COUNTY OF AUGUSTA, VA
FIVE YEAR FINANCIAL PLAN

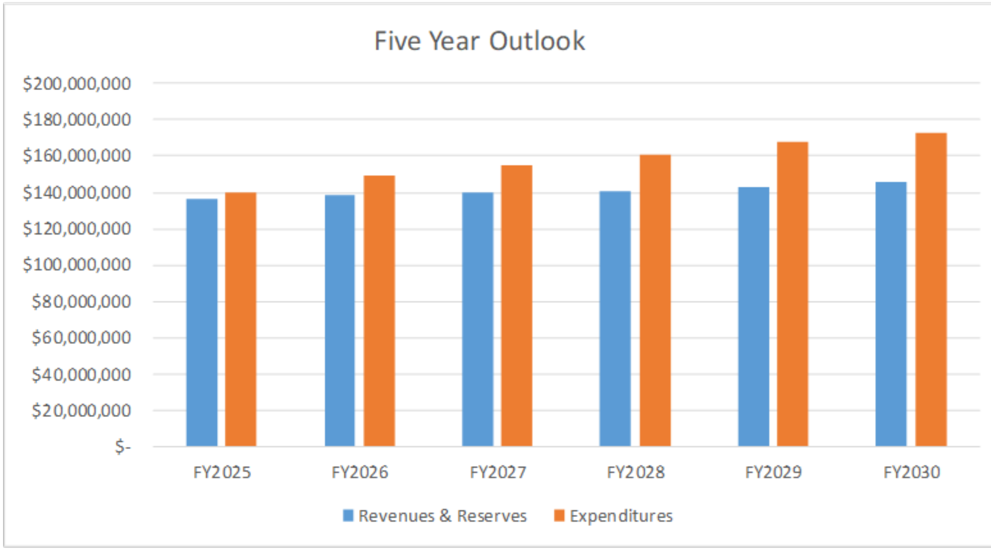
Executive Summary

The Board met on February 9, 2024 for a Strategic Planning session and reviewed the progress in implementing the work plan developed from the October 2022 session. One outcome was to continue providing an annual five-year financial projection of revenues and expenditures. This is the fourth Plan prepared for the Board. **The goal of the plan is to bring awareness of funding needs, and to set achievable targets so the County can begin developing revenue, savings and operational proposals that may require multi-year planning efforts. This is a process that will need attention annually.**

The Board identified the following major strategic goals to make Augusta County an even better community in the future. These goals can be achieved or refined through financial planning.

PUBLIC SAFETY	LAND USE/AGRICULTURAL PRESERVATION	STAFF RECRUITMENT, DEVELOPMENT, & RETENTION
EDUCATION	ECONOMIC DEVELOPMENT	REGIONAL COOPERATION
UTILITIES – BROADBAND, WATER/SEWER	FINANCE & BUDGET	GOVERNMENT PERFORMANCE

A Five-Year Financial Plan will provide the basis for funding the priorities that will assist in serving the public need. The exercise of a five-year forecast allows decision makers to see the areas of need and plan a way for corrective action. **It shows the cost of County services is projected to steadily outpace revenue growth. If the County does not consider revenue adjustments, the gap between revenues and expenditures will rise from $10 million to approximately $27 million from FY 2025-26 to FY 2029-30, as reflected in the following chart.**



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenues & Reserves	$ 136,241,082	$ 138,778,008	$ 140,364,253	$ 140,551,609	$ 143,011,445	$ 145,813,920
Expenditures	$ 140,347,533	$ 149,179,667	$ 155,111,767	$ 160,472,662	$ 167,541,362	$ 173,161,507

Overall increases in expenditures in the next five years are based on historical growth, market adjustments, additional staffing, and upcoming capital expenditures.

- Employee wages and benefits make up over 27% of total general fund expenditures, growing from $37 million to $50 million in the next five years, or 34%.
- Other Charges ($1.7 million or 28%)
- Professional & Contractual Services ($1.7 million or 29%)
- Materials & Supplies ($1.3 million, 34%); Contributions ($5.3 million or 69%)
- Transfers to other funds ($9.1 million or 16%)
- Capital and Debt Service ($778,000 or 5%)

Total General Fund expenditures are projected to grow $33 million, or 23%, over the five-year period. To put this in context, expenditures grew $33 million or 35% from FY 2018 to FY 2023. A portion of future growth is due to the inability to continue the practice of funding some operations from reserves which has happened in the most recent budget cycles to close projected deficits. There is a stabilization of debt service over the five-year period as the courthouse debt and recent school borrowings are included the analysis.

Major capital projects taking place over the next five years include:

- Construction of a new courthouse facility,
- Relocation of the animal services center,
- Upgrading the current 911 system to a P25 digital platform,
- Construction of Phase 5 of the landfill, and
- Replacement of apparatus, equipment and financial software that has reached the end of life.

Debt service for the courthouse project was added to the analysis in FY2025. The other projects noted are to be funded from the current capital allocation or American Rescue Plan dollars, and therefore are not included as an additional expenditure in the plan. Potential outcomes of the strategic plans for Fire and Rescue and Economic Development are not included in the Five-Year Forecast, but are considered in the Financial Summary.

