FIVE YEAR MODEL

The Five Year Model section presents long-range plans using assumptions about economic conditions, future spending scenarios, and other variables to help with the projection of revenues and expenditures. The long-term financial process is a collaboration of efforts between departments and government officials.

The plan is tied to the priorities of the Board of Supervisors, the Comprehensive Plan, and the Adopted Capital Improvements Plan. Debt Service and operating costs of new facilities are integrated in the County's long-range planning. The plan is a tool for proactive financial decision-making supporting the Board's goal of long-term fiscal responsibility.

Long-range financial plans are included in this section for the General Fund, Utilities Fund and Transportation Fund.

FIVE YEAR OPERATING BUDGET MODEL

The Five Year Model 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 2014 and 2015. For fiscal years 2016-2018, 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 1.9% for the FY2014 budget year, and 3% thereafter. 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. Because of the cyclical nature of this revenue source, it is conservatively projected to increase by 3% in FY2014 and FY2015, dropping to a 2% growth later 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 FY2014-15 are projected to grow at an inflation rate of 2% annually, increasing to 3% in later years.

Included in operating cost projections are:

- Public Safety and many agencies project increased staffing needs with the expected 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.
- Beginning in FY2014, Fire & Rescue's projections includes funding by the County for seven positions covered by a SAFER grant in FY2012 and FY2013.
- Debt service is estimated using the current debt schedules and the FY2014-2023 Capital Projects Program (CIP) assuming an interest rate of 5.5% and a term of 20 years, consistent with the CIP.
- The Five-Year model is driven by increased operating costs and future debt service associated with the CIP. The chart on the following page details the increased costs in the five year planning period. Project pages within the CIP section provide more detail on the operating costs.

Operating Impacts of the Adopted CIP:

Operating Impacts	FY2014	FY2015	FY2016	FY2017	FY2018
F&R Station 14					1,936,000
F&R Training Center					
E-911 Phone System					
Chichester Park	98,000	173,000	181,000	186,000	195,000
Curtis Park Pool		(10,000)	(10,000)	(11,000)	(11,000)
Park at Embrey Mill		510,000	163,000	171,000	179,000
Indoor Rec. Fac. at Embrey Mill		0	0	0	0
Infrastructure	4,000	8,000	21,000	24,000	25,000
Animal Shelter					251,000
Courthouse Addition					
Stormwater			38,000	75,000	113,000
Belmont Ferry Farm Trail - Ph 4		82,000	55,000	57,000	59,000
Belmont Ferry Farm Trail - Ph 6				87,000	59,000
Elementary School #18					
	$102,000	$763,000	$448,000	$589,000	$2,806,000

Bond Debt Service Impacts	FY2014	FY2015	FY2016	FY2017	FY2018
Land Acquisition		502,000	502,000	502,000	502,000
F&R Station 14				36,000	421,000
F&R Training Center					
F&R Station-Centreport					
Chichester Park	151,000	614,000	603,000	590,000	574,000
Curtis Park Pool	27,000	108,000	106,000	104,000	101,000
Park at Embrey Mill	209,000	851,000	836,000	818,000	795,000
Duff McDuff Green Park					71,000
St. Clair Brooks Park					
Mountain View					
Patawomeck phase II					50,000
Pratt Park					
Rocky Pen Run Reservoir					
Animal Shelter				28,000	346,000
Courthouse Addition					
Transportation Bonds	50,000	294,000	660,000	1,799,000	3,053,000
Stafford High School	1,480,000	3,251,000	4,730,000	5,068,000	5,068,000
Career & Tec Center					
Ferry Farm Elem Rebuild					
Moncure ES				84,000	963,000
Grafton Village	249,000	978,000	978,000	978,000	978,000
Elem School #18					
Brooke Point HS					
Colonial Forge					
Mt. View HS					
Fleet Services					
Infrastructure		631,000	1,095,000	1,371,000	1,831,000
New Debt Service	$2,166,000	7,229,000	$9,510,000	$11,378,000	$14,753,000
Existing Debt Service	$ 35,026,000	$ 33,995,000	$ 32,872,000	$ 32,102,000	$ 31,007,000
	$37,192,000	$41,224,000	$42,382,000	$43,480,000	$45,760,000

