

Finance, Audit & Budget Committee Meeting

AGENDA

May 21, 2019 - 2:00 PM

Conference Room A/B/C, Second Floor

Committee Members: Chairman Wendy Maurer, Jack Cavalier and Mark Dudenhefer

Finance, Audit and Budget Committee Meeting Agenda

1. FINANCE AND BUDGET; PROPOSED AMENDMENTS TO THE PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT FOR SCHOOL APPROPRIATION METHODS
2. FINANCE AND BUDGET; POLICY REVIEW ADDING NEW SCHOOLS TO THE CAPITAL IMPROVEMENT PLAN

Next FAB meeting is scheduled for June 18, 2019

This agenda may be amended on the day of the meeting. Participation of all citizens is encouraged. For all individuals with special needs, please notify County Administration of any accommodations required at least 24 hours in advance of the meeting. The agenda and related materials may be found on the County's website at www.staffordcountyva.gov

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Finance, Audit and Budget Committee Meeting Agenda

Subject:	
FINANCE AND BUDGET; Proposed Amendments to the Principles of High Performance Financial Management for School Appropriation Methods	
Recommended Action:	
Provided to the FAB for consideration and guidance	
Committee/Commission Recommendation:	
Fiscal Impact:	District:
Overview:	
Provides Financial policy amendments that would increase the reporting and transparency between the School Board and the Board of Supervisors.	
Discussion/Analysis:	
At the December 11, 2018 Board meeting, Deputy County Administrator Fred Presley updated the Board on School Appropriation methods and that staff had additional research and work to complete before a recommendation would come forward.	
At the May 7, 2019 Budget Work Session, staff proposed amendments to the Financial Policies that would require increased reporting and parameters around the release of the 5% appropriation hold.	
Attachments:	
<ol style="list-style-type: none"> 1. School's Quarterly report 2. Clean Version Financial Policies Proposed Amendments 3. Financial Policies Proposed Amendments 05172019 	
Summary/Conclusion:	

Staff seeks the FAB direction in modifying any changes to the Board policy.

Strategic Priorities:

Reviewed By:

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Stafford County Public Schools
Operating Fund
Period 9 Financial Report - Current Year Only
(as of March 31, 2019)

Revenues (by Source) :

Source	Adopted Budget	Adjusted Budget	Revenues	Unbilled	Balance (Over) Under Budget	% Realized To Date
State Funding	\$ 131,809,564	\$ 133,208,193	\$ 95,904,215	\$ -	\$ 37,303,978	72.0%
Sales Tax Receipts	29,712,114	29,939,567	19,055,226	-	10,884,341	63.6%
Federal Funding	2,038,000	2,038,000	1,475,005	-	562,995	72.4%
County Transfer	122,317,574	120,871,709	62,790,637	5,162,837	52,918,235	56.2%
Other Revenues (including Transfers In)	2,813,911	3,252,022	3,134,605	-	117,417	96.4%
Contingency for Grants & Other Additions	1,000,000	381,672	-	-	381,672	0.0%
Total Revenues	\$ 289,691,163	\$ 289,691,163	\$ 182,359,688	\$ 5,162,837	\$ 102,168,638	64.7%

Expenditures (by Category) :

Category	Adopted Budget	Adjusted Budget	Expenditures	Encumbered m	Balance (Over) Under Budget	% Expended To Date
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Instruction						
Salaries	\$ 151,864,339	\$ 151,559,046	\$ 91,820,629	\$ -	\$ 59,738,416	60.6%
Benefits	55,351,464	55,352,668	38,667,314	-	16,685,355	69.9%
Purchased Services	2,260,603	2,777,821	1,307,326	599,727	870,768	68.7%
Conferences, Travel, Fees, Insurance, etc.	2,088,730	2,075,010	1,629,576	130,943	314,491	84.8%
Materials & Supplies	7,685,720	7,509,720	2,926,697	456,776	4,126,247	45.1%
Capital Outlay	99,000	194,457	140,373	41,009	13,076	93.3%
Totals	\$ 219,349,855	\$ 219,468,722	\$ 136,491,915	\$ 1,228,455	\$ 81,748,352	62.8%

Administration, Attendance and Health						
Salaries	\$ 8,635,389	\$ 8,338,873	\$ 5,167,116	\$ -	\$ 3,171,757	62.0%
Benefits	2,847,176	2,847,117	1,973,733	-	873,384	69.3%
Purchased Services	819,686	1,100,538	544,803	294,497	261,238	76.3%
Conferences, Travel, Fees, Insurance, etc.	275,270	287,566	175,844	19,727	91,994	68.0%
Materials & Supplies	331,405	348,996	203,393	36,760	108,843	68.8%
Totals	\$ 12,908,926	\$ 12,923,090	\$ 8,064,890	\$ 350,984	\$ 4,507,216	65.1%

