



MEMORANDUM

TO: Honorable Mayor and Members of City Council
FROM: Timothy J. Baroody, City Manager
RE: FY 2019 Operating and Capital Budget
DATE: September 25, 2018

INTRODUCTION

I am pleased to transmit the FY 2019 Operating and Capital Budget, which began July 1, 2018. This document also includes the FY2019-2024 Capital Improvements Plan. The Budget for FY 2019 is a balanced budget that represents a responsible spending plan, at the current tax and fee rates in the General Fund, for the upcoming fiscal year. Much work has gone into ensuring that the budget is fiscally responsible, advances Council's Vision and Priorities, strengthens public safety, supports our workforce, all while meeting the needs of a growing community.

The total General Fund budget for FY 2019 is \$96,050,000, which is an overall increase of 2.75% over the FY 2018 original adopted budget. The General Fund is the primary fund for most City operations.

BUDGET HIGHLIGHTS

Some high points of the General Fund:

- No increase in real estate tax rate or other General Fund taxes or fees. Revenue forecasts for continued modest growth in revenues – overall increase in budget over budget of 1.42%.
- Funding is included for a 1.5% increase in salary in November 2018
- Increase in the transfer to Fredericksburg City Public Schools of \$500,000. The Fredericksburg City Public Schools budget forecasts additional state revenue for FY 2019 of \$385,959.
- Includes funding of \$275,000 in FY 2019 for the General Property Re-assessment that is due to become effective July 1, 2020 –
 - Previous practice was to include funding for the re-assessment the year prior to implementation
 - Including funding in FY 2019 will allow for the City to have more time to assess all City property
 - Important because the ERP implementation will also include a new CAMA software package for the City from Tyler Technologies, and enough time will be needed to both convert to a new software package as well as the required field work and market analysis

- Includes less funding for the Rappahannock Regional Jail, with part of the savings set-aside for the Regional Detention Center Stabilization Fund. The City’s share of the costs for the Rappahannock Regional Jail are decreasing for a variety of reasons, including a decrease in the overall local cost for the facility and a decline in the City’s share of the local cost because of declining incarceration rates relative to the other local partners.
- Additional funding for the services required under the Children’s Services Act
- A turnover credit in the amount of \$250,000
- Funding in the amount of \$10,000 for a share of a regional effort to end unsheltered homelessness in the region.

REVENUES

The Adopted Operating and Capital Budget for FY 2019 does not change the current real estate tax rate of \$0.80 per \$100 valuation. The General Fund real estate is based on \$0.79 per \$100 valuation, with an additional \$0.01 per \$100 for the Stormwater Management Fund.

The budget also does not increase other taxes or fees. The overall revenues in the General Fund are forecast for \$92,095,000. The budget includes the use of fund balance as well, which brings the total General Fund to \$96,050,000.

Here is a summary table showing the City’s major General Fund revenues from the FY 2018 budget and showing the FY 2019 forecast in the budget.

FY 2019 Major Revenue Summary Table

Revenue	FY 2018 Original Budget	FY 2019 Forecast
Real Estate Tax	30,990,000	31,225,000
Sales Tax	11,350,000	11,500,000
Meals Tax	11,100,000	11,500,000
Personal Property Tax	8,675,000	8,778,000
BPOL Tax	6,100,000	6,445,000
Consumer Utility Tax	1,850,000	1,800,000
Telecommunication Sales	1,750,000	1,650,000

There are additional summary tables and detailed explanations for major revenues in other sections of this document.

USE OF GENERAL FUND BALANCE

The FY 2019 Operating Budget includes the use of General Fund balance for several different purposes.

The budget includes a total of \$3,180,000 of the Fund Balance Assigned for Capital to transfer to the City’s capital funds for cash-funded capital projects for FY 2019.

The FY 2019 Budget also includes a total of \$775,000 of the Unassigned Fund Balance for two separate purposes. The General Property Re-assessment, which is budgeted at \$275,000, is included

in the General Fund using fund balance. The General Property Re-assessment occurs once every four years in the City of Fredericksburg. This project will occur over the next two fiscal years, and any amount that is not spent in FY 2019 should be carried forward into FY 2020 to complete the re-assessment.