In contrast, total General Fund revenues are projected to grow only $13 million, or 10%, over the next five year period. In comparison, revenues grew $31 million, or 25%, from FY 2018 to FY 2023, due to Board actions or market adjustments. Changes in revenue included a 5-cent increase in the real estate tax rate in 2018, a reassessment with nominal growth in 2019, a 10-cent increase in personal property for vehicles in 2021, implementation of a cigarette tax and an increase in the meals and lodging percentage, and increases to vehicle personal property values due to nationwide inventory shortages. Future projections of property taxes in the plan do not include increases in tax rates or 2024 reassessment values.

Conclusion

Despite these challenges, if the County takes proactive action to address the projected imbalance between revenues and expenditures, it can continue to provide necessary services for citizens and plan for future needs over the next five years. A proactive approach to financial planning allows for adequate preparation in case of future economic downturns.

At the Strategic Planning Session in February, the Board discussed major drivers influencing the development of the proposed FY 2025 budget. They were:

- the reassessment of real estate – increases in value
- requests for new positions
- pay and benefits study
- operating costs for capital projects
- debt service for the new courthouse
- school debt service limit
- capital transfer restoration
- maintaining an appropriate undesignated fund balance
- school funding – affected by the composite index/state funding
- strategic plans for fire & rescue and economic development

The plan provides the following Financial Summary to assist in decision making surrounding the FY 2025 budget and beyond. Note that not all the items on the list above are included in the summary but that does not lower the importance for consideration. **Items included in the summary will be an investment in growing the tax base, and meeting the expectation of providing quality services and service delivery throughout the County.**

Financial Summary	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
See Future Budget Considerations for more details on Uses and Sources below.						
USES						
Courthouse						
Estimated annual debt service	4,106,451	4,104,544	4,107,144	4,106,669	4,103,119	4,106,238
Estimated annual operating costs	-	1,075,988	1,134,266	1,195,726	1,260,545	1,328,906
Total for courthouse	4,106,451	5,180,532	5,241,410	5,302,395	5,363,664	5,435,144
Contribution – MRRJ Operations	2,500,000	2,775,000	3,080,250	3,419,078	3,795,176	4,212,645
operating contribution fully funded						
Reinstate Capital Funding	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339
return of funds used to balance operating budget						
Fire & Rescue Strategic Plan	2,942,469	3,571,605	3,653,901	3,741,135	3,833,603	1,731,619
Economic Development Strategic Plan	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Pay/Reclass Study	500,000	530,000	561,800	595,508	631,238	669,113
Total Uses	**14,681,259**	**16,689,475**	**17,169,700**	**17,690,455**	**18,256,020**	**16,680,861**
SOURCES						
Capital funding adjustments		-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000
Allocation of reinstated capital funding	-1,632,339	-1,632,339	-1,632,339	-1,632,339	-1,632,339	-1,632,339
One-time use of MRRJ Reserve		-1,000,000	-1,000,000	-1,000,000	-1,000,000	
Mill Place Industrial Park tax base	-600,000	-600,000	-600,000	-600,000	-600,000	-600,000
Total - sources to offset one time capital expenditures for F&R/ED Plans	**-2,232,339**	**-4,332,339**	**-4,332,339**	**-4,332,339**	**-4,332,339**	**-3,332,339**
Revenue needed from reassessment	**12,448,920**	**12,357,136**	**12,837,361**	**13,358,116**	**13,923,681**	**13,348,522**
Estimated one-cent on real estate tax	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Estimated effective tax increase	**$ 0.10**	**$ 0.10**	**$ 0.11**	**$ 0.11**	**$ 0.12**	**$ 0.11**

Developing strategies and achievable targets is important so the County can begin developing revenue, savings, and operational proposals that may require multi-year planning efforts. There remains a significant amount of work and planning by County departments and policy makers to further develop long term initiatives. Policy makers also have the authority to implement changes in revenue streams and the policies that surround them. Decisions surrounding the 2024 reassessment will be key in providing sources to offset the uses noted above.

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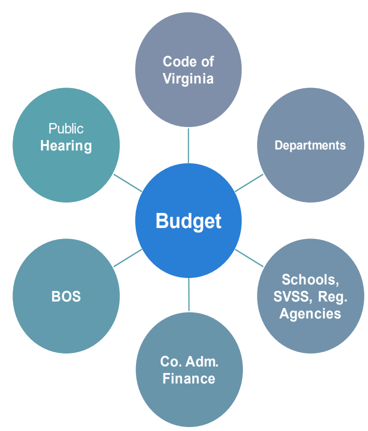
Five Year Financial Plan

Purpose of the Plan

The Five-Year Financial Plan is a component of a comprehensive effort by the County to improve its long-range financial management and planning. To this end, the County is currently practicing the following strategies:

- **Annual Balanced Budget:** The County follows the guidelines set forth in the Code of Virginia in preparing the annual budget. County departments, the School Board, Constitutional offices and Regional agencies draft a spending plan relative to their needs. County Administration and Finance balances the budget utilizing existing revenue sources and reserves. The Board of Supervisors seeks public input and determines if additional funding sources are required to meet service demands.
- **Capital Planning:** The Capital Improvement Plan offers a systematic approach to planning and financing capital improvements. A minimum general fund appropriation has been established over time by the Board of Supervisors for annual capital funding. Revenue sources are earmarked for capital, including local taxes such as consumer utility, business license and meals, and property tax rate or assessed value increases. Other revenue sources include year-end fund balance, state and federal grants and debt service. The appropriation is allocated to savings for replacement of apparatus, computers, and vehicles, as well as construction and regional projects.
- **School Revenue Sharing and Debt Service Funding:** Annual school funding is calculated through growth in non-categorical general fund revenues. School Debt Service funding is provided by the general fund and capped at an established amount. School capital improvements are planned within the annual debt service funding available.
- **Formal Financial Policies:** The County has adopted Finance Policies to assist the Board of Supervisors in maintaining fiscal stability and accountability in the use of its resources to provide services to the citizens. Policies provide guidance on investments, budget, audit, debt, grants and fund balance allocations.
- **Pay & Reclassification Analysis:** The County prepares an analysis of pay grades in relation to the local market every few years. Job duties are taken into consideration. The budget will reflect the adjustments needed.

Budget process is a cooperative effort



Multi-year forecasting is a best practice for all governments. The five-year plan process is designed to enhance the County's ability to identify the key components in County revenues, expenditures, and needed public services. Increased service demands and large capital projects are drivers in the need for additional revenue sources. Overall, the County will minimize volatility by looking beyond the typical budget horizon, and balance revenues with public service delivery that citizens can expect and rely on. Board of Supervisors' priorities will also be achieved.

The Five-Year Financial Plan will help identify the need for action over the next five years. Using the detailed revenue and expenditure forecasts and analysis of the effects on public services, the County can institute changes that will minimize volatility, discontinue reliance on operational reserves, and right-size public services. Some changes require longer lead times including changes to facilities, workforce, and service mix.

Five Year Outlook for General Fund Supported Operations

Economic Projections: Over the next five years, revenue projections assume a continued increase in tax revenues based on slow, but steady growth in property values and the local economy. The County's property tax, sales tax and other tax bases are projected to remain steady. This will contribute to the County's relative stability and capacity to deliver public services, finance infrastructure improvements, and stay an attractive market and an appealing place to live, work and visit. December 2023's unemployment rate was 2.3%, flat from 2.3% in December 2022, and less than the State average of 3%.

The economic climate stabilized in 2023 and it is expected that a soft-landing or mild recession may occur in 2024. The housing market shows rising values, partly due to lack of inventory. Personal property values on vehicles have declined slightly, but not as fast as originally expected. Prices on goods and services have remained higher even as inflation has slowed. Interest rates on earnings increased in early 2023, but are expected to drop as the Fed adjusts the rate. Interest on bonds has dropped slightly.

Summary of 'Base Case' Projections and Findings: For several years the County has managed to provide a balanced budget while the gap between revenues and expenditures has persisted and grown. In each of the most recent budget cycles, the County has had to close projected deficits utilizing reserves. For example, in the proposed FY 2025 budget, $3.5 million in reserves are used to fund more than 2.7% of General Fund-supported services. A substantial proportion of budget-balancing efforts have been made by baselining current expenditures and limiting the addition of new requests. Due to revenue constraints, the underlying problem of not funding new or more improved services has not been fully addressed. This includes hiring additional staff that is needed.

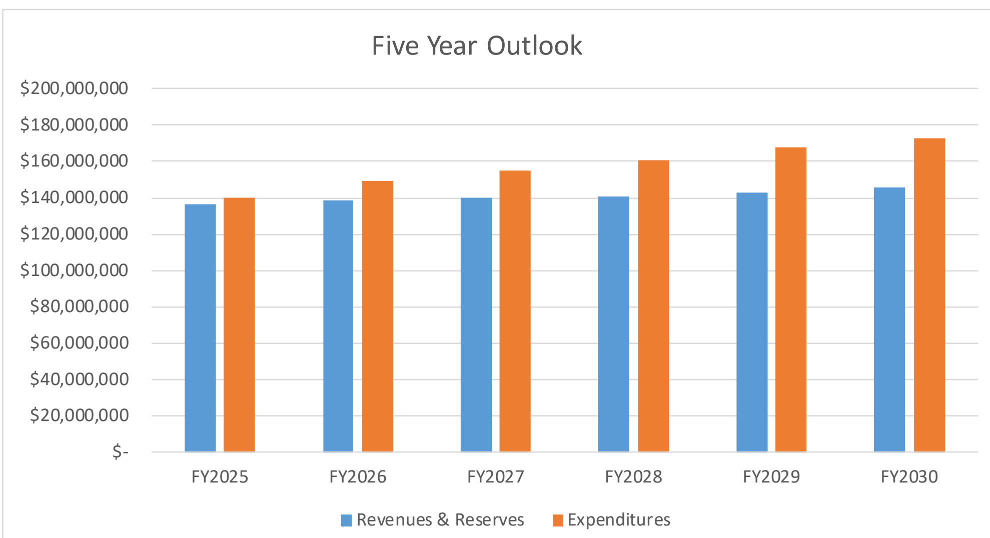
Similarly, the five-year projections shown in the table portray a significant gap between projected revenues and expenditures over the period, if current service levels and policies are continued—this is the 'base case.' The base case projection starts with what the County's spending looks like as of the proposed FY2025 budget and estimates all of the significant changes that are known in the coming five-year time horizon. From today's public service levels, the projection adds known revenue and expenditure changes in all areas where there is reasonable information or basis for a projection.