Pupil Transportation						
Salaries	\$ 7,732,206	\$ 7,732,206	\$ 4,698,808	\$ -	\$ 3,033,398	60.8%
Benefits	2,605,198	2,605,198	1,643,720	-	961,478	63.1%
Purchased Services	212,732	213,282	52,919	4,647	155,716	27.0%
Fleet Services	2,569,347	2,569,347	1,965,099	-	604,248	76.5%
Conferences, Travel, Fees, Insurance, etc.	387,906	410,978	295,366	2,640	112,972	72.5%
Materials & Supplies	1,060,950	1,058,750	771,466	240,397	46,887	95.6%
Capital Outlay	947,126	731,574	714,414	-	17,160	97.7%
Totals	\$ 15,515,465	\$ 15,321,335	\$ 10,141,793	\$ 247,685	\$ 4,931,858	67.8%

Operation and Maintenance						
Salaries	\$ 4,753,407	\$ 4,753,407	\$ 3,473,701	\$ -	\$ 1,279,706	73.1%
Benefits	1,596,297	1,596,297	1,239,179	-	357,118	77.6%
Purchased Services	7,196,810	7,288,316	5,288,692	1,919,770	79,855	98.9%
Fleet Services	107,056	107,056	84,088	-	22,968	78.5%
Conferences, Travel, Fees, Insurance, etc.	6,254,630	6,275,776	4,245,151	20,936	2,009,689	68.0%
Materials & Supplies	2,318,230	2,341,854	1,494,486	490,471	356,898	84.8%
Capital Outlay	882,000	927,499	300,237	317,230	310,032	66.6%
Totals	\$ 23,108,430	\$ 23,290,206	\$ 16,125,534	\$ 2,748,407	\$ 4,416,265	81.0%

Stafford County Public Schools
Operating Fund
Period 9 Financial Report - Current Year Only
(as of March 31, 2019)

Expenditures (by Category) (continued):

Category	Adopted Budget	Adjusted Budget	Expenditures	Encumbered ⁽¹⁾	Balance (Over) Under Budget	% Expended To Date
Technology						
Salaries	\$ 5,925,555	\$ 5,949,555	\$ 3,971,687	\$ -	\$ 1,977,868	66.8%
Benefits	2,257,924	2,259,254	1,646,260	-	612,994	72.9%
Purchased Services	1,943,844	1,992,756	984,153	107,752	900,851	54.8%
Conferences, Travel, Fees, Insurance, etc.	416,759	439,165	289,951	112,855	36,358	91.7%
Materials & Supplies	5,180,891	5,190,461	3,139,716	264,658	1,786,087	65.6%
Capital Outlay	765,000	823,663	575,981	44,167	203,515	75.3%
Totals	\$ 16,489,973	\$ 16,654,854	\$ 10,607,749	\$ 529,431	\$ 5,517,674	66.9%

Food Services						
Salaries	\$ 215,105	\$ 215,105	\$ 140,421	\$ -	\$ 74,684	65.3%
Benefits	16,460	16,460	10,742	-	5,718	65.3%
Totals	\$ 231,565	\$ 231,565	\$ 151,163	\$ -	\$ 80,402	65.3%

Facilities						
Engineering	\$ 180,000	203,240	\$ 140,170	\$ 31,078	\$ 31,992	84.3%
Materials & Supplies	-	36,992	36,992	-	-	100.0%
Capital Outlay	-	540,585	440,198	26,798	73,589	86.4%
Totals	\$ 180,000	\$ 780,817	\$ 617,360	\$ 57,875	\$ 105,582	86.5%

Debt Service						
Principal - Capital Lease(s)	\$ 303,329	\$ 303,329	\$ 150,906	\$ -	\$ 152,423	49.7%
Principal - QSCB	75,000	75,000	-	-	75,000	0.0%
Interest - Capital Lease(s)	28,620	28,620	8,379	-	20,241	29.3%
Totals	\$ 406,949	\$ 406,949	\$ 159,285	\$ -	\$ 247,664	39.1%

Contingencies/Reserves						
Contingency for Grants & Other Additions	\$ 1,000,000	\$ 381,672	\$ -	\$ -	\$ 381,672	0.0%
Funded Contingency	\$ 500,000	\$ 231,953	\$ -	\$ -	\$ 231,953	0.0%
Totals	\$ 1,500,000	\$ 613,625	\$ -	\$ -	\$ 613,625	0.0%

Summary by Category	Adopted Budget	Adjusted Budget	Expenditures	Encumbered ⁽¹⁾	Balance (Over) Under Budget	% Expended To Date
Instruction Totals	\$ 219,349,855	\$ 219,468,722	\$ 136,491,915	\$ 1,228,455	\$ 81,748,352	62.8%
Administration, Attendance and Health Totals	12,908,926	12,923,090	8,064,890	350,984	4,507,216	65.1%
Pupil Transportation Totals	15,515,465	15,321,335	10,141,793	247,685	4,931,858	67.8%
Operation and Maintenance Totals	23,108,430	23,290,206	16,125,534	2,748,407	4,416,265	81.0%
Food Services Totals	231,565	231,565	151,163	-	80,402	65.3%
Facilities Totals	180,000	780,817	617,360	57,875	105,582	86.5%
Debt Service Totals	406,949	406,949	159,285	-	247,664	39.1%
Technology Totals	16,489,973	16,654,854	10,607,749	529,431	5,517,674	66.9%
Contingencies/Reserves Totals	1,500,000	613,625	-	-	613,625	0.0%
Total Expenditures	\$ 289,691,163	\$ 289,691,163	\$ 182,359,688	\$ 5,162,837	\$ 102,168,638	64.7%