The FY 2019 Recommended Budget included an amount of \$500,000 as a Contingency in the General Fund. The General Fund customarily includes this amount every year to provide the City with flexibility to handle new circumstances or needs as they may arise over the course of the next twelve months.

During the review of the Recommended Budget by the City Council, the Council increased the amount of Contingency to **\$525,000**, with the additional \$25,000 coming from current revenues.

The FY 2019 Budget also includes an addition, in accordance with the City Council’s financial policies, to the Fund Balance Assigned for Regional Detention Stabilization of \$605,000 based upon a decrease in funding for the Regional Detention Facilities.

The net use of General Fund balance, both Assigned and Unassigned, in the FY 2019 Budget is summarized as follows:

Fund Balance Type & Use	Amount
Fund Balance Assigned for Capital – Capital Projects	\$3,180,000
Unassigned Fund Balance – Re-assessment	\$275,000
Unassigned Fund Balance – Used for General Fund Contingency	\$500,000
<i>Subtotal – Uses of Fund Balance</i>	<i>\$3,955,000</i>
Reduction in Total Use - Addition to Fund Balance Assigned –Regional Detention Stabilization	(\$605,000)
Total Use in Budget	\$3,350,000

HUMAN RESOURCES HIGHLIGHTS

Salaries

The budget includes a 1.5% increase for full and part-time employees effective the first full pay period in November. The cost is \$246,054 in the General Fund and the overall costs for all funds is \$269,679.

New Positions

- The budget includes five new full-time positions. The Assistant Voter Registrar is included beginning July 1, but the other positions would be hired in January.
 - One Police Officer
 - Three new EMS positions
 - One Assistant Voter Registrar

New Positions for Public Safety

Police Officer

The City Council's **Priority #35** requests an exploration of staffing levels for the City Police and Fire Departments. The City Police Department presented findings in September 2017 to the City Council. Over the next several years, the study recommended the hiring of an additional eleven full-time officers in response to population growth and increasing service demands.

The Police did apply for a federal grant to hire two additional full-time positions in the upcoming year, but the application was not funded. The budget for FY 2019 does include the addition of one Police Officer position to help meet increased service demands.

Additional EMS Positions & Other Changes in Emergency Medical Services

The City Manager's Recommended Operating Budget for FY 2019 included funding for two additional Emergency Medical Technician positions in the Fredericksburg Fire Department, beginning in January 2019. During the course of the review of the budget by City Council, funds were identified to add a third Emergency Medical Technician, also in January 2019.

The Fire Station Feasibility Study, which was presented to City Council in January 2018, looked at the City's fire and emergency medical services, including calls for service, response times, staffing, and other factors to determine whether a new station is warranted and if so, where it might be located.

The majority of calls for service for the Fire Department are emergency medical services calls. Currently, the Fredericksburg Fire Department shares responsibility for this service with the Fredericksburg Rescue Squad. The Fire Station Feasibility Study recommended expanding the Fredericksburg Fire Department's coverage by increasing the number of 24-hour medic units from one to two.

Under this scenario, the Fire Department would have two units available during nights and weekend hours, supplementing the coverage currently provided by the Fredericksburg Rescue Squad. The Fire Department should be able to expand coverage provided by the additional EMT's in the first few months of 2019, although one additional medic position may be required to provide complete 24/7 coverage for the second unit.

To partially offset the cost of this service expansion, the Budget does include a reduction in the level of support for the Fredericksburg Rescue Squad from \$250,000 to \$200,000 in FY 2019. Over the course of the next year, the City would like to work with the Fredericksburg Rescue Squad to draft a revised agreement for service provision that continues the FRS's outstanding support for our community while at the same time recognizes the challenges facing volunteer service organizations in providing coverage in a 21st century metropolitan environment.

New Position – Assistant Voter Registrar

Assistant Voter Registrar

The City currently has one full-time Voter Registrar, who is assisted by two regular part-time voter registrars. The City's Electoral Board and Voter Registrar have requested that one of the regular part-time positions be upgraded to full-time to provide additional assistance to the efforts of this office to hold elections in the City.

Health Insurance

The City received a very favorable renewal for health insurance, with no increase needed in the recommended premiums. The budgeted per employee / per year number for health insurance remains \$13,200, which is the same as the FY 2018 budgeted number.