For example, adjusting contractual services for the reassessment contract, which is only required every 5 years. Other adjustments are less clear—for example the change in employee benefit costs for retirement (Virginia Retirement System or VRS) and health insurance or the cost of fuel. These changes are much less predictable, but are modeled as much as possible.

On the revenue side, all reasonably known and expected changes in the period are included in the projections. This includes slowly increasing general tax revenue, such as property, business and sales tax, known changes in state and federal revenues, and changes in projected fees that track the economy, such as building inspection and planning fees. Consideration for market changes on revenues, such as interest income, are part of the budget projections and are carried over to future projections at that level.

The County's base case shows the cost of County services is projected to steadily outpace revenue growth during the five-year period. The gap is attributable to some clear factors; labor costs are preliminarily projected to increase at the rate of 6% on average during the period. Labor costs account for one third of the annual budget. Most other operating expenditures are preliminarily projected to grow at the rate of inflation or historical averages, though the plan adds detailed projections for some areas of known cost.

With these growth rates the gap between revenues and expenditures will rise from $10 million to approximately $27 million from FY 2025-26 to FY 2029-30.



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenues & Reserves	$ 136,241,082	$ 138,778,008	$ 140,364,253	$ 140,551,609	$ 143,011,445	$ 145,813,920
Expenditures	$ 140,347,533	$ 149,179,667	$ 155,111,767	$ 160,472,662	$ 167,541,362	$ 173,161,507

Details are reflected in the Master Financial Schedule on the following page.

Master Financial Schedule	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SOURCES						
Property Taxes	$ 79,073,360	$ 80,516,697	$ 82,680,006	$ 84,221,244	$ 85,812,646	$ 87,455,342
Local Taxes	23,783,800	24,317,861	24,868,696	25,436,936	26,023,236	26,628,282
Licenses, Permits & Fees	758,570	788,913	820,469	853,288	887,420	922,916
Fines, Forfeitures & Penalties	276,950	290,798	305,337	320,604	336,634	353,466
Interest & Investment Income	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Rents & Sale of Surplus	379,530	390,916	402,643	414,723	427,164	439,979
Charges for Services	3,212,284	3,276,530	3,342,060	3,408,901	3,477,080	3,546,621
Miscellaneous	49,664	49,664	49,664	49,664	49,664	49,664
Recovery of Government Costs	57,300	57,300	57,300	57,300	57,300	57,300
State Revenue	13,390,061	13,301,707	13,212,469	13,344,593	13,478,039	13,612,820
Federal Revenue	1,128,410	1,128,410	1,128,410	785,026	785,026	785,026
Total Revenues	**$ 124,709,929**	**$ 126,718,794**	**$ 129,467,056**	**$ 131,492,280**	**$ 133,934,210**	**$ 136,451,417**
Transfers-In						
Revenue Recovery	1,510,776	1,692,069	1,895,117	2,122,532	2,377,235	2,662,504
Capital	72,145	72,145	-	-	-	-
Total General Fund Resources	**$ 126,292,850**	**$ 128,483,008**	**$ 131,362,173**	**$ 133,614,811**	**$ 136,311,445**	**$ 139,113,920**
Fund Balance	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Reserves	3,448,232	3,795,000	2,502,080	436,798	200,000	200,000
Grand Total Sources	**$ 136,241,082**	**$ 138,778,008**	**$ 140,364,253**	**$ 140,551,609**	**$ 143,011,445**	**$ 145,813,920**
USES						
Salaries & Wages	$ 27,518,702	$ 29,169,824	$ 30,920,014	$ 32,775,214	$ 34,741,727	$ 36,826,231
Fringe Benefits	10,131,230	10,739,104	11,383,450	12,066,457	12,790,444	13,557,871
Other Charges	6,271,612	6,585,193	6,914,452	7,260,175	7,623,184	8,004,343
Professional & Contractual Services	5,842,104	6,134,209	6,440,920	7,296,299	8,727,781	7,564,170
Materials & Supplies	3,942,704	4,179,266	4,430,022	4,695,824	4,977,573	5,276,227
Capital Outlay	491,500	525,905	562,718	602,109	644,256	689,354
Capital	4,379,309	7,760,716	7,680,154	5,904,814	5,148,132	5,144,809
Debt Service (General Fund)	11,427,491	11,197,153	11,200,002	11,441,747	11,436,896	11,440,017
Contributions	7,668,082	8,511,571	9,447,844	10,487,107	11,640,688	12,921,164
Transfers Out						
Revenue Recovery	160,000	160,000	160,000	160,000	160,000	160,000
Shenandoah Valley Social Services	1,626,152	1,707,460	1,792,833	1,882,474	1,976,598	2,075,428
Children's Services Act	2,136,000	2,221,440	2,310,298	2,402,710	2,498,818	2,598,771
School Fund	51,172,647	52,707,826	54,289,061	55,917,733	57,595,265	59,323,123
School Capital Improvement	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
Fund Balance	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Grand Total Uses	**$ 140,347,533**	**$ 149,179,667**	**$ 155,111,767**	**$ 160,472,662**	**$ 167,541,362**	**$ 173,161,507**
Surplus/(Shortfall)	$ (4,106,451)	$ (10,401,659)	$ (14,747,514)	$ (19,921,053)	$ (24,529,917)	$ (27,347,587)