Footnotes

(1) Encumbered balances represent FY '19 open purchase orders that have not yet been expended but do have an impact on remaining budget.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Last revision: Resolution R18-377, 11/27/2018

The Stafford County Board of Supervisors hereby establishes its Principles of High Performance Financial Management to prudently manage the people's resources through:

- Accountable and transparent allocation of resources
- Planned strategic use of financial resources to ensure sustainability
- Maintaining and upgrading the County's bond ratings
- Balanced tax burden from residential and commercial sources

Debt Limitations

- General obligation debt shall not exceed 2.75% of the assessed valuation of taxable real property.
- General fund debt service expenditures (County and Schools) shall not exceed 10% of the general government and schools operating budgets.
- The County intends to maintain a 10-year pay-out ratio at or above 60%. To the extent possible, future debt for County facilities will be issued with level principal payments.
- When the County finances capital improvements or other projects through bonds or capital leases, it will repay the debt within a period not to exceed the expected useful life of the projects.
- Debt ratios do not include debt to be repaid from identified revenue sources outside the General Fund. In the case of special service districts, the Board of Supervisors intends to set tax rates to cover any debt to be funded with the revenue.
- Capital lease debt service shall not exceed 1% of the general government budget. Capital lease debt may only be used if all the following four criteria are met:
 1. Capital lease purchase is eligible under state law for such financing;
 2. Useful life of the purchase equals or exceeds the term of the debt;
 3. Total purchase exceeds \$100,000; and
 4. Sufficient funds are available to service the capital lease debt.

Capital Improvement Program (CIP)

- A five-year balanced CIP allocating capital improvement funds along with a planning CIP for years 6 – 10 developed between the Schools and General Government will be adopted annually. A projection of changes to the tax rate will be included to help inform the Board of possible impacts of decisions.
- CIP projects for County and Schools are items for which the purchase, construction, renovation, non-recurring replacement, expansion, or the acquisition represent a public betterment and adds to the total physical worth of Stafford. Projects include, but are not limited to, expenditures for land, new structures, major repairs and renovations; maintenance of existing structures; and expenditures for machinery, equipment and vehicles. Each project funded by long term bonds should have a total cost of \$500,000 or more. Bond funded expenses include land acquisition, legal, planning, design and construction costs.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

- In any year when debt service decreases from the prior year, the resulting budget savings will be used to fund one time capital needs or retained for future debt service.
- Year-end money and funds in the Capital Projects Reserve will be utilized during the budget process, and will be allocated in the CIP on projects that have been prioritized using the CIP criteria and process.
- To provide oversight over project budgets, the Board will generally and periodically appropriate with consideration given by project phases (e.g. design, construction, FF&E) and the Board may withhold from appropriation a portion of contingency funds until such time as the need for them is requested and ascertained.

Unassigned Fund Balance

- The County shall maintain an unassigned fund balance of no less than 12% of annual general fund revenues, not including transfers, reserves and grants. Use of the unassigned fund balance below this amount will be restricted to only significant unexpected declines in revenues or unanticipated emergency expenditures. Following any use of unassigned fund balance, the County will replenish the unassigned fund balance within three fiscal years.
- A reserve for healthcare costs equal to the estimated IBNR (incurred but not reported) plus 10% of annual claims will be maintained by school and county funds.
- Any amount in excess of the minimum unassigned fund balance will be assigned to these reserves, according to the following hierarchy and formulas:
 1. Revenue Stabilization Reserve (RSR): minimum of 2% of General Fund revenues:
 - The trigger for drawing on the reserve is a 2% revenue shortfall within a single fiscal year. The reserve can be used as a first stop for major unanticipated emergencies and catastrophes.
 - The reserve will not be used to offset a tax rate change.
 - The reserve will be used in combination with spending cuts.
 - The reserve will be restored to the minimum level within 5 years.
 - Withdrawal amounts may not exceed one-half of the RSR balance in any one fiscal year.
 - RSR funds should only be directed to one-time expenditures to the extent possible.
 2. Capital Projects Reserve of \$1,500,000 will be used to reduce reliance on debt, to provide cash flow for capital projects, and to pay down high interest debt when advantageous.
 3. Stafford Opportunity Fund Reserve: \$500,000.
 4. Any health care savings, after all expenditure and reserve needs have been met, will be set aside for a contribution to OPEB.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

