BOARD OF SUPERVISORS
STAFFORD, VIRGINIA
MINUTES
BUDGET WORK SESSION
APRIL 12, 2022

**CALL TO ORDER** – A work session of the Stafford County Board of Supervisors was called to order by Crystal Vanuch, Chairman, at 4:00 p.m. on Tuesday, April 12, 2022, in Meeting Room ABC, George L. Gordon, Jr. Government Center, 1300 Courthouse Road, Stafford VA.

**ROLL CALL** – The following members were present: Crystal Vanuch, Chairman; Pamela Yeung, Vice Chairman; Tinesha Allen; Meg Bohmke; Thomas Coen; Darrell English; Monica Gary.

Also in attendance were Frederick J. Presley, County Administrator; Rysheda McClendon, County Attorney; Julia Homes, Assistant Deputy Clerk; various staff members; and other interested parties.

**1. UPDATED GENERAL FUND REVENUES AND EXPENDITURES**

Ms. Vanuch reported that she had spent some time with Ms. Light earlier in the afternoon to work on budget spreadsheets to be presented to the Board with some potential options to move forward. She stated that Ms. Light would go through a few slides first, and before she dives into the ups and downs, she would have an opportunity to ask questions on those slides; they would then move into the ups and downs spreadsheet as a Board.

Budget Director Andrea Light stated that this meeting is to go through their proposed budget and any amended changes, and to get the Board's feedback and questions. She said that she wanted to start out today with the challenge of a calendar year tax rate and a fiscal year budget. She explained that the budget assumes a rate across two calendar years, and the Board sets the rate for the budget—but only for half of that budget year. She stated that the disparity between the timing puts them in situations like they find themselves this year, especially in reassessment years. She said that staff is reviewing the ability to allow for a fiscal year tax rate, which is allowable under the Code of Virginia; they are looking for the Board's input as to whether they would like staff to continue with this input and analysis.

Ms. Bohmke, Ms. Vanuch, and Mr. English indicated that they would like them to continue.

Ms. Vanuch explained that when they set the tax rate now, they are effectively only setting it for six months: July 1 through December 31. She stated that every spring when they change the tax rate, it's retroactive to January 1 of the same year; if the tax rate changes this year, it would effectively go back to January, which is one of the issues with having a non-calendar fiscal year aligned to the budget and the tax rate. She emphasized that they weren't saying they were going to do it, they were just saying they want to know what the process is and whether there are benefits to doing it.

Ms. Yeung asked what last year's tax rate was.

Ms. Light confirmed that it was 97 cents.

Ms. Yeung said that 88.5 would be 9 cents less, and she asked if they would go back to January to make it 88.5.

Ms. Vanuch said that was correct.

Ms. Light presented a slide that illustrated the change of what the tax rates could be from year to year. She said 83 cents is the budget-to-budget figure, which means they will get $182 million in projected revenue; in the FY22 budget, they assumed an increase of 6.5% for reassessments.

Ms. Vanuch said it was important for them to understand that they weren't increasing the budget, and the $182 million budget was not being increased, as they were still pulling in what they projected from last year's budget to this year's that they are potentially voting for at the 83 cents.

Ms. Light confirmed this. She stated that they have been looking at revenues to do projections about what they might be able to push even further. She said they now have collected two months of cigarette tax, and that's about $105K for both of those months—and they think they can increase the cigarette tax by $347K, which would bring cigarette tax revenue to $1 million in FY23.

Ms. Light stated that transient occupancy tax (TOT) is projecting higher than in previous years, and this assumes a 7% TOT rate; meals tax is performing better, and they are projecting another $250K from that.

Ms. Light said that with personal property tax, there were code amendments from the General Assembly on a near-emergency basis this year because of the high assessments on vehicles and the supply chain shortage. She stated that prior to this change, the Board could not set the vehicle rate lower than the personal property tax rate, which was at $5.49. She noted that because of this change in legislation, they were able to make this amendment so the vehicles can go below the business personal property rate. She said the question for the Board was whether they want to consider vehicles separate from other personal property, which will allow staff to be able to provide the correct resolutions for next week for adopting the tax rates.

Ms. Vanuch responded that she personally would, and after speaking with Commissioner Mayausky, they need to be prepared for this, and the rates they have discussed were separate from the business rates—so they needed to have the separate resolution to pull them apart.

The other Supervisors agreed.

Ms. Light stated that they have looked at some changes to expenditures and reduced the projected increase of audit contracts, and the Board would see a reduction to those at their next Board meeting. She said that they had a change in auditors and assumed that it would go up by about $150K, but it was really going to be more like $15K, representing a $135K savings. She stated that with the economic development support for merchants capital, several years ago, the Board set aside 25% of merchants capital to go to economic development support—to County administration to do surveys, studies, and those types of things. She said that these were one-time items they could use fund balance for if those ever arose, and that is proposed to be eliminated from the budget.

Ms. Light reported that there was a reduction to partner agencies by $40,446, and most of that was going to MICAH, which was $20,000; the remainder would be for the lower-scoring partner agencies. She stated that there is also a recommendation to remove Germanna nursing, and that is one-time funding of $100K.

Ms. Light reported that Spotsylvania is flat funding the library with the FY21 budget for the six library locations in that county. She said that Stafford has three locations—Porter, Howell, and Germanna—so the same approach in Stafford would reduce the budget by about $543K. She said for this draft, staff put $147K, which would just get them down their percentage of circulation. She stated that reducing the library at either of these rates may jeopardize the hours that the Stafford libraries are open, which could reduce some of those times.

Ms. Gary asked how much impact reducing the hours would have, since they have had a lot of pickup and drop-off since COVID, and she wondered if people had returned to visiting the library as they had before.

Ms. Bohmke responded that people have returned, and last year since Spotsylvania had made a reduction to their budget, they had cut their hours, and Board members said they weren't contacted by any constituents that their hours had been cut. She asked for confirmation about Spotsylvania's six locations.

Ms. Light said that there were six locations, and she could provide them to the Board.