The Code of Virginia requires that administration "prepare and submit to the governing body an estimate of the amount of money needed during the ensuing fiscal year" for operations of the County. Historically, local practice has been that each year's budget be balanced. Balancing the budget will require a combination of expenditure reductions and/or additional revenues.

Detail of Base Case Countywide Revenue Projections:

Assumptions of Percentage Change in Major General Fund Revenues

	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	5yr average
Property Taxes	2%	3%	2%	2%	2%	2%
Local Taxes	2%	2%	2%	2%	2%	2%
Licenses, Permits & Fees	4%	4%	4%	4%	4%	4%
Fines & Forfeitures	5%	5%	5%	5%	5%	5%
Interest & Investment Income	0%	0%	0%	0%	0%	0%
Rents & Sale of Surplus	3%	3%	3%	3%	3%	3%
Charges for Services	2%	2%	2%	2%	2%	2%
State Revenue	-1%	-1%	1%	1%	1%	0%
Federal Revenue	0%	0%	-30%	0%	0%	-6%
Recovery of Government Costs	0%	0%	0%	0%	0%	0%
Transfer from Revenue Recovery	12%	12%	12%	12%	12%	12%

Source: Master Financial Schedule

- **Property Taxes:** The base case projections assume the property tax assessments will grow an average of 1.7% for real estate, 4% for vehicles and 1.5% for other business personal property. These averages are based on historical experience from 2014 as a base tax year to 2023, the last completed tax year. Historic property value assessment increases are used in lieu of property tax collections, as any change in the tax rate in past years would generate an average increase that is overstated. Public service corporation real estate is assessed by the State Corporation Commission and follows the annual sales assessment ratio percentage, which declines as the assessment moves away from the fair market value. Overall, property taxes are estimated to increase by 2% per year in the financial plan, barring any further actions by the Board of Supervisors to add revenue.

- **Local taxes:** Taken together, this group of locally generated revenues is projected to increase by 2% per year. Each component of local taxes was estimated to increase by its respective historical average increase. Sales tax revenue has grown 60% over the last five years. Sales tax collections have stabilized to a 1.5% increase over the twelve-month period of CY2023, therefore, sales tax is expected to flatten in future year projections as current year growth has decelerated.

- **Licenses, Permits and Fees**: These locally-controlled revenues are projected to grow by 4% per year based on historical averages. The fees are volatile from year to year, as large construction projects may come and go from year to year.

- **Interest & Investment Income**: Interest earned on bank deposits for County investments increased significantly due to investment rate changes in FY2023. The proposed forecast for the next 5 years is flat, as a significant increase occurred in FY 2023, and continued growth in investment rates is undetermined. Spending will also occur for large capital projects such as the courthouse and 911 system, therefore reducing the balance of cash earning interest over the next two years. Revenue has varied from -35% to +350% over a historical five-year period, so it is hard to predict.

- **State and Federal Revenues:** Overall, State and Federal revenues are assumed to be roughly flat or declining during the period. A State grant for the School Resource Officers will end in FY 2026. Federal revenues will drop in FY 2028 due to the completion of a Federal grant held by the Commonwealth Attorney's office. Payment in-lieu of taxes for Federal lands within the County has been fully funded by the Federal government in recent years and is estimated to continue.

Detail of Base Case Countywide Expenditure Projections:

Assumptions of Percentage Change in Major General Fund Expenditures

	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	5yr average
Salaries & Wages	6%	6%	6%	6%	6%	6%
Fringe Benefits	6%	6%	6%	6%	6%	6%
Other Charges	5%	5%	5%	5%	5%	5%
Professional & Contractual Services	5%	5%	13%	20%	5%	10%
Materials & Supplies`	6%	6%	6%	6%	6%	6%
Capital Outlay	10%	10%	10%	10%	10%	10%
Capital	77%	-1%	-23%	-13%	0%	8%
Debt Service	2%	0%	-2%	0%	0%	0%
Contributions	11%	11%	11%	11%	11%	11%
Transfers	3%	3%	3%	3%	3%	3%

Source: Master Financial Schedule

- **Salary & Wage Costs:** This report projects General Fund supported salary and fringe benefits to increase from $38 million in FY 2025 to $50 million in FY 2030, an increase of $13 million or 34%. This growth reflects the annualization of positions added in prior fiscal years, vacancies, pay and reclassification adjustments and employee raises or bonuses. The annual increase for salaries and wages is projected to be 6% for each year of the plan.

