

Caroline County, Virginia

Board of Supervisors

Wayne A. Acors
Madison District

Robert W. Farmer
Bowling Green District

D. M. "Maxie" Rozell, Jr. July 1, 2006
Reedy Church District

Calvin B. Taylor, Sr.
Port Royal District

Floyd W. Thomas
Mattaponi District

Percy C. Ashcraft
County Administrator

The Honorable Floyd Thomas, Chairman
The Honorable D.M. "Maxie" Rozell, Vice Chairman
The Honorable Wayne Acors
The Honorable Robert Farmer
The Honorable Calvin B. Taylor, Jr.

Dear Chairman Thomas and Members of the Board of Supervisors:

I am pleased to submit to you the official Adopted Budget document contained hereto for the 2006-07 fiscal year, which also includes the 10-year Capital Improvements Plan.

The Budget is submitted to assist the Board of Supervisors in making policy decisions that are geared to meet the challenges of a growing community, as well as lend itself to public scrutiny through input from taxpayers and the media. The Budget is also designed to incorporate extensive financial controls and pursue goals of efficiency and effectiveness by balancing short-term and longer-term community interests.

Ultimate approval of the annual Budget is seen as the most important action taken by the Board of Supervisors. It is listed as the Top Goal in the Six Month Goals that were adopted by the Board at its January 10 meeting.

Let's Slow Down and Catch Our Breath!

Over the last few years, the Board of Supervisors has been faced with a multitude of land-use decisions, particularly applications for rezoning major subdivisions. Settling into Caroline County are residents in new subdivisions of Belmont and Ladysmith Village, and expected this spring will be the first homes built in

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Pendleton. Haymount is also very close to getting utility clearance to begin construction of its first phase of homes

All told, approximately 11,160 new homes are expected to be built in the aforementioned subdivisions over the next 25 years. Coupled with rapid growth in the lake communities of Lake Caroline and Lake Land 'Or, the County's population of 24,300 people is projected to at least double over the next two decades.

That is why at one recent Board of Supervisors' meeting it was quoted by a Board member, "We need to slow down and catch our breath." That is to watch what has already been approved unfold and allow the managed growth plan implemented by the Board of Supervisors to develop.

Caroline County's Board of Supervisors has pledged it will preserve the rural character of the County, even with growth happening. The Board has honored this pledge by carefully evaluating every land use request that has come before them. They have carefully followed four basic steps in reaching decisions that affect land use:

- (1) The Board has closely followed the County's Comprehensive Plan, which was updated in 2001. The Comprehensive Plan outlines areas that are targeted for growth, and those that are to be preserved. This plan will be updated in 2006.
- (2) The Board has made developers interested in building projects in the County pay to the fullest extent possible. Through negotiations of proffers, the Board has returned cash and facilities back to the County that will help absorb the growing pains that growing community's experience. Caroline's current proffer policy allows our government to compete with surrounding governments in receiving assistance to provide services in the areas of education, public safety and recreation.
- (3) The Board has created sub-area planning committees that allow citizens to have direct input into the land-use development of their respective areas. Ultimately these sub-area planning recommendations will wind up in the County's Comprehensive Plan and be used as planning tools. Sub-area planning committees in Dawn, Carmel Church and Ladysmith are currently active in making recommendations to the Board of Supervisors.
- (4) The Board has phased in the growth within approved subdivisions by limiting the number of homes that can be built in any one year. This allows Staff to more accurately plan the impacts of growth on education, transportation and public safety.

Planning Director Mike Finchum reported in his 2005 Annual Report that permits for new residential construction were just shy of 668, about a six percent increase over 2004. Total permits issued exceeded 1,600, which was about a 20 percent increase over 2004.

As in previous years, there are questions that are related to growth that need to be answered. Does the County have adequate water and sewer capacity to bring on line the large number of houses anticipated? How does the County address its transportation issues in the wake of state government that provides little to no new funding for large infrastructure needs? And, what school impacts are pending with the influx of new homes and possibly new children?

Public safety also bears more attention. More people, property and infrastructure require greater services, both from law enforcement and medical and fire services.

These and many more issues surface daily as we work hard to provide Caroline's citizens with the same quality of life as counties around us. Increased residential development will help improve shopping and recreation opportunities as well as provide employment for Caroline's residents in various services and industries.

Making all of this come together is the purpose of the annual Budget document, which clarifies the impact of Board decisions and outlines projected revenues and expenditures as a result of those policy directives. Tying fiscal responsibility with land use decisions continues to be key for the County in the years to come. One absent the other can cause turmoil related to the daily operations needed to serve the residents and businesses.