Ms. Yeung asked Ms. Light if they were saying they would be cutting the hours in Stafford.

Ms. Light responded that if they cut the funding back to the FY21 budget, and the libraries would probably cut the hours to make up for that difference. She said that under the MOU, if they don't fund them at the rate requested but fund them at a lower rate, that locality has to take some reductions, and generally that would come out of hours.

Ms. Bohmke said that it may not necessarily be a reduction; the library would need to look at their services and employees and figure out where they would make changes in their budget.

Ms. Yeung stated that she goes to the Porter Library frequently, and she said that the library is very busy—and students who live in that area, especially those at Park Ridge across the street from Park Ridge Elementary, walk to that library. She commented that she is afraid that cuts would affect those students, and she wanted to make sure Porter's hours were not affected.

Ms. Bohmke asked if those students went to the library in the mornings or evenings.

Ms. Yeung replied that it was in the evenings.

Ms. Bohmke said in Spotsylvania last year, the executive director of the library decided to cut the hours in the evenings, and Supervisor David Ross said that he would have preferred they cut them in the mornings when there are fewer people there. She stated that the Board would have the opportunity to weigh in on that, or she would as the appointee. She said her question was whether they had read the responses to the questions they had given the library, and whether they were satisfied with those answers.

Ms. Vanuch stated that she would like to have the staffing salaries at the central library, and they didn't really answer that question when they asked for those salaries. She asked if staff could request those again, as it seemed there were some significant increases or some really high salaries there, and she would also like confirmation that they service the Stafford libraries.

Ms. Light agreed to provide that information.

Ms. Light stated that staff had been asked to look at operating savings by department, and they didn't look at FY20 or FY21 because they were COVID years; at the end of FY20, they stopped all spending and put in a hiring freeze. She noted that they did the same with the first quarter of FY21, and during that time had received $26 million in CARES money, which staff started to focus on spending in a very short turnaround time. She said that they had 4.3% of year-end operating savings over that month; that primarily comes from the schools, as their year-end savings comes back to the County as reappropriated for future projects—such as High School #6 or their

3R projects. She said these operating savings help fill their fund balance requirements, such as unassigned revenue replacement, and they provided funding for transportation. She stated that they also provided a source of one-time cash for capital needs.

Ms. Light stated that staff identified reductions and increases in revenues that would bring the tax rate down to 85.5 cents, which they did at the March 31 meeting; these would further reduce the tax rate and bring it down to 85 cents; the average increase to a bill at that rate would be $287; the average real estate tax bill would be $3,281.

Mr. Coen said they hadn't really discussed the Historical Society's request for 1%, and he asked what the impact would be of diverting those funds from one thing to the other.

Ms. Light responded that it would be about $200K with this increase just a bit over, and they had asked at the public hearing that 1% of the 2% TOT increase be considered to go to the Stafford Museum. She said if the Board chose not to do that, they could look at year-end savings of TOT—only the portion that comes to the General Fund—and put that into the fund balance reserve to help increase that.

Mr. Coen asked how the $235,670 impacts where it's going right now if it is moved over.

Ms. Light replied that they would have to reduce General Fund expenditures by that amount, because that portion is all proposed to come to the General Fund.

Ms. Vanuch asked how much they had in reserves.

Ms. Light responded that they have approximately $640K.

Ms. Vanuch asked if they could spend that now and if it was not earmarked.

Ms. Light said that it is restricted for the museum.

Mr. Coen asked if staff knew what the other communities were doing in terms of Germanna Nursing and what the status of that program was, before acting on the proposed removal of support.

Deputy County Administrator Donna Krauss stated that she reached out to the other localities, and Spotsylvania County has been providing the five years of capital and have included it in their proposed budget. She said that she did not hear back from the others.

Mr. Coen asked about the partner agencies cuts, going into 8.5% inflation and a possible recession, and how much of a hit that would be to them—as it may not need to be cut if it's just $40,446.

Ms. Krauss responded that because Stafford County makes recommendations based on program and not the agency, the $40K includes four programs, so the agency would still be funded but not for specific programs. She said they were the programs that scored 71 or below; one scored 55, and the top-ranking score was 90.

Ms. Yeung asked about the AAA bond rating and how the County sustains it.

Ms. Light explained that Stafford is one of less than 50 counties in the United States that has a triple, triple-A bond rating from the three rating agencies. She said that this acts as a personal credit score when going out to purchase things, but it's important for the County because they're about to go and spend $150 million on a high school. She stated that there isn't a tax rate that helps them achieve this, but it reflects good financial policies as the Board has continued to uphold, having a balanced budget, and making sure they're using one-time money for one-time activities—which they are doing in this budget.

Ms. Light stated that parameters include adhering to all financial policies, ensuring that they have reserves to ensure they have funding in case of a catastrophe. She noted that the Board set up financial policies of 12% for unassigned fund balance; they also have revenue stabilization so if one revenue is projected incorrectly because a catastrophic change has happened, they may be able to use revenue replacement. She added that it shows there is a financial perspective from the Board to ensure ongoing and continuing operations.

Ms. Yeung commented that she has wanted the positions not filled in FY21 to be replaced with new positions requested, and she did want to know how much it accumulated to.

Ms. Light responded that staff had updated this in the ups and downs to provide better information.

Ms. Yeung asked about the transportation impact fees.

Ms. Light stated that staff is projecting $775K this year, and those fees can be used for impact-fee specific projects, or to repay the County for any funding that they paid for an impact fee. She said that's typically what they have been doing, with Courthouse Road being a bigger project that they continue to repay themselves for; that then becomes free money that gets used in the transportation fund for other projects.

Ms. Yeung asked whether they get interest for the revenue they bring in, as she didn't see a line for that in the budget.

Ms. Light responded that there is "use of money and property" in the revenue line that includes Parks & Recreation rentals and interest; currently, the interest rates are so low that the analysis fees that the bank charges are cutting into those, so they are seeing a negative in that line.

Ms. Yeung said that she saw a line for Germanna at $750K, as well as a line for $368K, and whether that was two different pots of money.

