BOARD OF SUPERVISORS
STAFFORD, VIRGINIA
MINUTES
BUDGET WORK SESSION - UTILITIES, TRANSPORTATION AND OTHER FUNDS
MARCH 21, 2023

CALL TO ORDER – A work session of the Stafford County Board of Supervisors was called to order by Dr. Pamela Yeung, Chairman, at 1:00 p.m. on Tuesday, March 21, 2023 in Conference Room ABC, George L. Gordon, Jr. Government Center, 1300 Courthouse Road, Stafford VA.

ROLL CALL – The following members were present: Dr. Pamela Yeung, Chairman; Thomas C. Coen, Vice Chairman; Tinesha O. Allen *(arrived at 1:05 p.m.)*; Meg Bohmke; Darrell E. English; Monica L. Gary; Crystal L. Vanuch

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

Dr. Yeung called the meeting to order at 1:00 p.m.

WORK SESSION AGENDA ITEMS

UTILITIES FUND FY24 PROPOSED BUDGET
Mr. Chris Edwards, Director of Utilities, stated that this year, the Utilities Department completed a full comprehensive rate study, and Thierry Boveri with Raftelis would present the results of the study to the Board.

Mr. Thierry Boveri, representing Raftelis, said that also with him was Mark Tuman and Diana Ling, who supported the analytics in the presentation. He said that the graphic displayed on the right side of the slide gave an overview of the approach for the engagement, with an objective of balancing identified revenues with revenue requirements, because it was an enterprise fund that must have fully funded operations from the rates and charges for service.

Mr. Boveri said that more than 90% of revenues would be user fees, with availability fees tending to represent the balance of other revenues. He said that availability and user fees were driven by growth and varied over time. He said that they had done this study for the County for a number of years, and he recalled that since 2014, when the studies first began, the availability and pro-rata fees were much lower back then, and they had seen robust growth in the region and benefited from those collections.

Mr. Boveri said that on the other side of the balance, the funding requirements were primarily the operating costs, along with debt service requirements and deposits for capital, and operating reserves. He said that the rate index was revised in 2019, and they had been on track with implementing about 75% of that price index to the utility fees. He said that due to the recent rise in costs of operations, Raftelis was tasked with evaluating the ratings, so a thorough analysis was performed of the cost of service for the utility system.

Mr. Boveri displayed a chart of the historical and proposed revenues from 2020 to 2027. He said hat revenues had generally remained constant, which could be seen with bars of the revenues with rate revenues and availability fees and other revenues. He said that growth per year since 2020 was approximately 1.6% on average, and the forecast assumed a 1% continued growth rate in system revenues before any sort of rate adjustments, and also reflected a continuation of the currently-adopted continued price index at 75% of the Water and Sewage Maintenance Index, a track for utility cost increases. He said that the availability and pro-rata fee revenues continued based on the 1% growth and represented about 10% of their revenues.

Mr. Boveri said that the other funding requirements included operating expenses, which was a subject of focus for the study, and a key takeaway from the past several years was that the inflation of the past few years was seen in the operating expense budget. He said that there were a few years of historical data and the budgets for FY23 and FY24 shown on the chart on the slide. He said that the bottom of the stacked bars represented the personnel salary and benefit costs, with repair and maintenance above, then variable costs, then machinery, equipment, and meters, and contract, indirect, and other operating expenses on the top.

Mr. Boveri noted that from FY20 to FY22, the costs were increasing at a reasonable pace, and in 2023 and 2024 the operating costs grew. He said that the two variable costs related to chemicals and electric were subject to the system, as well as labor costs and inflation of those costs. He said that as a result of those increases, there had been a decline of the 2022 levels, and they would see about a $10M increase in overall operating costs, but if their operating costs went up and everything else was held constant, there would be less revenues available for capital reinvestment tor the system.

Mr. Boveri said that over $220M in needs were identified over the next five years for the CIP, and in six years it was estimated to be $240M. He stated that a number of major projects and improvements were identified over the long term to address the needs of the system, including the Little Falls Waste Water Treatment Facility upgrade for $42.5M, the Aquia Waste Water Treatment Plant upgrades for $20.5M, the Sewer Pump Station replacements for $12.3M, and water line replacements for $13.5M.

Mr. Boveri said that on the slide, the capital improvement funding needs were shown for years 2023 through 2027, with the top chart showing the capital funding planned by year was assumed to be funded from debt versus from internal sources. He said that for FY23, it was assumed that $34.5M would be debt financed, FY25 would be $33.0M, and FY27 would be $50.1M.

Mr. Boveri said that the chart on the bottom represented their existing debt service and what the proposed debt service would be if they needed to issue the identified financing. He stated that a significant capital need had been identified, and in order to maintain that infrastructure investment, they must continue to invest, and because of the rise in operating costs, they would need a debt fund for the CIP in order to fully implement that.