5. Rollback Tax Revenue will be dedicated to the County's Purchase of Development Rights and land conservation programs. Local PDR funds will be used to match other sources of funding at a rate no more than 50% local dollars.
 6. The County will maintain at minimum a \$300k reserve for expenditures for the Children's Services Act (CSA) program. In any year when CSA costs for private day school expenditures exceed the budget, 20% of the total overage amount may be funded by utilizing the CSA reserve. At the end of a fiscal year if the County has utilized the reserve for overages, the reserve will be replenished in the amount of 20% of the overage equally from unspent funds in both the County and the Schools budget. When CSA costs for private day school expenditures are below the budget, 20% of the savings will increase the reserve and the balance will be equally divided between the County and Schools Capital Project Reserves.
 7. Any remaining monies available after the above reserve minimums are fully funded will go to the Capital Projects Reserve.
 8. Schools capital project reserve of \$1,500,000 will be used to reduce reliance on debt, to provide cash flow for capital projects, and to pay down high interest debt when advantageous. Funds above the minimum level may be added to the reserve from unspent school funds.
- Stafford County does not intend to establish a trend of using Fund Balance to finance current operations. As a nonrecurring source of revenue, any balance not needed for liquidity or financial cushion as noted above will be spent solely for nonrecurring uses. After the yearly audit and confirmation of fund balances by the County's external auditor, and in consideration of current financial conditions, the Board of Supervisors will consider re-appropriation of Schools' unspent prior year funds.

General Fund Budget Guidelines

- Stafford will prepare and approve an annual budget with multi-year projections. The County will annually adopt and execute a budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budget shall control the levy of taxes and the expenditure of money for all County purposes during the ensuing fiscal year. The County budget shall be balanced within all available operating revenues, including fund balance, and adopted by the Board of Supervisors.
- Each year as part of the budget process, five year projections of revenues and expenditures will be prepared and reviewed by the Board of Supervisors through one or more work sessions. This five year outlook will guide the preparation of the annual budget.
- Stafford County does not intend to issue tax or revenue anticipation notes to fund operations. The County intends to manage cash to prevent borrowing to meet cash flow needs.
- The Board shall withhold 5% of the appropriation for School's Operating Fund and the County's General Fund, excluding debt service, to be considered for appropriation at mid-year and/or at the third-quarter review.
- An amount equivalent to 3% of general government expenditures will be set aside for pay-as-you-go capital projects. An amount equal to 2% of the schools' operating transfer also will be set aside for pay-as-you-go capital projects. This funding will be used for small capital projects and infrastructure needs.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

- An amount equivalent to ½% of general government expenses will be set aside for the operating budget contingency reserve.

School Fund Budget Guidelines

- The school's share of the general government revenues will be 100% of meals tax revenues and an appropriate amount to ensure a globally competitive school system. The school operating transfer will be the difference between the school's share of general government revenues and school-related bonded and lease debt service.

The Board recommends that the School Board adopt policies which support repair, replacement and rehabilitation of current assets by annually budgeting an amount equal to 2% of the School's Operating Transfer. The Board is committed to this practice and annually will identify funding specifically dedicated to repair, replacement and rehabilitation of current assets in the Adopted Budget.

Generally, the Board of Supervisors is committed to appropriating School funds in a lump sum, provided the Board is satisfied that the following communication and transparency conditions are met. If unsatisfied, the Board may consider categorical appropriation in subsequent fiscal years.

- Quarterly, as a part of the County's quarterly report, the School Board provides a report to the Board which includes its revenue and expenditure projections, changes in personnel, and current student counts; and specifically, for the third quarter report the School Board provides a projected list of year-end spending items along with a report on transfers between categories;
- A request from the School Board for the re-appropriation of the Schools' proposed year-end encumbrances is provided to the Board in conjunction with the presentation of the year end results
- When the Schools desire an amendment to the adopted budget or appropriation, the School Board shall pass a resolution for consideration by the Board of Supervisors.

Finance, Audit & Budget Committee

The Board of Supervisors will appoint a Finance, Audit & Budget Committee each year.

Budget Reviews

On a monthly basis, staff will provide written budget reports to the Board of Supervisors. Additionally, staff will provide quarterly budget and finance presentations at public meetings. All budget reviews will be available on the County's website.

Tax Trigger Provision

General revenue increases that exceed revenue forecasts, and are not accompanied by additional costs in the annual budget process, provide a trigger to reduce the real estate tax rate.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Periodic Policy Review

The Board of Supervisors will review this policy no less than once every two years.

Fund Balance Reporting

The new standard for fund balance reporting establishes criteria for classifying fund balances into specifically defined categories. There are now five (5) classifications versus the three (3) previously used in our financial statements.

Old Classification	New GASB 54 Classification
Reserved	Nonspendable
	Restricted
Designated	Committed
	Assigned
Undesignated	Unassigned

- Non-spendable – for items that would not be converted to cash, like inventories and prepaid items (cash has already been used).
- Restricted – amounts that can be spent for specific purposes, dictated by external entities or legislation, like debt service covenants, and grants.
- Committed – for specific purposes determined by formal action of governing body, such as transportation projects or our Capital, Stafford Opportunity, and Revenue Stabilization reserves. The commitments for the specific purpose must be made prior to the end of the fiscal year. The actual amount may be determined subsequently (prior to financial statement issuance). Action by governing body is needed to “undo” the commitment.
- Assigned – management’s intentions/specific purposes, such as set asides we have for future expenditures.
- Unassigned – residual, spendable amounts in the General Fund – there should not be any unassigned funds in Special Revenue and Capital Projects Funds, as all funds should relate to the purpose of the fund.

