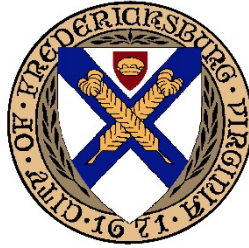


Balance Sheet
 Governmental Funds
 At June 30, 2016

	General	Original Walker-Grant Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 25,610,346	\$ 10,961,695	\$ 13,259,233	\$ 49,831,274
Receivables (net of allowances for uncollectibles):				
Property taxes	705,090	-	-	705,090
Accounts	104,450	-	-	104,450
Accrued revenue	312,974	-	75,646	388,620
Inventory, at cost	27,097	-	-	27,097
Prepaid items	360,598	-	581	361,179
Due from other governments	2,961,587	-	2,312,957	5,274,544
Total assets	\$ 30,082,142	\$ 10,961,695	\$ 15,648,417	\$ 56,692,254
Liabilities:				
Accounts payable	\$ 809,702	\$ 244,092	\$ 1,150,342	\$ 2,204,136
Accrued liabilities	1,438,076	41,441	263,829	1,743,346
Amounts held for others	1,100,512	-	-	1,100,512
Unearned revenue	29,014	-	166,250	195,264
Total liabilities	\$ 3,377,304	\$ 285,533	\$ 1,580,421	\$ 5,243,258
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	\$ 1,000,383	\$ -	\$ -	\$ 1,000,383
Fund Balances:				
Nonspendable	\$ 387,695	\$ -	\$ 581	\$ 388,276
Restricted	327,422	-	-	327,422
Committed	4,347,210	10,655,001	6,149,362	21,151,573
Assigned	1,306,350	21,161	7,918,053	9,245,564
Unassigned	19,335,778	-	-	19,335,778
Total fund balances	\$ 25,704,455	\$ 10,676,162	\$ 14,067,996	\$ 50,448,613
Total liabilities, deferred inflows of resources and fund balances	\$ 30,082,142	\$ 10,961,695	\$ 15,648,417	\$ 56,692,254

The accompanying notes to the financial statements are an integral part of this statement.



MEMORANDUM

TO: Timothy Baroody, City Manager
 FROM: Mark Whitley, Assistant City Manager
 RE: Rappahannock Regional Jail Funding FY 2018
 DATE: February 23, 2017

The City of Fredericksburg is anticipating that the required contribution for the Rappahannock Regional Jail for FY 2018 will increase substantially. The Finance Committee of the Jail Authority has been meeting to evaluate the overall budget for the Jail, and has worked to reduce the overall increase.

Increase to the City

The City’s FY 2018 budget for the Rappahannock Regional Jail is recommended to be \$4,325,325. This is an increase of \$471,419 over the current FY 2017 budget of \$3,853,904 – which represents an increase of 12.23%.

The jail payments by the City are sub-divided into three separate categories – operations expense, debt service, and transportation.

Category	FY 2017	FY 2018	% Increase
Operations	\$2,964,569	\$3,087,512	4.15%
Debt Service	\$831,955	\$1,175,917	41.34%
Transportation	\$57,380	\$61,896	7.87%
Total	\$3,853,904	\$4,325,325	12.23%

Overall Context

The total budget for the Rappahannock Regional Jail in FY 2017 is \$36,553,820. The latest draft of the budget for FY 2018 is \$37,952,681.

