009, additional staffing adjustments may be required.

Staffing Adjustments - Positions Added During FY 2008

General Fund:

Courtroom Security Officers (3)	Sheriff's Office
Reassessment Coordinator (a 2 year position)	County Administration

Staffing Adjustments for FY 2009

General Fund, Positions Added to Support the New Schools:

Assistant Maintenance & Repair Supervisor (PM)	General Services
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Building Mechanic (PM)
Plumber Mechanic II (PM)

General Services
General Services

Electrical Mechanic II (PM)
Building Maintenance Worker (PM)
Human Resource Technician
School Resource Officer

General Services
General Services
Human Resources
Sheriff's Office

General Fund Positions Added for Opening the Northern Sports Complex:

Maintenance Supervisor (Part Time to Full Time)	Parks and Recreation
Park Manager	Parks and Recreation
Program Coordinator (.5)	Parks and Recreation
Maintenance Worker (.5)	Parks and Recreation

Other General Fund Positions Added:

Road Deputies (3)	Sheriff's Office
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General Fund, Position Eliminated:

Senior Administrative Associate	Juvenile and Domestic Court
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General Fund, Positions Unfunded for FY 2009:

Engineer	Community Development
Senior Planner	Community Development
Administrative Associate	Community Development
Assistant Soil Scientist	Community Development
Planner	Community Development
Administrative Assistant	County Administration
Assistant Director	Library
Cataloguer	Library
Page	Library
Computer Technician	Information Technology
Erosion and Soil Specialist I	John Marshall Soil and Water
Custodians (2)	General Services

Due to fiscal limitations, no funding was included for the County's Pay for Performance Program. Employee compensation and benefit support for FY 2009 included a two (2) percent cost of living adjustment, support for an anticipated eight and half (8.5) percent increase in health care costs, a one (1) percent increase in the Virginia Retirement System rate, and funding for the annual pay and classification study. The pay and classification study is conducted annually, reviewing approximately one third of the County departments. These studies determine the comparability of County employee titles, responsibilities, and compensation compared to those of other local jurisdictions and the private sector.

To avoid an increase in healthcare costs to employees, the County will absorb the projected increase in premiums for full time employees. Significant adjustments to the health care plan in FY 2006 and implementation of a number of employee wellness programs mitigated the historical annual double digit percentage cost increase of health insurance. Projected health care

costs for FY 2009 are expected to increase approximately 9 percent. It is highly probable that employees will share more of the health care cost increases beginning in FY 2010.

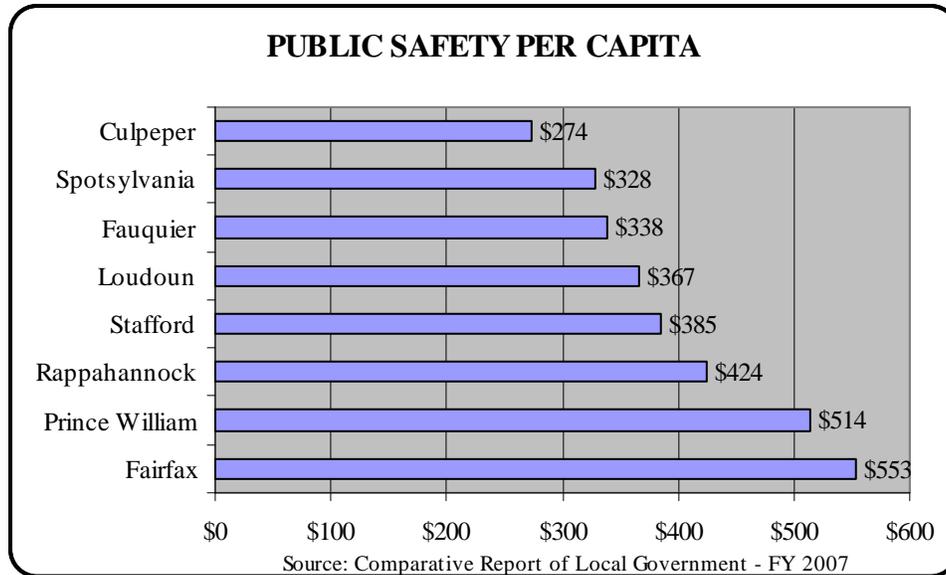
General Government Administration/Judicial Administration

