

Adopted Operating and Capital Budget FY 2009

Transmittal Letter

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MEMORANDUM

TO: Mayor Thomas Tomzak and Members of the City Council
FROM: Phillip L. Rodenberg, City Manager
Beverly R. Cameron, Assistant City Manager
DATE: July 17, 2008
SUBJECT: Transmittal and Summary – FY 2009 Budget

INTRODUCTION

We are pleased to transmit the Adopted Operating and Capital Budget for Fiscal Year 2009. The budget is balanced, as required under state law. The proposed General Fund Budget totals \$76.5 million, a decrease of 2.49% over the original FY 2008 General Fund Budget. As of the end of June, the new General Fund budget represents a decrease of 1.84% over the amended FY 2008 General Fund budget. This marks the second year in a row that the City Council adopted the Operating and Capital Budgets at the same time.

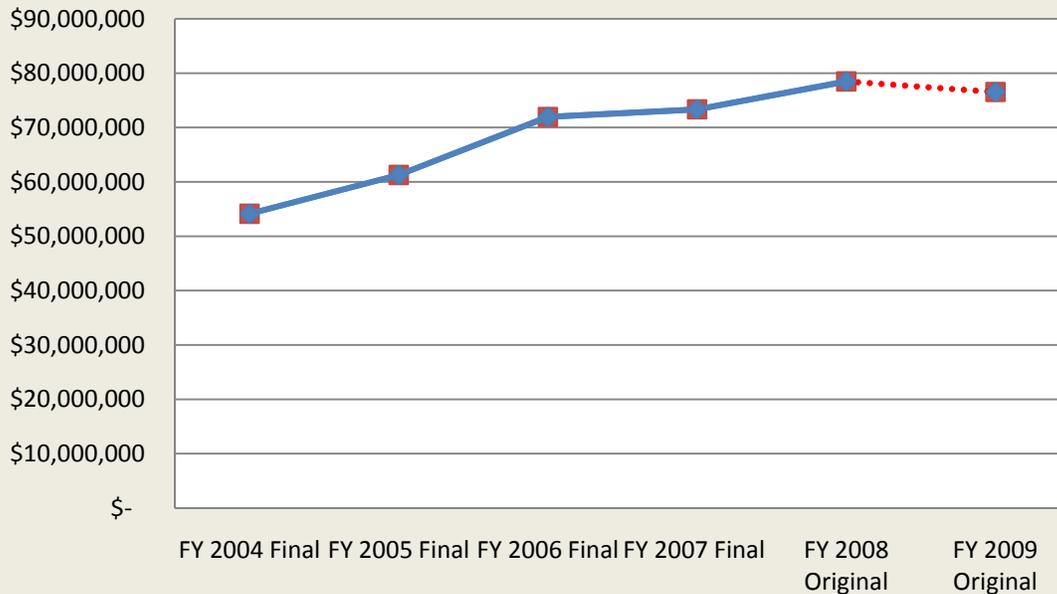
The FY 2009 budget is one of restraint, and a transition from the budgetary growth of the recent past. The decline in City spending is a response to a decrease in City revenues from key sources such as sales tax and business license taxes, which declined in FY 2008 as a result of a slowing economy and increased regional competition. The City met the challenge of falling revenues by decreasing expenditures for City operations and outside agencies, increasing the real estate tax rate, and using the City's fund balance reserves. The City reduced the overall General Fund budget in spite of inflationary pressures and an increase in the transfer to the City schools.

Nevertheless, the outlook for FY 2010 is extremely difficult. The City continues to call upon its dwindling fund balance reserves, while at the same time the construction of the Court complex, the expansion of the Rappahannock Regional Jail, cost inflation, and deferred maintenance items creates additional pressure to raise expenditure levels just to maintain consistent service levels. The City will not be able to use its fund balance reserves in a significant way to construct the FY 2010 budget. Without significant new revenue growth, the current austerity climate for the City will continue for at least the next two or three years.

OVERVIEW

The chart below shows the trend in General Fund budgets over the last several years. (These are not actual expenditures, but rather the final budgets for the period.) FY 2009 is the first General Fund budget in several years to decline, in spite of inflation and an additional transfer to City Schools of \$1 million.