14-Month Recap

Before the financial issues for next fiscal year are addressed, I feel it is very important for the Board of Supervisors to reflect on what has been accomplished over the last 14 months, both by Board actions and administrative initiatives. A summary by department follows, which is in addition to the normal day-to-day responsibilities assigned:

Planning & Community Development

1. Completed one additional chapter of the Unified Ordinance.
2. Advanced Sub-Area plan for Bowling Green/Milford to Planning Commission.
3. Began Sub-Area planning process for Carmel Church.
4. Continued working with VDOT on Transportation Plan for Comprehensive Plan.

5. Began background data collection & analysis for Comprehensive Plan update.
6. Prepared proffer changes for Board of Supervisors approval.
7. Completed installation and training of new inspection hardware and software for field inspectors.

Economic Development

1. Developed new contractor's directory.
2. Developed broad band strategy for local expansion.
3. Assisted with promotion of Boy Scouts Jamboree.
4. Established "Bald Eagle Watch" on website.
5. Secured contractor for Visitor's Center project.
6. Created new food & lodging guide.
7. Prepared "Welcome to Caroline" gift bags for new residents.
8. Seated sixth class of Business Roundtable.

Fire and Rescue

1. Provided staffing for newly-formed Emergency Services Commission.
2. Provided assistance to CCEUO training committee in coordination and development of 2005 Spring School.
3. Developed training reference library for members to access.
4. Developed department orientation program for new volunteers.
5. Implemented new customer service program.
6. Developed new annual department awards ceremony.
7. Conducted Camp Safety.
8. Supported medical efforts at National Scout Jamboree.
9. Developed a standard general information CAD report for Emergency Services Commission.
10. Developed standard operating procedures for E-911 Center.

Human Resources & Animal Control

1. Completed review of job descriptions for all full-time and permanent part-time positions.
2. Participated in Germanna Community College Regional Training Program.

Parks and Recreation

1. Provided area wide summer youth camp training workshop.
2. Created youth sports customer e-mail address book.
3. Established "New Beginnings" Program.

Public Works

1. Began third phase of Courthouse Renovation Project.
2. Broke ground on Dawn Wastewater Project.
3. Negotiated new recycling contract with BFI.
4. Reviewed nutrient compliance mandate.
5. Negotiated agreement with Aqua of Virginia to serve various subdivisions.
6. Completed Golansville project.
7. Chlorinated water systems in Belmont and Ladysmith Village.
8. Renovated E-911 Dispatch Center.
9. Improved drainage and paving of access roads to Community Services Center.
10. Installed air conditioning in gymnasium.
11. Installed litter signs around the County.
12. Finalized utility agreements with Haymount.
13. Implemented new recycling and litter control programs in elementary schools.

Finance

1. Implemented flexible spending accounts with AFLAC.
2. Implemented new forms software for printing checks, utility bills and other routine documents.
3. Converted Bright System users from Reflections Communications Software to Client Access.
4. Developed procedures manual for utility billing.
5. Researched feasibility of funding formula for public education.
6. Seated TV Cable Advisory Commission.
7. Made on-line access to current budget, revenue and expenditure information available county-wide.

Special Projects

1. Supported the YMCA in its Capital Campaign for Ladysmith YMCA.
2. Supported the Health Advisory Commission in its development of recommendations to the Board of Supervisors.

3. Updated the Strategic Plan.
4. Hosted Regional Elected Officials Dinner.
5. Assisted Literacy Council with Workforce Development Fair.
6. Supported efforts to design new Ladysmith Elementary School.
7. Hosted 4th Annual Winter Sports Spectacular.

Project Forecast

In fiscal year 2007 the following projects are expected to be in progress or completed that are consistent with the Comprehensive and Strategic plans for Caroline County:

1. Completions of renovation of existing courthouse.
2. Construction of new homes as first phase of Pendleton project and official opening of new golf course.
3. Housing and commercial development in Ladysmith (Village).
4. Construction of apartments at Belmont.
5. Construction of wastewater project in Dawn.
6. Completion of sub-area plans in Bowling Green - Milford and Dawn.
7. Continuation of sub-area planning in Carmel Church and Ladysmith.
8. Construction of new Visitor's Center.
9. Widening of Route 30 to assist with State Fair project.
10. Continue permit process for water withdrawal from Rappahannock River.
11. Construction of homes at Townfield Subdivision in Port Royal.
12. Construction of homes at Brookwood.
13. Construction of commercial development at Route 1 north.
14. Continued construction in Bridlewoods development.
15. Completion of Farmer's Cooperative.
16. Construction of Union Bankshares facility.
17. Construction of MC Dean Co.
18. Construction of American Stone.
19. Opening of expanded Carmel Christian School.
20. Utility installation at Haymount.
21. Groundbreaking for new Ladysmith Elementary School.
22. Opening of new Ladysmith branch library.
23. Groundbreaking for YMCA in Ladysmith.
24. Update of Comprehensive Plan.
25. Groundbreaking for new Community Services Board facility.
26. Opening of new shops in Food Lion plaza in Ladysmith.