The City Manager's Office does recommend slowly decreasing the employer share of health insurance premiums to 90% for "employee-only" and "plus one child." The "+ spouse" and "+ family" option reimbursement level is recommended to increase to 80%, over time.

However, these should be considered targets, and placed in context with overall premium costs, plus overall compensation packages and City competitiveness in the area labor market. The budget for FY 2019 maintains the current reimbursement levels.

Virginia Retirement System

The Virginia Retirement System has revised the City's cost for system benefits for the upcoming two fiscal years – FY 2019 and FY 2020. The cost, which is assessed as a percentage of full-time payroll, has decreased slightly, from 12.55% of payroll to 12.37% of payroll. The City will save approximately \$37,000 from this decrease, calculated from the baseline payroll from the FY 2019 Recommended Budget.

Turnover Credit

A turnover credit of \$250,000 is included in the Operating Budget for FY 2019, which is the same amount as FY 2018.

The turnover credit is entered as a negative number in the General Fund Expenditures at the beginning of the fiscal year. Based on prior experience, departments will experience turnover throughout the year as employees separate from City employment for various reasons. During the year, budget authority is transferred from departments to the turnover credit as savings from turnover is realized. At the close of the fiscal year, the turnover credit will be zero as a result of these activities.

Commonwealth Attorney's Office

The Budget for FY 2019 includes additional salary funding for the Commonwealth's Attorney's office. The Commonwealth's Attorney has requested an increase in the total amount allocated for salary in her office because of significant turnover for prosecuting attorneys. These new resources would support the conversion of an Assistant Commonwealth Attorney position to a Deputy Commonwealth Attorney position.

FREDERICKSBURG CITY PUBLIC SCHOOLS

The Operating Budget for FY 2019 includes a transfer to the Fredericksburg City Public Schools of \$28,844,710. This represents an increase of \$500,000 over the FY 2018 transfer of \$28,344,710. The transfer to schools for operations represents approximately 30% of the City's total General Fund budget.

The overall Fredericksburg City Public School budget, adopted by the School Board on March 5, 2018, requested a transfer from the City of \$846,023. Fredericksburg City Public Schools is

anticipating an additional \$385,989 from the Commonwealth. The total School Board budget for the School Operating Fund based upon that level of transfer is \$44,626,789. The School Grants Fund total is requested as \$5,376,277.

REGIONAL AND LOCAL PARTNERS

Rappahannock Regional Jail & Rappahannock Juvenile Center

The City's contribution to the Rappahannock Regional Jail (RRJ) is recommended to decline based on lower costs for the total local share of Jail operations and debt service and based on lower utilization by the City of the facility. The FY 2019 Operating Budget includes funding for the RRJ of \$3,120,000 – well below the level of \$4,325,323 for the FY 2018 budget.

There is additional discussion of the funding for the Rappahannock Regional Jail in the narrative section of the budget document.

The FY 2019 Operating Budget also includes funding in the amount of \$467,000 for the Rappahannock Juvenile Center, which represents a small decrease from the FY 2018 budget amount of \$469,127.

The City Council's **Priority #31** is to explore and implement community programs to reduce incarceration. The Circuit Court had proposed to the Rappahannock Regional Jail a program to expand the current drug court, which provides supervision and treatment for identified candidates in the criminal justice system as an alternative path to detention. The Jail did not fund the program as part of their initial budget discussions, but agreed to seek alternative funding sources.

Central Rappahannock Regional Library

During the FY 2019 review of the Recommended Budget by City Council, additional resources were identified for the Central Rappahannock Regional Library. The Library was funded at \$1,300,990, an increase of \$50,000 from the FY 2018 level of funding.

During FY 2018, the City took over the maintenance of the Library's Fredericksburg Branch (formerly the Headquarters Branch) at 1201 Caroline Street. Prior to FY 2018, the City provided a set amount to the Library for the Library to maintain the building, which was a unique arrangement within the system. The City and the Library both agreed that it was better for the City to maintain the branch utilizing our Public Facilities team.

The City has found that additional resources are necessary for the maintenance of the branch. Funding for branch maintenance also increased, from \$185,000 in FY 2018 to \$227,250 in FY 2019.

