



TO: Honorable Mayor and Members of the City Council  
FROM: Beverly R. Cameron, City Manager  
RE: FY 2015 Adopted Operating and Capital Budget  
DATE: September 2, 2014

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## INTRODUCTION

I am pleased to transmit the Adopted Operating and Capital Budget and the Adopted Capital Improvements Plan for FY 2015.

The City's adopted budget includes an increase in the real estate tax rate. The adopted tax rate as of July 1, 2014 is set at \$0.79 per \$100 of assessed valuation. This is an increased tax rate of five cents over the FY 2014 rate of \$0.74 per \$100 of assessed valuation.

This document includes the City's capital budget for FY 2015. The capital budget for FY 2015 is robust and continues an aggressive program to address long-deferred major maintenance, equipment, and technology needs.

## OVERVIEW OF BUDGET

The FY 2015 General Fund Budget is **\$86,516,065**. This represents an increase of 6.27% over the FY 2014 Adopted General Fund Budget. During the budget review process City Council felt the citizens of Fredericksburg benefit from the expansion of certain services as well as a greater investment in replacement and maintenance of the City's assets and infrastructure. These items were funded using a combination of ongoing operating revenues, additional revenue generated from the real property tax rate increase and a strategic use of City reserves. Highlights of the budget include:

- An increase in funding for the Fredericksburg City Public Schools
- Three additional Advanced Life Support Medic positions
- Four additional Deputy Sheriff positions
- A 2% Cost of Living Adjustment for City Employees
- Year three of the State-mandated changes in the City's pension plans provided through the Virginia Retirement System coupled with a new increased employer rate
- Balloon Payment Due for the Riverfront Park debt service agreement with the EDA
- Continued increase in prisoner days at the Rappahannock Regional Jail
- Increased transfer to Capital Funds
- Increased rates for the following services

- emergency medical transport
- water, sewer and refuse collection fee

## **MAJOR OPERATING EXPENDITURE HIGHLIGHTS**

### ***City of Fredericksburg Public Schools***

Funding for City Schools represents 30.46% of the City's General Fund for FY 2015. The FY 2015 transfer for City Schools is \$26,355,000, a \$350,000 increase over the prior year. The recommended transfer fully meets the request of the School Board.

The City of Fredericksburg's school system is a critical service provided to our citizens. The budget reflects a continued commitment to ensuring a high quality public education system. Major expenditure increases for City Schools are due to pay scale adjustments, higher benefit costs, and hiring additional teachers.

In FY 2014, City Council allocated an additional \$1,077,000 to the Fredericksburg City Public Schools. This helped meet many of the needs City Schools had requested. The City Schools have benefited also from additional State funding as a result of the recalculation of the Local Composite Index. The City's Local Composite Index for the 2014—2016 biennium is 0.6134; down from 0.6511 in the 2012—2014 biennium. Additional State revenue in Fiscal 2015 is projected to be \$2.2 million.

In addition to the FY 2015 transfer to support direct operational needs the General Fund will also transfer \$270,000 to the School Capital Fund in order to purchase replacement buses for the system and \$215,000 to fund the Head Start Program.

### ***Debt Service***

The total transfer to the Debt Service Fund from the City's General Fund in FY 2015 is \$7,755,875 – an increase of \$572,990 over FY 2014. The increase is due to a one-time balloon payment associated with the purchase of the Masonic Lodge property at the Riverfront Park. Over the past few fiscal years funds have been set aside by City Council to make this debt service payment in FY 2015; therefore, it does not have any negative impact on other funding requests presented by City departments.

The City has realized savings from two debt service refundings of our VPSA bond issuances. The City received a credit based upon savings from refunding the total bond issue. The credit has been placed in the Education Debt Service Fund. Each year over the remaining payment cycle the City will appropriate this funding to pay a portion of our yearly debt service payment. This funding method allows for continual savings in our general fund transfer over the life of the bonds, as opposed to one-time savings that would cause inconsistency in funding needs. The first refunding allows us to reduce our general fund transfer by \$47,400 each year and the second gives us an annual credit of \$106,484. This will reduce our general fund transfer to the Education Debt Service Fund by \$153,884 annually for the remainder of the payment term.