Master Lease Debt Service Impacts	FY2014	FY2015	FY2016	FY2017	FY2018
Replacement Apparatus		321,000	1,007,000	1,295,000	1,583,000
Fiber Optic		133,000	133,000	133,000	133,000
New Debt Service	$0	$454,000	$1,140,000	$1,428,000	$1,716,000
Existing Debt Service	1,709,516	2,067,155	2,067,115	2,067,115	2,067,115
	$1,709,516	$2,521,155	$3,207,115	$3,495,115	$3,783,115
Total Debt Service	$38,901,516	$43,745,155	$45,589,115	$46,975,115	$49,543,115

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 some modest optimism that economic conditions will 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.

FY2015 PROJECTION

As directed by the Board, a balanced plan for FY2015 is included in the Five Year Projection section.

FY2015 CIP Debt Service and Operating Costs - Planning for FY2015 will be heavily influenced by debt service and operating costs associated with parks, roads, public safety, and schools capital projects. Estimated net change in debt service for FY2015: General Government: $1.2 million; Schools: $3.5 million. Estimated operating costs for new parks facilities: $770K.

FY2015 Corrections - The FY2014 budget for the Jail was balanced by using $1 million of the Jail Authority's fund balance. Had the budget not included the use of the one-time money, the County's share would have been $960k higher in FY2014. The Five-year model assumes an increase in that amount in FY2015.

FY2015 VRS Rate Increase - Every other year, the Virginia Retirement System (VRS) updates the actuarial assumptions and calculates a new rate for the County. The change for FY2015 will increase this expenditure by $500k.

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 2.25% in FY2015 adds $380k to the budget.

The model assumes a 2.8% increase in revenues, which would be sufficient to fund these required increases.

Not included in the FY2015 expenditure projection: funding to meet inflationary increases in FY2015, 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 FY2016.

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 fund operating and debt service for the Schools.

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

FY2016-18

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.

FIVE YEAR OPERATING BUDGET MODEL

This table summarizes the five year projection.

	FY2012 Actual	FY2013 Adopted	FY2014 Adopted	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast
Property Taxes	$ 187,168,411	$ 187,159,504	$ 192,780,900	$ 198,500,000	$ 203,933,000	$ 209,518,000	$ 215,260,000
Other Taxes	32,901,513	32,692,192	33,482,300	34,340,000	35,219,000	36,121,000	37,047,000
Service Charges & Other	13,569,117	13,749,089	14,100,800	$14,048,000	14,339,700	14,635,700	14,938,700
Federal & State Revenues	15,919,017	13,691,157	14,651,445	15,169,000	15,584,000	16,012,000	16,463,000
	$ 249,558,058	$ 247,291,942	$ 255,015,445	$ 262,057,000	$ 269,075,700	$ 276,286,700	$ 283,708,700
Public Safety	$ 37,290,975	$ 38,367,068	$ 39,755,640	$ 39,656,000	$ 47,282,000	$ 48,530,000	$ 51,998,000
Non-Public Safety	45,262,495	45,438,845	47,189,940	48,157,000	50,608,000	52,392,000	53,762,000
Debt Service - County	14,065,413	9,979,518	11,119,790	12,397,000	13,075,000	14,395,000	16,585,000
Other	19,832,761	20,451,997	20,496,644	21,873,000	23,281,000	24,220,000	25,167,000
Schools - Local Transfer	98,599,339	106,850,774	108,626,921	108,625,000	110,969,000	114,509,000	117,842,000
one-time VPSA savings to operating			1,000,000	-			
Schools - Debt Service/Capital Projects	28,428,908	26,203,740	26,826,510	31,349,000	32,514,000	32,580,000	32,958,000
Adjustments to be determined	-	-	-	-	(8,653,300)	(10,339,300)	(14,603,300)
	$ 243,479,891	$ 247,291,942	$ 255,015,445	$ 262,057,000	$ 269,075,700	$ 276,286,700	$ 283,708,700