Encumbrances have been a designation of fund balance. Under the new standard encumbrances will be included in the total amounts reported as restricted, committed or assigned fund balance. The Notes to the Financial Statements will disclose the allocation by major fund and in aggregate for non-major funds.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Fund Balance Classification Policies and Procedures:

The new standard requires disclosure of the government's decision making authority and order of spending with regard to unrestricted fund balance. The following table describes the disclosures by fund balance classification.

Committed Fund Balance	Highest level of decision making authority.
	Formal action required to establish (and modify or rescind) a fund balance commitment.
Assigned Fund Balance	Official authorized to assign amounts to a specific purpose.
	Policy establishing that authorization.
Spending Policy	When an expenditure can be funded by either restricted or unrestricted fund balance, restricted funds are used first, followed by unrestricted funds. This parallels our policy of spending other funding sources first.
	Order of use of unrestricted fund balance is committed – assigned – unassigned.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Budget Procedures/Calendar

MONTH	PROCEDURE
October	Work Session <ul style="list-style-type: none">• Preliminary prior year balances• 1st quarter review of fiscal year• Preliminary budget overview to include:<ul style="list-style-type: none">○ Revenue projection with no increase in equalized tax○ Expenditures with no new initiatives other than required○ Information on new revenues and expenditures○ Budget calendar BOS/School Board Joint work session
November	Feedback/Consensus/Guidance from the Board Board priorities/Performance standards CIP/Debt capacity work session
December	Audit Report
January	Work Session <ul style="list-style-type: none">• Final prior year balances• Mid-year review• Revenue trends for upcoming budget• Feedback from Board
February	Receive School Budget
March	County Administrator presents Proposed Budget and CIP Budget work session
April	Budget work session Budget work session & public hearing Adopt budget and CIP Annual appropriation Set tax rates

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PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

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PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

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 6. The County will maintain at minimum a \$300k reserve for expenditures for the Children's Services Act (CSA) program. In any year when CSA costs for private day school expenditures exceed the budget, 20% of the total overage amount may be funded by utilizing the CSA reserve. At the end of a fiscal year if the County has utilized the reserve for overages, the reserve will be replenished in the amount of 20% of the overage equally from unspent funds in both the County and the Schools budget. When CSA costs for private day school expenditures are below the budget, 20% of the savings will increase the reserve and the balance will be equally divided between the County and Schools Capital Project Reserves.
 7. Any remaining monies available after the above reserve minimums are fully funded will go to the Capital Projects Reserve.
 8. Schools capital project reserve of \$1,500,000 will be used to reduce reliance on debt, to provide cash flow for capital projects, and to pay down high interest debt when advantageous. Funds above the minimum level may be added to the reserve from unspent school funds.
- Stafford County does not intend to establish a trend of using Fund Balance to finance current operations. As a nonrecurring source of revenue, any balance not needed for liquidity or financial cushion as noted above will be spent solely for nonrecurring uses. After the yearly audit and confirmation of fund balances by the County's external auditor, and in consideration of current financial conditions, the Board of Supervisors will consider re-appropriation of Schools' unspent prior year funds.

General Fund Budget Guidelines

- Stafford will prepare and approve an annual budget with multi-year projections. The County will annually adopt and execute a budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budget shall control the levy of taxes and the expenditure of money for all County purposes during the ensuing fiscal year. The County budget shall be balanced within all available operating revenues, including fund balance, and adopted by the Board of Supervisors.
- Each year as part of the budget process, five year projections of revenues and expenditures will be prepared and reviewed by the Board of Supervisors through one or more work sessions. This five year outlook will guide the preparation of the annual budget.
- Stafford County does not intend to issue tax or revenue anticipation notes to fund operations. The County intends to manage cash to prevent borrowing to meet cash flow needs.
- ~~The school's share of the general government revenues will be 100% of meals tax revenues and an appropriate amount to ensure a globally competitive school system. The school operating transfer will be the difference between the school's share of general government revenues and school-related bonded and lease debt service.~~

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

- The Board shall withhold 5% of the appropriation for School's Operating Fund and the County's General Fund, excluding debt service, to be considered for appropriation at mid-year and/or at the third-quarter review.
- ~~When the Schools desire an amendment to the adopted budget or appropriation, the School Board shall pass a resolution for consideration by the Board of Supervisors.~~
- An amount equivalent to 3% of general government expenditures will be set aside for pay-as-you-go capital projects. An amount equal to 2% of the schools' operating transfer also will be set aside for pay-as-you-go capital projects. This funding will be used for small capital projects and infrastructure needs.
- An amount equivalent to ½% of general government expenses will be set aside for the operating budget contingency reserve.