Ms. Light explained that for Germanna, they provide operating costs of $248,858 to help support their overall operations, and she wasn't sure if that was based on a formula; they also propose removing $100K in one-time funding for the nursing program.

Ms. Krauss noted that this supports the entire operation, and there is also a maintenance reserve amount that is a little less, with the rest being operational.

Ms. Bohmke said that it was $100K every year, and they have a five-year commitment with Germanna, so if they forego the $100K this year, it rolls to the next year. She noted that they were still obligated but were freeing up the funds to do something else this year, and Germanna would still be owed that money.

Ms. Krauss clarified that in FY19, the Board at the time made a five-year commitment of $100K over that period. She said that $100K of the $248K was the capital.

Ms. Bohmke said she thought it was $368K.

Ms. Light explained that there is $48,858 for Germanna to increase educational offerings and student services in the local community, $200K as an ongoing maintenance reserve, and $100K in capital costs in year four of five—which they're discussing removing from the budget.

Ms. Yeung said that in looking at the five-year financial plan, they projected that they would be at 91 cents, and she wondered if they had taken inflation into account.

Ms. Light responded that they take inflation into consideration with continuing operating and personnel costs and build those assumptions into the five-year plan.

Ms. Vanuch noted that the 91 cents accounted for a 6.5% increase in assessment values, when in reality it was a 24% increase in values, which is why the 91 cents didn't align at this point.

Mr. English asked what the percentage estimated is for the partner agencies and whether it was taking away from all of them.

Ms. Vanuch pointed out that it's only taking away from the four programs that scored the least.

Mr. English mentioned Spotsylvania's flat funding for the libraries.

Ms. Bohmke said it's back to their original budget from last year, and she confirmed that Stafford was paying more than Spotsylvania, which is based on circulation.

Ms. Light stated that Spotsylvania is adopting at their FY21 base because they did not increase in FY22 either and were contributing $4.3 million.

Mr. English asked what the average home price was as their basis.

Ms. Light confirmed that the median home value is $386K.

Ms. Yeung asked if there was an error on their sheet for MICAH, which is showing $231K.

Ms. Krauss responded that this was correct, as they requested additional money this year in a large amount for advancing their hotel model of sheltering to each of the jurisdictions.

Ms. Vanuch said for the public's perception, it was $22K in other years, and now it is $231K.

Ms. Krauss explained that there was an increase for the cold weather shelter from $22K to $75K, and they reduced that by $50K in this conversation, so a portion of the increase was for the shelter, which is also a hotel model and is operated out of a hotel; the rest was to improve their other programming.

Ms. Bohmke noted that program participants get a voucher for hotel cold-weather sheltering.

Mr. Coen asked if Germanna nursing was in the chart staff was presenting.

Ms. Light responded that it isn't, because it is one-time funding.

Mr. Coen said he had no desire to cut it, he just wanted to know what the other jurisdictions were doing and whether they were coming to the table.

Ms. Light stated that she would review the ups and downs, which have changed slightly since the last time they saw this information, which was the result of work staff has done and the work that Ms. Vanuch and Ms. Bohmke had done earlier in the day for additional changes. She noted that everything in green represented changes from before, except for Line 8, personal property, which staff reduced to $4.29 as the effective rate. She said that would reduce the budget by $3.6 million and essentially everyone would get the same tax bill, which could go up or down based on assessed value but would be the effective rate. She stated that Line 10 and Line 11 were increases for the cigarette tax and TOT. She said that Line 12 earlier this afternoon, they discussed the effect of reducing the meals tax back to 5%, rather than going to 6%, and this assumes that reduction.

Ms. Light stated that Line 25 for the audit reduction is included, the economic development support, reductions to partner agencies—not including Germanna because that is one-time funding. She said the reductions to the library are the $513K, and the fireworks line at $30K is for the Board to have community events; there is a reduction for CSA to put that back to FY22 budget levels, and there is a reserve that has almost $850K. She said if they get a number of students post-COVID, they could come back to the Board and ask for an appropriation. She noted that there is a request to reduce the Treasurer's increased costs.

Ms. Light reported that for Line 32, the Board would have to make some changes to their financial policies, and personal property is currently going at $4.7 million over to transportation to support funding. She said while transportation needs every dollar of that, they may be able to look at using year-end money to support up to $2 million of that every year. She stated that there is risk with that because that funding isn't as secured. She said that Line 33 was a change in financial policies for contingency funds, which currently represent 1/2% of the expenditure budgets, which is getting up to about $770K, and this is asking the Board to change the policy for a straight $500K for contingency, which is sufficient to support those changes. She noted that this year they used a lot of the contingency to support the snow event, for example.

Ms. Light stated that they have increased vacancy savings by $150K. She said on Line 35, they have debt service savings and had gone into High School #6 as a funding source because they know they are going to have increased debt service. She said to keep it level, they programmed it into one-time funding and can remove the debt service savings to one-time funds, essentially freeing up $1.8 million.

Ms. Yeung asked for clarification of the staff increases.

Ms. Light explained that the pay raise is proposed for 5% this year, and on Line 37 for General Government salaries would move that increase to midyear rather than a July 1 date. She said this does mirror what public safety does with their step plan, which increases by their anniversary date of employment; this puts all of the General Government at a midyear raise, and the scale adjustment would still be done at 1.5% on July 1, which would go to all employees. She stated that the public safety step plan shows at 0% because there is zero change in what is happening, and staff projects that average out to be about 2.75%; those above midpoint get a 2.5% increase, while those below get a 3%. She noted that they would also get a 2.25% scale adjustment at the beginning of the year. She said that each category of employees would get a 5% raise throughout the year.

Ms. Light reported that staff changed Line 44 to put the deputy sheriffs at midyear but add that to eight, and the reason behind the additional is the Marcus alert issues and sheriff's deputies sitting at the hospital with people having mental health needs. She said that previously, they had eliminated the Communication Officer 3, and after discussions, they have put all of those positions back. She stated that Line 51 is the transport unit staffing, as Fire & Rescue had asked for a north and south ambulance service, and this would remove one of the two services. She said they have also removed a paralegal and building maintenance mechanic, as well as putting the security manager as a midyear hire.