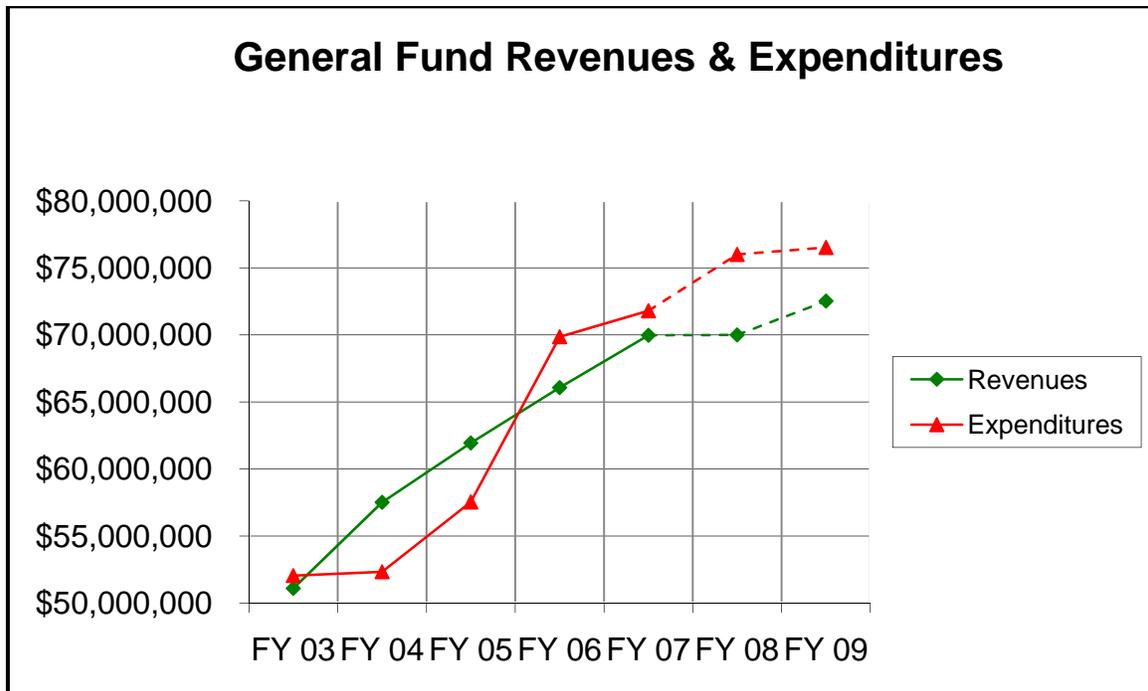
General Fund Budgets FY 2004 - FY 2009



The primary driver of increased costs over the prior periods has been major capital projects, and the associated operations and debt service. Examples include Lafayette Upper Elementary School, the replacement James Monroe High School, the new Police Headquarters, the Sophia Street Parking Garage, Dixon Park, and the Dixon Aquatics Center. To meet increased service demands, the City has added a number of positions over the past several years in the Police Department, the Fire Department, the Sheriff's Office, the Public Works Department, the Parks, Recreation, and Public Facilities Department, and others. In the meantime, the City did not increase the real estate tax rate from FY 2004 until FY 2008. Growth in City expenditures was fueled primarily by a surge in revenue from sales tax, business license tax, meals tax, and other similar taxes based largely on commercial growth.

Stafford County and Spotsylvania County have both seen surges in commercial development, which began impacting City revenues in spring 2007. The national and regional economies slowed significantly during FY 2008, which compounded the revenue shortfall. Forecasters differ on when the economy may rebound; however, the regional competition is here to stay. The deflating of sales tax and business license revenues that support the General Fund will mean increasing pressure for both expenditure reductions and the use of real estate taxes, other taxes, and other fees to help support the City's core services.

THE FY 2009 BUDGET IN PERSPECTIVE



The above graph helps make the larger point about the sudden decline in the City's revenue growth, and the adjustment made in the FY 2009 budget. The FY 2008 figures represent estimates of year-end revenue collections and year-end expenditures, and projects a use of fund balance in the range of \$6 million. The City may be able to reduce fund balance use by further reducing expenditures; however, to a large degree the revenue collections are flat or down and represent a historical shift.

In response, the City reduced the FY 2009 budget, and increased the revenues largely by increasing the real estate rate. In FY 2009 the City will collect a full year of Emergency Medical transport fees, which were raised as well. Nevertheless, the City's structural deficit of expenditures in excess of revenues remains, and requires further use of fund balance (some of which is for capital assets). The City is within the bounds of its fund balance policy of maintaining 12% of the prior year revenue in the General Fund undesignated unreserved balance. However, the City will need to continue fiscal restraint to eliminate the gap and discontinue the use of fund balance for any purpose.

OVERVIEW OF MAJOR OPERATING FUNDS

General Fund

The total appropriation recommended for the **General Fund** is **\$76,521,620**, which represents a 2.49% decrease from the Adopted FY 2008 budget.

Social Services Fund

The total appropriation recommended for the **Social Services Fund** is **\$4,449,260**. This is a decrease of 3.11% from the adopted FY 2008 budget. The local transfer from the City's General Fund to assist in supporting the operations of the Department of Social Services is \$802,402, which is an increase of 6.98% from FY 2008. The cost of operations for this fund is shared between the City, state, and federal governments. The FY 2009 budget generally represents maintenance of existing levels of service, and there are no new positions in the FY 2009 budget.