Dr. Yeung asked to see Slide 5. She asked what the acronyms WSI and ENR stood for.

Mr. Boveri apologized for not defining those terms when first mentioned. He said that those were measures of inflation for the utility industry as a whole, WSI being short for Water and Sewage Maintenance Index, which was the current inflationary price index that the utilities used to raise its rates at 75% and changing that index annually.

Mr. Boveri continued that ENR was shorthand for Engineering News Record, an industry-accepted construction cost index tracking mechanism. He said that in regard to the Industrial Chemicals, the Bureau of Labor Statistics tracked industrial chemicals, and those chemicals had a high degree of correlation with the energy prices, so when energy prices rose, utility prices would do.

Mr. Edwards noted that in Mr. Vosburg's budget presentation, he mentioned that there was a 30% increase in chemicals, which was a reference of the price index for industrial chemicals.

Mr. English asked if the reason for the increase in chemical prices was due to supply chain issues.

Mr. Edwards said that something seen over the last two to three years was a pretty steady increase, but one of the things they were not seeing was any downward movement. He said that one of the chemicals was one of the highest cost increases that they had, and the number of suppliers had steadily gone down, so when they put it out to bid, there were only two providers within Virginia that could provide them chemicals, but they were both served by one provider, and they were ultimately buying chemicals from one provider.

Mr. English asked if they could pre-buy the chemicals to keep the price consistent.

Mr. Edwards said yes. He said that they usually put it out to bid at a fixed price, but they had seen a steady increase each year when it was rebid. He said that another discernment was that they used to be able to ride other contracts to be able to purchase that for less, and the one provider who was providing the region's chemical was no longer allowing rideable contracts.

Mr. English asked for clarification about the rideable contracts.

Mr. Edwards said that if a peer County such as Spotsylvania had a lower contract amount, they would ride that contract instead of using their own, but they were now essentially required to buy from one provider.

Mr. English said that kind of sucked.

Ms. Bohmke said that perhaps they could look for out-of-state contractors to ride contracts with.

Mr. Edwards said that the chemical was supplied once per week, so there must be a local and steady source. He said that the chemical was stored in large tanks, and they could not go outside the state because they ran the chance of running out of chemical because they were having to transport three or four states away. He said that it would also increase transportation costs, so this was likely the cheapest option available at this point.

Mr. Boveri said that if they were to implement the capital plan and the operating costs as anticipated based on that budget, with a 3.5% increase to their O&M costs over the next five years or so. He said that he anticipated the fund balance to decline, and this assumed the issuance of the debt proposed, so if they were not to issue that debt and continued to fund the capital plan, it would be even less.

Mr. Boveri said that the chart on the slide represented all cash reserves within the operating fund and utility fund, and the internal target for a minimum was to meet 300 days of operation, and also charted was S&Ps AA rating with the red line to see that they were falling below that in the forecast period with some of the assumptions made.

Mr. Boveri said that the other key assumption they made that was reflected in this projection of cash reserves was that they were going to implement some additional rate increases above the indexing. He said that if they implemented the rate plan, and based on the assumptions, it was anticipated that they would be in compliance with their minimal fiscal policy targets for the utility enterprise fund.

Mr. Boveri said that a 6.5% increase was proposed over the next three years, and the chart on the slide identified the expenditures and revenues, with the solid line representing revenues without adjustments, and the dotted line was revenues with rate adjustments. He said that if they were not to implement anything, they could potentially cover their operating and debt service payments but would not have much leftover, and most likely, the fiscal metrics such as the debt service coverage ratio would not find this compliant. He said that this represented the minimum amount of funding to be implemented without falling short of the capital plan based on discussions with Mr. Edwards and his team.

Mr. Boveri said that the need for the rate revenue adjustment was about 70% due to the O&M costs that had been seen, which was why they were proposing a three-year plan, so that the changes were phased out over time and they were not implementing them in a manner consistent with the increase in the cost of utility itself, and they were phasing it in for the benefit of the ratepayers. He said that implementing all three years allowed for them to capture back that increase, and if achieved, they could generate a reasonable of revenue after debt service and operating costs for capital reinvestment to the system.

Mr. Boveri displayed an informational graph of fee comparison of Stafford County's and their peer localities' typical monthly residential bill at 6,000 gallons (8.0 CCF), as well as the bill amounts if a 6.5% increase for FY24 was implemented, and the survey average. He said that even if comparing the County's rates to the average for the peer benchmarking, without increasing their rates for the identified increases, they were roughly in line with the system average.

Mr. Boveri noted that many utilities in the region were identifying north of 6% annual increases, largely in reaction due to inflation on operating budgets as well as the capital plan. He said that the inflation of construction costs of projects had also impacted rate increases, and in working with consulting engineers who were developing master plans in other engagements, the CIP over five or 10 years for other utilities had seen their cost estimates run up 30% for many projects that had been communicated. He stated that this was more of an industry-wide issue than one only in Stafford County.