School Fund Budget Guidelines

- The school's share of the general government revenues will be 100% of meals tax revenues and an appropriate amount to ensure a globally competitive school system. The school operating transfer will be the difference between the school's share of general government revenues and school-related bonded and lease debt service.
- The Board recommends that the School Board adopt policies which support repair, replacement and rehabilitation of current assets by annually budgeting an amount equal to 2% of the School's Operating Transfer. The Board is committed to this practice and annually will identify funding specifically dedicated to repair, replacement and rehabilitation of current assets in the Adopted Budget.
- Generally, the Board of Supervisors is committed to appropriating Schools funds in a lump sum, provided if the Board is satisfied that the following communication and transparency conditions are met.: If unsatisfied, the Board may consider categorical appropriation in subsequent fiscal years.
 - Quarterly, as a part of the County's quarterly report, the School Board, provides a report to the Board which includes its revenue and expenditure projections, changes in personnel, and current student counts; and specifically, for the third quarter report the School Board provides a projected list of year-end spending items along with a report on transfers between categories;
 - A request from the School Board for the re-appropriation of the School's' proposed year-end encumbrances is provided to the Board in conjunction with the presentation of the year end results;
- When the Schools desire an amendment to the adopted budget or appropriation, the School Board shall pass a resolution for consideration by the Board of Supervisors.
- ~~During the annual budget process, the Board will consider various strategies in appropriating funds to the Schools. These strategies may include lump sum appropriation, hold back of appropriation, and/or partial or full categorical appropriation.~~

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Finance, Audit & Budget Committee

The Board of Supervisors will appoint a Finance, Audit & Budget Committee each year.

Budget Reviews

On a monthly basis, staff will provide written budget reports to the Board of Supervisors. Additionally, staff will provide quarterly budget and finance presentations at public meetings. All budget reviews will be available on the County's website.

Tax Trigger Provision

General revenue increases that exceed revenue forecasts, and are not accompanied by additional costs in the annual budget process, provide a trigger to reduce the real estate tax rate.

Periodic Policy Review

The Board of Supervisors will review this policy no less than once every two years.

Fund Balance Reporting

The new standard for fund balance reporting establishes criteria for classifying fund balances into specifically defined categories. There are now five (5) classifications versus the three (3) previously used in our financial statements.

Old Classification	New GASB 54 Classification
Reserved	Nonspendable
	Restricted
Designated	Committed
	Assigned
Undesignated	Unassigned

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

- Non-spendable – for items that would not be converted to cash, like inventories and prepaid items (cash has already been used).
- Restricted – amounts that can be spent for specific purposes, dictated by external entities or legislation, like debt service covenants, and grants.
- Committed – for specific purposes determined by formal action of governing body, such as transportation projects or our Capital, Stafford Opportunity, and Revenue Stabilization reserves. The commitments for the specific purpose must be made prior to the end of the fiscal year. The actual amount may be determined subsequently (prior to financial statement issuance). Action by governing body is needed to “undo” the commitment.
- Assigned – management’s intentions/specific purposes, such as set asides we have for future expenditures.
- Unassigned – residual, spendable amounts in the General Fund – there should not be any unassigned funds in Special Revenue and Capital Projects Funds, as all funds should relate to the purpose of the fund.

Encumbrances have been a designation of fund balance. Under the new standard encumbrances will be included in the total amounts reported as restricted, committed or assigned fund balance. The Notes to the Financial Statements will disclose the allocation by major fund and in aggregate for non-major funds.

Fund Balance Classification Policies and Procedures:

The new standard requires disclosure of the government’s decision making authority and order of spending with regard to unrestricted fund balance. The following table describes the disclosures by fund balance classification.

Committed Fund Balance	Highest level of decision making authority.
	Formal action required to establish (and modify or rescind) a fund balance commitment.

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

Assigned Fund Balance	Official authorized to assign amounts to a specific purpose.
	Policy establishing that authorization.
Spending Policy	When an expenditure can be funded by either restricted or unrestricted fund balance, restricted funds are used first, followed by unrestricted funds. This parallels our policy of spending other funding sources first.
	Order of use of unrestricted fund balance is committed – assigned – unassigned.

Budget Procedures/Calendar

MONTH	PROCEDURE
October	<div>Work Session</div> <ul style="list-style-type: none">• Preliminary prior year balances• 1st quarter review of fiscal year• Preliminary budget overview to include:<ul style="list-style-type: none">○ Revenue projection with no increase in equalized tax○ Expenditures with no new initiatives other than required○ Information on new revenues and expenditures○ Budget calendar

PRINCIPLES OF HIGH PERFORMANCE FINANCIAL MANAGEMENT

	BOS/School Board Joint work session
November	Feedback/Consensus/Guidance from the Board Board priorities/Performance standards CIP/Debt capacity work session
December	Audit Report
January	Work Session <ul style="list-style-type: none">• Final prior year balances• Mid-year review• Revenue trends for upcoming budget• Feedback from Board
February	Receive School Budget
March	County Administrator presents Proposed Budget and CIP Budget work session
April	Budget work session Budget work session & public hearing Adopt budget and CIP Annual appropriation Set tax rates