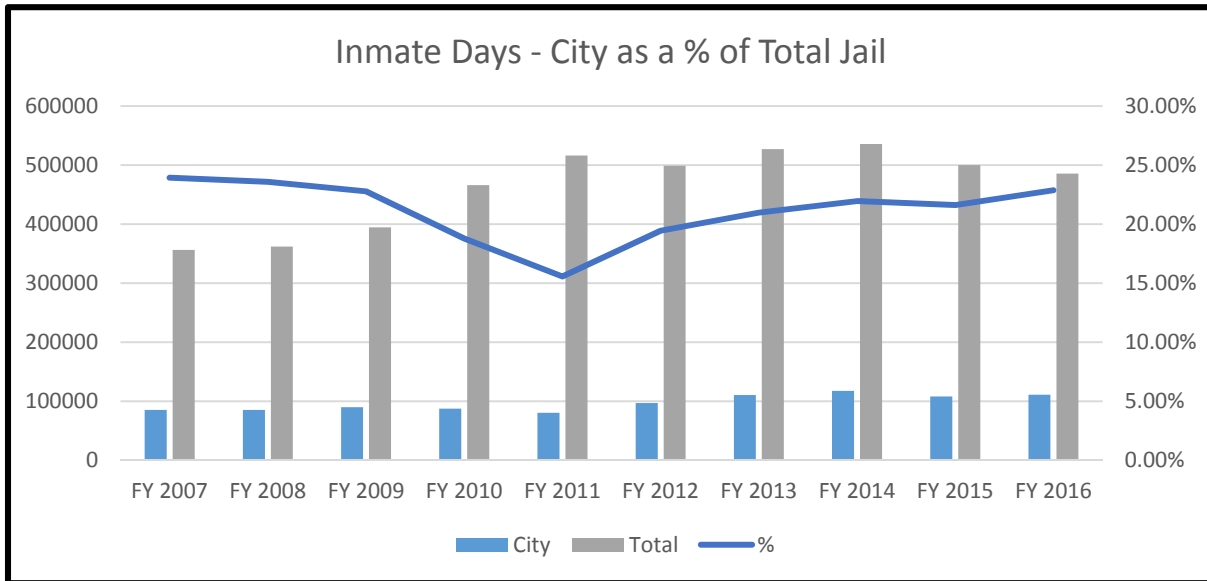
For illustrative purposes, the local share of the budget for the Jail in FY 2016 was slightly less than half of the overall revenue received, at 44.6%. The Commonwealth contributed 44.24%, and other sources totaled 11.16%.

Negative Trends

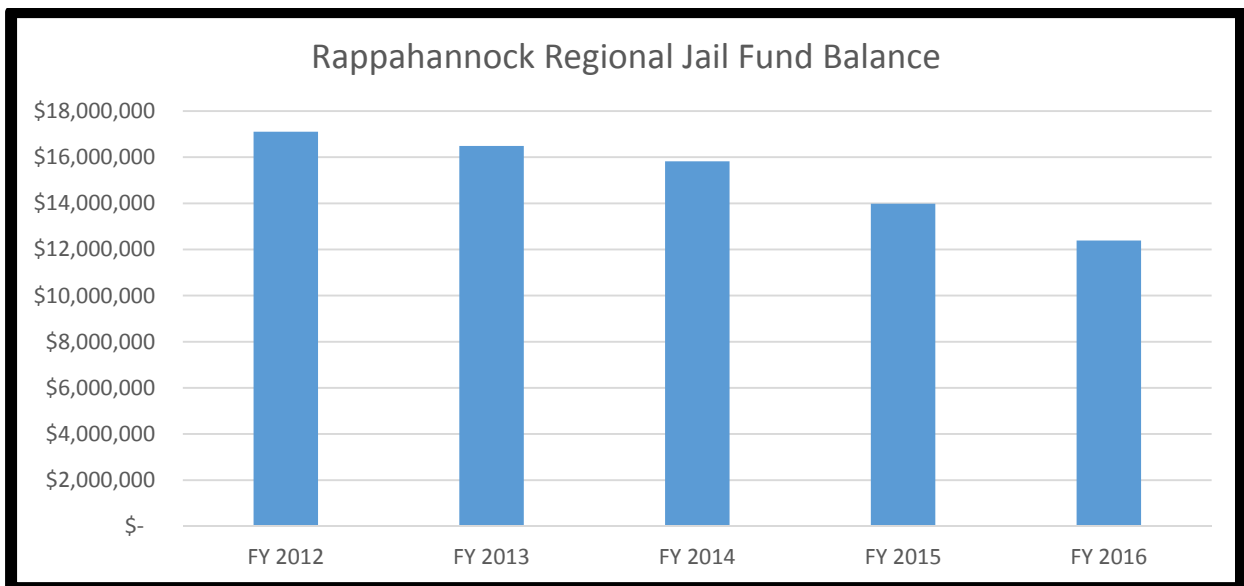
The City’s contribution to the Jail will rise based on a combination of factors, some of which are specific to the City, while others relate more to the operation of the jail overall.