Mr. Boveri summarized that the County observed significant increases in operating and capital needs, and without rate adjustments, the County would need to significantly reduce capital spending. He said that for that reason, they recommended adoption of a three-year rate plan that balanced rate impacts to customers with satisfying the fiscal targets for the enterprise fund to the best of their ability. He said that due to the uncertainty in other cost increases that staff continued to annually assess the needs regardless of the three-year plan being adopted.

Mr. Edwards said that the graphic on the slide was an overview of the County infrastructure, which had been provided at the last three years of budget work sessions. He said that this year, the takeaway message was that the County owned and maintained over $1B in infrastructure, including four treatment plants and three drinking water reservoirs, one reservoir being reserved for future use.

Mr. Edwards said that the County was self-sufficient because it could provide water or sewer services without outsourcing to other jurisdictions through the year 2040. He said that such self-sufficiency came at the cost of infrastructure, which the County was responsible for. He said that the infrastructure, a $1B asset, depreciated at $18M per year, and required consistent 3R efforts to maintain value.

Mr. Edwards said that there were three main focuses for investment in utilities. He said that investment in personnel requests would bring Stafford Utilities into alignment with peers, as indicated by the FY21 benchmarking study, which helped to create a five-year staffing plan. He said that there were departmental plans to conduct a follow-up benchmarking study.

Mr. Edwards said that increased staff were needed for growing the system and meeting needs, as well as reinvestment in existing infrastructure, which was a focus of the Utilities Department 3R Program and the primary focus of the Capital Improvement Program. He said that the capital improvement plan had the goal of getting all of the water from Lake Mooney to northern Stafford and even in to Quantico.

Mr. Edwards said that dividends in both staffing and 3R had been observed. He said that the department had been able to add new positions and staff and additional funding for 3R and capital projects. He said that they had been able to fill most positions and added staff from neighboring jurisdictions, in addition to a successful internship program. He said that 3R programs had been successful, in part because of the additional staff. He said that the water main replacements had reduced the number of breaks per year from 9-10 to 1-2 per year, allowing staff to focus on other things, including some of the 3R efforts.

Mr. Edwards said that inflation was one of the issues that was being faced currently. He said that their utility department relied on purchased goods more than other departments did, and the purchases of capital projects, the construction costs, and the purchase of operating expenses were the driving costs. He said that there had been a noted 30% increase in costs for capital projects, and the operating expenses of pumps, chemicals, and electricity had also seen a large increase.

Mr. Edwards said that the electrical budget was usually about $2M to $3M per year, but they were anticipating a 30% increase in electrical costs plus a 6% fuel surcharge, which would add $1M to $1.5M to the budget. He said that chemicals such as sodium hypochlorite were essential to disinfecting the raw water and the increased cost of the chemical could not be avoided.

Mr. Edwards said that the CPI was approximately 4.4% for water and sewage maintenance, and the fiscal policy dictated that the increase should be at least 75% of the CPI, and that would be 3.3%. He said that since 2019, they had only implemented the minimum 75% of the CPI-U, so they now had a proposed rate increase that was slightly larger, with a 6.5% rate increase per year to achieve the necessary rate. He said that the single family consumption was approximately 6,000 gallons per month and would have a monthly increase of $6.20, and townhouse or apartment consumption was 4,000 gallons per month and would have a monthly increase of $4.61.

Mr. Edwards said that the current slide displayed a graph of the customer accounts since 2004, which showed a steady increase of 1.6% per year, and they now had over 40,000 accounts compared to the 2004 number of 2,600 accounts. He said that their customer service department had been very impacted by the increase, as the department began with four customer service representatives in 2004 and that was the number they currently had, so there was a request for an additional position to be added.

Mr. Edwards said that the CIP increased from $175M to $237M for the five-year period, mostly due to the effects of inflation. He said that continued focus from FY23 was heavy 3R investment, with existing projects including Smith Lake and Aquia Treatment Plant rehabilitation, Lake Mooney to North Stafford distribution, Butler Road Water Line replacement, and Potomac Creek sewer improvements.

Mr. Edwards said that the Utilities Department Facility Expansion was necessary because of work that required moving into space that air field ops currently occupied and that work required a new facility. He said that new projects in the CIP included centralized sludge management, a collaboration with the R-Board, water plant regulatory upgrades based on the new PFAS regulations from the EPA, Smith Lake filter repairs, and Abel Lake to Lake Mooney Waterline.

Mr. Edwards said that they were asking for a rate increase and an update to the pro-rata fees, which was the program that allowed a development to pay for itself. He said that they were asking for an equalization of the pro-rata fees so that the increased cost estimates would not be put on the County and ratepayers. He said that there would be a cost increase in areas with many CIP projects, and there would be cost decreases in areas with less CIP projects, but they were most concerned with ensuring that ratepayers did not see those costs.

