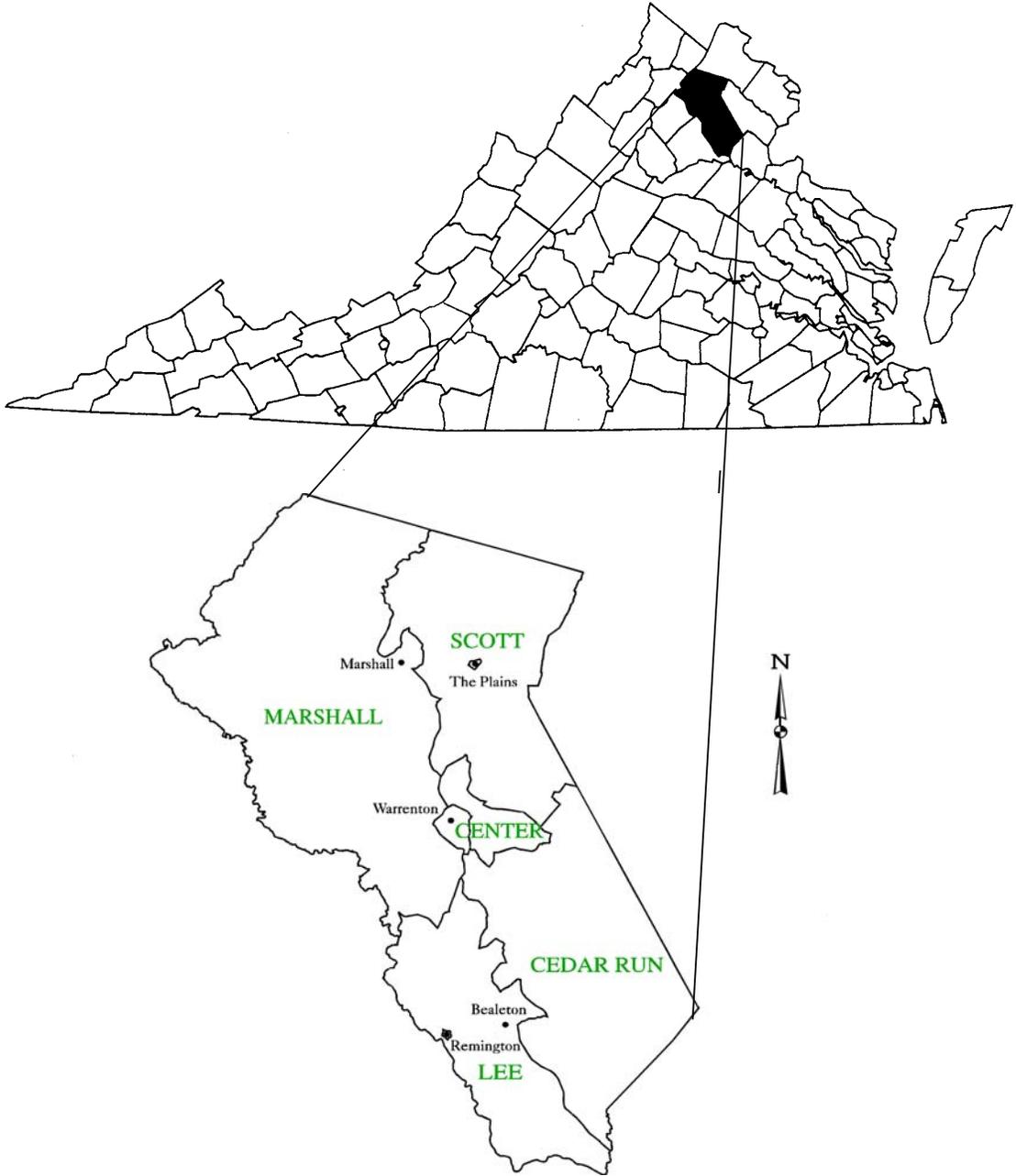


County of Fauquier, Virginia





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FAUQUIER COUNTY, VIRGINIA

Once part of the Northern Neck Proprietary, a vast English land grant held by the 6th Lord Fairfax, Fauquier County was created in 1759 from Prince William County and named for Sir Francis Fauquier, the Colonial Lieutenant Governor at that time.

Originally populated by the Manahoacs, Sioux tribe, and later used as a hunting ground by the Iroquois, Fauquier's first immigrants were of German and English ancestry. Brent Town, the first settlement, was established in 1686 in Southern Fauquier. The first settlement in Northern Fauquier was near The Plains in 1726.

During the American Revolution, many County citizens served in the Continental Army, including Captain John Marshall who would later serve the country as Chief Justice of the U.S. Supreme Court.

During the Civil War the county was frequently criss-crossed by both Northern and Southern armies. The history of the war in Fauquier County is dominated by tales of the escapades of Colonel John S. Mosby, a Partisan Ranger whose unorthodox and highly effective maneuvers would now be called guerrilla warfare. Significant Civil War sites and activities are documented in Fauquier's twelve sites on the Virginia Civil War Trails.

Recovery from devastation to the agricultural economy following the war was helped by the arrival in the early 1900s of several prosperous Northern businessmen who came here to fox hunt during the winter months. Their enthusiasm and investments, combined with Virginia's long history of fine horses, established the area as the Hunt Country capital of Virginia, which continues to this day.

The Fauquier County government is organized under the County Administrator form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors, which makes policies for the administration of the County. The Board of Supervisors consists of five members representing the five Magisterial Districts in the County: Center, Lee, Scott, Marshall, and Cedar Run. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, and directs business and administrative procedures in the County government. An organizational chart of Fauquier County government is included.

In Virginia, cities and counties are distinct units of government and do not overlap. Fauquier County completely surrounds the Towns of Warrenton, Remington, and The Plains. The County does provide certain government services, such as public education, to the Towns' residents pursuant to agreements with such towns. Property in these towns is subject to County taxation.

The County of Fauquier is located in the north central Piedmont region of Virginia, approximately 40 miles southwest of the nation's capital and approximately 80 miles northwest of Richmond, the state's capital. The County encompasses a land area of approximately 660 square miles. Fauquier County is bordered by the counties of Prince William, Stafford, Culpeper, Warren, Clarke, Loudoun and Rappahannock. The Rappahannock River forms the county's Western border. Interstate 66 runs East-West through the northern portion of the County. In addition, five U.S. primary routes and two state primary routes traverse the County.

Because of its proximity to Washington, D.C., the County has experienced consistent population growth rates over the past ten years. Despite the population growth, the County remains primarily rural in nature.