The City is also involved in the work to renovate the third floor for expanded library services for the public. The third floor of the building is available to be re-purposed as the administrative staff was moved to new office space on Lafayette Boulevard.

Finally, the Capital Improvement Plan includes a capital project in the amount of \$70,000 assigned to Fiscal Year 2020 to assist the Library with renovating and updating the theater space at the downtown headquarters branch. If funded next budget year, the proposed renovation would enable the theater space to increase in capacity to 220 members of the audience, and would help to meet City Council's

Priority #5, to advance the cause of increased space for the performing arts. The City is also working with the University of Mary Washington on a potential performing arts center.

Rappahannock Health District and Rappahannock Area Community Services Board

The budget for FY 2019 maintains level funding for the Rappahannock Health District at \$414,280. The budget for FY 2019 also includes an increase for the RACSB of 6.1%, from \$261,835 in FY 2018 to \$272,529 in FY 2019. This additional funding will assist in offsetting the cost of a Nurse position at the Fredericksburg Clinic and an additional Substance Abuse Case Manager position. The Substance Abuse Case Manager position will help in keeping citizens engaged in substance abuse services, which is critical to successful treatment for substance addiction.

Initiative to End Functional Homelessness – GWRC & Community Collaborative

The City Council's **Priority #33** expresses support for the establishment of a regional housing and homeless plan. The Community Collaborative developed a plan to end functional homelessness in the region by providing housing and services to an already-identified chronic homeless population of approximately 40 individuals.

The cost of the program for the region for the first two years was estimated to be \$484,700 in FY 2019 and \$416,199 for FY 2020. The provision of housing and mental health and other related services would greatly improve the quality of life for the impacted citizens. In addition, the initial costs for the program would be balanced against decreased demand for services for police, emergency medical, hospital emergency rooms, courts, and jail.

The City Manager's Recommended Budget for FY 2019 included an amount of \$50,000 for an initial start for the program. In the course of the budget review period, Council reduced this amount to \$10,000, which will provide a sufficient amount of funding to begin providing services for additional citizens. The George Washington Regional Commission will serve as the fiscal agent for the program.

OTHER OPERATING FUNDS

Water Operating Fund

The total Water Operating Fund for FY 2019 is \$5,193,594. The total funding for the Water Operating Fund represents a slight increase of 1.8% over the FY 2018 original budget amount of \$5,101,580.

There was no increase in the water rates and charges for the FY 2019 budget. The operations of both the Water and the Wastewater Operating funds will benefit from the changes to the accounting software package, and the utility billing portion of the package will be changed during FY 2019.

The City recently completed a replacement and upgrade of the water line along Caroline Street. The City will continue to invest in water distribution infrastructure, and there is a major project in the FY 2019 capital budget for the replacement of a water line on Greenbrier Drive.

Wastewater Operating Fund

The total Wastewater Operating Fund for FY 2019 is \$7,862,561. The total funding for the Wastewater Operating Fund represents a slight increase of 1.57% over the FY 2018 original budget amount of \$7,740,947.

The Wastewater Operating Fund does not contain major new initiatives for FY 2019. The Wastewater Capital Fund for FY 2019 continues the City's investment in major infrastructure, including a project to continue replacing sections of Sanitary Sewer main along Caroline Street, plus improvements in the College Terrace neighborhood.

The Wastewater Capital Fund also includes funding in FY 2019 to pay for the City's share of a project by Spotsylvania County to re-install a pump station along Hazel Run, which would divert sanitary sewer flow from the City's Wastewater Plant to the County's Massaponax Plant. (The City is partially responsible for this project as the main serves a portion of the City as well as Spotsylvania County).

Transit Operating Fund

The Transit Operating Fund is funded at \$5,979,624 for FY 2019. This is an increase of 2.5% over the FY 2018 adopted budget of \$5,833,614. The City's operating share for FRED Transit for FY 2019 remains the same as FY 2018 at \$480,000. The City utilizes surplus motor fuels tax revenues to meet the City's share of operating costs for the FRED Transit system.

The FRED Transit System did not increase rider fares for the FY 2019 fiscal year.