These two budget categories, comprising 20 departments and agencies, are 8.5 percent, \$13.8 million, of total General Fund expenditures. General Government Administration includes the Board of Supervisors, Commissioner of the Revenue, County Administration, County Attorney, Finance, Independent Auditor, Information Technology, Budget Office, Human Resources, Geographic Information Systems (GIS), Registrar and the Treasurer. Judicial Administration 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. For FY 2009 the total net change for all these departments and agencies was a decrease of \$61,000 from the FY 2008 Budget levels. The two major factors affecting increases for these organizations was a 25 percent growth (\$109,000) in the costs of property, automobile, workers compensation and general liability insurance premiums and the addition of a Human Resources Technician (\$65,000) to support personnel actions related to the new schools. Also included were the cost of living adjustment for employees, Virginia Retirement System rate increases and funding for projected growth in health care costs. These increases were offset by reducing the budgets of eleven (11) departments and agencies from their FY 2008 funding levels. These adjustments included staffing reductions and other operational cuts to reduce FY 2009 costs.

Public Safety

Public Safety was a high priority in FY 2009 for the Board of Supervisors. Related appropriations represent 11.1 percent (\$18.0 million) of the total General Fund expenditures, an increase of 9.5 percent (\$1.6 million). This category includes the Adult Detention Center, Northwestern Regional Adult Detention Center (NRADC), Juvenile Detention, Juvenile Probation, Warrenton-Fauquier Joint Communications Center (WFJCC), Fire and Emergency Services, and the Sheriff's Office. The Public Safety budget category, with the exception of the support to the School Division, is the largest budget grouping.

A major element of the FY 2009 increase was the addition of approximately \$400,000 to expand Fire and Emergency Services' 24-hour advance life support services which are funded by the ambulance revenue recovery program. The six positions for the 24-hour services were approved by the Board of Supervisors in late FY 2007, with the full financial impact reflected in FY 2009. Also for FY 2009, approximately \$600,000 was provided to the Sheriff's Office for three patrol deputies, a school resource officer for the new Kettle Run High School and three deputies to improve security for the County's three Courthouses. The Sheriff's Office received an additional \$198,000 to support costs primarily related to overtime to meet the growing demands for services and fuel increases. The Adult Detention Center also received additional support of \$54,000 to address the growing cost of food and health care for inmates housed in the local facility. The majority of the remaining budget increase in this category supports cost of living adjustments, VRS rate increases, and health care related costs.