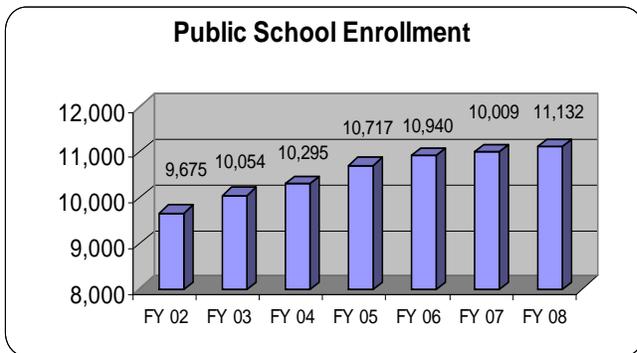
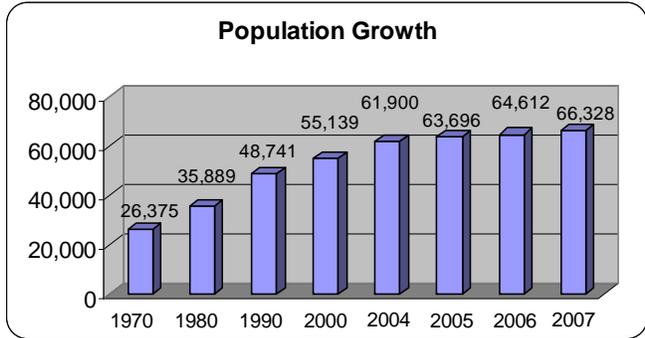


DEMOGRAPHICS

Formed as an Independent County	Chartered in 1759
Present Form of Government.....	Traditional Board of Supervisors-County Administrator (Five Board Members by Magisterial District)
Area.....	660 square miles
Population (July 1, 2005).....	66,328
Registered Voters (May 2008).....	41,748
Median Age (April 2006).....	38.7
Unemployment Rate (March 2008)	3.3%
County Civilian Labor Force (March 2008)	37,760
Education (Public):	
Number of Elementary Schools	11
Number of Middle Schools.....	5
Number of High Schools	3
Number of Alternative Schools	1
Enrollment 2008 (as of 3/31/07).....	11,132
Libraries:	
Number of Facilities	3
Patrons Registered (March 2008)	36,469
Total Circulation (March 2008).....	343,792
Sheriff's Office Protection:	
Administration	6
Law Enforcement.....	60
Court Services/Civil Process.....	18
Detention Center	37
Support Services	6
Number of Calls for Which a Deputy was Dispatched.....	26,172
Total Calls for Service	86,358
Fire and Rescue Protection:	
Number of Fire Stations.....	4
Number of Rescue Stations.....	1
Combination Fire & Rescue.....	6
Career Personnel	39
Volunteer Personnel.....	578
Parks and Recreation (Public):	
State Parks.....	1
State Forests	1
County Parks.....	28
Wild Life Management Areas.....	3
Swimming Pools.....	2
Employees:	
General Government.....	645
School Division.....	1,798

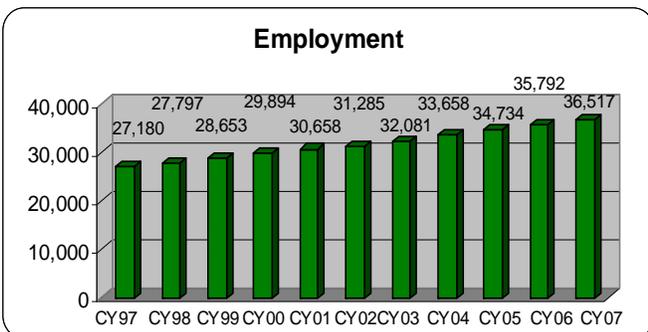
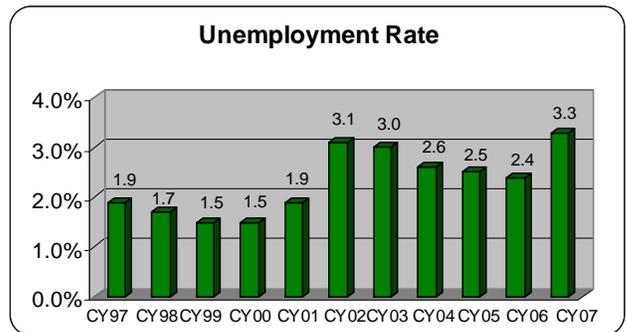
DEMOGRAPHICS

In the past decade the average annual population growth was 13%. In the first six years of the current decade the annual population growth averaged 20%. Increased growth will result in the need to expand services such as additional schools. Two new schools will open in FY 2009.



Since FY 2002, student enrollment has increased by 1,457 students or approximately 2.2% per year.

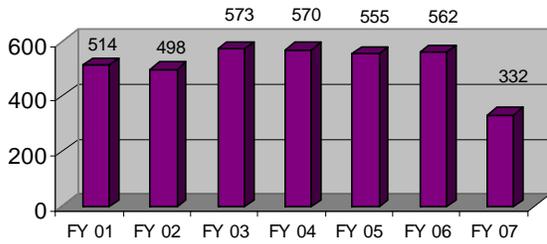
Fauquier County has one of the lowest unemployment rates in the Commonwealth of Virginia. Despite the slowing down in new construction, the unemployment rate is expected to remain low.



The past 10 years have seen a steady increase in employment with the County.

DEMOGRAPHICS

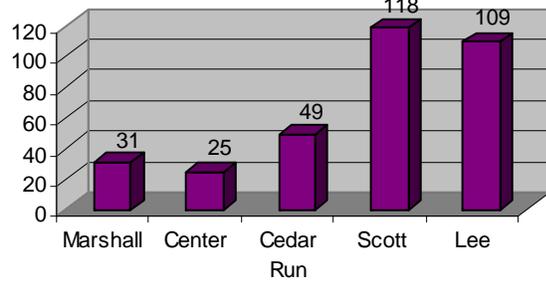
New Single Family Dwelling Construction



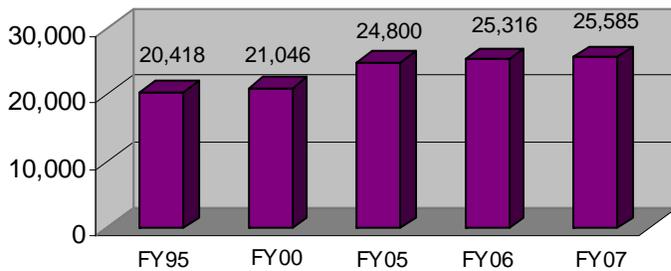
After four years of consistent growth, FY 2009 is expected to have a decrease between 20 and 25 percent. This projection reflects the slowing of new home construction which resulted in minimal budget growth for FY 2009.

Marshall District comprises 9.3% of the new dwellings, Center District 7.5%, Cedar Run District 14.8, Scott District 35.6%, and Lee District 32.8%. The increase in new dwellings has resulted in the building of a new high school and elementary school #11 which are opening in FY 2009.