Performance Based Budgeting

This budget proposal continues to implement the concept of *Performance Based Budgeting*. This concept is intended to focus spending based on ideas and programs that are generally good for the advancement of the County and less reliant on the individual line items. Even though those line items make up the bulk of the budget, ideas and programs need to be defined before you attach the spending of real dollars behind them.

The benefits of implementing Performance Based Budgeting include:

- (1) Better, more informed budget decision-making.
- (2) Improves budget requests.
- (3) Identifies the impacts of budget increases and reductions.
- (4) Enhances accountability.
- (5) Helps avoid micro-management.
- (6) Improves public understanding and participation.
- (7) Permits benchmarking.

Recognizing it will take a few more budget cycles to move completely toward a Performance Based Budgeting concept, departments and agencies have responded well to the challenge and did a good job of introducing spending plans with goals and objectives in mind. Budget managers were asked to submit their budget proposals with the following methodology in mind:

- (1) Define the mission of the budget unit.
- (2) Define goals and objectives within that mission by outlining long-term goals and shorter-term objectives.
- (3) Identify performance measures.

Long-Range Financial Plan

County Administration has made it a priority to look beyond the current budget year and expand the scope of thinking for the Board of Supervisors with a long-range financial plan.

Developing policies in recent years was the first step in long-range financial planning. Complementing those policies are the forecasting of revenues and expenditures that will beat the drum of government over the next five years.

Financial planning will help the Board in considering Budget goals and objectives that are linked to other planning processes. It also estimates fund balance that is essential to meeting cash flow needs. Most important to taxpayers, it can also stabilize tax rates and increase public confidence and accountability.

The development of a long-range financial plan also gives early identification of problems and trends, which when found in time, can give a better variety of options to solving the challenges that are ahead for this growing county.

Budget Overview

The proposed FY 2007 Budget is focused on managing anticipated growth in a responsible manner that is both consistent with the County's rural character and necessary to improve the quality of life for those citizens now residing in Caroline. All areas of government are asked to do more and maintain a strong customer service component that carries the theme "Committed to Service, Dedicated to the People."

The Budget is designed to meet five fundamental financial goals:

- Stay within financial management policies adopted by the Board of Supervisors.
- Present a realistic 5-10 year Capital Improvements Plan.
- Develop a spending plan, both next year and over five years, which is geared to promote customer service.
- Present to the Board of Supervisors realistic estimates for both expenditures and revenues.
- Establish adequate reserves in Fund Balance and Contingency.

The overall Budget proposed is \$105,597,255, which is 36.7 percent greater than the Budget document adopted for fiscal year 2006. The Operating Budget is \$66,202,255, which is 12.6 percent more than the adopted amount for fiscal year 2006. The General Fund Budget is \$31,977,749, which is 10.3 percent higher than the adopted amount for fiscal year 2006.

As a percentage of the total Operating Budget, the Education function continues to be the predominant use of funds with 55 percent proposed for school operations, not including capital projects. Public Safety at 12 percent and Public Works at 12 percent also contribute significantly to the overall cost of the Budget.

The funding sources of Intergovernmental (State and Federal) at 44.2 percent and General Property taxes at 29.0 percent provide a bulk of the funding of the total operating budget.

Fund Balance Importance

The Budget for FY 2007 is proposed to stay in line with the Budgeting and Financial Management Policies approved by the Board of Supervisors four years ago. The policies outline desirable levels of fund balance and outstanding long-term debt. The levels are maintained in the proposed Budget, with a General Fund balance of at least 10 percent of expenditures, and capital spending limited to insure that our guideline ratios of outstanding debt and debt service to operating expenditures are not exceeded.

At the end of the fiscal year on June 30, 2007, the General Fund Balance is projected to be \$6,440,780, or 20.2 percent of the General Fund. As of June 30, 2005, the Fund Balance was at 20.6 percent of General Fund expenditures, and the projections for June 30, 2006 is 20.1 percent.