1) Issuance of Debt – The Jail issued bonds in 2015 for needed security, lighting, roof, kitchen, and general building renovations to the facility. The increase in debt service for FY 2018 is \$820,897 more than the FY 2017 budget for all the local jurisdictions.

2) Increase in City-responsible inmates – The allocation of the debt service is based upon the relative local share of usage in the facility. The City’s share of the inmate days of the facility has risen over the last several years, following a decline in the FY 2009 – FY 2011 period. The City’s inmate days in FY 2016 constituted 22.88% of the total inmate days for the facility.



3) Decline in Fund Balance of Rappahannock Regional Jail – The fund balance of the jail has declined significantly over the last several years, as this graph shows.



Over the past several years, the Rappahannock Regional Jail had been drawing down reserves in order to offset capital costs and to offset large increases in operating costs to the member local governments. Much of the fund balance for the Rappahannock Regional Jail is either reserved for future capital projects or is part of an operating reserve required by bond covenants. The Unassigned Fund Balance at the close of FY 2016 was \$2,984,851 (of a total Fund Balance of \$12,387,406.)

The proposed budget for FY 2018 for the Rappahannock Regional Jail does not use Unassigned Fund Balance. There are uses of Fund Balance for the planned capital improvements in FY 2018 (\$681,080), plus an additional use of \$800,000 of bond proceeds for debt service. This is a very positive development for the Rappahannock Regional Jail, and puts it on a more sustainable path for future budget years.

Positive Developments

1) Availability of Bond Proceeds in Excess of Project Costs –

During the budget review process, the jail staff identified that there were bond proceeds available that were in excess of the project costs. The Jail is able to use these proceeds for additional capital work, or to pay the debt service the bonds. The FY 2018 budget uses \$800,000 of excess proceeds to help pay the debt service payments, which substantially lowered the increase in the jail costs for all four jurisdictions.

2) Availability of State Funding for Part of the Capital Renovation Project

The state budget (as of this memorandum) includes a payment to the Rappahannock Regional Jail of \$1,095,862. The Finance Committee recommended that this amount be used by the Jail for future one-time capital needs at the facility. The payment was not included in the FY 2018 budget, but will help future budgets.

Stormwater Management Fund

Last year the City Council created a Special Revenue Fund for Stormwater activities - Fund 229, the Stormwater Management Fund.

The Fund in FY 2017 includes two full-time positions that are charged with regulatory and operational activities related to the City's Municipal Separate Storm Sewer System ("MS4") permit for discharge of stormwater. A portion of fees collected are passed-through to the Virginia Department of Environmental Quality, in accordance with state law. Development fees are received in the Fund to support these activities, and there is also a transfer of funds from the General Fund (\$125,510 in FY 2017).

There are two major recommendations for the Stormwater Management Fund in FY 2018: the assignment of \$395,000 of real estate taxes to the Fund, and the transfer of the cost of the Drainage Crew of the Public Works Department currently in the General Fund to the Stormwater Management Fund.

The City Manager's Recommended Budget for FY 2018 includes a recommendation to transfer additional activities from the General Fund to the Stormwater Fund. The City Public Works Department has a four-person crew that oversees the maintenance of culverts and catch basins throughout the city. These positions are recommended to be transferred from the General Fund to the Stormwater Management Fund, along with the operating costs associated with them. The result of this recommendation is to transfer \$301,723 in operating costs for FY 2018 from the General Fund to the Stormwater Management Fund. Day-to-day operations and reporting relationships within the Public Works Department would not change.