The breakdown of the transfer from the General Fund for debt service is as follows:

- General Fund Debt Service: \$2,318,193

- Courthouse Debt Service: \$2,140,062
- Education Debt Service: \$3,316,100

***Employee Compensation***

Employees will receive a 2% cost-of-living adjustment on July 1, 2014. The estimated cost for General Fund Employees is \$415,000.

***Employee Benefits***

*Health Insurance* - The FY 2015 Budget includes additional funding to meet increasing costs for employee and retiree health insurance. The budget increase for health insurance totals \$632,050 in the General Fund, and \$692,280 across all funds. This represents a projected increase in health insurance premiums of 15%.

Beginning January 1, 2014, the City required all new employees to subscribe to a “Consumer Directed Health Plan with a Health Savings Account (CDHP).” This change, which introduces a high deductible before accessing health care benefits, is expected to reduce claims costs in the long run. The CDHP is offered as an option to current employees as well. The City will share some of the savings in premiums with employees by providing contributions to Health Savings Accounts, which provide money for employees to use for deductibles and co-insurance (the HSA contributions are: \$1,000 Subscriber Only; \$2,000 Family). The FY 2015 budget does not anticipate any savings based on this change in health insurance as the data will be too immature. Staff is hopeful the next year will provide data that will allow for a noticeable impact on total claim costs from this new approach.

The City of Fredericksburg made a transition to Cigna to be the provider of the health insurance benefit beginning in FY 2014. The insured population is still experiencing a large number of catastrophic claims which puts upward pressure on the renewal rates. The FY 2015 budget includes a 15% increase in the cost to the City to cover the employer portion of the health care premiums. This brings the estimated cost per employee per year to \$12,000. With the implementation of the CDHP, expansion of the wellness program and a mature data set for the underwriters to evaluate, staff hopes to contain the risk of the pool to result in a smaller increase and eventually savings in our health insurance plan.

The City’s costs for medical claims have fluctuated in the past, but we continue to see a trend of rising claims, as shown in the table below:

<b>Fiscal Year</b>	<b>Total Claims &amp; Plan Charges</b>	<b>Notes</b>
<b>FY 2010</b>	\$3,636,742	-
<b>FY 2011</b>	\$3,673,172	-
<b>FY 2012</b>	\$4,526,530	-
<b>FY 2013</b>	\$5,159,084	Includes run-out claims paid to Anthem
<b>FY 2014</b>	\$5,376,480	Includes run-out claims paid to Anthem
<b>FY 2015</b>	\$5,877,260	Renewal rate based on Cigna projections

*Virginia Retirement System* - The City’s new total contribution rate under the Virginia Retirement System for the FY 2015 – FY 2016 biennium is 20.94% (an increase of 1.29%). Of

that rate, 5% is the responsibility of the employee as the “member contribution.” Although the City paid this member contribution for its employees for many years, the 2012 General Assembly made changes to the VRS that require the City’s employees to pay the 5% out-of-pocket. All employees hired on or after July 1, 2012, must pay the 5% immediately, while employees hired before that date must pay the 5% after a five-year phase-in. FY 2015 will be the third year of the phase-in for City employees, so employees will pay 3% while the City pays 17.94%. State law also requires that salaries for those employees hired before July 1, 2012, be raised an amount equivalent to the increased out-of-pocket cost. The FY 2015 Budget includes a 1% adjustment for those employees in order to meet the statutory mandate.

As a result of the VRS rate increase and the phase in of the retirement system changes, the FY 2015 budget has an increase of \$173,470 in general fund salary and retirement costs over the FY 2014 budget.

All City employees hired on or after January 1, 2014, are required to enroll in an alternative retirement plan that is a “hybrid” between the current “defined-benefit” pension model and a “deferred-compensation” model. The statute exempts from this requirement law enforcement, firefighter, and other employees who are eligible for the LEOS special law enforcement benefits. Current employees will also be given the choice to migrate to the “hybrid” plan from their current pension benefit. The City anticipates that over time the costs of the new plan will be lower than the current pension plan, and that as a result the City’s costs for retirement benefits will be reduced. However, a large portion of the City’s liability for pension costs is represented by the special LEOS benefits that are not affected by the new pension legislation.

New City employees who are required to join the new “hybrid” plan will also be granted short-term disability insurance with a long-term disability insurance product that will replace the current VRS disability retirement program. The City will be charged an additional 0.59% of covered payroll for the benefit. The cost of this benefit will be highly variable based on the number of new employees hired in FY 2015; City staff has set aside \$10,000 to cover this expenditure.