FY 2007 Magisterial District New Dwellings

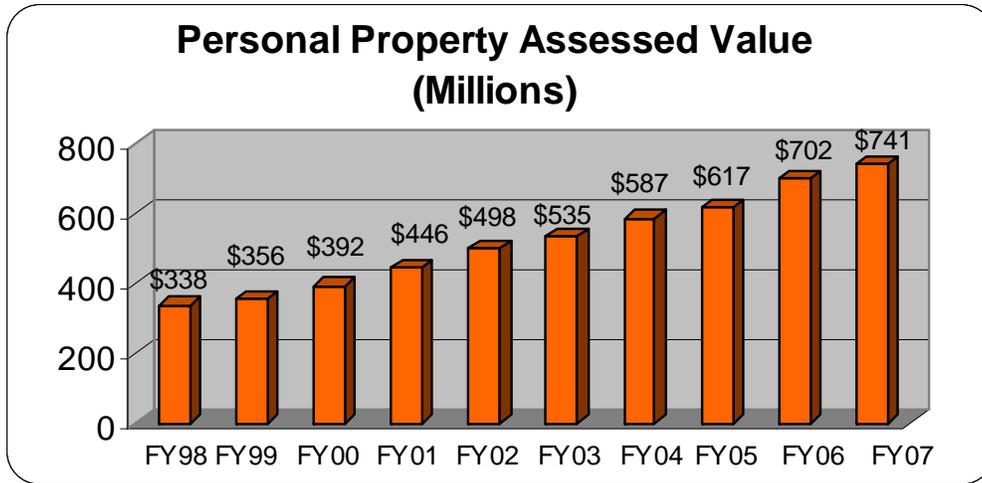


Dwelling Units

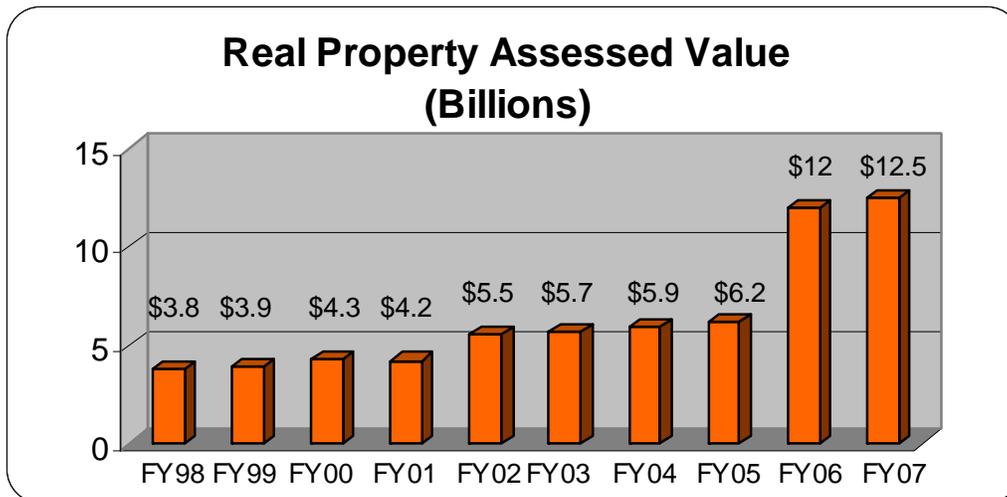


Since FY 2000 approximately 4,539 new dwellings have been built; an increase of 21.5%. As previously indicated, new housing units are expected to decrease significantly in FY 2009.

DEMOGRAPHICS



The Personal Property Tax Rate for FY 2009 is \$4.65 per \$100 of Assessed Valuation and remains unchanged since FY 1998 (11 years).



The Real Estate Tax Rate for FY 2009 is \$0.72, Fire Service Levy \$0.035 and Conservation Easement Service District \$0.01.

FY 2009 Total Tax Rate was \$0.765 per \$100 of Assessed Valuation. The significant increase in assessed value for FY 2006 was the result of the latest quadrennial assessment of real property.

BOARD OF SUPERVISORS' MISSION STATEMENT STRATEGIC GOALS AND PRIORITIES

Fauquier County Mission Statement

Working within the theme of “Progress with Reverence for Heritage” and with a strong commitment to the accomplishment of meaningful improvements to the efficient, effective, and open conduct of the County government, and to the public health, safety, and welfare and educational opportunities, the Fauquier County Board of Supervisors seeks, within the bounds of fiscal integrity, to preserve the physical beauty, historical heritage and environmental quality of the county while ensuring that population growth and development is a positive force on the general welfare of the community.

In late FY 2002 the Board of Supervisors approved the development of objectives and measures to achieve three primary strategies based on the County’s Vision Statement.

Strategies

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

Additionally in CY 2007 the Board of Supervisors approved a number of short and long range priorities most of which directly impacted the adopted strategies. These are reviewed and updated annually.

Priorities

1. Work closely with the School system to jointly plan County and School facilities.
2. Reduce the overall County growth rate from 3 percent to 1 percent by recommending strategies that are based on an evaluation of the Comprehensive Plan, Zoning Ordinance and the build-out.
3. Continue to improve the process for approving and expediting industrial and commercial development.
4. Continue collaboration efforts with Fauquier Housing and Fauquier Habitat and identify opportunities for affordable building lots. Implement recommendations of Affordable Housing Task Force.

BOARD OF SUPERVISORS' MISSION STATEMENT

STRATEGIC GOALS AND PRIORITIES

5. Continue refinements to the Purchase Development Rights (PDR) program and focus on establishing a hard edge of open land around service districts.
6. Economic Development to work closely with Vint Hill Economic Development Authority and Town of Warrenton to encourage promotion of local business.
7. Enhance relations with the Town of Warrenton.
8. Work closely with Virginia Department of Transportation and neighboring jurisdictions to meet the strategic transportation needs of the County.
9. Work to ensure the security of all County facilities.

To achieve these goals and attain the priorities established, the County departments and offices have begun translating them into tangible management objectives with measurable results. These objectives and measures are defined in operational terms that everyone can understand. By creating this understanding, the County agencies can more easily align their activities around these strategies and priorities. It will also provide the Board of Supervisors, County Administration and County citizens a clear understanding of what the County Government is striving to achieve and how it expects to get there. These management objectives will serve as a focal point for the allocation of manpower and financial resources throughout the year and during budget development. A semi-annual report will be prepared on the progress in attaining the County's established priorities and goals. It is anticipated that during the course of this management process, objectives and measures will be refined to improve attainment of the Board of Supervisors' goals and priorities.