City Grants Fund

The total appropriation for the **City Grants Fund** is **\$1,693,944**. This appropriation is 0.37% less than the original appropriation in FY 2008. The City Grants Fund budget is amended by the City Council from time to time as new grants are awarded, and also amended after the close of the fiscal year to update balances on existing grants.

Water Fund

The total appropriation recommended for the **Water Fund** is **\$3,329,584**. This funding represents an increase of 4.88% from the original budget in FY 2008. Operating costs have increased, and debt service costs for the U.S. 1 Water Line replacement have also caused a small increase in overall water fund costs. The City included a 4% increase in the water service charges in FY 2009.

Wastewater Fund

The total appropriation recommended for the **Wastewater Fund** is **\$5,890,907**. The recommendation is a 17.05% increase in the overall fund from FY 2008. The increase is necessary as a result of increasing costs at the Wastewater Treatment Plant. In addition, the City will begin to pay the debt service on four major sewer line replacement projects: City Dock Sewer, Smith Run Sewer, Hazel Run Sewer, and Kenmore Watershed. The City included an 8% increase in wastewater service charges in FY 2009 to meet rising costs.

Transit Fund

The total appropriation for the **Transit Fund** is **\$5,399,586**. This is an increase of 26.3% over the original FY 2008 appropriation. It is due in some part to the continued implementation of the demonstration route program that began in FY 2007. In addition, the FRED Transit system will have its first full year of operations at its new facility on Jefferson Davis Highway. Ridership is at an all-time high.

Parking Fund

The total appropriation recommended for the **Parking Fund** is **\$659,758**. This represents an increase of 47.71% over the FY 2008 appropriation, largely due to the budgeting of depreciation costs and the inclusion of a full-time employee that was previously budgeted in the General Fund.

Comprehensive Services Act Fund

The total appropriation recommended for the **Comprehensive Services Act Fund** is **\$1,612,410**. This fund is for mandated services for at-risk youth that is a shared responsibility of the state and the City. Both the state revenue and the local transfer from the General Fund to the CSA Fund increase. The overall total represents an increase of 8.26% over the FY 2008 appropriation, due to increasing costs of service.

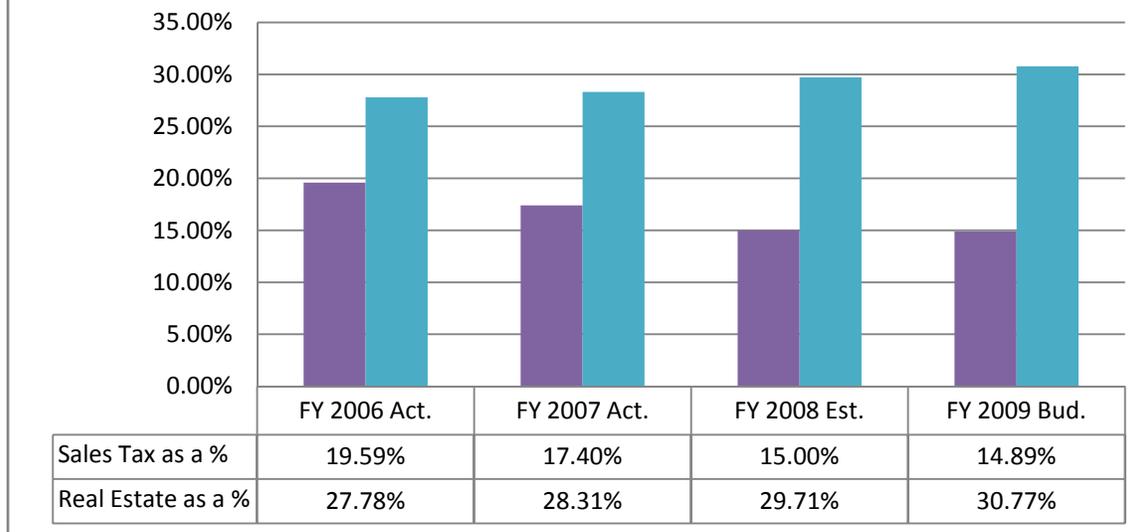
REVENUE HIGHLIGHTS

The City is forecasting continued difficulties in FY 2009 for the General Fund. We foresee a decline in revenues from sales taxes, business license taxes, meals taxes, building permit fees, and other sources from the budgeted FY 2008 forecast. In addition, the City received reductions in state support in several areas as the state reduces its budget – most notably in support for law enforcement, Constitutional Officers, and Comprehensive Services Act payments. Offsetting some of the decreases is the increased real estate tax rate of \$0.56 per \$100 valuation – up from \$0.53 per \$100 valuation in FY 2008. The City’s real estate tax rate remains the lowest of any jurisdiction in the region. The upcoming general property re-assessment will likely lower real estate values in the City, which may lead to a higher real estate rate in FY 2010 just to remain revenue neutral.