- **Fringe Benefits:** Fringe benefits include employer contributions for taxes for social security and Medicare, VRS, and health insurance. VRS rates are calculated on a bi-annual basis and are affected by actuarial studies for the pool of employees as well as the strength of investment earnings. The Virginia Retirement System (VRS) rate for all Defined Benefit employees increased from 10.39% in FY24 to 11.02% in FY25. VRS separated the employer contribution into Defined Benefit and Defined Contribution components effective for contribution rates beginning July 1, 2024. The Defined Contribution rate for FY25 is an additional 2.13% for employees in the Hybrid VRS Plan. Contributions to VRS will increase as new employees enter the Hybrid VRS Plan and former employees leave VRS Plans 1 and 2. Per VRS, the alternative amortization scheduled increased rates in the short term but moderates rates in the long term. As an example of volatility, rates have fluctuated from as high as 12.55% in FY 2016 to as low as 10.39% in FY 2024.

The County is part of the SAW Health Insurance consortium and is self-insured, whereby all claims are paid from premiums with the exception of those that meet stop-loss thresholds. Health insurance increases have fluctuated from 0% in FY 2025 to upwards of 17.1% in FY 2017. A health insurance reserve account is held within the general fund, and assists in leveling the effect of premiums in the budget. The proposed FY 2025 budget includes the use of the reserve. The annual increase for fringe benefits is projected to be 6% for each year of the plan, or $3.4 million (34%).

- **Baseline Requirements:** Non-employee and non-capital costs to operate government are included in the plan. Other charges consist of insurance, utilities, postage, dues and training. Professional and contractual services consist primarily of maintenance service contracts, audit services, solid waste and recycling hauling and reassessment services. Materials and supplies include office supplies, as well as vehicle fuel and maintenance and supplies specific to departmental functions. Capital outlay is nominal, and includes new capital purchases, some of which will be added to depreciation for future replacement. Historical averages for these groups are used to predict future growth in the expenditures and will capture the potential changes in costs due to the bettering of equipment over time. Baseline expenditures showed an increase due to inflation over the last two years. Services as a subscription (SaaS) are becoming the norm and add cost to the operating budget. Cost of operations will increase $5 million in the five-year period, or 30%. A deduction for completion of the reassessment contract in was made the FY2025 budget and added in the plan in FY28 and FY29 for the 1/1/29 reassessment.

- **Contributions:** This category includes support of volunteer fire and rescue agencies, juvenile detention home and regional jail. Jail contributions stabilized in FY 2024, however, the County continues to utilize reserve funding in the original budget to alleviate the effect of the jail contribution on the general fund, but this practice will not be feasible to continue into the unforeseeable future. In the proposed FY 2025 budget, $2.5 million of the $5.3 million requested contribution will be funded by reserves, limiting the account to offset future contributions. **Action in relation to jail contributions is needed immediately.** The plan designates contribution expenditures at an estimated increase of 11% per year, based on historical data.

- **Capital and Debt Service:** The capital transfer in the forecast is held at the current Board of Supervisors approved appropriation adjusted for the school debt service funding formula. Debt service in the plan is based on amortization schedules for debt funded by the general fund. Capital and debt service is fairly static from year to year with the addition of $4.1 million estimated for courthouse debt in FY2025. There still remains $1.7 million in reoccurring capital funding needed to fully refund the capital account.

- **Transfers:** Funds for revenue recovery are set by policy and the school capital transfer is for annual school bus purchases. Transfers to Shenandoah Valley Social Services and Children's Services Act are increased by historical averages and without the use of reserves. The School Fund transfer is based on historical average increases, but will be affected by any changes in revenue per the funding formula.

Approaches to Foster Fiscal Stability

Financial stability is central to the County's ability to provide services to the public. The projections in this plan illustrate the importance of developing and implementing multi-year strategies to correct the projected imbalance between expenditures and revenues. Actions taken in earlier years of the planning horizon can play a significant role in reducing projected future year deficits and soften the financial impact felt by citizens. Future revenue provides a framework intended to meet key financial goals for the County during the coming five years: to reduce reliance on reserves for operating expenditures, to incorporate debt service and operation expenditures for large capital projects into the budget, and to manage service delivery expectations across all departments.

Revenues: By far, the most significant factor in increased revenue is fostering a healthy economic climate, where growth in economic activity drives growth in revenues. In the base case projections above, the Five-Year Financial Plan assumes $10 million in base revenue growth over the coming five years. This growth plays a significant role in reducing projected imbalances between revenue and spending over the plan's horizon.

In addition to revenue growth generated by increased economic activity, the Five-Year Financial Plan assumes the County will take actions to increase revenues over and above the base projection by $27 million. The plan provides approaches for this revenue, but assumes that policy makers will select and implement one or more actions from the options available to them under the constraints of State law, local policies and public hearing requirements.

Property taxes: Property taxes are the primary source of government funding. Real estate and personal property account for two-thirds of general fund revenues. In order to gain traction on matching revenues and expenditures in future years, changes in these tax rates will need to be considered. The following reflect the revenue generated for one cent of tax:

Real estate - estimate low	$.40s/$100	$1,200,000 (estimate based on 2024 values)
Property – vehicles	$2.60/$100	$ 85,000
Property - business	$2.00/$100	$ 16,000

<u>Property taxes are incorporated into the School funding formula and any deviations from the formula will need to be clarified by the Board of Supervisors</u>.