Mr. Edwards said that the completion of the comprehensive rate study and three-year spending plan allowed for them to address their major three things, which were personnel costs, additional 3R spending to keep pace with needs, and execution of the capital improvement plan. He said that the 15% rate increase initially calculated was not viewed as fair for customers, so they worked to cut as much as possible out of the budget and implement a three-year increase that captured the need of the department.

Mr. English asked if the reason for this request was due to inflation.

Mr. Edwards confirmed that most of these rising costs were due to inflation.

Mr. English asked if they would lower the rates if inflation went down.

Mr. Edwards said that they typically would not see inflation go down. He said that they continued to experience the increase in costs that they did not have control over now.

Mr. English asked if the rates had been increased last year.

Mr. Edwards said that the rates were increased by about 2.5%. He said that the fiscal policy written into the utilities fund stated that the minimum rate increase would always be 75% of the CPI-U increase. He said that last year, there was a 3.2% increase, and 75% was approximately 2.5%, which was the minimum adopted.

Mr. Boveri said that the Water and Sewage Maintenance Index lagged behind the cost increases the utilities were seeing. He said that utilities had experienced cost increases this past year that had not been passed directly onto utility billing, similar to the smaller increases being proposed today.

Mr. English asked if they knew last year that the chemicals were increasing in cost and the 2.5% was to equalize that.

Mr. Edwards said yes. He said that they had seen increases for the past two or three years, but had always tried to adhere to the minimum. He said that this year, the rate of inflation was far exceeding the rate of CPI-U.

Mr. English asked if there would be another request for a rate increase next year.

Mr. Edwards said that this was a three-year plan to keep the large increase down, accounting for some inflation. He said that the intent was to make sure that they had enough even if inflation continued to rise at the same rate.

Mr. English asked if that meant that the proposed rate would cover all three years.

Mr. Edwards said yes.

Ms. Allen asked how the staffing request was also utilizing online representatives to answer questions and concerns.

Mr. Edwards said that there were staff who did answer questions through email, but when requesting customers to do so, that resulted in an amount of emails that could take up more time than traditional phone calls.

Ms. Allen said that it was important to meet everyone's needs, and emails could make things more efficient for some people.

Mr. Edwards said that they utilized email as much as possible. He said that during any time they were doing disconnect service, they ordered staff to 6:30 to cover that extra gap. He said that staff did email after hours, but further chatting after hours would require extra staff time, so most of the time, they used a call center that they had received a message that they could respond to. He said that they had almost doubled the amount of accounts being handled by the same amount of workload.

Ms. Allen asked how one employee would alleviate thousands of customer service requests when technology could be utilized.

Mr. Edwards said that that was something that could be looked at, but in the long term, they had enough needs that they did not want to dedicate so many resources to customer service that they ignored other ones.

Ms. Allen asked how the policy dealt with insulations against outside pressures, specifically what was being done to prevent another significant increase after the three-year rate increase.

Mr. Edwards said that the costs for goods and services was the main rate driver, which could be affected by getting the best prices and deals, but they had prioritized the CIP and were trying to implement a asset management plan to bring down some of those costs and use them as officially as possible. He said that operating costs for treating water and sewer could change with the renovations, as they would make use of technological efficiencies as much as possible to minimize costs, but some of it was fixed and could not be brought down past a certain amount.

Ms. Allen asked how they could get ahead of the rate so that they were not at 18.

Mr. Edwards said that it was something that they could not control. He said that they had $1.2B in value, and much of the infrastructure had a limited lifespan and thus depreciated in value, so the only option was to replace it with something that was bigger and newer, which would actually depreciate faster. He said that all that could be done was to reinvest and ensure that anything at the end of its useful life was replaced in a good-functioning condition.

Ms. Allen asked if the newer pumps would depreciate faster than the older equipment.

Mr. Edwards said that it would depreciate faster because it was more expensive.

Ms. Vanuch asked if information could be provided on the impact of potential data centers on the public water system and the taxpayers and rate increases.

Mr. Edwards said that he could give a further answer at the next work session on the matter, but he knew of Highland County which had changed from potable water to reuse water, and they set a reuse rate that overcomes the cost of any extra steps. He said that it did not negate anything done on the front end, but anything in regard to pumping it would be met. He said that if the data centers were to purchase that, they would prefer that avenue. He said that if they were able to purchase that, the operations and maintenance would at least be neutral, but they would have to investigate it further.

Ms. Vanuch said that she would like for those data centers to help pay for some of the other capital needs, not only for themselves.

Mr. Edwards said that that was related to the O&M costs, and they could research the capital rates further.

Ms. Vanuch said that she would like to have that information prepared for next Wednesday.

Ms. Bohmke clarified that Lake Mooney was more like $150M.

Mr. Edwards said that it was $160M.

Ms. Bohmke said that she wanted to know if the water reserves through 2040 were impacted by the data centers' use of water, and if they were looking at the highest peak day of the summer, if the residents would be at risk. She asked Mr. Boveri if he had full confidence in the assumptions and calculations made by the consulting team., understanding that there was no perfectly generated report.