Ms. Yeung asked if they knew how much was collected in the revenue collections process this year and last.

Commissioner of Revenue Scott Mayausky stated that it's a bit difficult to estimate because they are one step removed from the direct collection, which is the Treasurer's Office, but he believes they collected about $2 million in delinquent accounts last year. He noted that this wouldn't be possible without his office's efforts to support them, because the assessment is actually what drives the tax bill. He said that they are so crunched for time now, they have to dedicate an employee to collecting old taxes or generating new taxes; they can dedicate a person to collecting the new taxes and recently created a business auditing position in the field—which is where the money is generated. He stated that they have been striving to come up with a number and believe that this position would generate about 100 additional field visits that can't be done right now because they're working on delinquent taxes. He said that each field visit, based on their projections, generates at least $100 worth of additional revenue, so he feels the position would pay for itself many times over.

Mr. Coen said staff had mentioned the transport staffing decrease and that there had been discussions, and he asked if it was with Fire & Rescue.

Ms. Light responded that it wasn't, but it would move the staffing from two crews to one. She added that Line 50 also removes the three battalion chiefs.

Mr. Coen also asked why the meals tax had been reduced.

Ms. Light explained that if they continue to maintain a 5% rate instead of going to 6%, this would be the reduction they would have to take.

Ms. Vanuch stated that she had been to several restaurants over the last few weeks to ask the owners and managers about the meals tax, and they are begging the County not to increase this. She said the state has a 5.5% sales tax on meals; the County now has a 5% increase, and this would put it at over 11.5%. She stated that with the cost of goods, they have had to significantly increase prices on their menus and have had a lot of patrons complaining and asking what this is. She said it is causing a lot of attention, and if they raise it to 11.5%, owners say it's driving people away and they've been getting a lot of pushback. She mentioned that she was sitting in a restaurant and heard someone talking about it, and she would caution the Board on proceeding with a meals tax increase, as the last thing they want to do is shut down the five restaurants in the County that they have.

Ms. Bohmke asked if Prince William County had a meals tax.

Ms. Light [inaudible].

Ms. Bohmke asked about Spotsylvania.

Ms. Light [inaudible] and said that Stafford's was the highest.

Ms. Bohmke stated that she had been in favor of a meals tax but heard that they are at a 40-year high on inflation instead of a 30-year as previously thought, and she continues to be shocked at prices. She commented that she didn't think she could support it.

Mr. English agreed, stating that people are trying to get back on their feet after COVID.

Ms. Vanuch said that's what the owners have indicated, as they are just now getting back to pre-COVID levels, with full lines and wait lists. She said that they have had to increase their prices on food, and this tax on top of that has garnered a lot of attention.

Ms. Gary stated that she is hearing a lot of the same things from business owners, and there is a real concern after the fallout of small businesses and restaurants after COVID—and she would hate for them to do this and hurt those who managed to hang on through it.

Mr. Coen said that it would have been helpful to have that information on any of these changes ahead of time, and the same is true for transport.

Ms. Vanuch commented that some of the decisions they need to make as a Board today include eliminating the meals tax, and it would be great to have consensus on that. She said that Ms. Light is presenting an 85-cent tax rate but equalizing the personal property, which is the bill people have to pay in June and December. She said that they were able to get the real estate down to 81 cents, but these all need to go in tandem.

Ms. Vanuch polled the Board about the meals tax.

Ms. Bohmke stated that she supported keeping it the same.

Ms. Gary agreed.

Ms. Yeung stated that she wanted the 6%

Mr. Coen agreed with keeping it the same at 5%.

Ms. Allen made no comment.

Mr. English stated that he wanted to keep it at 5%.

Ms. Bohmke asked if they could discuss the schools and the additional $8 million, because when they change their school schedule, that increased bus drivers—and she wondered what additional expenses needed to be funded and whether the County is responsible for those with the changes the schools made to their schedule.

Ms. Light confirmed that this budget was based on the $8 million additional and that the schools would have to live within the current budget.

Ms. Vanuch said the CEDC Committee didn't even feel comfortable moving forward, and the Board asked them to come back with an MOU with a June timeframe, which would then come through the Board process. She noted that the uncertainty of when they would move forward and being mutually exclusively beneficial for the County and the Northern Virginia Conservation of Trust, and she asked whether they wanted to build this into the budget now.

Ms. Gary responded that she would like to and felt confident with it, at least at a half year.

Ms. Vanuch stated that they can always add in those positions if revenues come in above, which typically happens as revenues come in higher, and they can be added in a timelier manner when they have more certainty on the MOU passing the Board.

Ms. Gary asked how many positions would get marked as priority positions.

Ms. Vanuch responded that anyone could come to them with a position to add in, so this could be something where they direct staff to come back to them in September when the MOU is passed, to review revenue projections and have this be an add-on position.

Ms. Gary stated that she is hesitantly okay with that, but this is a priority for her to focus on conservation because of the growth they have seen, and she wants to make sure it's tagged if they don't fund it now.

Ms. Bohmke said that she appreciated what was being said and conservation is important, but they have Kathy Baker in that department who does great work, but she doesn't think they can warrant employing someone 100% of the time to do conservation work.

Mr. Coen stated that this originated from the idea that they are shifting their model from the PDRs to a different mechanism that they deal with for other groups. He said that he feels it is a priority, and he is reticent about waiting to do this later—and if they don't approve the MOU, it just eliminates it. He stated that this would guarantee that they care about it, and he was okay with doing it as a half year, and he would also go along with it on a wish list in December.

Ms. Gary said she would be okay with a half year also.

Ms. Vanuch asked staff to change it to a half year.

Ms. Bohmke asked if any of the new positions came back to the Board.

Mr. Presley explained that this position is a Northern Virginia Land Conservation staff member, and they would hire the person and are paying for half too. He said it would not come back to the Board, and once they approve the MOU, that position would be hired. He confirmed that the salary is $27,500 for a half year.

