FIVE YEAR OPERATING PLAN - GENERAL FUND

The Five Year Plan is a tool to help in long-range planning for the various County funds and agencies. Assumptions used in forecasting activity in future years rely heavily on past history, as well as current economic conditions. It is assumed that the County will continue to experience modest, steady growth in the planning period. This model does not anticipate a return to the level of rapid growth recently experienced in the County. The plan reflects the anticipated future needs of County agencies, contrasting those needs with a revenue forecast for the same period. Revenue forecasting, based on historical trends, is intended to be responsibly conservative. Expenditure forecasts are based on projected needs and requests by individual agencies. The gap between the projected revenues and expenditures provides an opportunity to identify needs and to begin planning and prioritizing for future years. The County is required to present a balanced budget each year.

This model shows a balanced plan for fiscal years 2015 and 2016. For fiscal years 2017-2019, County agencies were asked to forecast their future needs, and were not directed to consider limited financial constraints.

GENERAL FUND REVENUES

The projections for taxable real property assume a growth factor of 3%. The model assumes:

- that real estate taxes are equalized in reassessment years
- all other tax rates remain constant

Personal property revenues have proven to be sensitive to the economy. During the recession, new cars sales dropped dramatically. Over the last two years, there has been an increase to this revenue source as residents replace older vehicles. The Board reduced the personal property tax rate on vehicles from $6.89 to $6.61 in 2014. It is conservatively projected to increase by 2% in the planning period.

Development fees are projected to continue a gradual increase through the planning period. Fees will be evaluated regularly.

Most other fees are projected to grow by 2-3%.

GENERAL FUND EXPENDITURES

Operating expenditure projections are based on department's projected needs.

Personnel expenditures are projected to grow at a rate of 2-3% annually through the planning period. This category includes associated benefits, except for the Virginia Retirement System contributions which are expected to increase 1-2% during the period.

Operating and capital expenditures for FY2015-16 are projected to grow at an inflation rate of 2% annually, increasing to 3% in later years.

Included in operating cost projections are:

- Multi-year implementation of the Public Safety staffing plan beginning in FY17
- Many agencies project increased staffing needs with the continued growth of the community.
- The School operating transfer increases by one-half of new revenue less the increase to Schools debt service.
- Replacement of aging vehicles and equipment for non-public safety departments are included in the outer years. Replacement ambulances and sheriff's vehicles are funded in all years.
- Debt service is estimated using the current debt schedules and the FY2015-2024 Capital Projects Program (CIP) assuming an interest rate of 5.5% and a term of 20 years, consistent with the CIP.

- The Five-Year plan is driven by increased future debt service and operating costs associated with the CIP. These charts show the estimated increased costs in fiscal years 2016-19. Increased costs for the current year are included in the adopted budget. Project pages within the CIP section provide more detail on the operating costs.

Projected CIP Debt Service

Bond Debt Service Impacts	FY2016	FY2017	FY2018	FY2019
F&R Station 14	0	36,000	421,000	421,000
F&R Training Center	0	0	0	0
F&R Station-Centreport	0	0	0	0
Future Parks	0	0	335,000	670,000
Animal Shelter	0	28,000	355,000	355,000
Courthouse Addition	0	0	0	0
Library	0	0	0	0
Transportation	160,000	1,273,000	1,779,000	2,490,000
Stafford High School	1,480,000	1,815,000	1,815,000	1,815,000
Moncure Elementary Rebuild	0	67,000	989,000	1,911,000
Ferry Farm Elem Rebuild	0	0	0	67,000
Elem School #18 W/Head Start	0	0	0	0
Brooke Point HS	63,000	553,000	553,000	553,000
Colonial Forge HS	63,000	609,000	609,000	609,000
Mt. View HS	25,000	63,000	675,000	675,000
Fleet Services	0	0	0	0
Infrastructure	450,000	642,000	954,000	1,315,000
New Debt Service	$2,241,000	$5,086,000	$8,485,000	$10,881,000
Existing Debt Service	$ 40,047,901	$ 39,543,968	$ 38,390,892	$ 37,020,022
	$42,288,901	$44,629,968	$46,875,892	$47,901,022

Master Lease Impacts	FY2016	FY2017	FY2018	FY2019
Replacement Apparatus	299,000	471,000	759,000	931,000
E911 System	387,000	387,000	387,000	387,000
Radio System - TDMA	0	191,000	250,000	250,000
New Master Lease	$686,000	$1,049,000	$1,396,000	$1,568,000
Existing Master Lease	3,829,724	3,829,724	3,408,155	3,044,145
	$4,515,724	$4,878,724	$4,804,155	$4,612,145
Total Debt	$46,804,625	$49,508,692	$51,680,046	$52,513,167