Public Works

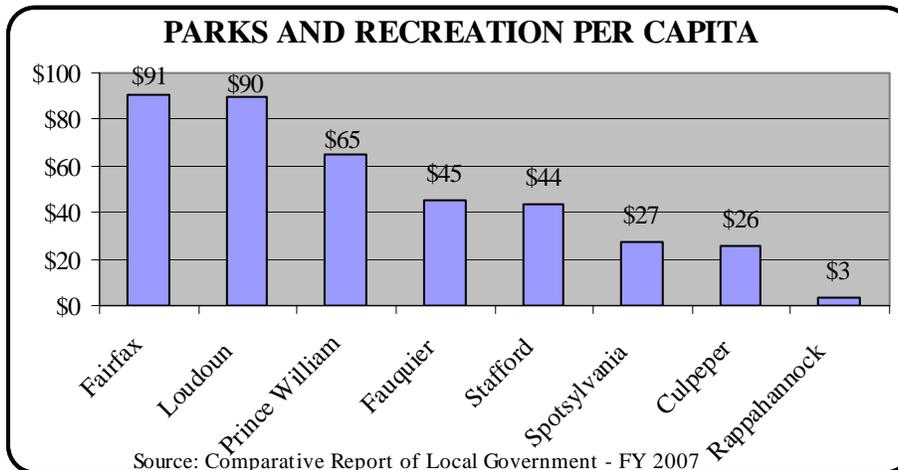
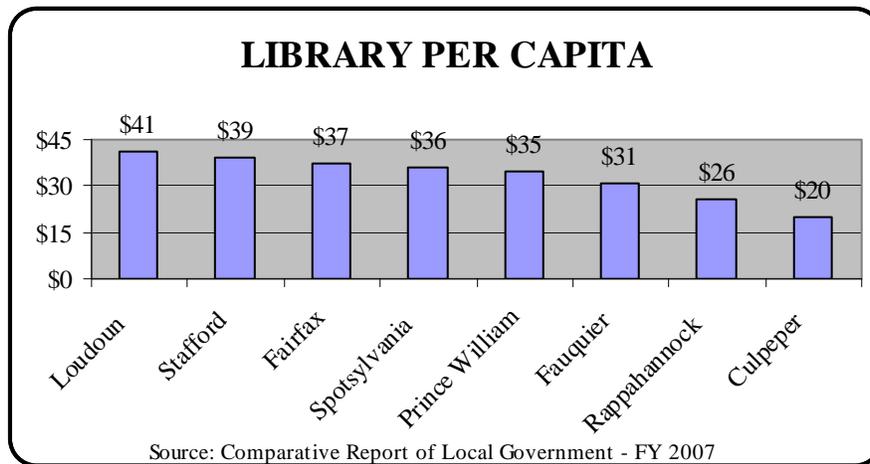
Public Works, consisting of the Environmental Services Convenience Sites and the Department of General Services, represents 4.7 percent (\$7.6 million) of the General Fund budget. The Department of General Services' budget represents 71.1 percent of this category's funding for FY 2009. From FY 2008 funding levels, the Public Works category received the largest increase, 18.2 percent, of any County budget grouping. The Convenience Sites budget was increased \$719,000 (48.7 percent). Basic factors contributing to this significant growth are an increase in tipping fees and a projected increase in waste tonnage entering the Convenience Sites. Also contributing to the FY 2009 funding level is \$250,000 to support the cost of tipping fees for the incorporated towns of Warrenton, Remington, and The Plains. The largest single factor impacting the Public Works category was the General Services Department support for Kettle Run High School and Greenville Elementary School. An increase of over \$450,000 provides six additional maintenance staff positions and funding for other related operational costs including inspection contracts for equipment such as elevators and bleachers. The actual cost for this support was partially offset by a reduction of \$82,000 (1.5 percent) in other areas of General Services' operations, including the elimination of two existing positions.

Health and Welfare

The Health and Welfare related appropriations, totaling \$9.5 million, represent 5.8 percent of the total General Fund budget. This is an increase of \$590,000 (6.6 percent) from the FY 2008 funding level. Included in this expenditure category are the Community Services Board, Comprehensive Services Act (CSA) Office, Public Health, and Social Services. The bulk of this increase, \$560,000, is attributed to CSA programs resulting from the growth in the number of children supported, costs for services provided and new Commonwealth of Virginia mandates. These include expanding services to include more children with mental health issues. The remaining increases in this category primarily support the cost of living adjustments, VRS rate change, and health care related costs.