***Rappahannock Regional Jail***

The City of Fredericksburg is a member jurisdiction, along with the Counties of King George, Stafford, and Spotsylvania, of the Rappahannock Regional Jail. Costs to operate the Regional Jail are generally based upon the prisoner days assigned to the City compared to the prisoner days assigned to the other three jurisdictions. Prisoner days are assigned based upon the location of the offending incident that led to the detention, as opposed to the home address of an offender. The most recent *Jail Cost Report* prepared by the State Compensation Board (Fiscal 2012) shows operating costs of \$52.54 per inmate per day at the Rappahannock Regional Jail, well below the statewide average of \$72.99.

The City’s prisoner days have risen over the past few years, and the City’s share of operating costs for the Regional Jail is slated to increase in FY 2015. The City has a large portion of inmates that have been sentenced and are awaiting transfer to a State run institution. While the Commonwealth does reimburse the Regional Jail for a small portion of the cost of State responsible inmates, the City bears the majority of the cost until the transfer takes place. City staff, Constitutional Officers, and Jail staff are working to address ways to expedite the process of transferring our inmates into the care of the Commonwealth after sentencing in order to help contain costs. The allocation for the jail for FY 2015 is \$3,783,720, which amounts to an increase of \$399,675 (11.81%) over the FY 2014 budget. Overall, the City’s share of prisoner day usage is 23.88% of the total for the four jurisdictions.

<b>Rappahannock Regional Jail</b>	<b>Total Costs<sup>1</sup></b>	<b>City Prisoner Days</b>
<b>FY 2008</b>	\$3,038,960	85,338
<b>FY 2009</b>	\$3,240,880	89,849
<b>FY 2010</b>	\$3,495,961	87,562
<b>FY 2011</b>	\$3,245,028	80,347
<b>FY 2012</b>	\$2,855,352	96,985
<b>FY 2013</b>	\$3,026,000	110,520
<b>FY 2014</b>	\$3,474,045	117,652
<b>FY 2015</b>	\$3,783,720	-

***Additional General Fund Positions***

The FY 2015 budget includes the addition of seven full time positions in the General Fund. Three of these new positions are Advanced Life Support Medics. These new positions will allow for the Fire Department to increase service coverage allowing career staff to be on duty Saturday and Sunday from 5:30am to 6:00pm. Currently career staff is only on duty Monday – Friday from 5:30am to 6:00pm. .

Also included in the FY 2015 budget are four full-time Sheriff Deputies to aid in running the new courthouse facility. The remaining funding associated with the personnel request for the new courthouse has been placed into the contingency account and will remain there until further action is taken by City Council. City Council elected not to fund the Sheriff and Clerk of the Courts full personnel requests prior to evaluating the actual need of these offices after the Courthouse is fully operational

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<sup>1</sup> Includes operations, maintenance, and debt service.

There are three increases to part time salary lines in City Departments included in the FY 2015 budget:

<b>Department</b>	<b>Dollar Increase</b>	<b>Justification</b>
<b>Sheriff's Office</b>	\$10,000	To cover additional court hours and increased Circuit Courtroom activity
<b>Emergency Medical Service</b>	\$5,000	Additional Part-Time hours needed to help cover shift gaps
<b>Police Department</b>	\$2,050	Accreditation Management

***Outside Agency Funding***

*Human Services Agencies* – After evaluating the needs of our regional partners who provide supplemental services in the human services field, the FY 2015 Budget includes small increases for several regional governmental agencies as well as nonprofit organizations.

The Rappahannock Area Community Services Board has been allocated a small increase of \$39,40 to their operations budget after three consecutive years of level funding requests.

There have been major changes at the Chaplin Youth Center over the past year; in order to standardize the way each regional partner contributes funding the Center has revised its funding formula. The Chaplin Youth Center has three sources of funding in this new methodology: administrative funding based on proportionate use of the center; Virginia Juvenile Community Crime Control Act funding pool; and per diem charge from bed days. The charge for the services provided to youth is billable services through the Comprehensive Services Act. The total FY 2015 budget for Chaplin Youth Center is \$48,805. The funding is our local match associated with the Crime Control Act (\$35,000) and our administrative cost (\$13,805). This is an \$11,075 increase over the FY 2014 budget.