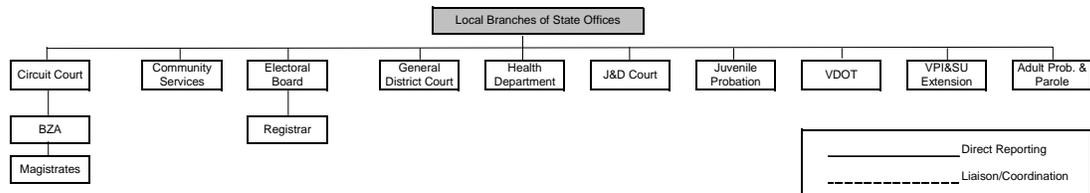
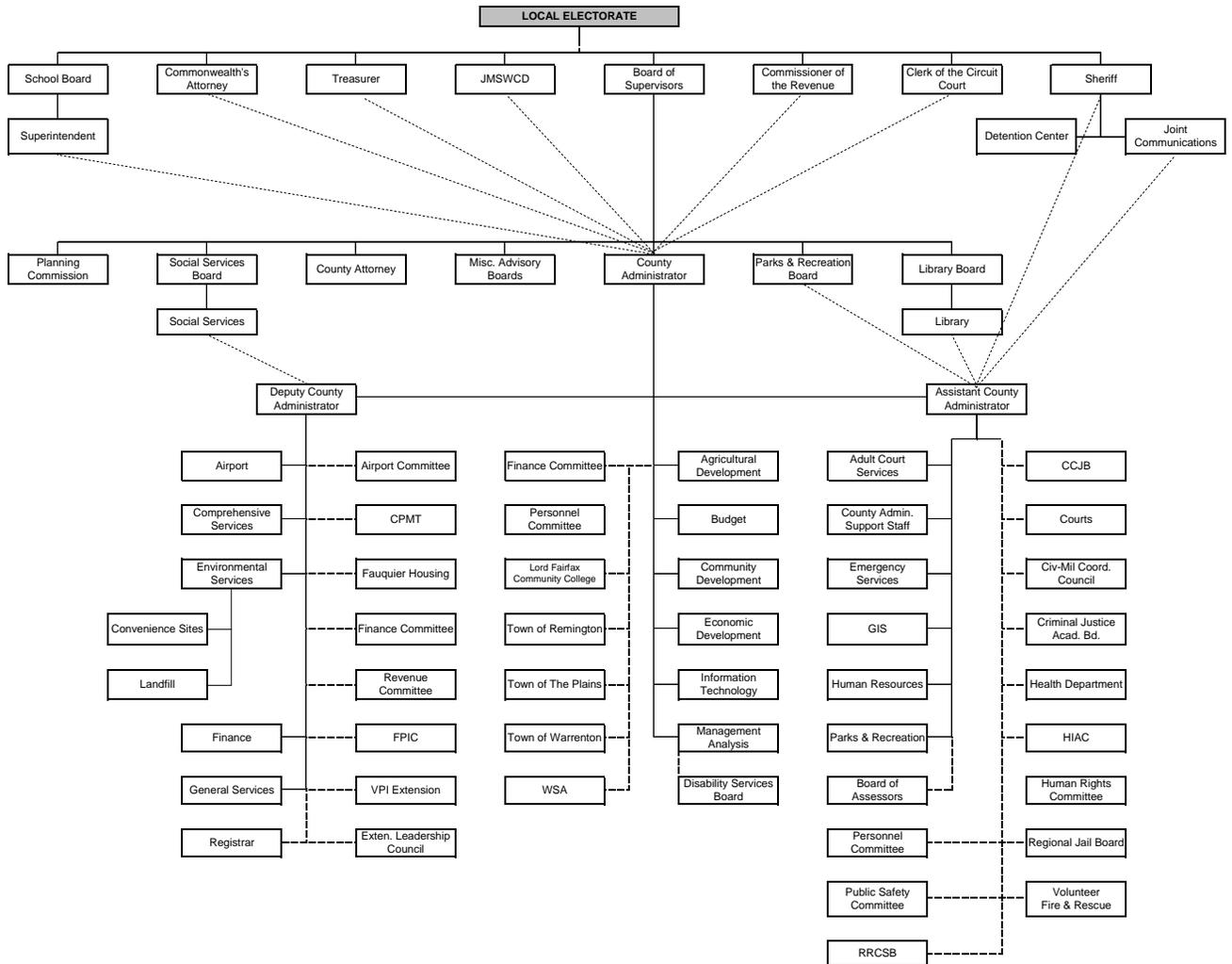


BOARD OF SUPERVISORS’ LEGISLATIVE PRIORITIES

Legislative Priorities

1. School Funding - Fauquier County supports discontinuing the penalty for conserving land under the Land Use Value Taxation Program in determining state support for school funding. Implementation of an adjustment to the distribution of school funds that recognizes the actual taxable value of land enrolled in the state’s oldest land conservation program. Fauquier County supports the continued full funding of the State’s share of the Standards of Quality, the full funding of any categorical educational mandate, including pay raises, and the full funding of the State’s portion of the Standards of Learning relating to instructional technology. Fauquier County also supports increased funding for school construction.
2. Local Government Zoning, Land Use and Revenue Authority – As a general policy position, Fauquier County opposes any measure that would eliminate or reduce any local government zoning, land use or revenue authority. Fauquier County opposes the continued imposition of unfunded state mandates upon local governments.
3. Purchase of Development Rights and Conservation--Fauquier County supports increased State funding for the purchase of conservation easements and other land conservation needs.
4. Affordable Housing--Fauquier County supports the Virginia Housing Coalition’s proposal to establish a Virginia Housing Trust Fund, capitalized with an ongoing source of State funding.
5. Water Resources Planning - Fauquier County supports a comprehensive, State-funded study of the Commonwealth’s surface and groundwater resources.
6. Libraries—Fauquier County supports full funding of the state aid formula for public libraries, and increased funding for library technology.
7. Transportation Priorities—Fauquier County supports State funding for the following top three transportation priorities:
 - a. Relocation and reconstruction of Route 215 from Route 15/29 to Vint Hill. Completion of design work for the ultimate interchange at Route 215 and Routes 15/29.
 - b. Spot safety adjustments and intersection improvements (including turn lanes and signalization) in the corridor between Route 15/29 and the Prince William County border.
 - c. Construction of the Opal Interchange at Routes 15/29/17.

FAUQUIER COUNTY ORGANIZATION CHART



PERMANENT POSITIONS - FULL TIME EQUIVALENTS

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
GENERAL GOVERNMENT					
Board of Supervisors	9	9	1	1	1
Budget Office	3.5	3.8	4	4	4
Commissioner of Revenue	23	23	23	23	23
County Administration	5.5	5.5	8.6	9.6	9.6
County Attorney	5.6	5.6	5.6	6	6
Finance	21.7	22.6	23.6	21.6	21.6
Geographic Information Systems	4	4	5	4	4
Human Resource	9	9	10	10	12
Information Technology	16	16	17	17	16
Registrar	4.6	4.6	3	3	3
Treasurer	16	16	16	16	16
Subtotal	117.9	119.1	116.8	115.2	116.2
JUDICIAL ADMINISTRATION					
Adult Court Services	9	10	10	11	11
Circuit Court	1	1	1	1	1
Clerk of the Circuit Court	15	16	16	16	16
Commonwealth's Attorney	9.7	9.7	10.7	10.7	10.7
Juvenile & Domestic Relations Court	1	1	1	1	0
Magistrates	2	2	2	2	2
Subtotal	37.7	39.7	40.7	41.7	40.7
PUBLIC SAFETY					
Juvenile Probation	0.5	0.5	0.5	0.5	0.5
Fire and Emergency Services	26	32	33	33	39
Joint Communications	22.6	24.6	24.6	24.6	24.6
Sheriff	114.5	120.5	121.5	124.5	130.5
Subtotal	163.6	177.6	179.6	224.3	235.3
PUBLIC WORKS					
General Services	48.5	52.5	56.5	56.5	60.5
Subtotal	48.5	52.5	56.5	56.5	60.5
HEALTH AND WELFARE					
Comprehensive Services	4	4	4	4	4
Public Health	0	0.5	0	0	0
Social Services	39.7	41	42.8	42.8	42.8
Subtotal	43.7	45.5	46.8	46.8	46.8
CULTURE					
Library	33	34	36.2	36.2	36.2
Parks and Recreation	21.2	24.2	29.2	29.2	31.3
Subtotal	54.2	58.2	65.4	65.4	67.5
COMMUNITY DEVELOPMENT					
Agriculture Development	1	1	1	1	1
Community Development	37.6	39.6	45.6	46	46
Economic Development	4	4	4	4	4
Alice Jane Childs Building	1	2	2	2	2
Subtotal	43.6	46.6	52.6	53	53
FUNDS					
Airport	2.1	2.1	2.6	2	2
Conservation Easement Service District	0	0	0.8	1	1
Environmental Services	21.5	22	28	31	31
Fleet Maintenance	16	16	15	15	15
Subtotal	39.6	40.1	46.4	49.0	49.0
TOTAL	548.8	579.3	604.8	651.9	669.0