Preserving a strong Fund Balance insures the County will have a steady cash flow, and also helps to absorb an unanticipated emergency that would require immediate expenditures. Cash from the Fund Balance can also provide matching funds for state and federal grants and keep the County competitive in offering incentives for the recruitment of business and industry. To help preserve our Fund Balance, steps are being taken to move the County toward borrowing in advance of, or at least concurrently with, capital project spending. This will expand the pool of available cash resources and enable the County to withstand the "dry" periods that inevitably occur in the County's annual cash flow cycle.

Controlling the County's outstanding debt is as important for perception as well as reality. The County's obligations as of June 30, 2005 were less than \$1,500 per capita, continuing to keep them in line with most counties in the region. A General Fund contribution of \$2,076,185 is proposed for debt retirement, which is \$750,665 more than the contribution in FY 2006. Revenue stemming from a portion of the personal property tax, consumer utility and meals tax receipts are dedicated directly to retiring County debt.

General Fund Expenditures

Education

The Board of Supervisors and the Caroline County School Board have met over the last few months to discuss the development of a new funding formula for public education. Discussions have gone well, but to date no formula has been endorsed or approved by either board so recommendations for public education are made in a similar fashion as in previous years.

The minimum local contribution by the Board of Supervisors according to the new State Composite Index is .3495, or \$8,746,420. The proposed local share contribution for the Caroline County **Public School System** is \$10.2 million, which is \$609,630 or 6.4 percent greater than that approved for FY 2006. The proposed appropriation exceeds the state-funded minimum by \$1,453,570. On behalf of the School Board, Stanley Jones and his staff are expected to present the School Budget to the Board of Supervisors on March 21.

Library

The local contribution to the **Public Library System** is proposed at \$313,805 which is a 24.9 percent increase over FY 2006. The Board of Supervisors and Library Board have enjoyed a special partnership over the years that have produced dramatic improvements to the library system. The proposed budget includes new personnel for the new branch in Ladysmith and a four percent COLA for all library personnel.

Public Safety

The pressure to protect life and property continues to increase with the economic and community development projects that have been approved. Activity is busy at all points in the County and demands for public safety response are greater than ever.

Law Enforcement, Animal Control & Correctional facilities

Full funding and benefits are recommended for 40 deputies, which is two more than included in the FY 2006 budget. This is a steady increase over the 23 deputies who were in the department in 1999.

Also, it is recommended the Board of Supervisors enter into a Memorandum of Understanding with the Sheriff's Department to bring the E-911 operations under the supervision of the Sheriff. Level funding is recommended in this area until the Sheriff and his staff has a chance to review the operations and make recommendations later in the budget year. It is anticipated this merger will actually save money and reduce personnel costs.

A regional task force is being organized to stop illegal use of animals. Funding is proposed at \$2,500 to assist **Animal Control** in joining this effort.

Proposed is funding for the multi-jurisdictional operated institutions – **Pamunkey Regional Jail, Peumansend Creek Regional Jail and Middle Peninsula Regional Juvenile Detention Center**. A proposed amount of \$1,029,339, or a

seven percent increase is recommended to cover additional costs of these operations.

Fire and Rescue

The establishment of the ***Fire and Rescue Commission*** by the Board of Supervisors has streamlined recommendations to the Board of Supervisors on a number of issues already. As a result of getting organized late in 2005, the Commission did not get a chance to review budgets for either the Fire and Rescue Department or Volunteer Companies.

Recommendations to the Board for funding for Volunteer companies have been deferred until the Commission has a chance to review the recommendations submitted by each company.

Meanwhile, the Fire and Rescue Department budget includes funding for five new field personnel as recommended by the Commission earlier this year.

Public Works

The Public Works Department continues to adhere to state and federal mandates and be responsible for the renovation and construction of County properties.

An additional **Maintenance Worker** position is requested to largely assist with expanding building and grounds maintenance which includes a new library in Ladysmith coming on board later this year.

The decision was made a few years ago to close the County landfill, due in large part to costly state and federal regulations imposed on active landfills. That closure went into full effect in April, 2003, and solid waste has been hauled to Henrico County as part of a contract with ***BFI Industries, Inc.*** Funding to meet contractual obligations relative to hauling is included in the recommended proposal at \$300,000.

The **Division of Public Utilities** oversees two enterprise funds, whereby the operations and capital expenditures are funded in large part with revenues generated from customer user fees and one-time availability fees. .