Revenues – General Fund

In FY 2009, the City is forecasting a General Fund revenues total of \$72.5 million. This includes the revenue generated by the real estate rate increase from \$0.53 to \$0.56 per \$100 valuation. By and large, the decline has impacted the City in sales tax, business license taxes, and other similar economically-driven revenues. Economic conditions have impacted the finances of the Commonwealth, which in turn has reduced its support for a variety of shared programs with localities as well.

Real Estate Tax and Sales Tax as a Percent of Total General Fund Revenues



The chart shows the relative decline of the sales tax as a percent of total General Fund revenues in the recent past. At the same time, the real estate tax revenues have increased as a share of the total. In FY 2006, the sales tax constituted almost 20% of the total General Fund revenues of the City. Unfortunately, in FY 2009, the City budget forecast is that sales tax will constitute less than 15% of the total.

The challenge for the City in the next few years is determining how to provide valuable City services when sales tax revenue growth will be limited at best. Other economically driven revenue streams, such as business license taxes, bank stock taxes, meals taxes, and admissions taxes, will not be growing, either. The Commonwealth will not be able to increase its support for its shared responsibilities. The City must also maintain a low real estate tax rate to maintain our quality of life and our competitive position in the region. These factors will severely constrain the City's overall revenue growth.

However, there is good news on the horizon. Several major economic development initiatives will bolster City revenues in the next few years. These include:

- Wegman's Grocery Store in Celebrate Virginia South (FY 2010)
- Kalahari Resort in Celebrate Virginia South (FY 2011)
- Capital Ale House on Caroline Street (FY 2010 first full year)
- Courtyard by Marriot on Caroline Street (FY 2010 first full year).

Revenues- Water and Wastewater Funds

In FY 2008, the City increased its water and sewer fees for the first time in several years. In FY 2009, the City continued its efforts to catch up to rising costs with a rate increase of 4% for water and 8% for sewer. Both funds continue to use fund balances to balance their operating budgets. The City will face debt service costs in FY 2009 for debt issued to construct several sorely-needed utility line replacement projects

which began during FY 2008. These projects are: replacement of the next phase of City Dock Sewer, replacement of the Smith Run Interceptor Sewer, replacement of the Hazel Run Interceptor Sewer, replacement of various sewer lines in the Kenmore Valley area, and replacement of the U.S. 1 Water Transmission Line. In addition, the City will face increased costs for the operations and maintenance of the aging Wastewater Treatment Plant, and there are several capital projects replacing equipment at the plant that will need to be constructed in the next 3-5 years.

In addition to the service rate increases, the City also increased the availability fees charged for new development for the first time in several years for sewer. The water availability fee was actually decreased, as there are not as many identified water projects in the City's planning horizon. As part of this effort, the City removed the "expansion area" distinction whereby developments in outlying areas of the City were charged a surcharge on their availability fees because of the extra cost of extending lines or increasing capacities in those areas. Most of the infrastructure in the outlying areas has now been built, and some of it has been built by private developers.

The effect of the proposed rate increase for both water and wastewater on a residential customer using 10,000 gallons per bi-monthly billing cycle is an additional \$4.21 per bill. The same usage at current rates is billed for \$66.17. The combined rate increase for the typical customer is 6.4% bi-monthly.

Between 1993 and 2007, the City increased its water and wastewater rates 13.2%. During that same period, the Consumer Price Index (CPI-U) rose 44.3%.

Revenues – Transit

The total revenue forecast for next fiscal year for the Transit Fund is \$5,399,526. This includes a transfer of fund balance to match the anticipated depreciation cost of \$525,000. The majority of the Transit Fund is funded by federal and state grants. Other localities in the region served by FRED also share in the cost of service to their areas, as does the University of Mary Washington. The revenue also includes an anticipated transfer of \$405,538 from the surplus gasoline tax receipts for the City's share of service costs and capital equipment grant matches.

HIGHLIGHTS OF THE CAPITAL BUDGET AND FIVE-YEAR PLAN

The City of Fredericksburg has included in its five-year Capital Improvements Plan major infrastructure replacements and improvements. The City will face major challenges over the coming years to fund and construct this ambitious program. The major themes for the capital improvements plan are Court Replacement and Major Maintenance Work, especially aging bridges. There are also some other non-maintenance related projects summarized here.

Court Replacement

The long-term plan is dominated by the need to construct a new courthouse facility for the City, which will require a major bond issuance. The current courthouses are in various degrees of repair and serviceability, and the Circuit Courthouse is in need of replacement with a newer, larger, more modern facility. The current plan calls for the Circuit Court and the Juvenile and Domestic Relations Court to be included in a new building. Depending upon site-specific planning and final design, the General District

Court, could be included in the new building. During FY 2008, the City Council took a major step forward by selecting the downtown site of the U.S. Post Office on Princess Anne Street for the new court building.