Projected CIP Operating Costs

Operating Impacts	FY2016	FY2017	FY2018	FY2019
F&R Station 14	0	0	1,886,000	1,754,000
F&R Training Center	0	0	0	0
E-911 Phone System	0	0	0	99,000
F&R Centerport	0	0	0	0
Animal Shelter	0	0	135,000	49,000
Courthouse Addition	0	0	0	0
Stormwater	0	38,000	75,000	113,000
Belmont Ferry Farm Trail	0	87,000	58,000	60,000
Brooke Point HS	907,000	943,000	981,000	1,020,000
Mt. View HS	0	0	1,004,000	1,043,000
Colonial Forge HS	919,000	955,000	993,000	1,033,000
Fleet Services	0	0	0	0
	$1,826,000	$2,023,000	$5,132,000	$5,171,000

FUND BALANCE

As directed by the Board, budgets are crafted using conservative estimates. This model assumes that all fund balance requirements are met with positive results of operations from the previous year.

The model includes modest optimism that economic conditions will continue improve in the next fiscal year, but maintains a conservative approach to revenue forecasting, based on recession-based historical trends.

Schools' staff did not provide information in the five-year planning process. Therefore we are not making projections on total increases to school funding from all other sources.

FY2016 PROJECTION

As directed by the Board, a balanced plan for FY2016 is included in the Five Year Projection section. Departments were asked to project future needs constrained by a 2-3% increase in revenues.

FY2016 CIP Debt Service and Operating Costs - Planning for FY2016 will be heavily influenced by debt service and operating costs associated with the CIP. Estimated net change in debt service for FY2016: General Government: $1.8 million; Schools: $3.0 million. Estimated operating costs for a full year of operating cost at Embrey Mill Park: $200K.

Bond Strategy - The County's financial advisors have suggested that the County continue to reduce reliance on debt. One strategy to achieve this goal is to increase cash capital expenditures to 3% of the General Government budget by FY2018. Bringing cash capital to 2.5% in FY2016 adds $343k to the budget.

The model assumes a 3% increase in revenues, which would be sufficient to fund these required increases.

Not included in the FY2016 expenditure projection: funding to meet inflationary increases in FY2016, replacement of materials and equipment, agencies' requests for new personnel to meet expected challenges in public safety, courts, and development. The model assumes that these expenditures are postponed until FY2017.

The five year model does not include a contribution to OPEB above any health insurance savings which would go to the OPEB trust per the Board's financial policies.

The model assumes that one half of new revenues would go to the Schools.

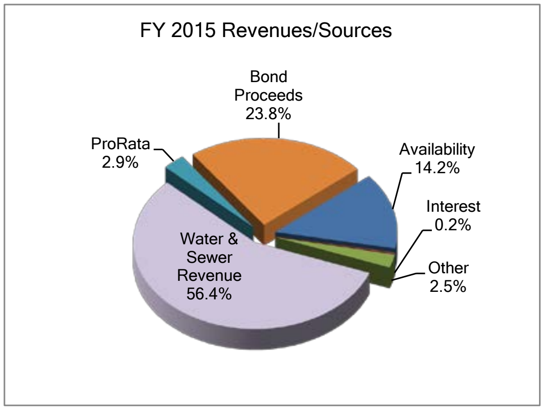
The plan will be revised throughout the year, with an update presented to the Board in the upcoming year.

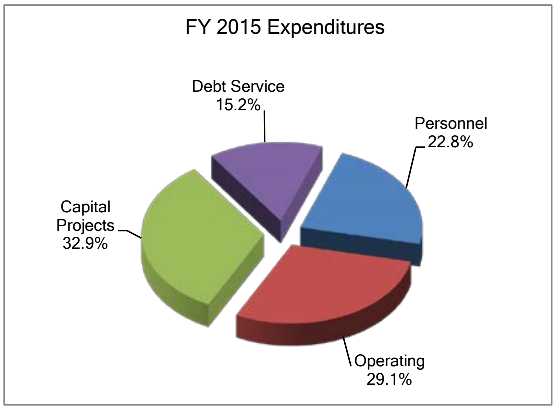
FY2017-19

In the later years, the model shows the impact of debt service and operating costs related to the CIP as well as other projected increases needed to meet the needs of the community. Projections for the outer years reflect departments' requests without considering financial constraints. A line labeled "adjustments to be determined" has been included to show the gap between projected revenues and expenditures.