The purpose of the recommendation is to show the costs of maintenance activities for storm catch basins and culverts in the Stormwater Management Fund. Separate cost centers will be established within the Fund for these maintenance activities and the existing regulatory activities under the MS4 permit that are currently funded through the Stormwater Management Fund. Stormwater fees paid by the development community at the time of new development will remain dedicated for MS4 activities.

The total for the Stormwater Management Fund for FY 2018 is recommended to be \$575,530.

City staff did evaluate options for raising revenue for stormwater management activities. Many jurisdictions throughout the Commonwealth have implemented a stormwater utility fee to help fund these activities. (See attached.)

Stormwater Utility Fees are charged under Code of Virginia §15.2-2114. Such fees must be based upon an analysis that demonstrates the rational relationship between the amount charged and the services provided. Full waivers of charges would need to be provided to persons who operate stormwater management facilities that achieve a permanent reduction in stormwater flow or pollutant loadings.

Here is a description of the options and a breakdown of some of the "pros & cons" of each of the options considered.

Fee Based on Assessment of Impervious Surface

- Pros
 - Broader base than real estate tax
 - Ability to provide credits if property owner implements best management practices
 - If included with utility bills then bi-monthly payments
- Cons
 - Complicated assessment process
 - Complicated administration in general

Fee Based on a Per Parcel Basis

- Pros
 - Easier to administer than Impervious Surface assessments
 - Broader base than real estate tax
 - Provide credits if property owner implements best management practices
- Cons
 - More difficult to establish relationship between fee and stormwater demand than if based on assessment of impervious surfaces

Assignment of Real Estate Tax

- Pros
 - Provided under general taxing power of the locality
 - Easiest to administer - include with real estate tax assessment
 - Currently allowed to deduct these expenses from federal income taxes if so desired by taxpayers
- Cons
 - Bi-annual payments
 - Many exemptions to real estate taxes