The site selection process is complete, and the City has now finalized agreement with the Post Office through its real estate developer, Keating Development Corporation. The project will require that the City pay for the re-location of the existing Post Office distribution facility to a new site, with an eventual restoration of a “retail” facility to a new building in the current location. The site itself will be a combination of the new court facility, plus a portion of commercial and residential development that will remain in the control of Keating, but which will help reduce the overall cost of the project.

The City will need to borrow the funds for this project. The appropriation in FY 2009 of \$4 million will represent site-specific master planning work, survey work, land acquisition for the new facility, and possibly land acquisition for other property near the Post Office site. Future phases will include funds for construction design, other development studies (e.g. archaeological, soil samples, environmental, traffic), and eventually construction. The debt service payments in the near term will be set up to defer the impact as much as possible, to allow revenues to rebound. The FY 2010 budget will need to include the additional debt service costs for the short-term borrowing (about \$200,000); however, the long-term debt service, which may begin in FY 2012 or FY 2013, depending upon the timing of the project, may increase the City’s debt service load by approximately \$3.5 -\$4 million per year.

Major Maintenance Work

A major part of the FY 2009 capital budget and the five-year capital improvements plan involves major maintenance work. The centerpiece is the repair and / or replacement of several bridges in the City approaching the end of their useful life. Unlike the surrounding counties, the City is responsible for street maintenance for all streets in the City, excepting Interstate 95. This includes responsibility for bridge maintenance, repair, and replacement as necessary. The state and federal governments make funds available to assist with the effort, but generally speaking they do not cover all of the costs, and bridge replacement grant funds will not be available in any quantity until after the planning period.

The four bridges targeted for work by the City include:

- Fall Hill Avenue over the Rappahannock Canal
- Jefferson Davis Highway over William Street (Route 3)
- Jefferson Davis Highway over Hazel Run
- Jefferson Davis Highway over the Rappahannock Canal.

All of these bridges are over 40 years old, and are in need of maintenance. The City currently has a state Revenue Sharing project to repair the bridge of Jefferson Davis Highway over William Street, which will need to be carried over into FY 2009. In addition, the City will request state funding for a Revenue Sharing project in FY 2009 repairs to the bridge of Jefferson Davis Highway over Hazel Run. (Revenue Sharing is a program whereby the Virginia Department of Transportation pays half the awarded costs, and the City pays the other half.)

In FY 2009, the City plans to replace, using debt, the bridge of Fall Hill Avenue over the Rappahannock Canal. The replacement facility will include bicycle and pedestrian crossings, in addition to handling the traffic of Fall Hill Avenue. Finally, the City has a project in FY 2011 for repairs to the bridge of Jefferson Davis Highway over the Rappahannock Canal.

The City also faces a major maintenance-type project in the renovation of the Wastewater Treatment Facility. The Wastewater Treatment Facility is approaching the end of useful life on a variety of equipment, and needs equipment replacements and upgrades in order to remain in service. The City has been mandated by the Virginia Department of Environmental Quality to perform certain upgrades in the near term. Others may be deferred for a few years. The required upgrades and replacements will impact the City's rates for standard wastewater treatment service and availability fees for new development.

Other important maintenance projects will move forward in FY 2009. The City will replace the windows at the old City Hall building, which is now occupied by the Fredericksburg Area Museum and Cultural Center. The City will also move forward on some major HVAC replacements throughout the City's building inventory, including the Headquarters Building at the Central Rappahannock Regional Library. Both projects will serve to save energy, and represent needed building maintenance. Building repairs will also be performed on the Hart Community Center building, which is currently underway in FY 2008 and should be completed in FY 2009. Other maintenance projects include the annual asphalt paving and concrete programs, and continuation of pipe replacements in the City's water and sewer funds. Finally, replacement for the City's aging Fire Aerial Ladder unit is funded in FY 2009.

Other Non-Maintenance Projects

The City's focus on the court replacement and maintenance projects will not prevent progress on several new initiatives. The City will initiate work on its part of the Cal Ripken, Sr. Youth Complex, which will be located off of Wicklow Drive in the Bragg Hill neighborhood. The City will be responsible for rough grading the site, extending utilities, and extending the road to the site. The current plan breaks this work over two years. The City will need to borrow funds in FY 2009 to begin this work.

Another new project is the Riverfront Park project. The City is acquiring land for the park, which will be located along Sophia Street between Hanover Street and Wolfe Street. Two parcels have been acquired in FY 2008, and a third is currently under negotiation. These will be combined with the current City-owned parking lot to form a riverfront focal point, and anchor future park and trail development from City Dock Park on the southeastern end to perhaps as far as Old Mill Park and beyond on the northwestern end. The FY 2009 budget does not add appropriation authority to this project; however, funds remaining in FY 2008 will likely be carried over by City Council in order to keep working on this project.