This table summarizes the five year projection.

	FY2013 Actual	FY2014 Adopted	2015 Adopted	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Property Taxes	190,757,254	192,780,900	198,144,436	202,826,000	208,375,000	214,081,000	219,947,000
Other Taxes	34,271,098	33,482,300	34,272,500	35,152,000	36,053,000	36,978,000	37,927,000
Service Charges & Other	16,355,328	14,100,800	15,654,772	15,943,000	16,274,000	16,818,000	16,961,000
Federal & State Revenues	14,851,757	14,651,445	14,668,200	14,988,000	15,400,000	15,837,000	16,270,000
	256,235,437	255,015,445	262,739,908	268,909,000	276,102,000	283,714,000	291,105,000
Public Safety	41,432,204	39,861,710	40,697,340	41,608,000	46,819,000	50,303,000	55,012,000
Non-Public Safety	45,878,401	47,334,105	47,906,816	48,758,000	51,130,000	52,033,000	54,042,000
Debt Service - County	10,057,882	11,119,790	12,291,100	13,945,000	15,429,000	17,148,000	17,910,000
Other	21,303,425	20,246,409	20,705,646	21,471,000	22,380,000	23,133,000	24,006,000
Schools - Local Transfer	108,957,975	108,626,921	111,947,456	111,734,000	114,268,000	118,898,000	120,731,000
One-time VPSA savings to operating	0	1,000,000	0	0	0	0	0
Schools - Debt Service/Capital Projects	27,125,682	26,826,510	29,191,550	31,393,000	32,456,000	33,331,000	33,495,000
Adjustments to be determined	0	0	0	0	(6,380,000)	(11,132,000)	(14,091,000)
	254,755,569	255,015,445	262,739,908	268,909,000	276,102,000	283,714,000	291,105,000





UTILITIES FUND - WATER & SEWER SERVICES
FINANCING SOURCES, USES & BALANCE - 5 YEAR PROJECTIONS

The Utilities Fund Projection Model is designed to serve as a tool to assist in long range planning for operating and capital costs. It includes a number of outer year assumptions that are examined and evaluated annually as part of the budgeting process. The Fiscal Year 2013 data reflects actual amounts and the Fiscal Year 2014 data reflects year-end estimates based on revenues and expenses to date. Projections for Fiscal Year 2015 through 2019 include estimates for specific programs where adequate information is available and other assumptions are noted below:

Water and Sewer Charges

Assumes a 1.25% growth in billed customer accounts throughout the planning period. Projections assume rate increases to cover anticipated capital improvements to the existing system and increasing costs associated with treatment chemicals, electricity and fuels. Although customer accounts are increasing, actual usage is level or declining due to industry-wide declines in per capita consumption.

Availability Fees

Assumes an average of 700 additional equivalent dwelling units (EDUs) for water and 665 for sewer service in 2015-FY19, reflecting recent trends. Effective July 1, 2010, availability fees are $6,900 for water and $3,500 for sewer per EDU. Availability fees are used to pay for system expansions, changes in regulations, or changes in technology.

Pro Rata Fees

Assumes developers will contribute 100% of their proportionate share of project costs. Rates are provided separately for each water pressure zone and sewer drainage shed, based on the estimated cost impacts of development projects on the appropriate water pressure or sewer drainage zone.

Revenue Bond Proceeds

In September 2013, the Board of Supervisors approved $45 million of water and sewer revenue bonds. Bond proceeds from the approved bond program will fund $29 million of projects from FY15-FY18. Future bond authorizations are expected to fund projects in FY18-FY19.

Personnel & Operating Expenditures

Utilities personnel costs are projected to increase on average 4% per year during FY15-FY19. Operating and maintenance costs are projected to increase on average 5% per year. Additionally, $300,000 related to Other Post-Employment Benefits (OPEB) is included each year for FY16-FY19.

Use of Money and Property

Interest earned on the Utilities Fund Balance is expected to stabilize after declining as cash balances were spent down relative to the construction of large capital projects, particularly the construction of the Rocky Pen Reservoir and Water Treatment Plant.

Debt Service

Assumes future debt is issued at a 5% interest rate for the major CIP projects.

Capital Projects

Includes all capital projects included in the five-year capital improvement plans.