Mr. Boveri said that part of their recommendation was to continually reevaluate as parts of the process were implemented, because things were subject to change. He said that in this financial plan, they attempted to balance competing interests, and while there was potential to raise it higher, he perceived it as an undue burden onto the ratepayers, so they worked with staff to find the most optimal balance. He said that the financial plan assumed that cost increases would be held constant in general, with around 3.5% per year in the O&M piece alone. He said that the capital needs were roughly $200M per year and the average was a little over $40M per year of the forecast period.

Mr. Boveri said that to balance the plan, they assumed the use of debt, so the extent of the capital needs, they could reduce the amount of debt without impacting the overall rate plan that much. He said that there was some flexibility within the financial plan, but he was concerned that inflation continued to increase above what was forecasted, and that would put more pressure.

Mr. Boveri said that if they were seeing capital expenditures exceed what had been identified, or if there were higher interest rates in the market to finance that debt, it could put increased pressures on their need. He said that there were also still other regulatory needs that created more cost pressures on the utilities, such as PFAS.

Ms. Bohmke asked if they were at war with China and Russia, how were they protected to ensure they had the proper chemicals in their system. She asked if that was something discussed with Mr. Edwards moving forward.

Mr. Edwards said that they should ensure that everything was domestically sourced, especially chemicals. He said that industry practices already included domestic sourcing of chemicals when possible, because many chemicals did not transport well and posed a quality issue if not domestically sourced. He said that recently, facilities had been shutting down within the United States, which posed an issue in that regard.

Dr. Yeung asked if information about the impact of multiple data centers on the water and sewer system could be provided for the next work session, along with information about the pricing and if the pricing could be attached to the data center itself. She asked if the 6.5% included staff's recommendation.

Mr. Edwards said that 6.5% was for FY24, FY25, and FY26.

TRANSPORTATION FUNDS

Ms. Andrea Light, Chief Director of Financial Services, stated that the purpose was to provide the Board with options for how the increased transportation funding could be used to support projects with significant shortfalls, with a focus to determine how additional funds may ease decisions at future work sessions. She said that staff was seeking the Board's input on the increased use of personal property to support funding shortfalls.

Ms. Light said that there was an existing shortfall within some of the projects in the CIP, for a total of approximately \$67M. She said that the FY24 proposed budget assumed \$9M would go toward the transportation fund from the general fund, and this consisted of new funding from personal property, which was approximately a 27-cent increase to get to almost \$3.2M of new funding. She said that it included the FY23 base budget amount of \$4.8M and year-end funding of \$1M.

Ms. Light said that the increase in personal property tax within the five-year financial plan provided \$18.9M to address almost 30% of the shortfall. She said that this also provided contingency funding of \$1M in FY24 and assumed an additional 5% of construction for contingency in the out-years. She noted that in the capital revenue line 8, for impact fees, they assumed that that would only be \$800,000 over the five years. She said that what had been seen in previous actual results were approximately \$1.5M, but in FY23, it was pulling back as they saw a slowdown in construction.

Ms. Light said that the construction contingency they talked about was on line 14. She said that on line 2, the transportation from transportation operating, had in FY24, FY25, and FY26, there was excess operating revenue in the transportation operating funds, but in FY27 and FY28, that no longer happened, so their costs exceeded the operating revenue. She said that gas tax and operating revenue were mostly interest, and line 4 showed the amount from the general fund to support the operating expenditures. She said that the operating expenditures included VRE and the cost of moving that subsidy, and PRTC, and operating costs were minimal.

Ms. Light said that they expected the FRED bus service to go from \$160K in FY24 to approximately \$194K in FY25, which was the pre-pandemic cost. She said that a significant amount of CARES Act funding had helped offset the subsidy from all of the jurisdictions, so \$495,000 returned it to the pre-pandemic level.

Ms. Bohmke said that she would like to see the number related to the FRED bus service. She said that VRE would be looking at additional increases to the southern jurisdictions, and they did not know what those were yet, but they would be for the next year.

Ms. Allen asked if line 9 included the expansion of the commuter services that would go into Route 17.

Ms. Light said that not at this time, and PRTC did not assume that in their six-year plan, which was what was included. She said that the amount would be limited to their cost of increase. She said that what they had with the commuter bus service that they currently had with PRTC was that it was 100% funded through a grant that was in perpetuity, so they did not see those costs within the County.

Mr. Vosburg said that the information on ridership of the FRED bus by year was included in the Q&A in the attachments.

Dr. Yeung asked if they were able to adjust down from what the ridership was. She asked if there was detailed information on the trips that riders were taking between stops and within the County.

Ms. Light said that more information could be added to the Q&A attachment in order to address that question.