Ms. Bohmke said that she was good with that.

Ms. Bohmke stated that she had a question about the $68K in training for the new fire boat, and she asked Chief Cardello to explain.

Ms. Light stated that Fire & Rescue had training request increases of approximately $100K to expand all training, and then $18K for the captain. She said that as part of the proposed budget, staff reduced it from $100K to $50K and left in the boat captain, which is how they came to the $68K.

Fire Chief Joseph Cardello explained that the boat was on order and would arrive about this time next year, and you had to be certified by the Coast Guard to operate it. He said it didn't affect many people currently, but anyone who had the opportunity to operate the boat would need to get that training.

Ms. Bohmke asked if the Coast Guard always had to be on that boat.

Chief Cardello responded that they would need to go to Prince William to get the training; once they have the training and certification, they would be able to operate the boat. He confirmed that the operator course would give them the ability to do whatever they needed to do.

Ms. Gary asked how many people would be trained with this funding.

Chief Cardello said that it was 12 people.

Ms. Gary asked if they needed to train that many people.

Chief Cardello stated that given shift schedules and the volunteers included, they do need that many people trained.

Ms. Yeung asked about the Commonwealth Attorney additional funding.

Ms. Light responded that they were still looking into those questions, and IT, the Sheriff, and Commonwealth Attorney were discussing the need for a storage and server space, and whether it was cloud based or not. She said that she had not followed up to see if they had done that yet, but she would put it on her list.

Ms. Light reported that with the cuts proposed, they could get down to the 85-cent tax rate and still would have to balance out $542K. She said that for next Tuesday, if the Board is comfortable with the changes presented here, staff could come back with the additional changes needed to get down to a balanced budget. She added that if there is anything the Board felt should be put back in, staff could do that as well.

Ms. Yeung [inaudible].

Ms. Light stated that they do some cash funding, which helps with the AAA bond rating because the Board is dedicated to that. She said they have 3% of General Fund expenditures going to 3R projects, and they have that set aside to help fund that. She stated that with transportation, putting aside funding either through personal property tax, year-end funding, or a combination of both; with fuels tax received in excess of operating costs for transportation, there are some small funding sources. She noted that staff does have some of that programmed in.

Ms. Vanuch commented that this is a very challenging budget year, with a growing community and an aggressive CIP with two new high schools and community needs, some tough choices will have to be made—especially with inflationary costs on the taxpayer. She said they have made a consensus decision on the meals tax, and her next question would be personal property.

Mr. Coen said that he would like to get more information about cutting the transport positions, and if they go back to the $542K or the other positions, it will have to be cut or raised somewhere. He said that because of the personal property rate dropping precipitously, he would be curious to see what staff would come back with in terms of options to make up that $542K. He added that he was not locked into the $4.29 if they needed the 10 cents to get to that $542K.

Mr. English stated that they don't really know about personal property, because the Blue Book value could bring that number up or down.

Ms. Vanuch said that they already know, as the values are already predicated and went up 40%. She noted that they didn't have this number previously because they didn't have the values, and because they could not go below the $5.49 for business property tax until Mr. Mayausky went to the legislature to have that changed so they could bifurcate the two. She stated that any other rate above $4.29 is a tax increase on personal property, and this is the bill that must be paid in full in 30 days and cannot be amortized.

Ms. Yeung stated that total of positions not filled in 2021 is $3.6 million, and they could be eliminated.

Ms. Vanuch clarified that those are vacancies, and that money is carried over in the General Fund in staff vacancy savings. She said that it was in the budget and would show up in staff vacancy savings to be reappropriated for something else if the position wasn't filled. She emphasized that what Ms. Yeung is basically suggesting a hiring freeze if there is an empty position, as it would be eliminated without funding.

Ms. Yeung said that they could come back and ask for the position.

Ms. Vanuch said that she was asking for elimination of any position that is vacant in County government.

Mr. Coen said that Ms. Yeung was referring to any of the new positions from last year that weren't filled—not any and all positions.

Ms. Vanuch stated that they didn't create that many positions last year and this year, and the spreadsheet shown is every single vacancy in County government.

Ms. Gary commented that some of these positions do take a while to fill, with certain qualifications needed, and just because they haven't been filled doesn't mean they aren't needed. She mentioned the Cultural Resources Specialist that had previously existed was unable to fill for a bit and then eliminated, and now they are bringing it back. She said that it didn't make sense to her to take them out right now because they have already been through the details of those and needed them to stay open.

Ms. Yeung stated that she would like the personal property tax rate to remain at $4.29.

Ms. Gary agreed with $4.29.

Ms. Bohmke and Ms. Vanuch agreed.

Ms. Vanuch stated that there is general consensus that they don't want the two rates to change, there is the increase in TOT proposed, and they did not put forward a proposal to reduce that, so if someone wanted to do that, they would need to find $127K in the budget.

Ms. Light said that was the increase above the proposed budget, so it's about $350K for the TOT increase at 2%, plus the $127,680.

Ms. Vanuch said that the cigarette tax would also need to be considered.

Ms. Light explained that there is no change in the tax rate, and they are just starting to see some revenue from that and can be a bit more aggressive in their projection.

Ms. Vanuch stated that the last item to address is the real estate tax rate of 85 cents, which is a tax increase, and that could shift depending on whether the Board wants to remove or add things to the budget. She noted that they need to get alignment on Tuesday and have the work session before the Board meeting, and typically they like to have a good idea of what they're doing, because all the resolutions need to be prepared. She said because they have so many different tax rates to vote on, they all have to be done individually.

Ms. Bohmke said for next budget year, she would like to do what Spotsylvania and other localities do and look at merit increases.

**2. POLICY CHANGES**

Ms. Light reported that staff would be bringing two before the Board on Tuesday. She explained that the first would be to eliminate the capital projects budget and appropriation policy, which was put in place to provide the Board oversight on capital projects. She said that they are finding that the Board isn't pulling them off of consent or asking many questions, and it is creating a significant amount of reconciliation items between Budget and Management, Finance, Treasurer's Office, capital construction, and the schools. She stated that they ask that the Board eliminate that policy and appropriate with the budget, and that can be brought back to the Board to monitor the progress either through capital construction quarterly reports, School Board and staff quarterly reports as part of the joint schools working committee and presented as part of the financial reports to the Board.