Revenues for the **Caroline County Public Utilities** for FY 2006 are forecasted to be \$9,811,163, which is \$6,721,293, or 317.5 percent greater than in FY 2006. This is anticipating the Board's approval of an adjustment in rates for the first time in four years as recommended earlier this year by the County's financial consultants and contracted engineers. Operating expenditures related to the

operations are proposed at \$4,596,749, or 87.3 percent greater than FY 2006. One new position in Water Treatment is proposed to assist with expanding operations.

Revenues for the **Milford Sanitary District** for FY 2006 are forecasted to be \$132,018, which is \$22,618 or 20.7 percent more than in FY 2006. This includes a General Fund transfer of \$42,217. Expenditures related to the operations are proposed at \$132,018, or 53.7 percent more than the FY 2006. Rates are recommended to stay the same for operating the system.

Social Services

Funding is unclear at the present time pending final actions by the General Assembly. A tentative budget is proposed that calls for a contribution of \$444,590 from the General Fund.

Planning & Community Development

The Board of Supervisors has approved several new positions within the last year to assist the Department with the increased construction. The challenge for the Department is finding office space for the new employees and proposed is funding to either rent or lease space and also explore the possibility of a satellite location on the western side of the County.

Also included is \$75,000 to continue the Property Maintenance Program that has been so successful since its implementation in 2001.

Proposed is \$78,855 to continue funding for the Public Transportation Program coordinated by FRED Transit in Fredericksburg.

Recreation

One of the areas that enrich the quality of life for Caroline residents is the Recreation program. An increase in facilities over the years as well as programs has caused the department to be aggressive in its planning and approach to serving citizens of all ages.

For FY 2007, funding is proposed to add a third full-time employee to the Department – an Activities Coordinator. The Department will also continue its successful Summer Playground program. Proposed is \$58,516 for part-time help that in part will go towards the expanded Summer Playground program.

Economic Development and Tourism

The Department is expected to move into the new Visitor's Center sometime in FY '07 and funding is proposed to fund part-time help to staff the new facility.

Funding proposed for **Community Projects** totals \$57,500 that includes:

- \$20,000 – County Fair
- \$ 4,000 - Harvest Festival
- \$14,000 – 4th of July Celebration
- \$4,000 – Port Royal Events
- \$1,000 – Christmas Parade
- \$5,000 – Frog Level Festival
- \$7,500 – Chamber of Commerce
- \$2,000 – Winter Sports Spectacular

Human Resources

Caroline County continues to be blessed with an outstanding work force. Turnover remains low in most departments and that seniority has helped the County advance numerous projects in recent years.

Twelve new positions have been proposed that have been summarized in the previous text. They include: Tax Examiner, Commissioner of the Revenue; Deputy Clerk, County Clerk; Two Deputies, Sheriff's Office; Activities Coordinator, Parks and Recreation; Five Medic/Firefighters in Fire and Rescue; Maintenance Worker, Public Works Department; Water Operator, Utilities Division. In addition, one probation officer's position went from full-time to part-time. This would raise the County's full-time employment base to 197, or one employee for every 123.4 people.

A recommendation has been made to hire a Human Resources Officer that would be shared by County government and the School Board. That proposal is included in the School Board's budget.

For many years, there has been discussion about bringing about all County employees under one pay plan, even those who work for Constitutional Officers. It is recommended the Board authorize Staff to move toward implementation of a consolidated County pay plan.

Keeping salaries and benefits competitive for all employees is a challenge. Recommended is a Board approval for a new round of Salary Equity that brings Caroline County in line with counties similar to ours. This program that started in

2000 would also include Constitutional Officers' employees if each Constitutional Officer signed a Memorandum of Understanding with County Administration.

Funding is also recommended to cover the increased costs of employee retirement benefits through VRS. Included in the budget recommendation is \$1,065,959 to cover increases in retirement contributions for County employees and employees of the Department of Social Services.

Funding is also proposed to cover premiums to the County's health insurance plan through Anthem. Included is \$941,507 to cover premiums for FY 2007.

Funding for the employees' **Merit Pay Plan** is recommended to increase the maximum range to four percent.

A very aggressive **Professional Development** program for employees has been very effective and has led to increased productivity. County employees are required to have 24 hours of professional development each calendar year. Funding is proposed at \$138,597 for training programs, which is an increase of 14 percent over FY 2006. The County has benefited greatly by joining a regional training network through RADCO that could help reduce training costs significantly.

Funding is also recommended at \$5,000 to begin an Employee Assistance Program.

General Government Administration

Legal fees have been recommended at \$275,000, an increase of \$25,000 over FY 2006.

Funding is proposed to cover the costs of the **Summer Youth Program**, estimated at \$39,905.