The FY 2015 Budget also includes an additional \$7,500 in one time funding for the Thurman Brisben Center. The Center has requested this funding to aid in hiring a replacement director as well as to meet some of the capital needs facing the facility. After consulting with our regional counterparts, the staff at the City and both counties felt that based on the service provided to the homeless population by the Center it was prudent to fund this one time request.

The FY 2015 Budget also includes additional funding for Empowerhouse in the amount of \$5,000. It was determined that based on the usage of this facility by City residents that the City of Fredericksburg should increase its contribution to this entity through the budget process.

*Arts, Cultural and Education Funding* – Germanna Community College operational funding is \$8,325 for FY 2015. In addition to the operating funding, the FY 2015 Budget includes a capital commitment of \$35,000 per year for 7 years, totaling \$245,000, to pay for a share of the cost to construct the Science, Engineering and Information Commons Building at the Fredericksburg Campus. FY 2015 will be the second year of this contribution to Germanna Community College.

The Fredericksburg Arts Commission will receive an increased transfer of \$20,000 in FY 2015 to make its total local funded budget \$30,000. The Arts Commission also receives \$5,000 from the Commonwealth of Virginia to support local art programs. The increased transfer to the Arts Commission was offset by a reduction in funding to the Fredericksburg Area Museum.

***Main Street***

The Fredericksburg Main Street Initiative (FMSI) was identified as a priority of the City Council during FY 2013 and FY 2014. The FY 2015 Budget includes a \$70,000 allocation to the FMSI to fund organizational activities and provide for paid staff.

The Main Street Approach™, established by the National Center for Main Street, provides a proven method to improve the economic well-being of historic downtowns. The Fredericksburg Main Street Initiative should be able to leverage the City’s funding with other sources and develop a robust program.

***Central Rappahannock Regional Library***

The FY 2015 Budget includes an additional \$24,390 in funding for the Central Rappahannock Regional Library to supplement the library materials budget which has not increased in three years. The City’s total contribution to the Library for FY 2015 is \$1,282,875.

**REVENUES**

***Increases in Revenue Forecasts***

The City has been fortunate that growth and development have taken place over the past few years. We have seen new business growth in the City as well as increased consumer activity that helps to boost our revenues each year. Based on revenue performance in prior years and so far in FY 2014, the City’s adopted budget projections for many major revenues have increased over last year’s budget.

***Real Estate Tax***

The FY 2015 Budget includes an increase in the real property tax rate. The rate as of July 1, 2014 is \$0.79 per \$100 of assessed valuation. That is an increase of five cents from the prior year’s rate. Based on a median home assessed value of \$241,000, the real estate bill will increase from \$1,783.40 to \$1,903.90 – a difference of \$120.50 per year, or \$10.04 per month.

The total proposed Real Estate Property Tax revenue is \$27,275,805, an increase of \$1,794,960 over the FY 2014 budget.

<b>Fiscal Year</b>	<b>Tax Rate</b>	<b>Notes</b>
FY 2011	\$ 0.68	
FY 2012	\$ 0.72	
FY 2013	\$ 0.74	Rate equalized based on the re-assessment
FY 2014	\$ 0.74	
FY 2015	\$ 0.79	

### ***Personal Property Tax***

The FY 2015 Adopted Budget shows an increase of \$575,000 in the total Personal Property Tax revenue, for a total of \$8,000,000. There was no change to the rate so it will remain the same at \$3.40 per \$100 of assessed value. The increase in total revenue is based on an increase in the amount of assessed property. This can be attributed to additional vehicles resulting from population growth, as well as a slower rate of depreciation of used cars than we have seen historically. In addition, the total value of business property has increased as we have seen several new businesses locate in the City.

### ***Meals Tax***

The City has been fortunate to have a strong base of quality restaurants creating a growing revenue source for the City. The Adopted Budget anticipates an increase of \$250,000 over the FY 2014 budget amount, for a total budget of \$9,850,000. The FY 2015 budget represents an increase of 2.4% over the FY 2013 actual revenue.

### ***Sales Tax***

The FY 2015 Budget includes an increase of \$520,000 over the FY 2014 budget amount, for a total budget of \$11,070,000. The City has seen continual growth in Sales Tax collections since FY 2010. The FY 2013 actual collection was \$10,840,595, which is the highest collection amount since FY 2008. The FY 2015 budget represents an increase of 2.1% over the FY 2013 actual revenue. As we monitor local monthly revenue collection, FY 2014 is ending the year tracking slightly behind prior year collections. Staff will closely monitor collections in FY 2015.