Ms. Light said they have previously discussed changes to the financial policies, which would put $1 million at the end of every year to land acquisition and set aside $100K for the stormwater grant program. She said they discussed two additional policy changes today: to have $2 million in year-end funding go to transportation, and to reduce the contingency fund from 1/2% to a flat $5,000 rate. She stated that these would come before the Board and would be after their budget items, which will impact their ability to do the policy changes.

Ms. Bohmke said in past years, they've had different stipulations in different resolutions as it relates to the schools. She stated that because the state has not approved their budget this year and localities don't know where they're going to be, if they get their recordation tax money back and if the schools receive more money than they are anticipating and that they're anticipating, she wanted to know if they could put something in the resolution with specific language that says they want to pull that money back into the General Fund. She said they could then go back and allocate things for additional items they want to fund but didn't have the ability to fund because of other priorities.

Ms. Yeung said that she disagreed because the budget they put forward was smaller than the School Board budget, and if the amount they get is over, they should be able to retain that because they have other expenses. She stated that she wanted to give them their economy and respect that they would do what's right with the funds. Ms. Yeung said that if it was a lot more, then they could look at that.

Ms. Bohmke stated that they don't look at it—they have to put it in the resolution, because once they approve that resolution on Tuesday, it's done. She said that any parameters would need to be included.

Ms. Light said that any increases the state would give the schools would have to come before the Board for appropriation, and if the Board decides to appropriate the state funds at that time, they should be able to defund/reduce the appropriation from the County. She noted that she would work with the County Attorney to make sure that adequate language is in the resolution For Tuesday so the Board has options to make changes subsequent to that.

Ms. Yeung said that some of the information coming from the state could be specific, with new regulations, and she wanted to make sure not to run up against those.

Ms. Bohmke said that she would like to get feedback from her colleagues as to a resolution for the potential funding, which is $17 billion at the state currently.

Ms. Gary stated the School Board members were elected to do their jobs, and she didn't want to do their jobs and get too deep into the weeds. She said there is a reasonable involvement the Board can have, and they needed the details on this and was okay looking at it—but she wanted the School Board to have their autonomy.

Mr. English said they would have to appropriate any money they got anyway, so he agreed with Ms. Bohmke to keep it in the resolution.

Mr. Coen noted that there have been times when the legislature has given funds and made it clear that localities can't cut, so if it's their intention for the funding to be above and beyond, they wouldn't be able to control that. He said they could always take extra funds and put it towards the CIP, which he thinks could be a good use.

Ms. Vanuch suggested that staff work with the County Attorney's Office to get the language, send it to Board members, and direct them as to what the repercussions of the resolution really are. She said since they are planning to fully fund the Superintendent's budget, which included $23 million of pay increases for teachers; there have been years when the Board has fully funded the budget with intention of teachers getting pay increases—but the School Board ended up using it for other things. She stated that she was trying to recall if they could stipulate that in a resolution.

Ms. Bohmke said that they did it in a resolution.

Ms. Vanuch stated that since it was a significant amount of money in teacher pay raises that was driving the Board's decision on the extra $8 million, they should consider putting that in the resolution.

Ms. Gary said she was okay with that.

Ms. Vanuch stated that they should get that ahead of time so they didn't have to take a recess to read through it.

Capital Project Director Bryon Counsell said that what they would see in the CIP presentation was that they were quickly running out of revenue to match the cost increases across all projects. He said they do frequent cost estimate updates, and this would go through the projects; staff is proposing two options for Board consideration: a reserved approach to ensure there is some contingency left, and a riskier way to put all of the revenue in to make them more competitive with grant applications they would be applying for in some of the outyears.

Transportation Program Manager Alex Owsiak stated that he would provide updates on the Transportation CIP. He said that four projects have been added for FY23: a roundabout at the intersection of Celebrate Virginia Parkway and Banks Ford Parkway, a project recommended by VDOT due to safety issues there. He said they have identified proffer money from Celebrate Virginia that could be used to pay for this improvement, and the project is about $800K with the County paying for materials and VDOT doing the installation. He stated that this was a modular roundabout, with reinforced plastic and rubber bolted down into the pavement to create the roundabout instead of going out and doing all new construction.

Mr. Owsiak said that the next three projects were identified through VDOT studies. He said that VDOT's pipeline study along US-1 identified the need for a left-turn lane onto Potomac Hills Drive to improve safety and efficiency on US-1. He noted that the Infrastructure Committee selected this project to submit for Smart Scale funding; the cost is about $7.5 million, all paid for with that funding. He stated that the next project is the US-17 Business pedestrian improvement project, identified in a previous VDOT STAR study, and this would continue installation of sidewalk along the south side of US-17 from the intersection of Old Forge Drive all the way down to Linda Lane where the 7-Eleven and Arby's are located. He said the approximate cost for that project is about $3.6 million, also 100% Smart Scale funding.

Mr. English asked if the new Mainline project was kicking in any money for sidewalks.

Mr. Owsiak responded that they were not to his knowledge, and they had very little room to get a right-in/right-out entrance onto US-17, and they were exploring using the street across from Old Forge Drive as an egress. He said the last project on the list was construction of turn lanes onto American Legion Road and Eskimo Hill Road intersection with US-1, again identified in the VDOT pipeline study looking to improve safety and efficiency on US-1. He stated that the project was recommended by Infrastructure for Smart Scale, with an estimated $4.5 million cost, again 100% Smart Scale funding.

Mr. Owsiak reported that staff is recommending removal of the Salisbury Drive sidewalk project, which staff had submitted for funding back in FY21, as well as recently for FY23-24 funding through VDOT's Transportation Alternatives program—and both times the project was unsuccessful in receiving funding, hence staff's recommendation to remove it from the CIP. He noted that they could certainly add it later if the Board wanted.