An additional major project is Fire Station 3. The City currently owns rights to land in Celebrate Virginia South, although there is a right of reversion if the parcel is not developed for public safety needs. The City will face costs for design, construction, staffing, and providing apparatus for its third station, which will improve response times for Fire and Emergency Medical calls west of Interstate 95 and along the northern

sections of the City between Interstate 95 and Jefferson Davis Highway. This station would also provide coverage to the developments along Cowan Boulevard east of the Interstate.

The City will also continue in FY 2009 to develop the Pathways Plan. The two major identified Pathways to be worked on in FY 2009 will be the Virginia Central Railway Trail, and the Rappahannock Heritage Trail. Both of these projects will continue development in FY 2009 using grant funds, with some local matching funds as well.

The City will postpone three major projects in the Capital Improvements Plan because of their high cost, other City priorities, and the financial situation of the City. The Executive Plaza renovation has some funds allocated in FY 2008, and there has been some repair work undertaken in the current year. However, a 2007 solicitation of proposals for a design-build partnership under the Public – Private Education Act (PPEA) revealed that the building would cost almost as much to completely renovate as to tear down and build a new building. Of those options, we favor total replacement; however, both options are currently well beyond the City's fiscal capacity. The City remains committed to providing new office space to the Fredericksburg City School Administration. However, with Executive Plaza deferred for the short term, the City will use some of the balance in this project to fund other needs in FY 2009.

The Fall Hill Avenue widening project has been designated as the City's top new construction project; however, the cost is absolutely prohibitive to undertake solely with local funds. The City will need to keep this project alive until such time as the state accumulates additional urban construction funds to pay for the project. The state must still pay the City back for its share of debt service on the Cowan Boulevard project, which will begin in FY 2009. The state currently finds itself short of construction funds, as maintenance needs take up more and more of the total transportation budget at the state level.

The Dixon Park Community Center project represents a needed replacement facility to the Dorothy Hart Community Center. However, the current plans, which include community center facilities, office space, and an indoor pool, will exceed the fiscal capacity of the City for the foreseeable future. The Fall Hill Avenue widening project and the Dixon Park Community Center project remain in the plan as placeholders, and the City is committed to eventually constructing the projects.

GENERAL BUDGET EXPENDITURE HIGHLIGHTS

This section will detail some of the major changes and new initiatives affecting the major operating funds for the next fiscal year.

Schools

The transfer from the General Fund to the Fredericksburg City Public Schools is \$24,728,000, which represents an increase of 4.21% from the FY 2008 level. This is a smaller increase than has been seen in past years. The main priority for the schools during the FY 2009 budget year was the implementation of the second year of a multi-year plan to upgrade teacher salaries. Although the plan was not able to be fully funded, school system employees were granted a cost-of-living raise of 2.2% and were also able to maintain the step increases in their step plan. In addition to the local transfer, the

schools receive resources from the state, and an additional small portion of their budget comes from user fees (e.g. tuition, school lunch fees, etc.). The school transfer, which does not include the debt service on the two recently constructed schools, represents the largest single item in the City's General Fund budget.

Employee Salaries and Benefits

The FY 2009 budget includes a cost-of-living increase of 2% for employees, effective the first pay period in July. Because of the economic conditions surrounding this budget, it was not possible to grant merit increases to employees this year. In addition, the City was forced to suspend the matching contribution for the Section 457 Defined Contribution supplemental retirement plan, commonly known as the ICMA-RC plan. The City will maintain the plan and employees will continue to be able to contribute their own funds to these retirement accounts. Health insurance and other benefit structures remain the same as in prior years, although costs increased.

Changes in Position Authorization and Funding

In past years, the City added positions to meet increasing service demands, match mandated positions for Constitutional Officers, and staff new or replacement capital facilities. The FY 2009 budget represents a policy shift. The total number of authorized full-time positions in the General Fund will fall from 370 to 364. An additional seven positions are "frozen," meaning that the authorization remains, but the funding for the position is removed from the budget. The total number of funded positions in the FY 2009 budget in the General Fund is therefore 357.

Table of Frozen Positions

Position	Total FY 09 Savings
EMS – Medics (2)	130,664
Public Works – Traffic Maintenance Supervisor	58,121
Public Works – Street Maintenance Laborer	37,641
Parks, Recreation, and Public Facilities – Leisure Program Supervisor	56,082
Police – Police Information Systems Manager	71,841
Clerk of Circuit Court – Deputy Clerk of Circuit Court	44,000
Fire – Deputy Fire Marshal – ½ Year Only	37,500

Descriptions

Emergency Medical Services Medics

As part of the new fee-for-service program, the City was planning to expand the number of personnel answering EMS calls during FY 2008. This will help with increasing call volumes and reduce mutual aid assistance from Stafford and Spotsylvania Counties. The original plan was to add three EMS Medics in January 2008, when it was believed that fee revenues would begin to be received by the City. These positions were frozen because of poor revenue performance. The FY 2009 budget clears one of the three

positions for hiring. However, the City will not hire the other two positions during FY 2009.