### ***Lodging Tax***

Receipts collected from the City's Lodging Tax have been fairly constant over the past few years, as we have greatly benefited from many different large events being hosted in the City. The FY 2015 Budget is \$1,200,000, which is level to the current fiscal year. Although monthly collections are currently down 4.5% over the prior year, the recent opening of the new hotel in Eagle Village should help restore Lodging Tax revenues to their previous level.

### ***EMS Service Fees***

Ambulance transports are provided by the Fredericksburg Fire Department and by the Fredericksburg Rescue Squad. The Fredericksburg Fire Department operates two Advanced Life Support (ALS) ambulances Monday through Friday, 5:30AM to 6PM. The Fredericksburg Rescue Squad provides Basic Life Support (BLS) and/or Advanced Life Support (ALS) response units during evenings and weekends. Fire Department suppression personnel, all of whom are certified at the Emergency Medical Technician level or higher, provide supplementary EMS support during times of high call volume. During calendar year 2013, a total of 3,461 transports were provided (Fire Department 50.3%; Rescue Squad 49.7%).

The FY 2015 Budget accounts for increased revenue from EMS service fees, due largely to higher collection rates. Since Fiscal 2012, collection rates have increased from 39% to 47%. This increase is attributed to improvements in information technology and billing processes. Effective July 1, 2014 as part of the FY 2015 Budget there will be an increase in the fee structure to help fund the cost of the new ALS medic positions as well as better align the City's charges with those of our neighboring localities. The fee increases are shown below:

<b>Service Cost (per transport)</b>	<b>Old City Rate</b>	<b>City Rate As of July 1, 2014</b>	<b>Spotsylvania County</b>	<b>Stafford County</b>	<b>Medicare</b>
Basic Life Support	\$400	\$500	\$500	\$500	\$410
Advanced Life Support – Level 1	\$500	\$650	\$600	\$650	\$512
Advanced Life Support – Level 2	\$675	\$800	\$800	\$800	\$691
Ground Transportation – per loaded mile	\$10	\$12	\$11.50	\$12	\$10.24

### ***State Revenue***

The General Fund receives revenues from the Commonwealth of Virginia which are projected to total \$8.7 million in Fiscal 2015. The three broad categories of revenue are: Shared Expenses for Constitutional Officers; Categorical Aid for Urban Street Maintenance, Law Enforcement Assistance, and Wireless E-911 Grants; and Non-Categorical Aid from the Communications Sales Tax and Personal Property Tax Relief.

Revenue from Shared Expenses for Constitutional Officers is projected to total \$1.7 million in Fiscal 2015, up \$43,485. Revenue from Categorical Aid for Urban Street Maintenance, Law Enforcement Assistance, and Wireless E-911 Grants is projected to total \$3.4 million. Revenue from Non-Categorical Aid from Communications Sales Tax and Personal Property Tax Relief is projected to total \$3.6 million.

## **CAPITAL IMPROVEMENTS PLAN – HIGHLIGHTS OF MAJOR PROJECTS**

### ***Fall Hill Avenue Widening***

In Fiscal 2014, the City completed 35% engineering design for this \$45M project and turned over project implementation to the Virginia Department of Transportation (VDOT). VDOT has proceeded with diligence to procure a qualified design-build team under the Commonwealth’s Public-Private Transportation Act guidelines. Bid award will take place in March 2014, and construction is expected to begin in calendar 2015.

### ***Technology Replacements and Improvements - \$270,000***

The City must continue to replace and upgrade existing technology and look for ways to deploy improved technology to assist with work activities. In FY 2015 the City will replace 72 computers, 5 mobile data terminals for public safety providers, and 15 mobile printers for public safety vehicles; update three servers and one virtual server; add a mail archive system for public safety; and purchase additional storage space for City data. The Fire Department’s software will be updated to meet regulatory requirements associated with EMS information reporting. Additional funding will be used to implement an encrypted email capability for City Departments that must handle confidential information in the execution of their duties. Servers supporting the E-911 Computer Aided Dispatch and the Police Department’s Records Management System will also be replaced.