FIVE YEAR OPERATING PLAN - UTILITIES

	FY2013 Actual	FY2014 Estimated	FY2015 Adopted	2016 Forecast	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast
Rate Change: User Fees (Approved in bold)	**8.0%**	**8.0%**	**7.0%**	**6.00%**	6.00%	6.00%	6.00%
Availability Fees	$10,400	$10,400	$10,400	$10,400	$10,400	$10,400	$10,400
Revenues/Sources							
Water/Sewer Fees	$24,743,052	$27,300,000	$29,014,000	$31,225,000	$33,604,000	$36,174,000	$38,215,000
Availability Fees	7,922,931	7,600,000	7,158,000	6,238,000	6,340,000	6,544,000	6,646,000
Pro Rata Fees	3,106,232	3,600,000	1,500,000	1,248,000	1,268,000	1,309,000	1,329,000
Other Charges and Fees	1,484,712		978,000	978,000	978,000	978,000	978,000
Use of Money/Property	329,193		106,000	153,000	186,000	204,000	248,000
Grants	276,145						
Revenue Bond Proceeds*	-	17,000,000	12,131,000	12,500,000	4,073,000	3,369,000	8,500,000
	$37,862,265	$55,500,000	$50,887,000	$52,342,000	$46,449,000	$48,578,000	$55,916,000
Donated Assets	10,048,202						
Total Sources	$47,910,467	$55,500,000	$50,887,000	$52,342,000	$46,449,000	$48,578,000	$55,916,000
Uses							
Operations							
Personnel	$10,893,556	$11,152,127	$11,157,872	$11,676,000	$12,078,000	$12,496,000	$12,929,000
Operating	$10,301,660	13,228,152	14,380,316	15,274,000	16,032,000	16,830,000	17,668,000
Operating - Capital Projects	2,915,287	11,000,000	4,064,328	1,950,500	2,349,000	5,066,000	3,983,000
Expansion-Capital Projects							
Pro Rata Funded	2,211,665	8,855,000	762,500	346,500	709,000	3,389,000	2,267,000
Availability/Bond Funded	44,410,116	28,100,000	12,618,000	17,658,000	6,322,000	484,000	11,804,000
Debt Service							
Existing Debt Service	5,032,058	6,556,000	6,070,000	7,399,000	8,128,000	9,597,000	9,597,000
New Debt Service	-		1,329,000	729,000	1,469,000	-	-
Total Uses	$75,764,342	$78,891,279	$50,382,016	$55,033,000	$47,087,000	$47,862,000	$58,248,000
Total Sources Over Uses	($27,853,875)	($23,391,279)	$504,984	($2,691,000)	($638,000)	$716,000	($2,332,000)
Equity-Cash & Invest.-Beginning	$49,331,853	$59,416,937	$36,026,000	$36,530,984	$33,839,984	$33,201,984	$33,917,984
Equity-Cash & Invest.- Year End	$59,416,937	$36,026,000	$36,530,984	$33,839,984	$33,201,984	$33,917,984	$31,585,984
Debt Ratio 1	3.38	2.62	1.79	1.99	1.85	2.01	2.11
Debt Ratio 2	2.28	1.73	1.20	1.44	1.38	1.55	1.64
Debt Ratio 3	4.58	3.44	2.83	2.87	2.73	3.09	3.20
Debt Ratio 4 (Min=1.0)***	1.18	0.85	0.62	0.89	0.91	1.08	1.18

COVENANT REQUIREMENTS: (No. 1 must be met AND either 2 or 3)

1. Net Revenues: 1.50 times Senior Debt Service
2. Net Revenues less 50% of Availability Fees: 1.25 times Senior Debt Service
3. Net Revenues less 50% of Availability Fees plus 50% of unrestricted reserves: 1.5 times Senior Debt Service
4. Net Revenues less 100% of Availability Fees: 1.0 times Senior Debt Service

Debt Ratio 4 is required to be met in FY18 and thereafter.

* $45M bond issue approved by Board of Supervisors in September 2013.
Approximately $12.131M in capital projects will be funded with bond proceeds in FY15.