PERMANENT POSITION ADJUSTMENTS

Positions Approved for 2009

Department	Position Title	New or Conversion	Justification
Positions Added:			
<u>General Fund</u>			
General Services	Assistant Maintenance & Repair Supervisor (PM)	New Full Time	Position is required by the opening of two new schools and is needed for the evening shift to repair and maintain aging and newer high tech equipment. Also to perform preventative maintenance.
General Services	Building Mechanic (PM)	New Full Time	Position is required by the opening of two new schools and is required for the evening shift to assist technicians with plumbing, electrical and HVAC maintenance and functions.
General Services	Plumber Mechanic II (PM)	New Full Time	This position is required by the opening of two new schools (based on building square foot) and the upkeep/service of existing older buildings.
General Services	Electrical Mechanic II (PM)	New Full Time	This position is required by the opening of two new schools (based on building square foot) and the upkeep/service of existing older buildings.
General Services	Building Maintenance Worker (PM)	New Full Time	Position is required by the opening of two new schools and will provide helper status to the evening crew for servicing and maintaining equipment.
Human Resources	Human Resources Technician	New Full Time	Increase in workload, generated by new schools. Human Resources has not added staff in eight (8) years.
Sheriff's Office	School Resource Officer (SRO)	New Full Time	SRO is required for the new Kettle Run High School to provide security.

PERMANENT POSITION ADJUSTMENTS

Department	Position Title	New or Conversion	Justification
Sheriff's Office	Deputies (3)	New Full Time	Additional deputies are needed for greater coverage and faster response to citizen's calls.
Parks & Recreation	Northern Sports Complex Park Manager	New Full Time	Position will oversee entire operations of the NSC.
Parks & Recreation	Recreation Program Coordinator	New Part Time	Position will coordinate the recreation programs at the NSC.
Parks & Recreation	Park & Facility Maintenance Supervisor	New Part Time	Seasonal position will provide maintenance support for the NSC.

Position Eliminated for FY 2009

Juvenile & Domestic Court	Senior Administrative Associate	Eliminated Full Time
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Previously Approved Positions Not Funded for FY 2009

Department	Position Title	New or Conversion	Justification
<u>General Fund</u>			
Community Development	Engineer	Full Time	*
Community Development	Senior Planner	Full Time	*
Community Development	Administrative Associate	Full Time	*
Community Development	Assistant Soil Scientist	Full Time	*
Community Development	Planner	Full Time	*
County Administration	Administrative Assistant	Full time	*

PERMANENT POSITION ADJUSTMENTS

Department	Position Title	New or Conversion	Justification
Library	Cataloguer	Full Time	*
Information Technology	Computer Technician	Full Time	*
John Marshall Soil & Water Conservation District	E&S Specialist I	Full Time	*
Library	Page	Part Time	*

* Positions were not funded due to limited revenue.

Positions Added During FY 2008

Department	Position Title	New or Conversion	Justification
<u>General Fund</u> Sheriff's Office	Courtroom Security (3)	Conversion Part Tim Temp to Full Time Permanent	The County Judges requested the three (3) positions to provide security for the Fauquier County court facilities.
County Administration	Reassessment Coordinator	Full Time (2 year position)	Position is required to coordinate and oversee the County real estate reassessment scheduled for FY 2009 – FY 2010.



BASIS OF BUDGETING

What is a budget? A budget is a formal document that enables the County to plan for the future, measure the performance of County services, and help the public understand where the revenues come from and how these revenues are spent on County services. The Commonwealth of Virginia requires that the County budget be based on fund accounting, which is a way to match the source of revenue (such as taxes, service fees, etc.) with the uses (program costs) of that revenue. Therefore, the County budgets and accounts for its revenues and expenditures in various funds.

The County fund structure is similar to your standard filing cabinet. Each drawer of a filing cabinet is a separate fund, used to account for different sources and uses of revenues. There are five governmental fund types and Fauquier County uses three:

1. Basis of Budgeting and Accounting – Governmental Funds

The General Fund, Special Revenue Funds and Capital Improvements Fund are those using modified accrual accounting and are budgeted on the same basis. This means that expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred and revenues are recorded when received in cash, unless they are measurable. This basis of budgeting is consistent with generally accepted accounting principles (GAAP). Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Fund measurement focus is upon current financial resources, rather than upon net income determination as would apply to a commercial enterprise. The basis of budgeting is the same as the basis of accounts used in the annual audited financial statements.

- a. **General Fund** - The General Fund is the main operating fund where government keeps track of most of its day-to-day functions. All functions that do not fall under the special purposes of the other funds are accounted for in this fund. The sources of revenue for the General Fund operations are primarily locally derived taxes.
- b. **Special Revenue Fund** - Special Revenue Funds account for functions that have sources of revenue that legally must be used for specific services. These revenues can range from grant funding to intergovernmental transfers to support the funds. Currently the County has five such funds; Affordable Housing is funded by a transfer from the General Fund, Fire and Rescue funded by a separate tax levy on real estate, Conservation Easement District funded by tax penalties on land in special use tax categories sold for development and a separate tax levy, School Operating funded by State and Federal revenue and a transfer/subsidy from the General Fund and School Text Books funded by a transfer/subsidy from the School Operating Fund.
- c. **Capital Improvements Fund** - This Fund accounts for the purchase, construction or renovation or replacement of major capital items, such as buildings or major hardware items. Funding support is provided through transfers from the General Fund, School Fund and bond proceeds. State and Federal funding is included in the transfers. Bond proceeds make up the bulk of the funding support of this Fund.

BASIS OF BUDGETING

2. Basis of Budgeting and Accounting – Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position and cash flows. Operating revenues include charges for services. These Funds are accounted for using full accrual accounting. Under this accounting method revenues are recognized in the accounting period in which they are earned while expenses are recognized in the accounting period in which the related liability is incurred. Proprietary funds are budgeted similarly except for depreciation.

- a. **Enterprise Fund** - Enterprise funds account for activities that are financed and operated much like businesses. Fauquier County's landfill operation is an enterprise fund, as is the Warrenton-Fauquier Airport and the School Division's Nutrition Services.
- b. **Internal Service Fund** - Internal Service funds are used to account for financing of goods or services provided by one department or agency to others on a cost reimbursement basis. The Fleet Maintenance Fund is the County's only Internal Services Fund.



BUDGET PROCESS

Budget Process

Budgeting has several purposes. Budgeting is a formal way to convert the County's long-range plans and policies into services and programs and to communicate these plans to the public. In one sense, each government has two budgets during the course of a fiscal year: a revenue budget and an expenditure budget. The revenue budget outlines the revenues (taxes and fees) that are needed to support the County services, including the rate of taxation to be adopted for the coming fiscal year. The expenditure budget outlines the capital (Capital Improvements Plan) and operating costs (departmental budgets) for services and programs proposed for the coming fiscal year in terms of costs in dollars. Once the Board of Supervisors has adopted the budget, the budget becomes the work plan of goals and objectives to be accomplished during the next fiscal year.