Parking Fund

The City's Parking Fund will decline overall from \$872,239 in FY 2018 to \$734,809 in FY 2019. The Parking Fund accounts for the operations of the Sophia Street Parking Garage, and also the costs of lease agreements on several smaller lots in the downtown area.

Generally speaking, there is no change in the level of service at the Sophia Street Parking Garage. The reason for the decline in the overall appropriation level is that the cost of a replacement revenue collection system at the Parking Garage was included in FY 2018, and it is not necessary to repeat this expense in FY 2019.

City Grants Fund

The City Grants Fund is funded at \$1,605,545 in FY 2019 – an increase of 5.26% over FY 2018. The City applies for a variety of grants throughout the year, and this fund is amended from time to time if the City is awarded a federal or state grant.

The transfer to the City Grants Fund from the General Fund will decline based upon the grant activity currently in the Fund. In FY 2018, the original adopted budget included a transfer of \$346,500 to various activities in the City Grants Fund. The FY 2019 transfer from the General Fund is \$308,096 – a decline of 11.8%.

Social Services Fund & Children's Services Act Fund

The City's Social Services Fund increases overall from \$5,642,468 in FY 2018 to \$6,126,905 in FY 2019. The City's transfer to Social Services from the General Fund will slightly decrease, from \$1,040,000 in FY 2018 to \$940,000 in FY 2019. The increase in the total budget reflects additional revenue for social services programs from the state and federal governments.

The Commonwealth of Virginia adopted the state budget late in the cycle, and the Council adopted the City budget prior to the state budget to ensure continuity of operations. One of the major state initiatives was to expand the Medicaid program, and the City Council has amended the Social Services budget in July 2019 to add \$97,783 in federal and state funding to expand the Medicaid program, including a benefit specialist position to assist with processing new Medicaid applications.

The Children's Services Act Fund will also increase in FY 2019, to a total of \$2,794,989. The FY 2018 adopted budget for the CSA Fund is \$1,949,468. This 43.37% increase is related to an increase in mandated Special Education plans of treatment, particularly those that involve private providers of special services. Although the majority of the increase will be reimbursed by the Commonwealth, the City's transfer to CSA from the General Fund will increase from \$675,275 in FY 2018 to \$940,000 in FY 2019.

Stormwater Operating Fund

The Budget for FY 2019 funds the Stormwater Operating Fund at \$581,323 – an increase of 3.42% from the FY 2018 level of \$562,099. There is slightly more funding for engineering services for FY 2019, but there are no changes to the total number of positions and the general level of service is the same as FY 2018.

Blight Abatement Fund

The City's Blight Abatement Fund continues to provide a potential source of funding for various blight abatement or historic preservation needs. The Fund also provides a mechanism outside the General Fund for financing blight abatement activities that are reimbursed to the City by property owners, such as grass cutting and similar nuisance abatements.

The FY 2019 Budget includes an appropriation for this activity of \$95,000, which is the same level as FY 2018.

Celebrate Virginia South CDA Fund

The City is the fiscal agent for the Celebrate Virginia South Community Development Authority, and by agreement the City includes the CDA assessments in the budget in a separate fund. The total CDA assessment for FY 2019 is \$1,746,150.

CAPITAL IMPROVEMENTS PLAN

FY 2019 – 2024

The City Council, in addition to the FY 2019 Operating Budget, also includes the FY 2019 Capital Budget and the FY 2019 – FY 2024 Capital Improvements Plan. This section of the memorandum serves to provide additional commentary on selected highlighted projects.

Gateway Boulevard (Public Works Capital Fund)

The City's 2015 Comprehensive Plan calls for the extension of Gateway Boulevard north of William Street, including bicycle and pedestrian facilities. The project is generally thought of in two segments: William Street to Cowan Boulevard, and then Cowan Boulevard north to Fall Hill Avenue.

The City is also currently actively pursuing economic development opportunities for the largely vacant land between William Street and Cowan Boulevard. In May of 2018, the City Council rezoned the land in this area to "Planned Development – Medical Center" in anticipation of a possible request for proposals for the development of a medical center for the Department of Veteran's Affairs. The development of Gateway Boulevard is necessary to any type of development in this area. The project also generally supports City Council's **Priority #1** related to Economic Development and City Council's **Priority #18** to identify small transportation projects that qualify for funding as they become available.