***Police Camera System - \$46,000***

In-car cameras are digital audio and visual recording devices that are mounted above the dashboard of patrol vehicles. The cameras capture video and audio either inside the vehicle, such as when detaining a suspect in the rear prisoner compartment, or outside the vehicle such as during a pursuit or traffic stop. The camera is activated automatically whenever the emergency lights and/or siren on the patrol vehicle are in use, or can be manually triggered by the officer. Funding in the CIP will allow the department to add six additional vehicle cameras in FY 2015.

***Fire Truck Replacement - \$650,000***

The capital budget includes funding for a replacement fire pumper for the department's current reserve unit. The replacement apparatus will enhance the reliability of critical firefighting equipment.

***SCBA Replacement - \$89,295***

The City of Fredericksburg Fire Department currently has 42 Self-Contained Breathing Apparatus (SCBA) that are part of the firefighters' personal protective ensemble. These units are mounted on fire apparatus and are available for immediate use during emergencies. All personnel are required to be fit-tested for using SCBA each year per NFPA standards. This requires a mask sized to each person and issued to that individual.

The FY 2015 Budget includes a replacement program for SCBA, which will allow for a scheduled replacement of equipment over several years to meet NFPA standards related to respiratory protection. In FY 2014 and FY 2015, the Fire Department will be able to replace all 72 masks and the SCBA tank for all frontline apparatus.

***Comprehensive Plan Update - \$130,000***

The Comprehensive Plan is required by state code to be updated every five years. Our last Comprehensive Plan was completed in 2007 so the City must perform an update. The Action Plan found in the 2007 Comprehensive Plan will continue to be used as a guide, until the update is approved, to determine the order in which initiatives will be addressed. The Comprehensive Plan update will be managed in-house with specific elements assigned to consultants with expertise in the topic area. The recently adopted Unified Development Ordinance will continue to need refinement as well as revision to implement the policies of the updated Comprehensive Plan. It is also anticipated that the development application processes and graphics that are provided in the companion Procedures Manual will need refinement.

***Stormwater Management Plan - \$175,000***

During the past several years, there have been dramatic increases in stormwater regulation and awareness in Virginia. Polluted stormwater runoff is commonly transported through Municipal Separate Storm Sewer Systems (MS4's), from which it is often discharged into local waterways. To prevent harmful pollutants from being washed and dumped into an MS4, localities must obtain a National Pollutant Discharge Elimination System (NPDES) permit and develop a stormwater management program.

Funds are included in the capital budget to prepare a stormwater management plan which evaluates the City's current program, prioritizes future compliance efforts, and develops strategies to reduce stormwater pollution from existing and new development.

***Cleaning and Renovation of the Rappahannock Canal - \$75,000***

This project will involve removal of fallen and leaning trees from the Rappahannock Canal, removal of sedimentation that has entered the canal at specific stormwater outfalls, removal of trash and debris, and repairs to the canal aeration system.

***College Heights Water System Improvements - \$2,365,100***

The College Heights neighborhood is an older, well-established neighborhood in the City with aging infrastructure. The City's Public Works Department has conducted an assessment of the water lines in the area. The assessment revealed that improvements are needed in order to continue to serve the neighborhood and the University of Mary Washington with adequate water supply and pressure.

The preliminary engineering report recommended a combination of continued pipe and valve assessment, valve replacement, pipe replacement, and pipe cleaning throughout the neighborhood to improve residual pressures and water quality. In addition, the report recommended constructing a secondary source of supply for the area to increase residual pressures and provide for additional system redundancy in the case of pipe failures.

The capital budget includes an aggressive program in Fiscal 2015 to construct several key improvements. These improvements include the following:

- Construct a new 16-inch connection from the existing 16-inch waterline along Jefferson Davis Highway to the intersection of Spotsylvania Avenue and Dandridge Street
- Construct a new 8-inch waterline from Dandridge Street to Brent Street along Rappahannock Avenue
- Replace the existing 6-inch waterline along Dandridge Street with a new 16-inch waterline to the intersection of College Avenue
- Replace the existing 6-inch waterline in Payne Street with a new 8-inch waterline
- Add valves, fire hydrants, and service connections along the routes of the planned improvements.

***Normandy Village Wastewater System Improvements - \$937,850***

The capital budget includes a project to replace the aging wastewater collection infrastructure in the Normandy Village neighborhood during the time when Fall Hill Avenue is closed to through traffic at the Rappahannock Canal Bridge. The program calls for replacing 1,520 lineal feet of mains in Fall Hill Avenue, Hanson Avenue, and Village Lane downstream of the Normandy Village Pump Station.