Funding is proposed at \$21,500 to retain a **part-time grants writer** to oversee the new online grants program.

After many years of operation, it is recommended that the **Cannery** be sold to a private entity and continue to cease to operate as a general government operation. Board approval would direct Staff to seek an interested buyer immediately.

Additional Funding for Constitutional Officers

The major area here is the recommendation to add one new full-time position in both the offices of the Commissioner of Revenue and County Clerk. Both offices have seen major increases in workload.

Health and Welfare

A total of \$8,415 is again recommended to fund the fourth year of the Children's Dental Clinic being operated out of the **Area Health Department**. The Department of Social Services, Area Health Department and the School Board are also being asked to support the program with identical contributions.

Funding is also proposed at \$9,500 to continue assist **Caroline's Promise** with its service to the youth of Caroline County.

Funding is also proposed at \$30,000 to implement recommendations of the new Health Advisory Commission.

Contributions to Outside Agencies

Funding assistance for **Outside Agencies** is proposed at \$333,533, an \$11,396 or a 3.5 percent increase over FY 2006. The requests include an increased contribution to the general operations of the Thurman Brisben Shelter.

General Fund Transfers

Subsidies to non-departmental accounts are once again included in the proposed spending plan. These transfers from the **General Fund** help to offset funding shortfalls, meet Board of Supervisors directives or keep statutory obligations in areas where revenues don't keep up with the expenditures that are warranted. These transfers include:

- \$10,200,000 to **School Operating Fund**, which is \$609,630, or 6.4 percent greater than FY 2006.
- \$444,590 to **Social Services Department**, which is \$49,589 or 12.6 percent more than FY 2006.
- \$234,469 to assist in funding the **Comprehensive Services Act**, which is \$40,406 or 20.1 percent more than FY 2006.

- \$1,695,000 to assist with funding for the five-year *Capital Improvements Plan*, which is \$62,783, or 3.8 percent greater than FY 2006.
- \$2,076,195 to *Debt Retirement*, which is \$750,665 or 56.6 percent more than FY 2006.

Capital Improvements Plan

In 2003, the Board of Supervisors approved the dividing of the Capital Improvements Budget into two sections, to be known as the Capital Infrastructure Budget and the Capital Equipment and Replacement Budget. The purpose was to allow the Planning Commission to focus on long-range infrastructure improvements and let the staff recommend directly to the Board the items for maintenance and replacement.

The CIP 10-year proposal for both budgets is \$302,586,746. Proposed funding for the Capital Infrastructure Budget is \$37,616,000 and proposed funding for the Capital Equipment and Replacement Budget is \$1,7892,000.

NOTE: Funding for CIP projects relative to volunteer fire and rescue companies was not recommended pending review and recommendations by the Emergency Services Commission.

Capital Infrastructure Budget

Projects proposed for General Government in FY 2007 include:

- \$25,000 – Improvements to Dawn library branch.
- \$1,600,000 – Community Recreation Facility.
- \$45,000 – Skateboarding park.
- \$1,700,000 – Visitor's Center.
- \$30,000 – Courthouse green landscaping.
- \$50,000 – Satellite government offices design and repairs.
- \$800,000 – New animal shelter.
- \$10,000 – Improvements to Farmer Park.
- \$10,000 – Improvements to Lowe-Massey Park.
- \$100,000 – Expansion of Ladysmith convenience site.

Projects proposed for Public Utilities in FY 2007 include:

- \$1,700,000 - Dawn wastewater project.
- \$568,000 – Implementation of interim water action plan.
- \$100,000 – Port Royal water withdrawal permit.
- \$8,000,000 – Upgrade to Wastewater Treatment plant.
- \$500,000 – Joint Public Works/School maintenance shop.
- \$1,000,000 – Haymount water system.
- \$2,200,000 – Haymount Wastewater Treatment plant.

Projects proposed for Public Schools in FY 2007 include:

- \$17,705,000 – New Ladsmith Elementary School.
- \$970,000 – Vehicle maintenance facility upgrade.