VAMSA Stormwater Utility Fee and Service District Tax Reference Table

Based on FY16 Data

Existing Utilities	Phase 1 or 2 MS4 Permit	Residential Billing Method	Avg. Resid. Fee (\$/Month)	Equivalent Residential Unit (ERU) Measurement (Sq. Ft. Impervious)	Rate per ERU	Commercial Billing Method	No. of Religious/Tax Exempt Accounts	Revenue from Religious/Tax Exempt Accounts	Revenue from Religious/Tax Exempt as % of Total Revenue	Annual Utility Fee Revenue (\$)	Population (2015)	\$ Per Capita (Annual Est.)	Collected Fees Used to Fund O&M? (Y/N)	Collected Fees Used to Fund SW CIPs (Y/N)
Town of Blacksburg	2	\$6.00/Mo	6.00	N/A	N/A	Tiered/Mo.	48	29,800	2.81	1,062,000	44,000	24.14	Yes	Yes
City of Charlottesville	2	ERU/Mo.	4.80	500	1.20	ERU/Mo.	235	218,400	11.35	1,924,000	48,200	39.92	Yes	Yes
City of Chesapeake	1	1 ERU/Mo.	7.35	2,112	7.35	ERU/Mo.	422+	2,032,800 ^D	12.99	15,645,000	235,000	88.20	Yes	Yes
City of Falls Church	2	ERU/Yr.	21.00	200	18.36	ERU/Yr.	0	0		1,582,000	13,600	116.32	Yes	Yes
City of Hampton	1	1 ERU/Yr.	7.83	2,429	7.83	ERU/Yr.	346	295,600	3.37	8,761,000	138,500	63.26	Yes	Yes
City of Harrisonburg	2	ERU/Yr.	4.38	500	10.50	ERU/Yr.	197	152,300	6.92	2,200,000	52,500	41.90	Yes	Yes
City of Hopewell	2	1 ERU/Mo.	4.00	2,100	4.00	ERU/Mo.				961,000	22,600	42.52	Yes	Yes
Isle of Wight County	N/A	ERU/Yr.	6.00	3,200	72.00	ERU/Yr.	195	72,700	4.35	1,673,000	36,000	46.46	Yes	Yes
City of Lynchburg	2	Tiered/Mo.	4.00	2,672	4.00	ERU/Mo.	741	600,400	18.65	3,220,000	79,000	40.76	Yes	Yes
City of Newport News	1	1 ERU/Mo. ^A	10.75	1,777	10.75	ERU/Mo.	306	621,000	3.22	19,300,000	185,240	104.19	Yes	Yes
City of Norfolk	1	\$0.370/Day	11.25	2,000	0.265	ERU/Day				15,609,000	245,400	63.61	Yes	Yes
Prince William County	1	1 ERU/Yr.	3.28	2,059	39.36	\$19.12/1,000 SF/Yr.	150	180,000	2.23	8,072,000	451,700	17.87	Yes	Yes
City of Portsmouth	1	1 ERU/Mo.	9.25	1,877	9.25	ERU/Mo.		1,500,000 ^C	20.20	7,425,000	96,000	77.34	Yes	Yes
City of Richmond	2	Tiered/Yr.	3.75	1,425	45.00	ERU/Yr.	4,422	539,100	4.82	11,177,000	217,900	51.29	Yes	Yes
City of Roanoke	2	ERU/Mo. ^B	3.60	500 ^B	0.60	ERU/Mo. ^B	581	130,400	3.28	3,979,000	99,400	40.03	Yes	Yes
City of Staunton	2	ERU/Mo.	3.20	2,600	3.20	ERU/Mo.	75	21,900	2.23	982,000	24,500	40.08	Yes	Yes
City of Suffolk	2	ERU/Mo.	6.00	3,039	6.00	ERU/Mo.	266 ^C	138,400 ^C	3.36	4,124,000	89,600	46.03	Yes	Yes
City of VA Beach	1	1 ERU/Day	12.71	2,269	0.43	ERU/Day				37,778,000	455,000	83.03	Yes	Yes
City of Waynesboro	2	ERU/Mo.	3.42	1,600	3.42	ERU/Mo.				1,134,000	21,400	52.99 ^E	Yes	Yes
Median			6.00									46.46		

^A0.42 ERUs for certain multifamily homes

^BFees for both Residential and Commercial are simply based on each 500 sq ft of impervious area identified by GIS mapping, rounded to the nearest whole number

^COnly Religious properties are separately tracked

^D\$442,400 (322 Religious entities), \$1,590,400 (100+ other, mostly government parcels)

^EApproximately 2/3 of impervious area in Waynesboro is Non-Single Family, which skews the per capita estimate. The average annual residential fee is \$41.04.

Existing Districts	Phase 1 or 2 MS4 Permit	Residential Billing Rate (per \$100 assessed value)	Median Single Family Home Monthly Payment (\$)	Commercial Billing Rate (per \$100 assessed value)	Annual District Revenue (\$)	Population (2015)	\$ Per Capita (Annual Est.)	Collected Tax Used to Fund O&M	Collected Tax Used to Fund Stormwater CIPs
Fairfax County	1	0.0275	12.09	0.0275	64,000,000	1,142,200	56.03	Yes	Yes
Arlington County	1	0.013	6.54 ^F	0.013	9,272,000	216,700	42.79	Yes	Yes
City of Alexandria	2	0.005	3.55	0.005	1,900,000	153,500	12.38	Yes	Yes

^FAverage (not median) based on the Arlington Dept. of Community Planning, Housing and Development's Profile as of Jan. 1, 2016. Includes detached homes, townhouses, condos and cooperatives

Non-VAMSA members charging stormwater fees or taxes: Bridgewater, Colonial Heights, City of Petersburg