Mr. Owsiak stated that he wanted to bring their attention to some funding challenges the transportation program had been experiencing lately. He said the last six months, they have already experienced increased construction costs on two projects advertised for bids: construction costs for the retaining wall on Lynhaven Lane and Courthouse Road, which was approximately $50K over the estimate, representing a 30% increase in construction costs. He said that construction costs for the Flatford Road sidewalk represented a 30% increase in construction costs, and those costs had already tripled from the original estimates from VDOT in December 2018, from $300K to $900K. He said that overall, the project cost had doubled.

Mr. Owsiak reported that they have already experienced increased preliminary engineering costs related to two projects they were getting ready to start design work on; VDOT had originally estimated design work on the Staffordboro sidewalk project to cost $150K, whereas actual costs were now approaching $500K. He said that based on recent bid prices for the Flatford Road sidewalk, they already anticipate costs of the Staffordboro sidewalk to increase further and likely exceed original estimates by over $750K—so what was originally a $1 million sidewalk was now a $1.8 million sidewalk. Mr. Owsiak said for the Enon Road and US-1 project, VDOT had estimated preliminary engineering at $1.2 million, but actual costs are approaching $2.2 million.

Mr. Owsiak stated that some of these existing funding challenges are further compounded by recent cost estimate updates that staff has received from VDOT as part of their Smart Scale project applications. He said the County has submitted a total of eight project preapplications for funding, and three of those projects are new to the CIP with 100% Smart Scale funding sought for those. He noted that the other five applications submitted were bond projects in the current CIP, and the latest VDOT estimates have shown costs across those five projects to increase by over $23 million over the last year. He added that a lot of this is related to inflation, but they have seen some scope changes as well.

Mr. Owsiak explained that to address these funding challenges, staff is looking to utilize some of their FY22 and FY23 tax revenue to offset the anticipated increase in construction costs. He said that this is the US-1 and Courthouse Road intersection project, improvements on Berea Church Road, and the US1/Telegraph/Woodstock Lane project. He noted that staff has also looked to utilize a majority of their FY24–28 personal property tax revenue to help offset the $23 million cost increase on these bond projects. He said in addition to the increased County funding, they are also having to increase their anticipated Smart Scale ask on these projects. He stated that on the previous FY22 CIP, they had reduced their Smart Scale requests to about 30% of the overall total project cost. He stated that they are looking to increase Smart Scale request to make up for cost increases; in FY22, they had limited that increase to about 30%, but now they are looking to increase it by about 50%—which impacts their score and ability to receive funding.

Mr. English asked if the Governor's proposal to reduce the gas tax will inflate these costs.

Mr. Owsiak responded that it wouldn't inflate these costs but would certainly affect their funding, and he thinks they receive about $4.5 million.

Ms. Vanuch said the state issued a report that said it wouldn't necessarily take away from localities because they still projected an increase in transportation funds because it's not doing away with all the gas tax.

Mr. Owsiak noted that they hadn't accounted for fuel tax reduction in these estimates.

Mr. Coen stated that with their last road bond, they didn't do all their projects, and he asked how the equalized personal property tax and increased costs would impact doing all of these projects.

Ms. Light responded that they would bring it back as part of the next work session to look at the overall CIP and impacts of changing the personal property tax and transportation funding.

Mr. Coen said the will of the Board had been to keep it at the equalized rate, but he wanted to understand the impacts and the potential of not doing all the projects. He asked regarding FAMPO about the fund that was supposed to go to northern Stafford roads, and he wondered if they would be getting any of that money.

Ms. Vanuch noted that it passed.

Ms. Bohmke said that money would be coming back to Stafford.

Mr. Owsiak said he would send something out to address the FAMPO steps taken.

Ms. Vanuch stated that when personal property taxes were increased previously to pay for the road bond referendum, the direction of the Board was to send about \$4.5–\$5 million to the Transportation Fund to offset that. She said this budget still proposes the \$4.5 million going there, so it would essentially not have an impact on those projects.

Ms. Light clarified that the bond is only \$50 million, and the cost of these increases would make it fairly easy to spend that, so they may just not see as many projects being done.

Ms. Vanuch pointed out that even if they equalize the personal property tax rate, they were still giving the same amount of money to the Transportation Fund and were not reducing the amount going to the fund to pay for these projects.

Ms. Light confirmed this.

Ms. Yeung asked if Mr. Coen's reference to the service district funding was for monies coming back.

Ms. Light explained that all of the funds for the Garrisonville Service District would be coming back to support that district, and staff did include that in their Q&A, and they would have the new Q&A by Friday so they can review it over the weekend.

Ms. Yeung commented to Mr. Owsiak that she could see his frustration.

Mr. Owsiak said it wasn't so much frustration as concern about where they stand financially for the transportation funding. He said that it was very difficult to come up with cost estimates for a project where they just have a design in aerial photography of what they intend to construct; they are also projecting it out for the next five or six years before the project goes to construction, with a lot that can change over time. He stated that another challenge was that they were bound to that cost estimate, so it becomes locked into the system with the County making up any difference in estimates. He noted that they are also looking for additional FAMPO funding and grant opportunities to help pay for these projects.

Mr. Owsiak stated that the increasing costs required them to go back and restructure the Transportation CIP to balance the increased expenditures with additional revenue. He said that staff has come up with two options for the Transportation CIP: delaying three projects one fiscal year before they started design. He said for FY22, most of them started design in FY23, and to balance the CIP and their funding, Option 1 would delay the start of US-1/Layhill, Leeland Road, and the Garrisonville Road widening project to FY24.

Ms. Bohmke asked how he decided what to bump.

Mr. Owsiak responded that Option 2 looks to maximize usage of the personal property tax revenue to keep the projects on their current schedules, start design work this year, and lower Smart Scale requests to about 30% of total project costs. He said the exception is Leeland Road, which is about 40% of Smart Scale ask. He noted that by doing this, they were now starting design work on these projects in FY23, prior to knowing if they would receive any VDOT funding through the Smart Scale programs. He said that the risk is that it would keep the costs \$2.5 million, but they don't have the VDOT money in the bank. He explained that they could start these projects, not get the funding, and have to either further delay or cancel them and redirect the funding to another project.