Capital Equipment & Replacement Budget

Projects proposed for **General Government** in FY 2007 include:

- \$25,000 – County Administration vehicle.
- \$24,000 – New Inspector vehicle.
- \$275,000 – Implementation of Technology Plan.
- \$48,000 – Planning/Tech vehicles.
- \$55,000 – Captains vehicle in Fire and Rescue.
- \$280,000 – Replacement and purchase of new vehicles in Sheriff's Office.
- \$24,000 – Vehicle in Animal Control.
- \$15,000 – Septic tank removal at Community Services Center.
- \$25,000 – Vehicle for Deputy Director of Public Works.
- \$21,000 – Purchase of new compactor for Courthouse.
- \$18,000 – Replace HVAC controls at Community Services Center.
- \$24,000 – 911/Landscape vehicle.
- \$20,000 – Replacement of mower in Public Works.
- \$60,000 – Replacement of HVAC in Commissioner of Revenue's Office.
- \$24,000 – One Ton Dump Truck in Public Works Department.
- \$23,000 – Solid waste vehicle replacement.
- \$20,000 – Compactor replacement at Caroline Middle School.
- \$20,000 – Compactor replacement at Ladysmith Primary School.

Projects proposed for **Public Utilities** in FY 2007 include:

- \$9,000 – Sewer jet rodder.
- \$21,500 – Crane truck with 20-inch boom.
- \$95,000 – Tank painting/maintenance at Caroline County Middle School.
- \$33,000 – Purchase of two one-ton trucks.
- \$29,000 – Milford generator.
- \$48,000 – Well pump generator.
- \$29,500 – Generator at VDOT pumping station.
- \$29,000 – Generator at High School well.

Projects proposed for **Public Schools** in FY 2006 include:

- \$100,000 – Technology plan.
- \$45,000 – Painting at Caroline High School.
- \$10,000 – Furniture/equipment at Caroline Middle School.
- \$30,000 – Trailer upgrades.
- \$290,000 – School busses.
- \$75,000 – HVAC replacement at all elementary and primary schools.

Additional Budget Reserves

Recent renovations and new construction has drawn the attention of the Administration to continue to propose funds for the **Building Maintenance Fund**. The Fund, which was funded at \$50,000 for Fiscal years 2003, 2004, 2005 and 2006, is requested to be funded at a similar amount in FY 2007. Funds are drawn upon when the need for major building maintenance is required.

A **Contingency Fund** of \$161,880 is proposed to meet unexpected expenses that might arise during the course of the budget year.

General Fund Revenues

Every four years, Caroline County reassesses real property – both residential and commercial. This process has been completed and reassessments have jumped at record levels. The average increase in Caroline County is almost 90 percent based on the buying and selling of property the last four years. This raises the total 2006 assessed preliminary value of taxable real estate in Caroline to \$2,876,805,900.

In large part because of the General Reassessment, Real Property revenues are projected to be at \$14,792,361, which is \$2,065,874 over FY 2006. Caroline County's citizens have long enjoyed one of the lowest real property tax rates in the region. In 1987, the tax rate was \$.64/\$100, and currently the tax rate is \$.79/\$100. The large jump in property values brings about the need to propose to the Board a reduction in the tax rate to \$.52/\$100. Even though the equalized rate on the General Reassessment is .42/\$100, I am proposing that remaining revenue be used to support many of the budget improvements that have been recommended and to continue to increase the County's Fund Balance to a level that will stave off any future emergency or unplanned circumstances.

For every one cent in real property tax revenue, that is estimated to be about \$300,000.

General Fund revenues are projected to increase to \$31,979,272, or 14.2 percent over revenues forecasted for 2006. The following additional revenues have been highlighted to reflect the County's reliance upon these sources:

Personal Property Taxes

Estimated at \$6,513,397, or 13.1 percent over revenue forecasted for FY 2006. The Treasurer's office continues to place emphasis on the collection of delinquent property in both personal property and real property. Car-tax reimbursement from the State are now capped, and with rising roll values, this will result in more of the personal property tax burden shouldered by taxpayers.

Sales Taxes

Estimated at \$1,285,000, or 13.2 percent over revenue forecasted for FY 2006. The County continues to receive strong revenues from the Carmel Church and Ladysmith businesses.

State and Federal Revenue

Estimated at \$32,857,464, or 11.9 percent more than revenue forecasted for FY 2006, adjusting for PPTRA changes. This revenue source includes state aid for education and social services. The County has also been the recipient of TEA 21 grants for its Visitor's Center.

Transient Occupancy Taxes

Estimated at \$266,300, or two percent over revenue forecasted for FY 2006. The Transient Occupancy Tax has historically been divided among revenues for the

General Fund and Tourism Fund. Recommended is that the Tourism Fund receive the full five percent of the revenue to assist with costs related to the new Visitor's Center and other tourism projects.

Other General Fund Revenue Sources

Penalties on Delinquent Taxes: Estimated at \$405,000 or 8.3 percent greater than revenue forecasted for FY 2006.

Business & Professional Licenses (BPOL): Estimated at \$825,000, or 7.5 percent greater than revenue forecasted for FY 2006.