In October the departments submit their budget requests to the Budget Office for review and analysis. After a series of meetings with departments and agencies, final budget decisions are made by the County Administrator in January for his Proposed Budget. This document is submitted to the Board of Supervisors early in February of each year. The Board of Supervisors reviews the proposed budget during February and March. A public hearing is held to obtain citizen comments on the budget in March and the Board of Supervisors adopts the budget and sets tax rates for the coming year prior to April 1st.

During the fiscal year, a Board of Supervisors' Finance Committee consisting of two Board of Supervisors' members accepts and reviews department requests for budget adjustments. Primary staff support for this Committee is the Budget Office. Adjustments to the budget can be requested for several reasons: receipt of grant funding from local, state, federal, or private sources; emergency expenditure authority request; internal funding reallocations to better appropriate resources for agency operations, etc. On the basis of these reviews, the Finance Committee forwards the requests, with or without a Committee recommendation, to the Board of Supervisors during the next regularly scheduled Board of Supervisors' meeting for discussion, public comment, and ultimate decision on the request. If the amount of the request(s) exceeds one percent of the budget or \$500,000, a public hearing for citizens' comments is required before action can be taken by the Board of Supervisors.

Citizen involvement and understanding of the budget is a key part of the budget process. During the budget process, briefings are provided to various citizen groups to provide information and solicit concerns about the budget. There are also many active committees and task forces that report to the Board of Supervisors on key issues affecting local government and the many communities in the County. To better serve the community, most budget related documents and minutes from committees of Finance and Capital Improvements are posted on the Budget Office's internet web page. The internet web page is also used for citizen inquires and the Budget Office's response. The Budget Office serves as the media point of contact for questions on the budget.

FISCAL YEAR 2009 BUDGET CALENDAR

August

23 Budget Kickoff
Budget Submission Packets Distributed to Department Heads,
Constitutional Officers and Agencies

October

4 Budget Requests due to Budget Office
22 Strategy Focus Team Review Packets Distributed
29 Strategy Focus Team Results due to Budget Office

January

4, 7, 14, 16, 17, 23, 24, 25, 28 County Administrator Meets with Department and Agency
Heads & Constitutional Officers.
18 School Budget Request to Budget Office
18 School Division Budget Presented to County Administrator

February

26 County Administrator's Proposed FY 2009 Budget Delivered
to Board of Supervisors
27 Advertise Public Hearing on County Budget and Tax Rate

March

5 Advertise Public Hearing on County Budget and Tax Rate
6 Board Budget Work Session
13 Board Budget Work Session includes Joint Session w/School
Board
18 Board Budget Work Session
20 Board Budget Work Session
25 Board Budget Work Session
25 Public Hearing for Citizens Comments on the FY 2009
Proposed Budget and Tax Rates
27 Board Budget Work Session

April

2 Board Budget Work Session
2 FY 2009 Budget, Capital Improvement Plan and Tax Rate
Adopted

June

27 Adopted Budget Book Printed/Distributed

POLICIES AND PROCEDURES

GENERAL FINANCIAL POLICIES AND PROCEDURES

The following is a brief description of the financial policies that have been adopted to manage the County's resources and contribute to its strong fiscal condition. In brief, the County's financial policies address actions in the following areas:

- Current Year Reviews
- Budget Adjustments
- Cash Management/Investments
- Debt Management
- Use of Current Revenues
- Risk Management
- Capital Improvement Planning
- Bond Debt Authorization and Issuance Policies
- Fund Balance

Current Year Review

The Budget Office has operational responsibility to review the budget execution of all-operating agencies, separate funds and capital construction projects. As part of this task is the preparation of quarterly reports that show the County's financial strength for the budget year. Included in this report is an analysis of revenue projections. Emphasis is given to a mid-year report, which is a key document used in financial decisions for the remainder of the year. Special reports are also provided on a case-by-case basis on issues of importance.

Budget Adjustments

To address changes to the fiscal plan, the Board of Supervisors has approved a Transfer and Supplemental Appropriation Policy to establish procedures for processing requests to change the adopted fiscal plan. Included in the Policy are the specific approvals required to implement any proposed change. There are two kinds of budget adjustments that take place during the fiscal year: **Transfer** and **Supplemental Appropriation**.

Transfer

A transfer involves the movement of budgetary appropriations within a departmental or agency budget or between agency budgets, provided that all actions take place within the same fund.

Intra-Departmental

A transfer moving funds from one line item to another line item in the same department is an intra-departmental transfer. Constitutional Officers have transfer approval authority of up to \$6,000 within their own organizations. The Budget Office has the approval of all other intra-departmental transfers up to \$6,000 and the County Administrator has approval of transfers over \$6,000.

The Board of Supervisors is the approval authority, upon review and recommendation of the Finance Committee, for all transfers from the Undedicated Contingency Reserve or a Dedicated Reserve. With the review and recommendations of both the Finance and Personnel Committees, the Board of Supervisors is the approval authority for all intra-departmental transfer requests to establish full-time or part-time permanent positions or create a multi-year financial commitment.

POLICIES AND PROCEDURES

A transfer between two departments or agencies in the same fund is an inter-departmental transfer. Any inter-departmental transfer requests will have the explicit approval of all department heads involved in the action. Transfer authority for requests \$6,000 or less are approved by the Budget Office, and transfers above \$6,001 are approved by the County Administrator. As with intra-department transfers, the Board of Supervisors has approval authority for transfer request involving new positions or that affects any budget reserve account.

Supplemental Appropriations

Supplemental appropriations involve actions that increase the overall budget appropriations for the County Budget or a Fund contained therein. Funding sources for these changes may include grants, unanticipated revenues, inter-Fund transfers or the use of Fund Balance.

All requests for supplemental appropriation require Board of Supervisors' approval upon the recommendation of the Finance Committee.

Public Hearing

The Commonwealth of Virginia requires a public hearing when supplements to the budget exceed the lesser of \$500,000 or 1 percent of the total budget. The Budget Office has administrative responsibility to ensure the Code of Virginia requirements are met in regard to budget adjustments.

School Division Categorical Transfers

Transfers between School Division budgetary categories shall also require Board of Supervisors' approval only if the School Budget was approved using categorical appropriations.

Capital Fund, Fund Transfers

The Board of Supervisors is the approval authority, upon recommendation from the Finance Committee, for all requests for transfer between Capital Fund projects.

Balanced Budget

The entire Budget, including all appropriated funds, will be balanced with adopted projected revenues equal to adopted expenditure appropriations.

Cash Management/Investments

Maintaining the safety of the principal of the County's public investment is the highest priority in the County's cash management policy. The secondary and tertiary priorities are the maintenance of liquidity of the investment and optimization of the rate of return within the parameters of the Code of the Commonwealth of Virginia, respectively. Funds held for future capital projects shall also be invested in accordance with these objectives, and in such a manner so as to ensure compliance with U.S. Treasury arbitrage regulations. Staff from the Treasurer's Office has developed policies and procedures to serve as a guide in the cash management process.

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Debt Management

It is the County's policy to manage debt within the guidelines identified in the Capital Improvement Program. Specifically, debt service expenditures as a percentage of General Fund revenues should remain under ten percent.

Use of Current Revenues

Although a number of options are available for financing the proposed capital improvement program, including bond proceeds and grants, it is the policy of the County to balance the use of the funding sources against the ability to utilize current revenue or pay-as-you-go financing for capital projects. Financing capital projects from current revenues indicates the County's intent to show purposeful restraint in incurring long-term debt. No explicit maximum level or percentage has been adopted for capital projects from current revenues as capital projects and use are based on the merits of the particular project in relation to an agreed upon set of criteria. Use of current revenue is a funding option.