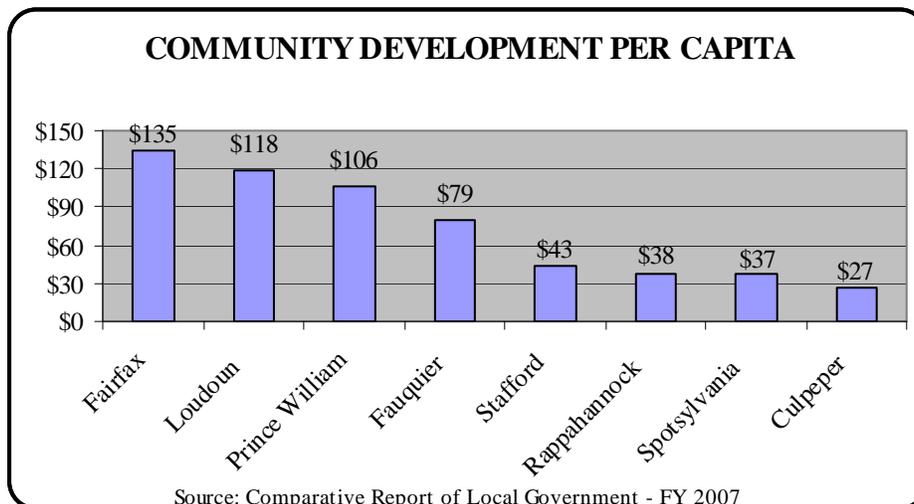
Culture

Culture appropriations of \$5.8 million represent 3.6 percent of the total General Fund Budget. This category includes the Library, Parks and Recreation, and support for Lord Fairfax Community College (LFCC). Funding for FY 2009 increased \$301,000 (5.4 percent), from FY 2008. The Library and LFCC received less funding for FY 2009 than in FY 2008. The Library's decrease included not funding two of its authorized positions and an overall 1.5 percent budget reduction. Support to LFCC was also reduced by 1.5 percent. Parks and Recreation was increased \$354,000 primarily to address the opening of the Northern Sports Complex. This action included the addition of four positions to support that facility. Contract increases for such items as mowing, portable toilets, software maintenance and other operational issues contributed to Parks and Recreation's budget growth. Both Parks and Recreation and the Library received funding for a cost of living adjustment, VRS rate increases, and growth in health care costs.



Community Development

Community Development related appropriations are \$4.9 million (3.0 percent) of the total General Government expenditures. This category includes Community Development, Agricultural Development, Economic Development, Extension Office, John Marshall Soil and Water Conservation District and the Planning Commission/Board of Zoning Appeals. For FY 2009, this category's funding decreased \$118,000 (2.4 percent), a net increase of \$473,000 with the consolidation of all funding for contribution agencies being moved to this budget element. The consolidation of contribution agency funding will improve support and funding accountability. Six of the seven agencies in this budget category were reduced a combined total of \$590,000 from their FY 2008 funding levels. Due to slowing commercial and residential development, the Community Development Department received the largest decrease, \$316,000, which included five authorized positions not being funded and reductions in operational elements such as for transportation consultant services. Reductions in staff funding and other functions by John Marshall Soil and Water District Office, Agriculture Development, the Extension Office and the Planning Commission contributed to the overall decrease in funding in this budget category.

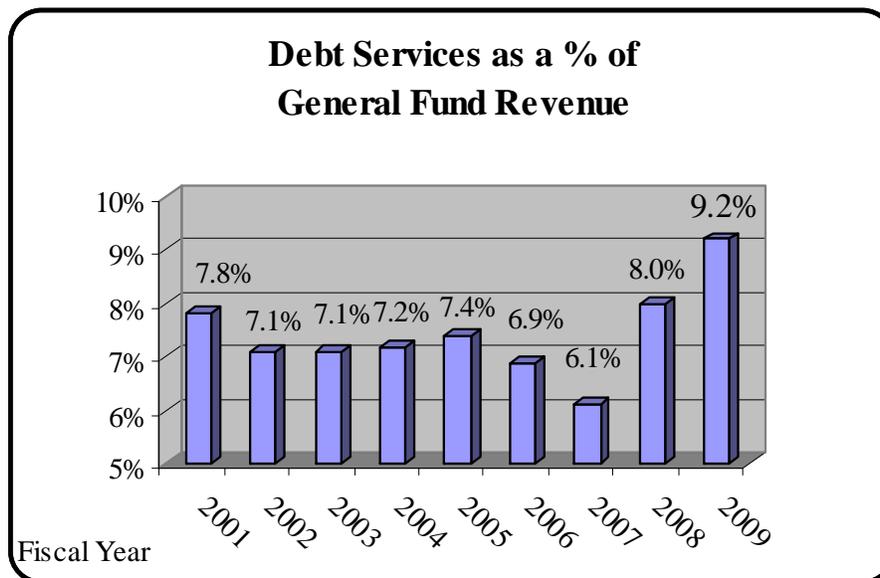


Debt Service

The General Fund Debt Service reflects the lease/purchase payments for the branch library in Bealeton and debt service related to the purchase of an emergency public radio system in FY 2003. New County debt that was to be in effect for FY 2009 with the Board of Supervisors' FY 2008 approval of a public safety radio upgrade and construction of a Fire Training Center/Firing Range was eliminated with the use of cash funding in late FY 2008.

The School Division accounts for \$13.9 million (93.8 percent) of the County's total current debt service expense. There is no planned County or School borrowing for FY 2009. Debt Service, however, will increase \$3.1 million, 28.3 percent, due to the FY 2008 borrowing to support construction of Kettle Run High School and Greenville Elementary. Both schools are scheduled to open in FY 2009. In analyzing the need for new or upgraded facilities and funding

alternatives, the County continues to ensure compliance with its policy of restricting debt service payments to 10 percent of budgeted revenue. The chart below reflects that achievement.