FIVE YEAR OPERATING PLAN - TRANSPORTATION FUND

	FY2013 Actual	FY2014 Projected	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast	FY2018 Forecast	FY2019 Forecast
Revenues							
Gasoline Sales Tax	$5,616,151	$5,173,011	$5,182,849	$5,036,110	$4,993,602	$4,981,607	$4,999,357
State Recordation Tax	693,624	693,000	693,000	693,000	693,000	693,000	693,000
Federal Revenue	430,564	272,986	2,390,974	4,594,000	7,080,000	5,022,000	3,638,000
State Revenues	550,575	1,316,506	6,127,212	5,610,696	3,448,662	11,174,181	8,694,147
Interest Revenue	10,210	5,246	2,000	1,500	1,000	1,000	1,000
Miscellaneous/Other	11,870	0	150,000	0	0	0	0
Bonds	2,822,597	0	0	15,460,677	380,000	10,134,633	11,055,756
Transfer from Other funds	271,100	0	0	0	0	0	0
Other EDA Funding-Corporate Center Drive	0	0	300,000	0	0	0	0
From General Fund	0	0	0	0	0	0	0
CPR - Corporate Center Drive	0	0	2,000,000	0	0	0	0
From Service District	0	0	0	0	0	1,110,966	0
Impact Fees	0	0	60,000	100,000	100,000	1,600,000	1,600,000
Proffers	0	1,850,058	0	0	0	0	0
Total Sources	$10,406,691	$9,310,806	$16,906,035	$31,495,983	$16,696,264	$34,717,387	$30,681,260
Expenditures							
VRE Subsidy	$1,873,540	$2,529,281	$2,689,391	$2,974,743	$2,948,520	$2,865,003	$2,941,157
FRED Bus Service	526,337	444,871	457,299	471,964	486,123	500,706	515,727
Management Services	17,109	10,094	13,410	16,000	16,000	16,000	16,000
Architect/Engineering (Bus Shelters	7,600	3,119	0	0	0	0	0
Airport Subsidy	85,714	85,714	85,714	85,714	85,714	85,714	85,714
Transportation Fee analysis	9,037	0	0	0	0	0	0
Debt Service Transfer to General Fund	0	0	237,532	233,154	1,361,179	1,985,892	2,887,605
PRTC Subsidy	82,000	93,400	89,300	61,700	77,700	85,200	99,000
Financial Management	8,896	2,357	0	0	0	0	0
Architect/Engineering	6,070	0	4,000	4,000	4,000	4,000	4,000
Transportation Plan Implementation	8,000	0	0	0	0	0	0
Street Signs	25,038	18,164	50,000	50,000	50,000	50,000	50,000
Social Services	24,917	9,750	40,000	40,000	40,000	40,000	40,000
Gateway	110,000	26,787	100,000	100,000	100,000	100,000	100,000
Local Road Projects	290,673	341,525	262,468	266,846	0	0	0
Airport Loan	346,876	915,765	58,359	0	0	0	0
CIP Projects	2,948,451	7,545,734	21,532,276	25,291,030	16,044,469	28,050,362	23,526,294
Total Expenditures	$6,370,257	$12,026,561	$25,619,750	$29,595,151	$21,213,705	$33,782,877	$30,265,497
Change in Fund Balai	4,036,434	(2,715,755)	(8,713,715)	1,900,832	(4,517,441)	934,510	415,763
Fund Balance	10,551,061	14,587,495	11,871,740	3,158,025	5,058,857	541,417	1,475,926
Total Committed Expenditure	18,326,190	17,933,367	5,242,203	2,089,536	0	0	0
Total Committed Revenue	6,597,587	9,414,855	6,712,796	1,130,105	0	0	0
Assigned:	2,858,891	3,353,228	4,628,618	4,099,426	541,417	1,475,926	1,891,689
Fund Balance, end of year	$14,587,495	$11,871,740	$3,158,025	$5,058,857	$541,417	$1,475,926	$1,891,689

Capital expenditures for transportation continue through the planning period, which could cause fund balance to fluctuate by more than 10% as available funding is built up to meet cash flow needs. It is expected that bonds will be sold to cover more than one year in order to minimize issuance costs, balanced by a need to borrow only as needed to minimize debt service.

To provide the most complete projections, FY2015 projections include capital projects expenditures and related revenue sources that will be budgeted and appropriated during the fiscal year as contracts are approved. In some cases these were not considered during the regular budget process.

In November, 2008, Stafford County voters approved a $70 million road bond referendum. Project schedules are under review. The five year projection will be updated as the timing of the projects and the issuance of debt is determined.

The Transportation Bond Referendum expires November 2016 (FY2017). Circuit Court's order to grant a two-year extension must be entered before the initial eight-year period expires.

Gasoline sales tax revenue projections provided by PRTC.

VRE subsidy projection provided by PRTC, reflects VRE Six-Year Plan

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STAFFORD
Virginia

Cradle of Opportunity