Public Works – Traffic Maintenance Supervisor

The City currently has a vacancy for the Traffic Maintenance Supervisor, which supervises and is part-of a three person crew that maintains the City's 56 traffic signals, along with traffic signs and other traffic control needs. The City will not fill this vacancy during FY 2009, and will rely on the two remaining workers plus personnel pulled from other areas to maintain the City's traffic signals.

Public Works – Street Maintenance Laborer

The City currently has a vacancy for the position of Street Maintenance Laborer, and it will not be filled during FY 2009. The total strength for FY 2009 will fall from 11 employees to 10, and employees from other divisions will fill in as necessary.

Parks, Recreation, and Public Facilities – Leisure Program Supervisor

The City currently has a vacancy for a Leisure Program Supervisor, and it will not be filled in FY 2009. The Department will have to fulfill in the duties of the position through other employees, and may reduce program offerings as well to manage the workload.

Police – Police Information Systems Manager

The City currently has a vacancy for a non-sworn position of Information Systems Manager in the Police Department. The City will not fill this vacancy during FY 2009. There are two employees assigned to the task of managing the information systems needs in the Police Department, and the Department will meet this need with one employee.

Clerk of Circuit Court – Deputy Clerk of Circuit Court

The Clerk of the Circuit Court is a Constitutional Officer, and the state provides assistance through the Compensation Board for most of the positions in the Clerk of Circuit Court's office. However, in FY 2008 the Clerk had two positions paid by entirely by the City. One of the "local-only" positions, which became vacant, will not be funded in FY 2009. Other employees will fill in the duties of the vacant Deputy Clerk of Circuit Court as best as they are able.

Deputy Fire Marshal (1/2 year)

The City currently has a vacancy for a Deputy Fire Marshal, which will not be filled until January 2009. The City Fire Marshal will fill in the inspection and other duties in the interim, with assistance from other members of the Fire Department.

Other Personnel Changes

The City made other changes that will affect the total number of personnel authorized in FY 2009. The City Manager's Office reduced a full-time employee to part-time employment, and dedicated that employee to grants coordination to try and gain additional state, federal, and private resources for the City's initiatives. In addition, the City eliminated the system of funding all of the Judicial Legal Assistants in the Circuit

through the City, with the City billing the regional partners for their share of the employees. Instead, each Judicial Legal Assistant will be assigned to the jurisdiction the position serves. The five positions that were authorized under the old system will go to one, which serves the Circuit Court Judge assigned to the City. Finally, one position in the Buildings and Grounds portion of the General Fund was transferred to the Parking Fund in order to more closely match the duties of that position.

Turnover Credit

The City also adopted a \$150,000 turnover credit in the FY 2009 budget. The turnover credit will constitute a negative expenditure, and is based upon the implementation of a 90-day hiring slowdown. In order to ensure that the credit is realized, staff will make amendments throughout the year to departmental budgets to capture savings from vacancies. Frozen vacancies will not be a part of the calculations for the turnover credit – the funding for these positions has already been removed.

Regional Jails

The budget for the Rappahannock Regional Jail has increased in FY 2009 by 9.23%, from \$3,037,995 to \$3,318,330. Along with increases from the Commonwealth and the other partners in the region (Stafford County, King George County, and Spotsylvania County), the Rappahannock Regional Jail will open one of the two new cell blocks this autumn. The opening of the new cell block will alleviate overcrowding at the facility. However, the debt service on the new construction will begin in FY 2010 for the City, which will add approximately \$700,000 to the total for the jail budget next year.

The Rappahannock Juvenile Detention Center provided a major cost decrease for the City, largely due to the usage formula which allocates costs between the partners in the facility. The costs in FY 2009 declined 37.63%, from \$551,970 to \$344,225.

General Property Re-assessment

The City will face contract costs for the General Property Re-assessment due July 1, 2009 (FY 2010). As the City does not have in-house staff to perform the re-appraisal work, the City will use contractors. The budget for this item is \$167,000, which includes the mass re-appraisal plus appraisal costs for ongoing new construction in the City.

Outside Agencies

The funding level for outside agencies was reduced for the vast majority of outside agencies in FY 2009 in response to the City's financial conditions. The City Council instructed staff to communicate to outside agencies that further reductions will be forthcoming in FY 2010 should the revenue picture not improve in FY 2009.