TRANPORTATION FUND

		FY2012 Actual	FY2013 Estimated	FY2014 Adopted	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast	FY2018 Forecast
Revenues								
Gasoline Sales Tax [1]	$	5,345,841	$ 5,265,884	$ 5,173,000	$ 5,053,704	$ 5,046,657	$ 5,101,649	$ 5,130,674
State Recordation Tax		707,061	715,000	715,000	715,000	715,000	715,000	715,000
Federal Revenue (Bike Trails & Historic Falmouth)		1,031,384	669,478	-	-	-	-	-
State Revenues [2]		685,811	639,310		3,137,700	8,210,973	14,155,000	15,542,147
Interest Revenue		7,653	2,500	2,000	1,500	1,000	1,000	1,000
Miscellaneous/Other		17,038	403,552	-	-	-	-	-
Bonds		-	2,789,000	-	14,000,000	5,430,000	7,969,599	6,766,294
From General Fund		100,000	-	-	-	-	-	-
Impact Fees		-	-	-	60,000	60,000	600,000	1,500,000
Proffers		-	150,000	-	-	-	-	-
Total Sources	$	7,894,788	$ 10,634,724	$ 5,890,000	$ 22,967,904	$ 19,463,630	$ 28,542,248	$ 29,655,115
Expenditures								
VRE Subsidy [3] [4]	$	2,505,805	$ 1,892,640	$ 2,529,281	$ 2,615,390	$ 2,802,123	$ 2,948,520	$ 2,865,003
FRED Bus Service		511,239	526,337	542,127	558,391	575,143	592,397	610,169
Management Services		-	6,849	-	-	-	-	-
Architect/Engineering (Bus Shelters)		14,268	15,000	-	-	-	-	-
Airport Subsidy		85,714	85,714	85,714	85,714	85,714	85,714	85,714
Transportation Fee Analysis		38,525	8,000	-	-	-	-	-
Debt Service Transfer to General Fund		-	25,000	10,000	10,000	10,000	10,000	10,000
PRTC Subsidy [4]		-	82,000	93,400	87,800	63,300	67,000	62,500
Financial Management		93,111	12,599	13,333	12,565	12,565	12,565	12,565
Architect/Engineering		943,442	84,966	-	-	-	-	-
Transportation Plan Implementation		-	8,113	-	-	-	-	-
Street Signs		28,530	50,000	50,000	50,000	50,000	50,000	50,000
Social Services		25,523	40,000	40,000	40,000	40,000	40,000	40,000
Gateway		-	110,000	100,000	100,000	100,000	100,000	100,000
Local Road Projects		516,592	1,966,903	500,000	500,000	500,000	500,000	500,000
Roads Projects		-	3,659,000	1,926,145	9,196,644	27,198,265	21,610,000	26,742,294
Land		233,765	-	-	-	-	-	-
Route 610		100,000	-	-	-	-	-	-
Bike Trails		1,211,193	-	-	-	-	-	-
Total Uses	$	6,307,707	$ 8,573,121	$ 5,890,000	$ 13,256,504	$ 31,437,110	$ 26,016,196	$ 31,078,245
Change in Fund Balance	$	1,587,081	$ 2,061,603	$ (0)	$ 9,711,400	$ (11,973,480)	$ 2,526,052	$ (1,423,130)
Beginning of Year Fund Balance	$	8,963,980	$ 10,551,061	$ 12,612,664	$ 12,612,664	$ 22,324,064	$ 10,350,584	$ 12,876,637
Committed Expenditures								
SRAA loan		1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Mine Road proffer to VDOT		-	195,780	195,780	195,780	195,780	195,780	195,780
Bells Hill Road		79,256	250,000	250,000	250,000	250,000	250,000	250,000
TCSP Grants		288,000	288,000	288,000	288,000	288,000	288,000	288,000
Boswell's Corner Improvements		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Bike Trails		608,807	-	-	-	-	-	-
Transportation Streetscaping grant balance		1,121,135	-	-	-	-	-	-
Encumbrances		1,423,698	852,248	6,829,637	13,246,093	207,401	-	-
Total Committed	$	5,220,896	$ 3,286,028	$ 9,263,417	$ 15,679,873	$ 2,641,181	$ 2,433,780	$ 2,433,780
Assigned:	$	5,330,165	$ 9,326,636	$ 3,349,247	$ 6,644,191	$ 7,709,403	$ 10,442,856	$ 9,019,726
Fund Balance, end of year	$	10,551,061	$ 12,612,664	$ 12,612,664	$ 22,324,064	$ 10,350,584	$ 12,876,637	$ 11,453,507