The reassessment is nearing completion and will have an effective date of January 1, 2024. Property in the County has realized an increase in value from the 2019 reassessment. This increase could realize additional revenues, barring that the tax rate is not equalized as of the reassessment date. A synopsis of strategic goals, service delivery improvements and financial needs are included in the Financial Summary.

Local taxes: Many local taxes are set at the maximum rates set by Virginia Code. Consideration of sources of funding that do meet maximum allowable amounts could bring nominal revenue to offset future costs.

Type	Derived
Local Sales Tax	1% of State collections
Consumer Utility Tax (electric)	Varies by customer type – max
Business License Tax	Varies by customer type
Utility License Tax (telephone)	.5% max
Bank Franchise Tax	80% of State Tax (max)
Recordation Tax	8.3% max
Wills & Administrative Taxes	3.3% max
Cigarette Tax	$.15 per pack ($.40 is allowable max)
Lodging Tax	6% max (3% tourism)
Meals Tax	6% max

The 2024 General Assembly passed bills that allow localities to go to referendum for an additional local sales tax of up to 1% for construction or renovation of schools. The Governor will take action on this bill on or before April 8, 2024. This bill will allow for flexibility in funding school debt service and future school capital projects. Current sales tax collections are budgeted at $9.2 million.

Grants: Departments make the best effort to apply for grants available to improve services and are cognizant of long-term costs associated with the program supported by the grant. State and federal funding included in the Five-Year Financial Plan are static from year to year and have been in place for many years.

Acting now to meet future needs: The plan notes approaches for effect, but assumes that policy makers will select and implement one or more actions available to them under the constraints of State law, local policies and public hearing requirements. Investment over time will assist in meeting expenditure needs in later years.

Future budget considerations: Details of future budget considerations summarized in the Financial Summary are provided below for further contemplation. All of the considerations can be tied to goals set forth by the current board at their strategic planning session, and listed as a strategic goal provided in the executive summary. It is worthy to mention that not all requests in the budget are included in the summary, including school needs beyond the current funding formula.

Financial Summary	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
See Future Budget Considerations for more details on Uses and Sources below.						
USES						
Courthouse						
Estimated annual debt service	4,106,451	4,104,544	4,107,144	4,106,669	4,103,119	4,106,238
Estimated annual operating costs	-	1,075,988	1,134,266	1,195,726	1,260,545	1,328,906
Total for courthouse	4,106,451	5,180,532	5,241,410	5,302,395	5,363,664	5,435,144
Contribution – MRRJ Operations	2,500,000	2,775,000	3,080,250	3,419,078	3,795,176	4,212,645
operating contribution fully funded						
Reinstate Capital Funding	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339
return of funds used to balance operating budget						
Fire & Rescue Strategic Plan	2,942,469	3,571,605	3,653,901	3,741,135	3,833,603	1,731,619
Economic Development Strategic Plan	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Pay/Reclass Study	500,000	530,000	561,800	595,508	631,238	669,113
Total Uses	**14,681,259**	**16,689,475**	**17,169,700**	**17,690,455**	**18,256,020**	**16,680,861**
SOURCES						
Capital funding adjustments		-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000
Allocation of reinstated capital funding	-1,632,339	-1,632,339	-1,632,339	-1,632,339	-1,632,339	-1,632,339
One-time use of MRRJ Reserve		-1,000,000	-1,000,000	-1,000,000	-1,000,000	
Mill Place Industrial Park tax base	-600,000	-600,000	-600,000	-600,000	-600,000	-600,000
Total - sources to offset one time capital expenditures for F&R/ED Plans	**-2,232,339**	**-4,332,339**	**-4,332,339**	**-4,332,339**	**-4,332,339**	**-3,332,339**
Revenue needed from reassessment	**12,448,920**	**12,357,136**	**12,837,361**	**13,358,116**	**13,923,681**	**13,348,522**
Estimated one-cent on real estate tax	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Estimated effective tax increase	**$ 0.10**	**$ 0.10**	**$ 0.11**	**$ 0.11**	**$ 0.12**	**$ 0.11**

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Future Budget Considerations as Summarized in Financial Summary

Courthouse	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Debt Service (1/24/24 Davenport estimate)	4,106,451	4,104,544	4,107,144	4,106,669	4,103,119	4,106,238
Operating costs for new courthouse	-	628,121	659,527	692,503	727,128	763,484
Personnel:						
Lt. Position (Courtroom Security) - 1 FY26	-	108,308	114,806	121,695	128,997	136,736
Bailiffs - 4 FY26	-	339,559	359,933	381,528	404,420	428,685
Subtotal Operating Costs	-	1,075,988	1,134,266	1,195,726	1,260,545	1,328,906
Grand Total	4,106,451	5,180,532	5,241,410	5,302,395	5,363,664	5,435,144

Debt Service and anticipated increase in operating expenditures for new courthouse.
Note: Current capital allocation for the courthouse ($600,000) could be applied to other capital projects or strategic plans.