Cable TV Franchise Tax: Estimated at \$35,000, which is greater than revenue forecasted for FY 2006. County Administration is currently negotiating new franchise agreements with the tv cable companies who serve the County and new franchise fees are expected to part of the new agreements.

Recordation Taxes: Estimated at \$600,000, or 32.7 percent greater than revenue forecasted for FY 2006.

Building Permits: Estimated at \$460,000, or two percent less than revenue forecasted for FY 2006.

Court Fines: Estimated at \$475,000, or 18.8 percent less than revenue forecasted for FY 2006.

Courthouse Security Fee: Estimated at \$70,000, or 40 percent more than revenue forecasted for FY 2006.

ABC Profits: Estimated at \$12,320, or equal to the amount forecasted in FY 2006.

Wine Tax: Estimated at \$12,914, or equal to the amount forecasted in FY 2006.

Tax on Deeds: Estimated at \$300,000, or 33.3 percent greater than forecasted in FY 2006.

Debt Retirement Revenues

Meals Taxes

Estimated at \$810,000, or 9.2 percent greater than revenue forecasted for FY 2006. New restaurants in Ladysmith and Carmel Church have contributed directly to the increase.

Consumer Utility Tax

Estimated at \$876,000, or five percent greater than revenue forecasted for FY 2006.

Conclusion & Budget Highlights

There is a reason why the adoption of the annual budget is the most important item on the agenda of the Board of Supervisors for the entire year. The Budget drives the day-to-day operations and sets the framework and guidelines for the expectations citizens have about County government.

The Budget proposed for FY '07 was challenging in its preparation, and will be 'challenging for the Board of Supervisors in its deliberations. The important aspect is that our citizens continue to have trust and confidence in the way we deal with financial issues, and hold us accountable for every single dollar they pay in taxes and fees.

The Board is successfully implementing a set of financial management policies that serve as guidelines for budget planning. These policies, if adhered to, will always serve as checks and balances for Board decisions and keep the County from slipping into a financial zone of uncertainty.

The proposed budget keeps Caroline County focused on improvements to its citizens. Funds are included to advance every area of government, but still not overload departments with needless personnel, only those necessary to meet the increasing service demands. Funds are included to cover mandates from State and Judicial personnel and also to cover rising costs for employees in the areas of retirement and health insurance.

The Capital Improvements Plan is a more realistic spending document every year. By dividing the Plan into two parts – Capital Infrastructure and Equipment and Replacement – it can now focus on long and short-term projects separately. Certainly most of the focus is on the first year of the plan, but departments and agencies can now conduct their own interior planning with the understanding of where certain future capital projects are in the five-year document.

Caroline County will continue to be more than reasonable in the price of land, although the General Reassessment has made us more in line with other counties than every before.

Goals and highlights of the proposed 2006-07 Budget:

- Recommends decrease in real property tax rate to \$.52/\$100.
- Maintain Fund Balance in accordance with Financial policies that will assist with cash flow.
- Stays within debt capacity guidelines.
- Recommends \$609,630 or 6.4 percent increase for public education that continues to fund public schools above minimum state mandates.
- Recommends implementation of County pay plan for all County employees, including those with Constitutional offices.
- Twelve new full-time positions requested.
- Recommends establishment of satellite government offices on western side of the County.
- Merit Pay Plan continued with request for maximum of four percent for employees.
- Funds new cycle for Salary Equity Program that continues to bring employee salaries up to regional comparisons.
- Maintains County contribution to health insurance benefits for employees to help offset the rising costs of health care for employees.
- Funds Public Transportation Program.
- Recommends sale of government-operated Cannery.
- Funds Community of Promise Program and also provides additional funds to the implement goals of the Health Advisory Commission.
- Funds Community Projects for Tourism Program to tie the activities of the community together.
- Recommends a \$302.587 million 10-year Capital Improvements Plan, \$39,395 million for FY 2007. Program is divided into two components – Capital Infrastructure and Equipment and Replacement – to more easily break down needs and facilitate long-term planning.

- Implements rate increase to fund improvements to utility system that Board of Supervisors will consider in upcoming meetings.

Thanks go out to the various department heads, agency heads and Constitutional Officers that have worked so hard to assist with the preparation of this proposal. Special thanks to Mr. John Sieg, Director of Finance and his staff and Assistant County Administrator Alan Partin.

The staff looks forward to the dialogue on the proposed Budget that will follow in the coming weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "Percy C. Ashcraft", with a long horizontal line extending to the right.

Percy C. Ashcraft
County Administrator