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

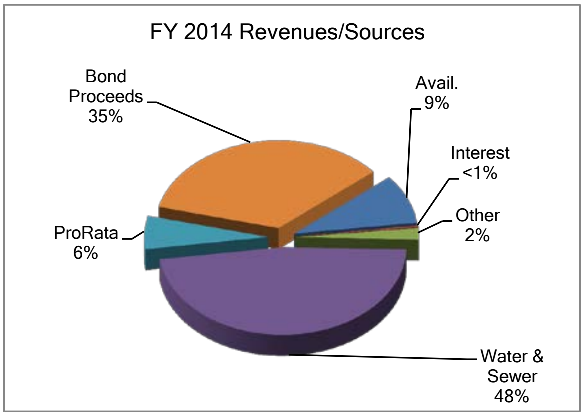
[1] Gasoline sales tax revenue projections provided by PRTC.

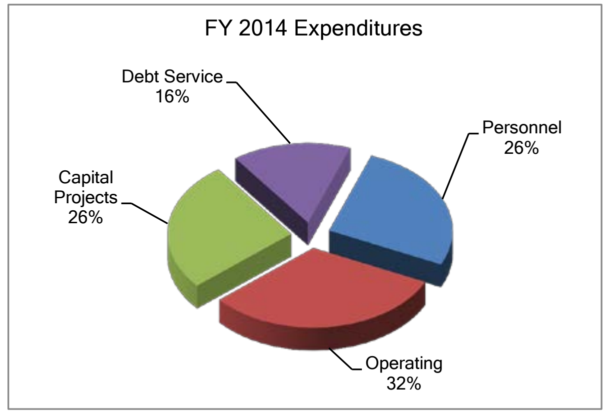
[2] State revenue sharing funding is a reimbursement based on road expenditures. Budget and appropriation will be considered as contracts are awarded, outside the normal budget process. These revenues are not included in the proposed budget, but are shown in the five-year model for cash flow purposes.

[3] VRE and PRTC subsidy projections provided by PRTC

[4] FY13 VRE subsidy is net of Spotsylvania deferred contribution.

Subsequent to the adoption of the FY2014 budget, VDOT requested funding of $3.5M for the County's share of right of way expenditures. This payment, to be reimbursed by future year's bond issuance is not reflected in the model. The transportation fund balance July, 2014 is sufficient to make the payment.





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 2012 data reflects actual amounts and the Fiscal Year 2013 data reflects year-end estimates based on revenues and expenses to-date. Projections for 2014 through 2018 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 500 additional equivalent dwelling units (EDUs) in 2014-FY18. 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
Revenue Bonds of $20M are proposed in FY14 and $25M in FY15 for critical water and wastewater infrastructure. The $20M in FY14 will be used to fund the Austin Run Pump Station and essential water distribution projects serving the new treatment plant, including projects started in FY13. Proceeds of the FY15 bonds will finance rehabilitation and expansion of aged sewer infrastrucutre along Claiborne Run and Falls Run as well as water distribution improvement and expansion projects.

Personnel & Operating Expenditures
Most Utilities personnel costs are projected to increase 4% per year and operating costs are projected to increase 3% in FY13-18. Operating Costs are expected to increase an additional 1.1% in FY14-15 due to costs associated with the new reservoir. Additionally, $300,000 related to Other Post-Employment Benefits (OPEB) is included each year for FY13-15 and $460,000 for FY16-18.

Use of Money and Property
Interest earned on the Utilities Fund Balance is expected to decline over the five-year planning period as cash balances are 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 4% interest rate for the major CIP projects.