***William Street Wastewater System Improvements - \$1,474,000***

The capital budget includes funding to replace the 12-inch and 18-inch wastewater mains from Kenmore Avenue to Caroline Street, a distance of approximately 2,480 lineal feet. Existing

facilities such as manholes and collection lines have exhibited failure at numerous locations along the collection system route.

***Charles Street Wastewater System Improvements - \$457,000***

The capital budget includes funding to rehabilitate and/or replace portions of the wastewater mains from Lafayette Boulevard to the Lower Hazel Run Trunk Sewer. Approximately 1,300 lineal feet of sewer line will be rehabilitated and/or repaired.

***Twin Lakes Sidewalks - \$630,000***

The capital budget includes funding to install curb, gutter and sidewalk, with related drainage improvements, on the south side of the entire length of Twin Lakes Drive (Lafayette Boulevard to Jefferson Davis Highway/US Route 1.)

***Motts Run Treatment Plant Improvements - \$3,815,000***

The City of Fredericksburg is a partner with Spotsylvania County in the operation and maintenance of the Motts Run Treatment Plant, which provides clean drinking water to both localities. The City is responsible for 5/12 of the cost of capital maintenance at the plant, based upon the City's allocation of capacity at the plant.

Spotsylvania County has identified major maintenance items at the plant, the most notable of which include the replacement of chlorine gas as a disinfectant with sodium hypochlorite, the replacement of filter media, and repairs to the impoundment drain. The City's share of the cost of these improvements, which must be paid to Spotsylvania County, is estimated to be \$3.8 million. The City will need to borrow these funds and service the debt through water fund revenues.

**OTHER FUNDS – HIGHLIGHTS**

***City Grants Fund***

The FY 2015 City Grants Fund has a total appropriation of \$1,361,040. In order to support the expenditures in this fund, the City will need to transfer \$344,695 from the General Fund, which represents matching funds for various grant programs. This is a 4.46% decrease in the general fund transfer from the FY 2014 adopted budget.

The Community Development Block Grant (CDBG) program continues to see a decline in entitlement grant revenue from the U.S. Department of Housing and Urban Development. In FY 2010, the CDBG grant amount totaled \$245,574. Since then, it has dwindled to \$141,325 projected for FY 2015. Total support from the General Fund in FY 2015 is \$50,695.

The Police Department has used two grants to support positions in recent years, the Justice Assistance Grant for the Automated Fingerprint Information System and the COPS grant. The former grant expires in FY 2014 and funding for the fingerprint detective has now been moved to the General Fund as a 100% local position. The COPS grant is in its final grant cycle as well but the Police Department was able to carryover funding from prior grant cycles to partially fund this position in FY 2015. The transfer to the City Grants Fund includes \$25,000 for the local portion of the COPS officer position.

Regional Group Tourism has been allotted funding from the City of Fredericksburg in the amount of \$50,000. The submitted budget requests the same amount from Spotsylvania and Stafford Counties and creates a total Regional Group Tourism budget of \$150,000. The funding will be used mostly for advertising in group tourism outlets in an effort to make the region a major stop for large bus tours.

The Victim Witness and Domestic Violence programs have collected a fund balance over the past few fiscal years. Each year these programs have required more local support due to the continually increasing costs of employee benefits coupled with flat funding from the State and Federal government. In order to reduce the transfer from the General Fund in FY 2015 the budget includes a onetime use of fund balance to lower the transfers to these programs. The planned use of fund balance in FY 2015 for these two programs is \$15,285.

### ***Social Services Fund***

The FY 2015 City Social Services Fund is \$4,581,815. This is a 10.4% increase over the FY 2014 adopted budget. The City's transfer from the General Fund to the Social Services Fund increases by \$28,140, or 2.78%, to \$1,039,810 for FY 2015. The adopted budget included a planned use of Public Assistance Fund Balance in the amount of \$32,278, in order to lessen the burden on the general fund transfer.