School Operating Fund

For FY 2009, support of the School Division is again the highest priority for the Board of Supervisors. Funding for the School Operating Fund budget rose a net \$10.8 million (8.3 percent). The local County funding transfer increased \$11.3 million (13.0 percent) to \$98.1 million. Reflecting the Board of Supervisors' emphasis on education, the direct local support to the School Division has increased 22.5 percent in the past two years. During the same period, funding for County agencies increased 6.1 percent. Indirect support from the Unified Services Departments of Finance, Human Resources, General Services, and the Office of Comprehensive Services increased over 20.9 percent during the same period.

For FY 2009, revenue support for the Schools included a small, 0.4 percent, increase from the Commonwealth, a 4.2 percent decrease in Federal funding, and a 4.6 percent decrease in other revenue elements primarily due to loss in Driver's Education and High School Parking fees. The School Board's highest budget requirement for FY 2009 is the opening of Kettle Run High School and Greenville Elementary. Start up staffing costs and other operational expenses are approximately \$6.3 million for FY 2009. These expenses represent 55.8 percent of the increased local support to the School Division. Another priority for FY 2009 is recruiting and retaining high quality staff through enhanced employee compensation. For FY 2009, a beginning teacher's salary will become more competitive as it increases by \$1,250, up 3.2 percent from FY 2008 level. In the effort to improve starting teacher compensation, the School Division has increased salaries by approximately 16 percent over the past three years. Other compensation issues addressed by the School Board were a 1.05 percent increase in Virginia Retirement System (VRS) rates and the absorption of projected growth in health care costs for all full time employees. The School Division is estimating an increase of 200 students and the impact of inflationary issues such as fuel costs.

Capital Improvements Fund

The Capital Improvements Fund, including the Capital Improvements Program (CIP), for FY 2009 totals \$410,000, a 97.0 percent reduction from last year's \$13.6 million program. The FY 2009 funds will continue to support the Sheriff's vehicle replacement program through cash funding. No other projects, cash or bond funded, were recommended due to the anticipated impact of the slowing economy on local revenue. Construction of the New Baltimore Library and preliminary funding for school renovations, initially scheduled for FY 2009, have been deferred to future years when the County's financial outlook should improve. This action reflects the Board of Supervisors' intent to limit any further debt until a complete review of all existing cash and bond funded projects has been made. The purpose of this review is to determine if open projects should continue, be postponed or terminated. Funding from any terminated or postponed project would be redistributed to projects with higher priorities or moved to the County's Construction Reserve for future use.

Volunteer Fire & Rescue Fund

Fire and Rescue Fund tax levy for FY 2009 support remains at \$0.035 per \$100 of assessed value of real property. This \$4.6 million Fund increased slightly, \$74,000 (1.6 percent) and will be used primarily to support minor facility improvements at various fire and rescue stations. The additional revenue will be generated from interest on the Fund's cash balance.

Airport Enterprise Fund

For FY 2009, the Airport Enterprise Fund increased \$657,000 to \$954,000. This significant increase was due to the addition of the flight and fuel service program approved by the Board of Supervisors during FY 2008. Prior to that time, this program was run by a private contractor. The Airport Fund does not include any County funding support.

Conservation Easement Service District Fund (Purchase of Development Rights)

This Fund will decrease \$430,000, (24.2 percent), to \$1.4 million, due to the impact of the revised value of its supporting \$0.01 in real estate tax and reductions in grants, gifts and contributions. The Purchase of Development Rights Program, initiated in FY 2002, has acquired 336 development rights protecting over 6,170 acres. With over 82,000 acres permanently protected, Fauquier County ranks second in the state in land conservation and within a year is projected to be first.

Environmental Services (Landfill) Fund

The Environmental Services Fund decreased \$230,000 (3.3 percent) from FY 2008 due to a decline in construction and demolition tipping fee revenue resulting from the slowing in the construction industry. Operational emphasis for FY 2009 is to continue to refine the new Construction and Demolition Debris recycling program. It is anticipated that revenue from the sale of recycled materials will exceed \$1 million dollars for the first time. The Department also plans to begin the implementation of a new program to reclaim area from an existing landfill cell

that will establish future landfill capacity. Beginning in FY 2009, the County will be seeking approval from the State Department of Environmental Quality to mine the Construction and Demolition Debris landfill thereby creating future municipal solid waste landfill capacity.