Mr. Vosburg said that two route maps were in the Q&A, labeled with the north Stafford and south Stafford routes. He said there were about 29,000 riders for north Stafford and 27,000 riders for south Stafford.

Dr. Yeung asked if there was information on the trips being taken so that it was understood where the riders were traveling to and from.

Mr. Morris said that they would see what they could do.

Ms. Light said that transportation impact fee revenues and expenditures were approximately $800,000. She said that collections were anticipated to be $785,000 and interest revenues were assumed to be $15,000. She said that all of the funds were anticipated to be transferred back to the main transportation fund to repay the County for any impact fee County projects.

Ms. Allen asked if this was the adjusted fee per the transportation study, or if that had not been done yet.

Mr. Counsell said that the impact fee study must be correlated with the master plan, because the impact fee was based on the cost of projects in different areas of the County and divide it out to pro-rata proportion for different developments to pay for it. He said that if they came out with projects before the master plan, the projects were not vetted and they did not know if they would be accepted by VDOT to receive grant money, so they had to go through the master plan process. He said that at the end of that process, they could take particular projects of the master plan and incorporate them into the impact study so that they could finish that program.

Ms. Allen said that was taking a long time and it resulted in lost collections. She said that different developments impacted different roads, according to the degradation, they should pay for that.

Mr. Counsell said that the past projects were not doing what had been hoped for 10 years ago, and in addition, the impact fees were currently projected approximately $15,000 per building permit. He said that they wanted projects to be viable and be able to get grant funding for them, so they had worked with VDOT to ensure that any projects in the impact fee study were viable projects that would score reasonably well in comparison to other projects in the region and district. He said that the current projects they had were not.

Ms. Vanuch said that there had been discussion with the Board and County Administrator in years past about changing the impact fees, and it was still an issue that must be addressed. She said that collecting $3,000 per every house was inadequate, and she did not agree that more research was necessary to change this rate.

Mr. Coen said that a timeline or summary of the current standing of the transportation impact fees would be useful. He said that they should address the impacts of new developments in neighborhood areas, which may not be applicable to Smart Scale projects. He said that there should be some clarity so that they knew how long the process would take.

Ms. Gary said that this was an issue the Board felt should be addressed, so she would like to know what the next step was.

Mr. Counsell said that a draft master plan project list would be provided sometime in the early summer, compared to the current list for the impact fees. He said that they would present projects viable for the impact fee program and if they were viable for grants, and if they were, they would be incorporated into the impact fee program.

Ms. Gary asked when the list could be presented to the Board.

Mr. Counsell said that it would be prepared by early autumn.

Ms. Allen asked how long legal representation must review this information.

Ms. McClendon said that she would work with staff's schedule, but there should be at least one closed session with the Attorney's Office and the Board to understand intricacies of the proposals, options.

Ms. Allen expressed concern that there would be a lot of developments that would impact their roads and not enough funds collected to address the impacts.

Ms. Bohmke said that it was important to recognize the many recent changes in staff, administration, and had a new County Administrator, and they did not have sufficient staffing in transportation nor had they been able to hire people. She said that many construction projects were underway and planned in the County, and while she understood the frustration about the stagnant rate, she knew that staff was overexerting themselves in achieving this work.

Dr. Yeung asked what the Garrisonville Fee District fund was meant to address within the District itself, and why the funding was not being put toward that area. She said that Garrisonville was taxed but not 17, and she would like to know why they were not taxed.

Mr. Counsell said that staff did not control the rate of which service districts were active, as that was set by past Boards over a period of time. He said that the annual CIP was also set based on Board decisions, and the CIP currently had the Onville Road widening, the Garrisonville Road widening project, and a few sidewalk projects. He said that the service district augmented all the other funding sources, and was a small percentage of the funding of any project that the service district was geared to fund.

Mr. Counsell said that by that budget, the way that the grant program worked, most of the money they would receive for those projects were far in the future, so sometimes, depending on the timing and selection of projects, it could be 8 to 10 years from the inception of the project to its completion. He said that the service district may look like it was not doing anything for a while, but it was augmenting those future projects that had not yet begun.

Dr. Yeung asked if Mr. Counsell could further address the 30% shortfall.

Mr. Counsell said that there was a $67M shortfall, and the budget proposal had an additional $18M to address 30% of that shortfall, so that had not been applied to any projects yet because it had not been voted on yet.

Mr. Vosburg clarified that that was over five years.

Mr. Counsell said that was correct.

Mr. Coen said that he recalled the rate was changed on 17 was because money had to be spent on 17, and because the projects had concluded from their standpoint, there was no further money. He said that Mr. English had asked last year if they were able to reinstitute it so that the money could be used for Truslow Road.

Mr. Counsell said that the Warrenton Road Service District was a tool that the Board could use to generate and augment funding for any projects along the 17 corridor. He said that taking traffic off of 17 onto another side road would qualify, depending on where boundaries were set for the service district.