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

UTILITIES FIVE YEAR PLAN EXPENDITURE SUMMARY

	FY2012 Actual	FY2013 Estimated	FY2014 Adopted	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast	FY2018 Forecast
Rate Change: User Fees (Approved in bold)	**7.0%**	**8.0%**	8.9%	9.10%	9.10%	9.10%	9.10%
Availability Fees	$10,400	$10,400	$10,400	$10,400	$10,400	$10,400	$10,400
Revenues/Sources							
Water/Sewer Fees	$22,664,873	24,610,000	$27,061,000	$29,594,000	$32,364,000	$35,393,000	$38,705,000
Availability Fees	5,256,188	5,545,000	5,200,000	5,300,000	5,300,000	5,300,000	5,300,000
Pro Rata Fees	1,732,671	2,400,000	3,400,000	2,000,000	1,317,000	1,317,000	1,317,000
Other Charges and Fees	1,530,178	1,360,000	1,212,000	1,196,000	1,211,000	1,226,000	1,241,000
Use of Money/Property	436,545	500,000	185,000	585,000	464,000	418,000	359,000
Grants	1,037,356	144,000	-	-	-	-	-
Revenue Bond Proceeds	52,348,794	-	20,000,000	25,000,000	-	-	-
	$85,006,605	$34,559,000	$57,058,000	$63,675,000	$40,656,000	$43,654,000	$46,922,000
Donated Assets	10,048,202						
Total Sources	$95,054,807	$34,559,000	$57,058,000	$63,675,000	$40,656,000	$43,654,000	$46,922,000
Uses							
Operations							
Personnel	$10,273,176	$11,000,000	$11,152,127	$11,525,000	$11,986,000	$12,465,000	$12,964,000
Operating	$10,308,914	12,000,000	13,528,152	14,647,000	15,343,000	15,995,000	16,675,000
Operating-Capital Projects	1,557,356	42,000,000	2,855,000	1,545,000	1,964,000	2,125,000	700,000
Expansion-Capital Projects							
Pro Rata Funded	640,720	4,000,000	8,213,000	35,763,000	5,000,000	7,602,000	7,836,000
Availability/Bond Funded	17,829,096	40,700,000	-	-	-	-	-
Debt Service							
Existing Debt Service	5,812,568	5,140,000	6,556,000	6,070,000	5,527,000	8,938,000	8,938,000
New Debt Service	-	-	-	1,910,000	3,411,000	-	-
Total Uses	$46,421,829	$114,840,000	$42,304,279	$71,460,000	$43,231,000	$47,125,000	$47,113,000
Total Sources Over Uses	$48,632,978	($80,281,000)	$14,753,721	($7,785,000)	($2,575,000)	($3,471,000)	($191,000)
Fund Balance							
Cash Balance, Beginning of Year	$48,321,000	$100,555,924	$20,274,924	$35,028,645	$27,243,645	$24,668,645	$21,197,645
Cash Balance, End of Year	$48,268,576	$20,274,924	$35,028,645	$27,243,645	$24,668,645	$21,197,645	$21,006,645
Restricted - Deposits	6,400,031	8,600,000	6,000,000	2,200,000	2,200,000	2,200,000	2,200,000
Restricted - Debt Service	446,846	2,100,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Restricted - Advance Payments	1,810,392	1,856,000	1,809,000	1,832,000	1,855,000	1,878,000	1,901,000
Committed - Operating Reserve	1,810,392	3,600,000	3,723,000	3,971,000	4,239,000	4,514,000	4,802,000
Designated - Repair/Replacement	3,627,000	3,718,000	3,811,000	3,925,000	4,062,000	4,184,000	4,310,000
Committed for Projects	-						
Uncomitted Balance		400,924	17,185,645	12,815,645	9,812,645	5,921,645	5,293,645
Debt Ratio 1	2.63	1.81	2.41	2.31	1.89	2.29	2.55
Debt Ratio 2	1.88	1.24	1.60	1.58	1.40	1.75	2.00
Debt Ratio 3	8.45	5.13	3.88	3.58	2.57	2.85	3.28
Debt Ratio 4 (Min=1.0)***	0.97	0.63	0.74	0.79	0.84	1.14	1.39

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.