The City Council included in the adopted Capital Improvements Plan in the FY 2021 a project for the construction of Gateway Boulevard. The total cost of the project is listed as \$21,700,000. Of that total, \$13.7 million is listed as local City funds, and this plan of finance would require the City to issue bonds for the construction of the road.

As currently envisioned, the property owner will be donating right-of-way to offset the cost of the project, and the City is anticipating that at least \$3,000,000 in federal funds will be available under the RSTP program for this project. The City is currently actively pursuing other sources of funding from the federal and state governments.

Riverfront Park (Public Works Capital Fund)

City Council's **Priority #7** is to construct a Riverfront Park, incorporating the recommendations of the Parking Action Plan as appropriate. Design on the park is currently underway, and 90% plans and updated cost estimates were presented in August 2018.

The adopted budget for FY 2018 includes \$5,000,000 for park construction; however, construction will not be underway during this fiscal year. The FY 2019 budget re-appropriated the FY 2018 funding of \$5,000,000. The project will require the City to issue debt, and the funds for the construction of the project are planned to be part of an upcoming bond issue.

Executive Plaza (Public Facilities Capital Fund)

The FY 2019 Capital Budget includes a project for work on the Executive Plaza building, located at 601 Caroline Street in the City.

Currently, the Executive Plaza building has seven floors, five of which are occupied and in use. The first floor and fourth floor (with the exception of one office) were vacated when the offices of the Fredericksburg City Public Schools relocated to the newly renovated Walker-Grant Center.

The City has been evaluating a proposal to move the Visitor's Center and the offices of the Department of Economic Development and Tourism from their current location at 701 Caroline Street to the Executive Plaza. A decision on this proposal has not been finalized as of the adoption of the budget.

In addition, the Public Facilities staff has been evaluating the sufficiency of the HVAC systems in the building. The evaluation has determined that the HVAC needs to be replaced throughout the building in order to adequately heat and cool the office space.

The project of \$3.2 million in FY 2019 for the replacement of the HVAC systems, plus some funds for limited exterior renovations, first floor renovations, and for bathroom renovations to improve accessibility. These funds would be included in a bond issue for FY 2019.

School Expansions (School Capital Fund)

The FY 2019 Capital Budget includes a funding allowance of \$250,000 for feasibility planning to evaluate expansions at Walker-Grant Middle School and James Monroe High School. The potential scope also includes evaluating potential sites for a new school in the City, including but not limited to land the City currently owns just north of the Idlewild subdivision. Should current enrollment projections hold true, the growth of the City will require additional capacity in the school system.

The expansion of James Monroe High School is included in the capital improvements plan beginning in FY 2023. JMHS is constructed with the ability to expand. The expansion would increase the capacity by adding eight to ten classrooms at that school, and based upon the current enrollment projections the expanded high school would be able to accommodate future enrollment.

The potential expansion of Walker-Grant Middle School is more challenging and requires further study. The ability to expand the school may be constrained by capacity of core functional areas such as the cafeteria and the library. However, the most recent enrollment projections indicate that the capacity of WGMS will be exceeded beginning in FY 2020.

The City Council's adopted Capital Improvements Plan includes funding for design work for a middle-school expansion beginning in FY 2022, with construction in FY 2023. The City recognizes and acknowledges that this plan may necessitate the installation of temporary mobile classrooms at the middle school, as the core capacity will likely be exceeded before any additions could be completed.

The current enrollment projections indicate that the capacity at Lafayette Upper Elementary School and Hugh Mercer Elementary School will not be exceeded during the five-year CIP period. Actual enrollments will need to be monitored and enrollment projections updated to ensure that this continues to be the case.

New Fire Station (Public Safety Capital Fund)

The FY 2019 Capital Budget includes funding for the design of the new fire station, in the amount of \$675,000. The adopted Capital Improvements Plan includes funding for construction in FY 2021, in the amount of \$6,175,000. The funds for the design work were included in a previous bond issue and are currently available.

The Fire Station Feasibility Study recommended that the City adopt a plan to construct a new fire station in one of two locations, both of which would involve extensions of Gateway Boulevard north from Route 3. The northern-most site was the intersection of Gateway Boulevard extended at Fall Hill Avenue, and the other suggested - and more likely - site was the intersection of Gateway Boulevard extended to Cowan Boulevard.