The increase in the Social Services Fund budget can be attributed primarily to an increased demand for services. There are some increases on the administrative side of the program due to the cost of the cost of living adjustment and employee benefits, and a one-time capital cost to replace a vehicle, but the majority of the fund increase can be attributed to mandated State and Federal programs. The largest funding change is in the Federal Adoption Subsidy program which is increasing \$200,135 over the prior budget. The second largest change is in the State Special Needs Adoption program which is recommended to increase by \$113,400. These two programs are 100% Federal and State funded, but are the main contributing factors to such a large increase in the total fund budget for FY 2015.

### ***Comprehensive Services Act Fund***

The City's FY 2015 Comprehensive Services Act Fund is \$1,876,647, which is a decrease of 4.89% from the FY 2014 adopted budget. The CSA program budget reflects mandated costs for special needs children, and is a shared responsibility between the City and the State government. The City's General Fund transfer to support the CSA program is recommended to decrease by \$117,045 to \$675,275. The CSA program ended last fiscal year in a favorable position and added a substantial amount to the CSA Fund Balance. In order to lessen the burden on the general fund transfer, a planned use of \$70,000 in CSA fund balance has been approved for FY 2015. This allocation still leaves a projected fund balance of \$218,228 at the end of FY 2015, which staff feels is an adequate reserve to cover costs in the event there is an unanticipated level of care needed in the future.

### ***Water Operating Fund***

In FY 2012, the City hired Municipal & Financial Services Group (MFSG) to conduct a comprehensive water and sewer rate and management study. The study concluded that based on the current sales of water and charges for sewer, revenues were not sufficient to fund the operations and maintenance of the water and sewer systems. MFSG prepared a detailed cash flow model and recommended that water and sewer rates be raised over a three-year period, beginning in FY 2013. The FY 2015 Budget includes average rate increases of 9.5% for water and 7.8% for sewer service.

The City's rate structure includes a fixed charge and a unit rate for consumption. In accordance with MFSG's recommendations, the increased rates are set to achieve 30% of total revenues from the fixed portion of the utility charge. This will bring stability to revenue generation, and will better reflect the true cost of service.

The City's FY 2015 Water Operating Fund is \$3,777,620, which is an increase of 3.5% from the FY 2014 adopted budget. The FY 2015 Adopted Budget includes the replacement of the primary service vehicle for the Water Crew, as well as the purchase of a new valve exerciser to assist the City in testing water service access points.

### ***Wastewater Operating Fund***

The City's FY 2015 Wastewater Operating Fund is \$6,463,165, which is a decrease of 9.2% from the FY 2014 adopted budget. The lower fund amount can be attributed to the decreased debt service requirements in the fund.

### ***Transit Operating Fund***

The City's FY 2015 Transit Operating Fund is \$5,710,518, which is an increase of 11.1% from the FY 2014 adopted budget. The increase in the Transit Fund can be attributed to an increased cost of capital replacements and personnel items, coupled with an increased depreciation expenditure associated with the new FRED maintenance facility. The FY 2015 FRED Transit budget includes service in the City, Spotsylvania, Stafford and Caroline Counties, as well as the Eagle Express service provided to the University of Mary Washington.

### ***Parking Fund***

The City's FY 2015 Parking Fund is \$714,915, which is an increase of 6.16% over the FY 2014 adopted budget. Included in the FY 2015 Recommended Budget are the costs associated with leasing and managing the 904 Princess Anne Street parking lot.

The 297-space Sophia Street Parking Garage, which opened in November 2005, is the City's primary parking asset. The facility serves tourists, shoppers, hotel patrons, City employees, and VRE commuters. In FY 2015, operating revenues are projected to equal operating expenses and depreciation. Debt service of \$319,365 is funded from a combination of the City's motor fuels tax account and parking garage fees.

***Celebrate Virginia South Community Development Authority Fund***

The City serves as the fiscal agent for the Celebrate Virginia South Community Development Authority. As part of the ongoing agreement with the Authority, the City includes in the annual budget the amount of the debt service for the year. The Treasurer is responsible for billing and collecting the special assessments, and for paying the debt service on the CDA bonds. The appropriation amount for the special fund is \$1,951,836.

**CONCLUSION**

The FY 2015 Adopted Budget makes many positive investments in worthwhile services and infrastructure that will greatly benefit the citizens of Fredericksburg. This budget was the first step in our goal of providing 24/7 Advanced Life Support Services. The FY 2015 Adopted Budget addresses much needed capital infrastructure improvements, equipment replacement, and adds operational efficiencies through technology improvements. Staff feels this is a sound financial plan to keep Fredericksburg moving into the future.