Finance, Audit & Budget Committee Meeting

AGENDA

May 21, 2019 - 2:00 PM

Conference Room A/B/C, Second Floor

Committee Members: Chairman Wendy Maurer, Jack Cavalier and Mark Dudenhefer

Finance, Audit and Budget Committee Meeting Agenda

Subject:	
FINANCE AND BUDGET; Policy Review adding New Schools to the Capital Improvement Plan	
Recommended Action:	
Staff seek the review, direction and recommendation from the FAB to bring this policy to the full Board for adoption.	
Committee/Commission Recommendation:	
Fiscal Impact:	District:
N/A	
Overview:	
At the March 26, 2019 Budget Work Session staff presented the Board with policy considerations of when to add a new school to the CIP.	
Discussion/Analysis:	
Staff provided the Board with policy considerations of when a new school would be added to the CIP. These include: land acquisition planning, existing capacity, and enrollment projections. Staff was directed to craft a policy that would incorporate these elements. Attached is a draft policy and presentation for the FAB's consideration. Staff seeks the FAB's review and recommendation for forwarding to the full Board.	
Attachments:	
<ol style="list-style-type: none"> 1. School Planning Policy for Development of the CIP (1) 2. New School Power Point 	
Summary/Conclusion:	
Staff seeks the FAB's direction and recommendation for sending to the full Board.	

Strategic Priorities:
Reviewed By:

This agenda may be amended on the day of the meeting. Participation of all citizens is encouraged. For all individuals with special needs, please notify County Administration of any accommodations required at least 24 hours in advance of the meeting. The agenda and related materials may be found on the County's website at www.staffordcountyva.gov

STAFFORD COUNTY, VIRGINIA	
New School Planning Policy for the Development of the Capital Improvement Program	Resolution: R19-XX Dated: Version 1

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Purpose

The New School Planning Policy for the Development of the Capital Improvement Program (“policy”) contains the Board of Supervisors’ (“BOS”) direction for the development and planning of new schools for Stafford County Public Schools (“SCPS”). It provides requirements and standardizes timelines to ensure that fiscal resources are used judiciously for the betterment of Stafford County. This policy provides standards and criteria for determining when to add a new school to the Capital Improvement Program (CIP) and will direct staff in their work. The BOS may identify circumstances that would amend the standards and timelines addressed in this policy; those changes will be reflected in the adopted CIP.

Scope

This policy applies to all new elementary, middle and high school buildings being constructed for SCPS. This policy does not address renovation of existing SCPS buildings. This policy also does not address SCPS buildings that are projected to be used primarily for purposes other than elementary, middle and high school education.

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Responsibilities

The responsibilities listed in this policy are not exhaustive, but rather foundational. Unless stated otherwise, the authority provided below may be delegated; however, the responsibility of meeting the requirements in this policy remain with the person in the position.

County Administrator

The County Administrator will oversee the development and presentation of the CIP for consideration by the BOS.

Chief Financial Officer

The Chief Financial Officer (CFO) will request from SCPS and provide to the BOS an annual comparison of the last five years' worth of enrollment projections compared to its corresponding September 30th actual enrollment numbers.

Adding a New School to the Capital Improvement Program (CIP)

Annually, in accordance with the adopted Budget Calendar, the School Board (SB) should provide a prioritized list of large scale school projects. Providing this list will provide the BOS an indication that the SB is requesting projects for inclusion in the CIP. This prioritized list of projects will be considered within the CIP if the list was voted on by the SB and approved by a majority of its membership. The BOS adopted Budget Calendar will identify when the SB must provide its prioritized list of projects; generally, this will be in September. New schools will only be considered by County staff when the prioritized list from the SB is timely provided. The BOS may waive or override this guideline in its discretion to meet pressing community needs.

When the aggregate school enrollment projections for a school level—i.e. elementary, middle, or high—are at 90% of the aggregate design capacity, staff is directed to begin planning for adding a school to the CIP. The timeline listed in this policy will direct staff's planning process.

The three major components to consider when adding a new school to the CIP are the following:

- Land Acquisition Planning
- Existing School Capacity
- School Enrollment Projections

Land Acquisition Planning

A joint SCPS and County work team will provide a base group of staff that is charged with looking for land for new schools. This work will begin two years prior to preliminary planning. The BOS and the SB will work together to acquire the land. The working team will provide the BOS and the SB with communication and reporting on the surveys, appraisals, title reports, and negotiations of a purchase price. If there is a change in the CIP, and or location, the BOS and the SB will discuss continued

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ownership of any land already acquired. Land may be used for another CIP project or sold and the proceeds invested at the BOS's direction for another or future CIP projects.

Existing School Capacity

Staff is directed to consider the need for a new school based the aggregate school enrollment projections for that school level, i.e. elementary, middle, or high. Design capacity shall be used when measuring capacity for CIP purposes, as it is the most stable base. The BOS acknowledges that programs within a school can impact how many students can comfortably attend a school building. To ensure that schools are not overcrowded, the BOS depends on the SB to judiciously and efficiently use space within the schools.

The BOS will only consider changes to design capacity which are voted on and approved by the SB. A record of the vote and sufficient information justifying the proposed change in design capacity must accompany a formal request from the SB to the BOS prior to being considered for inclusion in the CIP planning process. Any change to design capacity must be stated in such a way that it would be clear to a reasonable citizen.