Ms. Vanuch said that they had a new high school coming on Truslow Road that would require significant transportation upgrades to the road, which had yet to be discussed by either the schools or the County. She asked if information regarding the potential reinstating of the service district, its possible confines, and what other roads were getting infrastructure benefits, in a future work session.

Ms. Bohmke said that the tax rate had been set at 0% on Route 17 because the work had been completed and they could not expand to Truslow or Enon. She recommended the issue be investigated as soon as possible, because the traffic would only continue to get worse.

Mr. Coen said that this had been continually raised by Board members as an issue, so research into this service district should begin.

Ms. Light said that the Garrisonville Service District extended from Route 1 to Shelton Shop Road.

Ms. Vanuch asked if the Board could receive an updated analysis of businesses created in the past 10 years that paid into the service district.

Ms. Light said that the revenues and expenditures in the proposed budget were almost $1.5M. She said that the service district tax rate was assumed to have a flat tax rate with calendar year 2023, and federal revenue and the prior-year fund balance supported the Staffordboro sidewalk project. She said that the expenditures included the debt service, which was $388,225, the Staffordboro sidewalk project and contingency, and project management cost. She said that the Garrisonville Service District paid for the debt service.

Ms. Allen said that $9M was not enough for the transportation fund, so the Board should not consider it adequate. She said that she would like to know what the future cost of only partially funding the projects was.

Mr. Counsell said that it was a complicated answer. He said that in short, it was not enough to offset the deficit or shortfall, so in upcoming infrastructure committee meetings, the Board would be presented with staff's scenarios of what other local funding could be moved to prioritized projects. He said that at the last infrastructure committee meeting, they discussed three distinctive categories, which were the biggest investments in their projects, which were the most beneficial projects, and bond projects. He said that they could eliminate or extend projects, but any project that got extended into the future was devalued monetarily over time.

Ms. Allen asked if a list of minimum payments and interest rates for projects could be compiled for the Board.

Dr. Yeung asked if Mr. Counsell had the infrastructure matrix available to share.

Mr. Counsell said that yes, he could share it with the Board. He said that the Board would see in future presentations that if money was taken off of other local projects to fund a higher priority project, the project that had its money reduced would likely not happen at all, because almost all of the projects had some other source of grant funding that would not be available if the project was delayed. He said that it would be a difficult task for the Board and staff to portray the true process of where the funding came from and how it had to be spent, and to not default on grant funding sources as funds were moved from project to project.

Ms. Light said that if it was assumed that the $76M within five years and had already put $18M to that, almost $10M would need to be increased over the next five years, or 4.4 cents on the tax rate. She said that the Board could address that as part of this budget or consider it as part of future budgets.

FIRE AND EMERGENCY SERVICES LEVY FUND

Ms. Light said that the fire and emergency services levy assumed a 3 cent tax rate in the FY24 proposed budget in order to support capital funding. She said that the chart on the slide showed the range of median assessed values and the increased tax for the types of housing in the County, which had a median assessed tax rate of $115.

Ms. Light said that the fire and emergency services five-year plan had an assumption of the 3-cent levy, which increased due to increases in valuation. She said that the bond proceeds aligned with the timing of the projects, and there were some prior years for bond proceeds and transfer from capital projects fund, which were in support directly of Aquia and Rock Hill stations.

Ms. Allen asked if the general fund would be used at all to pay for the debt service, or if the fire levy would suffice to pay for the capital projects of fire and rescue.

Ms. Light said that was correct. She said that the existing debt service that was in the general fund was pulled into this plan, resulting in a reduction of the general fund.

Ms. Allen asked if the general fund was reduced by one penny.

Ms. Light said that it was over one penny.

Mr. Coen asked if they were not to do the fire tax, they would have to find the additional $2.8M from the existing budget or put a penny on the tax rate for that.

Ms. Light said that was correct.

Mr. Coen said that they had taken off of the CIP several items to be funded by this, so if they did not choose to go with the fire tax, those said items would have to go back on the CIP, which would impact the construction of other items on the CIP.

Ms. Light said yes. She said that by having a dedicated revenue source that supported this debt service, the fire stations and joint training center could be pulled out of the debt capacity discussion, and that freed up debt capacity for other projects such as schools, transportation, and a courthouse.

Ms. Allen asked if staffing would be able to fall under this category or only capital projects.

Ms. Light said that as proposed, this levy only supported capital projects for the next 10 years, with the assumptions for capital projects only. She said that there was no assumed increase in the tax rate to cover any current or future operating costs. She said that the Board could consider moving any or all of the operating costs to the fire levy when reviewing this budget or future budgets.

Ms. Bohmke said that she would like to know if the Board had actually had a discussion about the Embrey Mill station and what was required for the station.

Ms. Light said that that station would be discussed more at the next capital projects work session, and it was talked about last year as part of the budget process and was on the CIP last year.