Affordable Housing Fund

Beginning FY 2008, the County contributed \$298,000 to establish a fund to address one of the Board of Supervisors' priorities: affordable housing. As with most northern Virginia jurisdictions, moderate and lower cost housing is very limited. The intent of this Fund is to serve as seed money for grants and to support initiatives that will improve this situation. A citizens' committee, supported by County staff, has been formed to aggressively pursue affordable housing opportunities. Despite limited revenue availability, this program remains fully funded for FY 2009.

Economic Development

Economic growth in terms of new tax revenue and the enhancement of job opportunities are the purpose and goal of the Fauquier County Department of Economic Development. Supporting new business growth, assisting existing businesses to expand, and enhancing tourism are critical to maintaining balanced economic growth.

The Fauquier County business tax base in Calendar Year (CY) 2007 remained level; however, the total number of businesses did show an increase of 167. The unemployment rate increased slightly over CY 2006 (2.5 percent as compared to 2.3 percent in CY 2007); however, the rate remains less than that of both the Commonwealth of Virginia (3 percent) and the United States as a whole (4.5 percent). The economic situation is beginning to show a slowdown reflective of the cost of energy and general decline in personal spending. This general decline is not shown in the CY 2007 information, but it is beginning to be seen in the present economic activity in Fauquier County. During CY 2006-2007, the total tax revenue collected in Fauquier County was approximately \$115 million. Of this total, businesses contributed approximately \$14.4 million. In addition to the real estate tax, Fauquier County experienced an 11.9 percent increase in retail sales of \$387 million over CY 2006. This growth has slowed in FY 2007 with the decrease of residential and commercial construction. However, the Board of Supervisors has identified commercial growth as a high priority. This effort is intended to lessen the impact of County and School operations supported primarily with revenue from the residential real estate tax.

LOOKING TOWARD THE FUTURE

The projected FY 2009 economic conditions restricted the ability of the County to respond to General Government and School Division operational needs. This economic reality may be a significant factor impacting future budgets. While a number of priorities, including those identified by the Board of Supervisors, were addressed in this year's budget, there are many unfunded requirements which will be competing for limited future revenues. Future issues, 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, will all need to be addressed in future budgets. A complicating factor may be the impact of the quadrennial reassessment of real property scheduled for FY 2010. Decreases in real property values, similar to conditions present in neighboring jurisdictions, may impact future real estate revenue. Planning has already commenced to address adjustments in County operations which may be required to mitigate this situation. However, one of the most significant issues facing the County in the next few years is the impact of facility requirements. The ten-year Capital Improvements Plan contains twenty construction projects, including three schools, major renovations to existing schools, two libraries, a public safety office building, a transportation complex and a southern community center totaling more than \$177.8 million with annual operating costs of over \$16.9 million. In addition to these planned projects, recent limitations placed on the County by the Commonwealth of Virginia regarding restrictions on the expansion to wastewater treatment facilities after FY 2010 could have a further budgetary impact.

To lessen the funding requirements required to support residential growth, the County's Conservation Easement Service District (CESD) Fund for the purchase of property development rights is a key element. The CESD Fund is supported by \$0.01 per \$100 assessed value of real estate tax revenue, grants, as well as revenue generated by tax penalties on land removed from special use tax categories. As previously indicated, Fauquier County's Purchase of Development Rights Program is the fastest-growing program in the Commonwealth; and by FY 2009 is estimated will have more acreage in protected status than any other jurisdiction. It is hoped that as the County's fiscal situation improves in the future; the CESD program can be expanded to help maintain the treasured agricultural and cultural heritage of Fauquier County and slow increased demands for services and service-related costs due to residential development.

To meet the many budget challenges and maintain a proactive financial posture, Fauquier County is developing a Ten Year Financial Plan for operational planning and budget development. Our multi-year projection of revenues and expenditures in the Ten Year Financial Plan will permit policy makers and staff to improve forecasts of future needs, especially the projected growth and impact of school age children. This instrument will also be 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. 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 2009, 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 and short-term goals. The identification of these objectives in easily understood terms and measures will be beneficial to both County administration and citizens in determining the efficiency and effectiveness of County

government. Using these objectives, the departments and offices can more easily align their activities to achieve the County's overall goals. The progress on these objectives will be reported to the Board of Supervisors semi-annually.

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