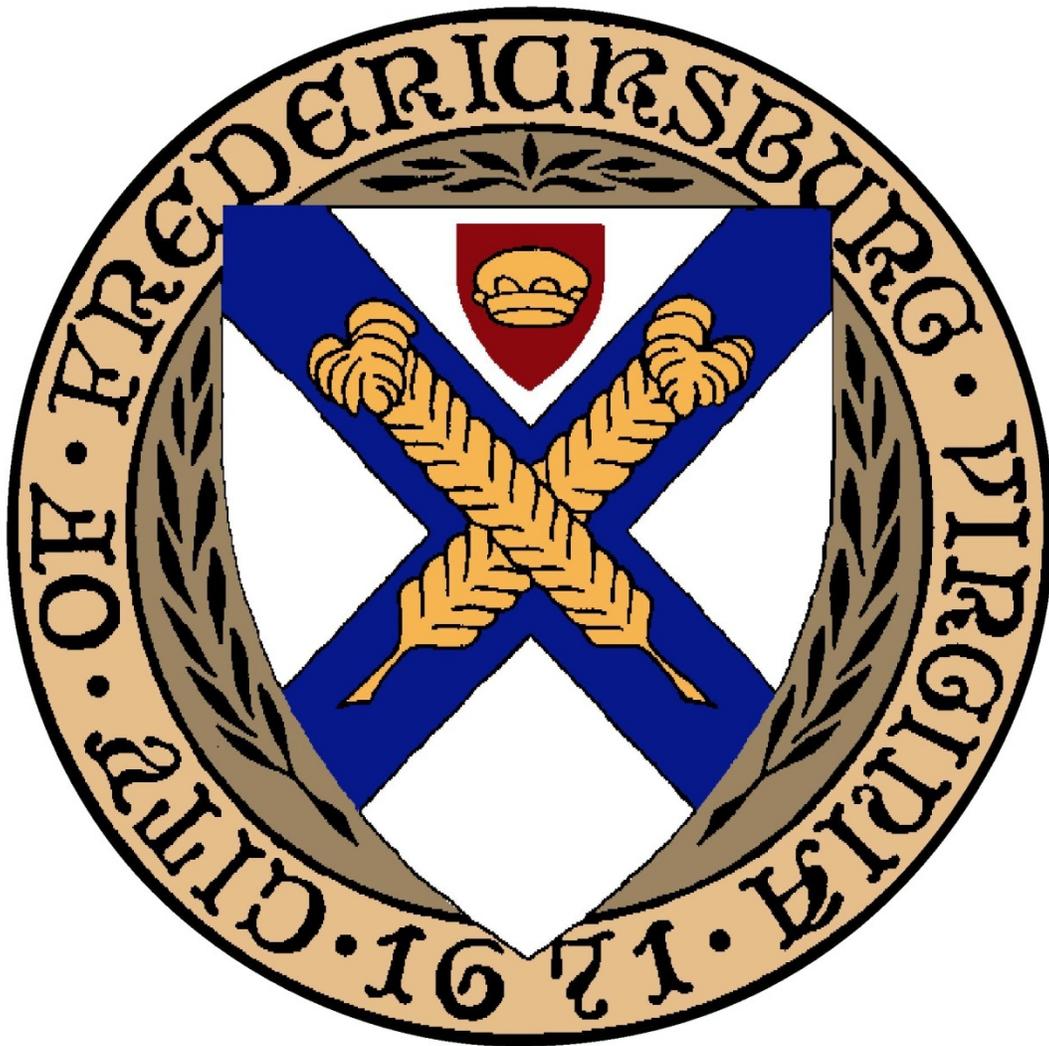
CONCLUSION AND ACKNOWLEDGEMENTS

In conclusion, the budget for FY 2009 is a responsible spending plan which adjusts the City to a difficult fiscal environment, but continues to provide the services necessary to meet the needs of the citizens of the City. The final budget represents many hours of preparation on the part of the departments, Constitutional Officers, and outside agencies and many hours of deliberation and review on the part of the staff and the City Council. Budget Manager Mark Whitley was instrumental to the budget's completion.

The City's continued adjustment to a paradigm of reduced spending will carry on into FY 2010 and beyond. Expenses associated with the new Court project, service cost inflation, and revenue declines from regional competition, will necessitate that the City and its school and agency partners prepare for a difficult year in FY 2010. By reversing the trend of expenditure growth and reducing the number of employees in the City service, the FY 2009 budget sets the groundwork for the new fiscal environment. Our challenge going forward is to determine what is most important, and how to provide needed and valuable City services in this environment of limited revenue growth. Our pledge is to meet that challenge, and to continue to lead and support our community in an efficient and effective manner.

Beverly R. Cameron
Assistant City Manager

Phillip L. Rodenberg
City Manager



Adopted Operating and Capital Budget FY 2009

Organization Chart

CITY OF FREDERICKSBURG ORGANIZATION CHART