The Study evaluated a location on Gordon W. Shelton Boulevard, in Celebrate Virginia South, for suitability for a new station. The Gordon W. Shelton Boulevard site was not recommended in comparison to the other sites because it is located geographically at the edge of the City and is not well connected to other sections of the City.

Small Area Plans (Public Facilities Capital Fund)

The City Council's **Priority #2** is to complete the Small Area Plans over the next three fiscal years. The City currently is in the process of working on ten Small Area Plans as a complement to the overall Comprehensive Plan for the City. The Small Area Plan process recognizes the great diversity throughout the City in our built environment, and examines and plans for each of the ten areas in detail.

The City has already completed Area 3 (along S.R. 3 between Jefferson Davis Highway and Interstate 95, south of Cowan Boulevard) and Area 6 (largely the Jefferson Davis Highway, Fall Hill Avenue, and Princess Anne Street corridors, between the Rappahannock Canal and the Rappahannock River). The next Small Area Plan is the downtown area, known as Area 7.

The Capital Improvements Plan includes \$200,000 in FY 2019 and \$175,000 in FY 2020. This will allow for the completion of Area 1 (Central Park & Celebrate Virginia South); Area 2 (Fall Hill Avenue east of I-95); and Area 4 (Cowan Boulevard & Mary Washington Medical Center) in the upcoming fiscal year. The final year will include Area 5 (UMW & College Heights); Area 8 (Dixon Street & Mayfield); Area 9 (Braehead and the National Park); and Area 10 (Lafayette Boulevard and Jefferson Davis Highway corridors south of the VCR Trail).

Future City Debt

The Capital Budget for FY 2019 includes several projects in a proposed bond issue. The FY 2019 recommendations include an additional \$450,000 in estimated debt service for FY 2019 based upon estimates for a proposed bond issue for general government purposes of \$11.9 million. The City is currently evaluating a PPEA proposal that would add an additional \$1.5 million in water line replacements and \$2.64 million in sanitary sewer line replacements to the bond issue. The debt service on that portion of the bond issue would be paid from the Water and Sewer Funds.

Also added to the proposed bond issue would be the City's obligation to fund a share of various Spotsylvania County utility projects. The timing and amount of some of these projects are not yet finalized as of this date, so the final amount of the proposed FY 2019 bond issue is not yet available.

The City's total transfer for General Fund debt for FY 2019 is \$8,273,000, which includes an allowance for the proposed bond issue. During the budget review process, the City was able to reduce the allowance from the recommended transfer to debt service, which was \$8,300,000. The FY 2018 level of debt service is \$8,149,008, and the new transfer amount is 1.52% higher.

Conclusion & Next Steps

The budget document you have before you is the result of many hours of work on the part of our departments, Constitutional Officers, local and regional partners, and many others. I would especially like to thank our Budget Manager, Fiscal Affairs, and the Assistant City Managers for tireless efforts in bringing the budget and capital improvements plan together.

The capital improvement plan in particular has a new look this budget cycle, as project sheets have been added to the summary information thanks to the hard work of the budget office and the requesting departments. All Departments this year were also asked to submit a preliminary look at FY 2020 along with their FY 2019 request. This approach combined with additional information on future operational expenses in the capital projects section prepares staff and Council to make better, longer term decisions.

The FY 2019 budget is fiscally responsible, strengthens public safety, and supports our workforce, all while meeting the needs of a growing community. They also work to advance Council's Priorities to a point at which we will be best positioned to successfully report on achieving prescribed timing milestones at your biennial offsite meeting this coming October.

The FY 2019 Operating and Capital Budget represents a significant milestone, and is our baseline plan for the year. The City Council from time to time updates the budget as conditions change. The General Assembly completed the budget process for the Commonwealth after the Council completed the budget process, and there may be changes to the budget related to state funding levels – particularly in response to the expansion of the state Medicaid program. The state is a major partner in many City operations, including in the General Fund, the Social Services Fund, the Children's Services Act Fund, and the School Operating Fund.

I look forward to working with you over the course of fiscal year 2019 to answer any questions you might have about the budget, to update any information as conditions change, and to further your goals and priorities over the course of the year.