MRRJ Operations	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Reserve used in FY25	2,500,000	2,775,000	3,080,250	3,419,078	3,795,176	4,212,645

Eliminate use of reserves for operating costs for Middle River Regional Jail.
Note: Harrisonburg/Rockingham Buy-in will be completed FY25.
It was used to fund capital:

MRRJ Reserve	564,124		
F&R Depreciation	70,500		
ECC Depreciation	70,500		
IT Depreciation	70,562		
Vehicle Depreciation	70,500	282,062	additional capital funding shortfall FY26
Total	846,186		

Note: Current capital allocation for Middle River Regional Jail ($500,000) could be applied to other capital projects or strategic plans.
Note: Excess funds in MRRJ Reserve could be applied to other capital projects or strategic plans ($4 million).

Capital Funding	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Reinstate capital funding	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339	1,632,339

Reinstate capital funding utilized for operations in past budgets.

Balance in capital letter	4,462,024
Reinstated in 2019 Budget	(1,704,685)
Reinstated in 2020 Budget	(1,125,000)
Total remaining	1,632,339

Savings has not kept pace with the increased cost of replacement equipment.
Note: Reinstatement of capital allocation could be applied to other capital projects or strategic plans.

Fire & Rescue Strategic Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Capital:						
Crimora Station	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-
Renovation Preston L. Yancey Station	700,000	700,000	700,000	700,000	700,000	-
Total capital	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	-
Personnel:						
Year 1: Firefighters - 6	372,864	395,236	418,950	444,087	470,732	498,976
Year 1: Lieutenants -3	221,763	235,069	249,173	264,123	279,971	296,769
Year 1: Training - 2	147,842	156,712	166,115	176,082	186,646	197,845
Year 2: Firefighters - 6	-	395,236	418,950	444,087	470,732	498,976
Year 2: EMS Only -3	-	189,352	200,713	212,756	225,522	239,053
Total personnel	742,469	1,371,605	1,453,901	1,541,135	1,633,603	1,731,619
Grand Total	2,942,469	3,571,605	3,653,901	3,741,135	3,833,603	1,731,619

The Fire & Rescue Strategic Plan implementation will involve issues of how to deliver services with a combined volunteer and career system, and could potentially include significant capital expenditures for equipment, apparatus, and facilities.
Based on F&R Budget requests and preliminary draft of Fire & Rescue Strategic Plan.
Anticipate that additional staffing will be needed, but station may not exist in 5 year period.

Economic Development Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Capital funding	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Economic Development Strategic Plan is underway and will serve as a guide for the Board to move forward with an overall vision of growth in the County.						
The strategic plan will include desirable types of development, desirable locations, and an incentive philosophy and guideline.						
There has been little improvements to public owned infrastructure in the last 10 years.						
The cost of doing business has grown substantially and we need to refocus on savings that will allowprovide for improvements in the future.						
For example, recent prospects for Mill Place required a gas line upgrade that would cost $7.5 million.						
Only 180 acres remain available for development in the County's only publically owned property.						
The following are items noted in the Economic Development budget narrative to support the need for capital funding:						
• Physical Infrastructure and Site Readiness (capital requests)						
o Further site readiness of key economic development sites in Augusta County						
Blue Mountain Property:						
- Complete study of cost to fully prepare site for development						
Lyndhurst/Route 340 Sewer						
Mill Place Commerce Park:						
- Intersection improvements @ Laurel Hill Road (SMART SCALE)						
- Entrance Signs & Landscaping						
- Trail Network						
- Pad Site						
- Move Dominion Energy transmission line to align with DASCOM Americas property northeast property line						
Debt service for the water tank in Mill Place has been funded through the growth in the tax base in Mill Place.						
Note: The summary shows the continuation of this resolution to recoup funds for improvements in Mill Place in the amount of $600,000.						

Pay Study	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Consider allocation	500,000	530,000	561,800	595,508	631,238	669,113
The study will include a comprehensive evaluation of benefits offered to County employees and best practices recruitment and retention.						
Consider allocation for future pay adjustments as a result of pay/reclass study.						

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Conclusion

The Five-Year Financial Plan shows the cost of County services is projected to steadily outpace revenue growth during the five-year period. If the County does not take corrective action, the gap between revenues and expenditures will rise and baselined service delivery will be impacted (which does not address improved services either). **The exercise of a Five-Year Forecast allows decision makers to see the areas of need and plan a way for corrective action.**

The projects noted in the plan are specified due to the large impact within a short period of time. It is important to note that all County departments show increases through the baseline projections and will continue service delivery at the level provided today. Future plan updates may have a different focus, as other long-term capital projects may rise to the forefront or there is a different service delivery focus area.

The plan does not take into account the use of any Federal stimulus funding provided during the pandemic, as funding is not reoccurring and is fully allocated.

The goal of the plan is to bring awareness of funding needs, and to set achievable targets so the County can begin developing revenue, savings and operational proposals that may require multi-year planning efforts. This will allow decision makers to continue to foster the fiscal stability that is the foundation of the County's finances.

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