School Enrollment Projections

SCPS staff, under the supervision of the Superintendent, will provide school enrollment projections annually. Providing the enrollment projections is the responsibility of SCPS staff; however, they will work closely with County staff to gather and provide all available information. Annually, the SB should vote on and adopt school enrollment projections by a majority vote.

For CIP and planning purposes, the BOS expects the following four assumptions to be used when calculating the school enrollment projections:

- (1) Student generation rate from new residential development;
- (2) Student generation rate from existing residential development;
- (3) Cohort survival rate; and
- (4) Birth rate.

Additional information about these assumptions, including descriptions and risk level are included in Appendix A to this policy. Any deviation from these assumptions will be voted on and approved by the SB and reported the BOS with sufficient information to justify the deviation in a form that would be clear to a reasonable citizen. In the discretion of the BOS, changes in assumptions that are not approved by the SB or sufficiently justified may not be included in the planning and development of the CIP.

The CFO, as part of the annual CIP planning process, will provide the BOS the September 30th enrollment numbers that have been voted on and approved by the SB. The enrollment numbers will be compared to the last five years of enrollment projections and actuals to help provide short and long term analysis of SCPS enrollment numbers. The enrollment projections and comparisons will be provided to the BOS

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along with the CIP Technical Review Committee’s recommendation of projects. This will be done in accordance with the annual Budget Calendar and generally will be in November.

Capital Improvement Program Timeline to Plan for a New School

Staff is directed to begin planning for a new school in the CIP when aggregate school enrollment projections for a school level—i.e. elementary, middle, or high—are at 90% of the aggregate design capacity. The planning effort will then be guided by the following timeline:

- Opening Year:** The opening year for a new school will be when the aggregate school enrollment projections are at 100% of aggregate design capacity for that school level.
- Construction Period:** The construction period, which includes the opening year of the school as the final year of construction when all final punch-list items are complete, will be planned for three years for elementary schools, and four years for middle and high schools.
- Preliminary Planning:** The preliminary planning period, which includes design and education specifications, will be planned for two years for all school levels.
- Land Acquisition:** The land acquisition phase, to be conducted by the joint SCPS and County staff work team, will be planned for two years prior to the preliminary planning period for all school levels.

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Appendix A

The four assumptions used in the development of school enrollment projections are detailed below.

Assumption	Description	Risk Level
Student generation rate from new residential development	Data on residential development approved by the checkpoint date (recently September 1 has been used) provided by County Planning and GIS departments. SCPS staff contacts developers to gather anticipated build rates and/or development start/end dates. For active construction, SCPS staff also analyzes the number of units constructed historically as an additional data point. SCPS staff meets with County Planning Department staff to review and adjust, as necessary, anticipated build rates. Developments that have been approved for many years but have not started construction are considered approved but inactive, and assumed to begin producing units late in the 10-year planning window.	The further out in the 10-year planning window, the greater the risk as developments not currently under construction are input for anticipated start dates.
Student generation rate from existing residential development	Calculation of the “student generation factor,” which is the number of students projected to be produced per household based on housing type, i.e. single-family, townhouse, or multi-family. Housing type is determined by data provided by the Commissioner of the Revenue’s Office joined with data obtained from the GIS Department. Residential acreage may also be a factor when calculating the student generation factor.	Lower risk
Cohort survival rate	The cohort survival rate encompasses both in-migration and out-migration, that is, students moving in and out of SCPS. The cohort survival rate is calculated annually and current and historical ratios are used to project the anticipated survival rate.	Lower risk
Birth rate	The ratio of resident live births (RLB) for Stafford County is used to project the kindergarten cohort. There is a five-year gap between births and the projected start of kindergarten attendance. For example, the RLB data from 2016 will be used to project the kindergarten enrollment rate for 2021. After the most recent RLB data, an assumption is made of RLB increase on which the ratio of RLB to kindergarten attendance is applied.	The further out in the 10-year planning window, the greater the risk.



Policy Consideration: New Schools in the CIP

May 21, 2019

Finance, Audit and Budget
Committee

Purpose

- Follow up to the March 26 CIP Budget Work Session to introduce this concept to the Board
- Provide the Finance, Audit and Budget (FAB) Committee with a draft policy for when to add new schools to the CIP

Policy: Purpose and Scope

- The policy identifies when to add a new school to the CIP
- Would apply to any new elementary, middle or high school

3 Major Components to Evaluate

- Land Acquisition Planning
 - Schools/County Staff
- Existing Capacity
 - Design capacity at the aggregate level; elementary, middle and high school
- Enrollment Projections
 - Provide a 5 year comparison

Development of the CIP

- Staff will begin planning for a new school when projected school level enrollment reaches 90% of design capacity
- 100% enrollment is the target for opening a new school*
- Timeline for building new schools:
 - Land Acquisition Team work begins 2 years prior to preliminary work
 - Preliminary work considered “Planning and Design”, which consists of design and Ed. Specs - 2 years
 - Construction period:
 - 3 Years for Elementary
 - 4 years for Middle and High Schools

Next Steps/ Questions

- Staff is seeking guidance from the FAB and a recommendation to bring the policy to the full Board
- Questions?