Ms. Vanuch asked what the impact would be of Option 2 of reducing Smart Scale funding and reducing the personal property transportation funds on the road bond projects they committed to their voters. She asked if any of the road bond projects would get knocked off the list or deescalated.

Mr. Owsiak said he was able to keep all of the road bond projects on the list, fully funded, and with attempt to keep Smart Scale funding at about 30%. He noted that it utilizes almost all of the personal property tax coming into the County between prior year funding and FY28, and that gives no flexibility for future cost increases or any additional projects in the CIP.

Ms. Vanuch said that Option 1 just pushes things down one more year, and they all know it would take longer than projected anyway because of the complexities of the projects and the property acquisitions needed.

Mr. Owsiak stated that it was likely to increase costs there, and there was no guarantee that they would receive funding for all eight projects submitted. He stated that he did not have a preference of Option 1 or Option 2, but as the person executing these projects, he was inclined to move ahead and keep the projects in FY23, hope the state money comes through, and seek other grants for the projects. He said by delaying the start a year, it lowers that risk and increases the cost slightly. He stated that they are also still using a large portion of the personal property revenue to fund these.

Ms. Bohmke said that with US-1/Layhill, they originally got that project funded but put that money on another project to move it up first. She stated that it would seem to be a good risk to her as a Smart Scale project.

Mr. Owsiak responded that he thought the project would score well and had a good potential of receiving funding, but the costs have increased on that project—from \$8.6 million to \$10–\$11 million, depending on when the work would start.

Ms. Bohmke commented that all the other MPOs and transportation authorities would have the same issue they had.

Mr. Owsiak said he would assume other localities were experiencing the same types of increases, but the disadvantage here was that Spotsylvania issued a \$101 million transportation bond, so they may have a leg up on Stafford for this round because they can leverage more county funding.

Ms. Bohmke commented that she thought Leeland was already funded.

Mr. Owsiak explained that the project was majority funded, and they were still looking for about \$2.5 million in FY22 CIP to finish off that project; that cost has now doubled to almost \$16 million, with a large part of that because VDOT has asked the County to include the scope of their pedestrian improvements on Leeland—and there was a lot of pushback from the Leeland Station community. He noted that they cut their project in half and added their bike lanes and sidewalks up to Deacon Road as part of this project now, and he was also hoping there could be some VDOT funding contributed to fund the additional scope additions, but he has not yet received official VDOT word on that yet.

Ms. Bohmke said that her vote would be to keep pushing these forward.

Mr. English asked if sidewalks could be pushed off for now, as many of them—especially along US-1—go to nowhere and are a waste of money.

Mr. Owsiak stated that the two projects now in the CIP are fully funded, and they have received additional money from FAMPO to fully fund those projects; Stafford is only paying about 20% of those costs, which they are pulling form the Garrisonville Road Service District. He agreed with the astronomical sidewalk construction costs, at about \$1,000 a linear foot to install.

Mr. English asked why they didn't put asphalt down to make it cheaper.

Mr. Owsiak responded that it didn't seem to make it that much cheaper.

Mr. English reiterated that they should do away with some of these, and he asked where the Flatford Road sidewalk leads.

Mr. Owsiak stated that it connects the existing sidewalk network from Parkway Boulevard to Winding Creek. He noted that VDOT requires localities to incorporate bicycle and pedestrian accommodations as part of their projects, which drives up the costs.

Mr. English said the ones on Courthouse Road are asphalt.

Mr. Owsiak stated that they have a 10-foot shared-use path going down Courthouse, which seems to be the way they are moving with multimodal paths.

Mr. Counsell said the cost of doing sidewalks is more encapsulated in the process and the number of studies tied with federal money, not necessarily with the material costs, which count for just a small fraction of the project.

Ms. Yeung stated that she was in agreement with Ms. Bohmke in terms of pushing ahead, and she wanted to know what work went into the finding of when to push it forward. She stated that these were important projects, even the sidewalks because people are walking more and taking care of their mental health. She said that people are using Garrisonville Road, hence the widening, and US-1 is excessively busy, so the widening is important—but the homes are right on the street.

Mr. Owsiak stated that right-of-way costs were sometimes exceeding construction costs, especially when dealing with commercial properties. He said that currently, they would be scheduled to go ahead and get design engineers on board this fall to start with engineering work, with a large part of that being surveys for the project and working toward 30% plans so they can go through official scoping with VDOT. He said the process takes anywhere from 6–12 months, and if they started this fall, by spring of 2023, they should have an idea from VDOT which projects were being awarded and at what cost. He added that they could likely make a decision at that point whether they wanted to continue, pause, or make other decisions about the program.

Ms. Vanuch said that the question for the Board is whether to move forward with Option 1 or Option 2, and she asked about impact to the budget with Option 2.

Ms. Light responded that there would not be a budget impact.

Ms. Bohmke asked why Leeland Road was yellow in his list.

Mr. Owsiak explained that of all the other projects, he was able to get the Smart Scale ask down to about 30% of the total project cost. He said that based on the timing, that was the only project he was having trouble with in terms of bringing it down to 30% and only got it to about 40%. He said that he would look at the CIP and see if they could shift some bond money around on other projects and replace it with personal property tax to try to bring the Leeland ask down to 30%. He noted that Garrisonville was at 30% with Smart Scale.

The Board agreed to proceed with Option 2.

Mr. English asked about Richards Ferry Road.

Mr. Owsiak responded that they have looked at that road and were waiting for a cost estimate from VDOT on the wedge widening and overlay of that road, then try to squeeze it into the six-year secondary road plan. He also noted that Northampton Boulevard was slated for paving next year.

**ADJOURNMENT**

At 5:52 p.m., Chairman Vanuch adjourned April 12, 2022 Stafford County Board of Supervisors Budget work session.

Michael Smith for
Frederick J. Presley
County Administrator

Crystal L. Vanuch
Chairman