Risk Management

Continuing growth in County assets and operations increases the potential for catastrophic losses resulting from inherent risks that remain unidentified and unanticipated. In recognition of this, the County has adopted a policy of professional and prudent management of risk exposures.

- To protect and preserve the County's assets and work force against losses which could deplete County resources or impair the County's ability to provide services to its citizens;
- To institute all practical measures to eliminate or control injury to persons, loss to property or other loss-producing conditions; and,
- To achieve such objectives in the most effective and economical manner.

While the County's preference is to fully self-insure, various types of insurance such as general liability, workers' compensation and automobile, are supported by pooled insurance with other jurisdictions. Commercial options remain viable alternatives when they are available at an affordable price.

Capital Improvement

Planning

The Capital Improvements Program is a long-range management tool in identifying future capital needs of the School Division and County Government. Planning and programming for capital projects consists of arranging the proposed improvements in a time schedule for construction so that services are provided in a coordinated manner, and that the funds are available. Future conditions are never wholly predictable therefore; provisions for yearly review and revisions to meet changing conditions are a necessary part of the program. This Committee is made up of the following members:

- Citizen Member, Chairman of the Planning Commission and Capital Improvement Review Committee
- Director of Community Development
- Director of the Budget

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- Director of General Services
- Citizen Member, Cedar Run Magisterial District *
- Citizen Member, Lee Magisterial District *
- Citizen Member, Center Magisterial District*
- Citizen Member, Marshall Magisterial District*
- Citizen Member, Scott Magisterial District*

*Voting Members

The Capital Improvements Review Committee reviews the CIP and evaluates the individual projects based on the following criteria:

- Legal Requirements
- Public Health, Safety, or Welfare
- Fiscal Impacts
- Community Economic Impact
- Community Goals and Objectives
- Public Support
- Extent of Service
- Related Projects
- Quality of Life
- Board of Supervisors' Strategies and Priorities

The CIP is then recommended and forwarded by the Committee to the Planning Commission for review and recommendation to the Board of Supervisors. The Planning Commission is required to hold public hearings, as deemed necessary, on the proposed CIP. Once received by the Board of Supervisors the CIP is reviewed, a public hearing is held, final modifications are made, and the CIP is then approved as a ten year planning guide. The Board of Supervisors approves funding for the first year of the CIP during its regularly scheduled Board adoption date for the entire County budget. During the budget process various methods of funding are used to support essential CIP projects.

Objectives and Advantages

The objectives and advantages to Fauquier County of a capital improvements program are as follows:

1. Assists in the implementation of the Comprehensive Plan, particularly the Service District concept.
2. Lower costs are achieved by avoiding crisis financing, obtaining better interest rates and taking advantage of State and Federal loans and grants.
3. Real estate required for various improvements may be acquired in advance, when it is available and when the market price is favorable.
4. Untimely scheduling of public works is reduced.

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5. The taxpayers may readily see the various capital items and costs involved which are proposed for their County.
6. The County Board of Supervisors and the citizenry are better protected from pressure groups attempting to force through “pet projects” at the expense of more worthwhile projects benefiting the entire County.
7. Public support, which is essential for the success of any program, is fostered due to the wide publicity that is given to the proposed capital improvements program.
8. A means for scheduling capital expenditures is provided so that the County can maintain a sound financial position and a balanced program of bonded indebtedness.
9. Projects are planned on the basis of real need and the ability to pay.
10. Priorities for competing projects may be established on the basis of both need and cost.
11. The timing of public improvements is scheduled so that the County can make economic use of personnel and equipment.
12. Needed annual tax support and bond issues may be anticipated without causing erratic fluctuations in the tax rate, and bond amounts may be reduced and possibly even eliminated in the future.
13. By determining the amount and location of growth planned for the County, it is possible to create a basis from which to judge needs for capital expenditures. With proper planning, the County will be able to avoid the provision of services that are in excess of its capabilities.

Policy Guidance

The Board of Supervisors adopted the following policy guidance for the Administration, Bond Referendums, Financing, and Content of the Capital Improvements Program:

Administration

1. In accordance with 15.1-464 of the Code of Virginia, the Planning Commission shall prepare and revise annually a program of capital improvement projects.
2. The Budget Department is designated as the primary office responsible for formulation of the Capital Improvements Program.
3. All departments and agencies are requested to submit proposed capital improvement projects to the Budget Office in accordance with the established administrative procedures.
4. The Capital Improvements Program will be submitted so as to reflect the requests of all agencies even if scheduling is not included in recommended program.

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5. The recommended Capital Improvements Program should be submitted annually to the Board of Supervisors' not later than the January Board of Supervisors' meeting.

- ***Bond Referendums***

1. All new facility construction projects or acquisitions that exceed \$25 million shall be subject to voter referendum, regardless of financing mechanism.
2. The referendum threshold for new facility construction projects shall be lowered to \$2.0 million in the event that the County has or, through the issuance of the contemplated debt, will exceed 100% of the County's debt capacity. (Debt capacity shall be defined as 10% of General Fund revenues committed to debt service.)

- ***Financing***

The Capital Improvements Program will be formulated within the framework of the financial capability of the County of Fauquier. The following guide is currently used:

1. Annual debt service, as a percentage of annual general fund revenues, should not exceed 10 percent per year with fluctuations in any three-year period not to exceed 12 percent.
2. The Budget Office will prepare the financial portion of the program.

- ***Content***

1. The Capital Improvements Program will include all new or expanded physical facilities for the community, including large-scale replacement or rehabilitation of existing facilities, and major items of equipment.
2. Projects are to be non-recurring.
3. Land acquisition, engineering and architectural costs will be included as part of the capital cost.
4. The Capital Improvements Program report should contain the following:
 - a. A financial analysis to include projections of future revenues and expenditures.
 - b. Planning Commission recommendations to include recommended capital improvements, and summary of all Capital and Operational funds needed.
5. Operational cost related to each project will be provided in detail.

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Goals and Policies

A set of definitive goals and policies is needed so that decisions on the expenditure of public funds for physical improvements can be made in a cohesive and logical manner. The need for these statements of goals and policies is important, not only to guarantee the wise and efficient placement of the public dollars, but also to let private entities and potential residents know what they might expect in the way of public expenditures and activity. It is also important to coordinate county activities with those developments occurring in the private sector and with other governmental units. These goals and policies also translate into the County's priorities and citizen pride in County accomplishments.

The County's goals and policies with respect to the CIP are listed below in order of importance:

1. Safety and Health

Fauquier County shall provide such facilities as are necessary for the minimum recognized level of protection of life and property. Higher levels of service are desirable if adequate resources are available.

2. Education

Fauquier County shall provide quality public education to all County residents through the County School System, the Cooperative Extension Services and the Virginia Community College System.

3. Economic Development

Fauquier County shall initiate those improvements that would lead to the preservation or creation of commercial, agricultural, and industrial development that maintain and improve the economic well being of the citizenry.

4. Cultural and Recreational Facilities at the Community Level.

Fauquier County should use every effort to provide cultural and recreational facilities to satisfy the range of needs within the community and provide the citizenry with a pleasing physical and mental environment in which to live.