Mr. Joe Grainger, Assistant Fire Chief, said that as part of the community risk assessment standards completed a few years ago, some coverage gaps were identified in the north suburban area around Embrey Mill. He stated that the response times in those areas were designed to have a five-minute drive time, and they could not reach Embrey Mill within the five-minute drive time triangulated between the existing facilities of the Stafford Courthouse Fire Station, the Aquia Harbor Fire Station, and the Garrisonville Fire Station.

Mr. Grainger said that this was mostly due to the design of the subdivision, which was not in a traditional grid pattern and was difficult to navigate. He said that to address the drive time requirements that were in the standards of cover, the proposal was submitted for the community fire station in the Embrey Mill area.

Ms. Bohmke asked what the community fire station would look like in reference to the other stations in the County, such as Fire Station 14.

Mr. Grainger said that it would be smaller than Fire Station 14, larger than the existing Aquia Harbor Fire Station, and would likely house two pieces of tactical apparatus and engine company enamels, and one support vehicle.

Ms. Allen asked how many homes would be affected by the Embrey Mills station.

Dr. Yeung said that there were currently 4,500 homes and more were coming.

Ms. Light displayed a chart showing the possible funding scenarios to support the five-year financial plan. She said that at zero cents, none of the plan was possible, but at 1 cent, one of the three ambulances could be supported by the fire levy. She said that it did not support apparatus replacement through cash funding through the fire levy, and would have to continue to be debt funded on master lease, which were usually seven to 10 years at a bit of a higher interest rate.

Ms. Light said that they would have to put back the debt service into the general fund at almost $2.8M in debt service. She said that it did not provide enough funding to support debt service for Aquia and Rockhill Stations, so as those were built, they would go back into the general fund to provide that debt service.

Ms. Vanuch asked why the debt service was necessary for the Aquia and Rockhill. She asked if they were being removed from the CIP.

Ms. Light said no. She said that they were assuming the debt service associated with those projects would be paid for by the fire levy.

Ms. Vanuch said that it was an attempt to make more room on the CIP for other needs. She said that if they did not move forward with this fire levy, Rockhill and Aquia could be paid for on the CIP, but something else would have to move down. She said that the stations were not impacted by the fire levy, but they were based on the Board’s decisions with the CIP.

Ms. Light said that was correct. She said that it would not be absorbed into the fire levy, and the costs of Aquia and Rockhill, which had been approved in the CIP in prior years and were included as continuing prior-year projects, so the debt service would have to be assumed back into the general fund, which would begin in FY25 or FY26. She said that they were able to fund all three ambulances with a fire levy under 3 cents, and all of the apparatus could be replaced with cash.

Ms. Light said that they continued to keep the debt service out of the general fund. She said that the debt service they were anticipating paying for Aquia and Rockhill would be paid out of the fire levy. She said that the levy fully funded the upcoming projects' debt service, which were Embrey Mill station, the joint training center, and Brook and White Oak Fire Station replacement, which would probably be on new sites.

Ms. Light said that debt funding could be used for fire and rescue capital from VRA, which did not require a bond referendum. She said that a tax rate at 3 cents allowed sufficient revenue to cover all capital needs in the ten-year program. She said that the bond referendum did provide voter input, which the Board could continue to discuss.

OTHER FUNDS

Ms. Light displayed a chart of the proposed budgets of all other funds. She noted that the armed services memorial revenues and expenditures were 2,000 for purchase of bricks. She said that the asset forfeiture was $320,000 of receipt and disbursement of funds received from the forfeiture of assets from drug enforcement, which pertained to the Sheriff's Department and Commonwealth Attorney.

Ms. Light said that all of the tax rate-supported service districts, including Lake Carroll, Hidden Lake, Lake Arrowhead, and Lynhaven Lane were assumed to have flat tax rates. She said that there was a significant increase in tourism of 11%, due to the increase in transient occupancy tax revenue, but the rate was not proposed to be increased.

Ms. Light said that the E-summons fund supported the Sheriff's Department's E-tickets, and the Historic Port of Falmouth parking fees were authorized by the Board to be used for staffing, safety, and river education in the general fund. She said that if the Board made that change, because all of the costs were already in the general fund, it would be revenue into the general fund.

Ms. Bohmke asked if there was any flexibility in the tourism fund that allowed them to take any excess revenues and put them in their road projects to bring more tourists to the area.

Mr. Vosburg said that there was an upcoming work session that was a follow-up to this specific work session next Thursday, and there was also Mr. Jeff Harvey's retirement from 5 p.m. to 7 p.m.

Ms. Vanuch said that she was in favor of canceling the work session if the questions could be addressed at another work session in the future.

Dr. Yeung said that the consensus of the Board indicated the work session would be canceled.

ADJOURNMENT

At 2:46 p.m., Chairman Yeung adjourned the March 21, 2023 Stafford County Board of Supervisors Budget Work Session.

Randal E. Vosburg
County Administrator

Dr. R. Pamela Yeung
Chairman