5. Service to the Public.

Fauquier County should provide facilities that aid in the improvement of the general image of the County, and to increase levels of services providing either greater convenience or efficiencies to the public or their own governmental agencies.

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Bonded Debt Authorization and Issuance Policies:

The Constitution of Virginia and the Virginia Public Finance Act provide the authority for a County to issue general obligation debt secured solely by the pledge of its full faith and credit as well as debt secured by the fee revenues generated by the system for which the bonds are issued and, if necessary, by general obligation tax revenues. The County is also authorized to issue debt secured solely by the revenues of the system for which the bonds are issued. There is no limitation imposed by state law or local ordinance on the amount of general obligation debt which a County may issue; however with certain exceptions, debt which either directly or indirectly is secured by the general obligation of a County must be approved at public referendum prior to issuance. Debt secured solely by the revenues generated by the system for which the bonds were issued may be issued in any amount without a public referendum.

On June 11, 2003 the Board of Supervisors adopted a Resolution to establish a Debt Referendum Policy for Fauquier County. This policy was revised on November 17, 2003. On October 13, 2005 the Board of Supervisors amended the Debt Referendum Policy, effective October 14, 2005.

1. All new facility construction projects or acquisitions that exceed \$25,000,000 shall be subject to voter referendum regardless of financing mechanism.
2. The referendum threshold for new facility construction projects shall be lowered to \$2,000,000 in the event that the County has, or through the issuance of the contemplated debt will, exceed 100% of the County's debt capacity. (Debt capacity shall be defined as 10% of the General Fund revenues committed to debt service).
3. Voter referendums shall coincide with the general election.
4. The Board of Supervisors may waive the referendum requirement, to the extent allowed by law, to meet a critical health and/or public safety need or in conjunction with a court order, by a majority vote of the Board of Supervisors at a regularly scheduled meeting.

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Fund Balance

In FY 2003 the Board of Supervisors adopted a General Fund, Fund Balance Policy which established the level of fund balance and the protocol for its use and maintenance. The policy is established on the modified accrual basis of accounting for governmental funds. Other funding fund balances are also addressed.

Fund Balance Requests

The County sets the level of General Fund, fund balance needed to mitigate risks and minimize costs associated with debt as follows:

1. The minimum level of unreserved, undesignated fund balance at each fiscal year end is ten (10) percent of general operating revenues. This amount is identified as the minimum amount needed to safeguard the County's financial stability and as a component in maintaining its bond ratings.
2. This fund balance level is estimated to provide the County with sufficient funds to operate in excess of three months without interrupting service levels due to a lack of revenue.
3. Fund balances are invested in financial instruments as deemed appropriate by the County Treasurer. Investment revenue will accrue to the General Fund.

Fund Balance Uses

1. During the fiscal year, new appropriations are supported by sources of funds in the following order:
 - a. The transfer of existing appropriations for other uses with a higher priority;
 - b. New sources of revenue;
 - c. Contingency reserves; and
 - d. Unreserved, undesignated fund balance.
2. Appropriations from the fund balance below the minimum of ten percent of operating revenue will only occur in the event of emergency needs as approved by the Board of Supervisors.
3. Unreserved, undesignated fund balance amounts exceeding ten percent will be transferred to the Capital Projects Fund Construction Reserve account for future construction needs.
4. Fund balance is evaluated during the annual budget process with the intent of the Board of Supervisors to adopt a budget that maintains the 10 percent target.

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Policy Compliance

1. The County's Finance Department, in coordination with the Budget Department, submits an annual fund balance status report to the County Finance Committee upon completion of the annual audit. If the County does not meet its target, a compliance plan is required to be submitted to the Board for consideration which will meet the target by the end of the subsequent fiscal year.
2. The annual adopted budget will address compliance with attaining the 10 percent fund balance target.

Fund Balance Requests – Other Funds

1. Capital Projects Funds
Fund balances in the Capital Projects Fund are maintained to support the projects adopted in the Capital Improvement Program. The balances in these funds are primarily reserved or designated for specific projects/uses.
2. Special Revenue Funds
 - a. Any revenue in excess of expenditures is retained in these funds (Affordable Housing, Volunteer Fire & Rescue and Conservation Easement Service District).
 - b. The use of the fund balance is coordinated through the Finance Committee and requires the approval of the Board of Supervisors for its use.
3. Schools Operating Fund
 - a. The Schools Operating Fund does not maintain a fund balance.
 - b. At each fiscal year-end if revenue exceeds expenditures, after accounting for carry forward expenditures, the surplus is allocated by resolution with 50% for non-recurring priorities, and 50% transferred to the Capital Projects Fund for future school construction projects.
4. Proprietary Funds
 - a. The County currently has five Proprietary Funds: Environmental Services (Landfill), Airport, Fleet Maintenance, School Nutrition and Health.
 - b. The use of the fund balance is coordinated through the Finance Committee and requires the approval of the Board of Supervisors for its use.

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FINANCIAL MANAGEMENT TOOLS & LONG RANGE PLANNING DOCUMENTS

This section is intended to provide a brief description of some of the financial management tools and long range documents used by the County. These tools and planning documents include:

- *Budget*
- *Revenue Forecast*
- *Management Initiatives*
- *Ten Year Financial Plan*
- *Fiscal Impact Model*

Budget

The primary financial management tool used by the County is the annual budget process. This involves a comprehensive examination of all expenditure and revenue programs of the County, complete with public hearings and approval by the Board of Supervisors.

Revenue Forecast

The county has a Revenue Committee headed by the Deputy County Administrator and staffed by the County Budget Office, Treasurer's Office, Commissioner of the Revenue, School Budget Office and the Finance Department. Revenue estimates are monitored on a monthly basis by this committee to identify any potential trends that would significantly impact the various revenue sources that have been budgeted in the current budget. The Revenue Committee includes revenue collection and formulation of applicable revenue collection information into a monthly management Finance Committee report. This document is included in the Budget Office's quarterly budget status report. The Revenue Committee provides the primary revenue estimates for budget development.

Management Initiatives

The County has undertaken several management initiatives in its ongoing mission to make its government more productive, streamlined and efficient. Major initiatives designed at improving public service in Fauquier County government include:

- Customer Service Task Force
- E-Government Task Force
- Training and Staff Development Task Force
- Integrated Process Improvement Teams
- Succession Management Programs
- Management Objectives and Performance Measures

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Ten Year Financial Plan

One of the Board of Supervisors' goals has been the development of a ten (10) year revenue and expenditure General Fund and Fire and Rescue Levy projection. The purpose of this document is to serve as an analytical tool in operational decision-making. Included in this document is the Capital Improvements Program. The initial Plan was completed in early FY 2002. Annually the Board of Supervisors and senior County administrative staff meet early in the budget development process to review the Plan. The purpose of this meeting is to identify major budget issues for consideration in preparation of the budget. The Financial Impact Model will be used to improve the Ten Year Financial Plan's financial and operational projections.

Fiscal Impact Model

The County is developing a Fiscal Impact Model. This model is expected to be operational prior to FY 2010. The purpose of this model will be to assist policy makers and staff to foresee future needs for management growth. A number of neighbor jurisdictions are using various types of Fiscal Impact Model for this purpose.

