

**ACTION ITEM  
BOARD OF SUPERVISORS**

**DATE** February 19, 2008

**TO** Board of Supervisors

**FROM** Anthony J Romanello, ICMA-CM  
County Administrator



**ISSUE:** FY2008 and FY2009 Budget Update

**RECOMMENDATION.** N/A

**BUDGET IMPACT.** N/A

**ATTACHMENTS:** (3)

- [1] Memo dtd 2/13/08 [ ] Reso/Ord/Proc #
- [2] Possible Real Estate Tax Rate Scenarios [ ] Reso/Ord/Proc #
- [3] Ltr dtd 1/29/08 [ ] Reso/Ord/Proc #

**REVIEW** [ ] County Administrator's Office \_\_\_\_\_

[ ] Legal \_\_\_\_\_

[ ] Budget \_\_\_\_\_

- [ ] Consent Agenda
- [ ] Discussion Item
- [ ] New Business
- [X] Other Business
- [ ] Presentation
- [ ] Public Hearing
- [ ] Unfinished Business

**PRESENTATION BY:** Nancy Collins, Budget Director

**ELECTION DISTRICT:** N/A

REVISED



# MEMORANDUM

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*Stafford County Administrator's Office*

Date February 13, 2008

To Board of Supervisors

From Anthony J Romanello, ICMA-CM  
County Administrator

RE *Preliminary Outlook on FY 2008-2009 Budget*

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At the February 19<sup>th</sup> work session, we will be providing an update of the FY 2008-2009 budget situation. As you can imagine, with our reports on the FY 2007-2008 budget, the real estate market, and the economy in general, the news is grim. This memorandum is a preview of that update. All of this is intended to inform your discussions on budget and revenue policy at the February 29<sup>th</sup>/March 1<sup>st</sup> Board Retreat.

## **FY 2008**

We continue to see declining revenues

- We have reviewed Planning and Code Administration fees, and based on receipts for the first half of the year, we have revised our revenue projection down by \$1.5 million.
- We have revised our projection for ambulance transport fee revenue. Although we are billing as projected, we have found that there is a substantial lag time in payment processing by Medicare/Medicaid and private insurance companies. For this fiscal year, due to timing of receipts, we are reducing our FY 2008 projection by \$1 million. (See attached memo from Chief Brown.)

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- The Commissioner of Revenue recently reported that the results of the reassessment show that overall real estate values are down approximately 4.5%. If the Board decides to keep the tax rate unchanged at 70 cents, real estate tax collections would be \$6.4 million below budget for FY 2008.

On the positive side

- The School Board has authorized expenditure reductions in the amount of \$1.5 million. This represents 0.6% of the School's budget.
- The Board directed us to go back to the departments and ask them to look for more reductions. We have been able to identify additional savings, bringing the total departmental savings to \$6 million. This number represents 7% of the County's FY 2008 budget.

These reductions mean real sacrifice on the part of County departments. Some of the impacts are listed below.

### Personnel

- In addition to normal vacancy savings resulting from turnover, staff has committed to holding positions vacant for all or part of the year. Part-time hours have been reduced. Overtime has been reduced. There are currently 68 vacant full-time positions in the General Fund - 10% of the authorized workforce. This reduction in staff lowers overall productivity and could lead to longer response time to citizen requests.
- Training and tuition reimbursement budgets have been reduced or eliminated.

### Operating and Capital

- We have delayed enhancements, upgrades, and replacement of computer equipment and software. The delay in replacement of servers could mean prolonged downtime on impacted systems and will prevent integrating Social Services with the County's network this year.
- Repairs to the Government Center parking lot have been postponed.
- Engineering, contractual and consulting services have been reduced or eliminated.
- We have reduced the budget for gypsy moth suppression.
- Budgets for office supplies and equipment have been reduced.

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- Updates to Economic Development brochure have been postponed and a planned radio advertising campaign to bring businesses to Stafford has been eliminated
- Parks & Recreation has eliminated security at Aquia Landing and Curtis Park pool on weekends, reduced frequency of cleaning at park facilities, and will delay replacement of aging equipment

Asking departments to find more savings could mean serious service disruptions. For example, further reductions to the Fire and Rescue budget would mean that our eight career ambulances and engines could not be monitored twenty four hours a day, seven days a week.

Where do we stand today? Assuming no change in the real estate tax rate, *and no more bad news*, we are currently projecting unreserved fund balance to be \$10.9 million below target at year end. As a reminder, the Board's policy is to maintain unreserved fund balance at 10% of revenue.

### **FY2009**

#### **Revenues**

The budget challenges for FY 2009 are exacerbated by two key factors on the revenue side:

- 1 Key revenues are down over the FY 2008 budget amounts: sales tax, planning and code fees, and recordation tax. Our current projection is that these revenues will be \$8.4 million less in FY 2008 than budgeted.
- 2 The FY 2008 budget assumed using \$6.4 million in fund balance excess revenues from FY 2007, but those excess revenues did not materialize.

Accordingly, we are starting FY 2009 \$14.8 million in the hole from a revenue standpoint.

This number does not include the lower projection for real estate taxes. At the current 70 cent rate, real estate revenue would decrease further.

While real estate values are down, the budget does present an interesting set of circumstances. The current real estate tax rate is 70 cents. The equalized rate (tax rate needed to generate the same revenue as last year) is 76 cents. Countywide, commercial valuations are up an average of 28%, residential values down 15-16%.

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Given this, with a tax rate of 84 cents, the average homeowner in Stafford would not see his tax bill change

### Expenditures

The expenditures side has its own set of challenges. No matter how much we tighten our belts in the upcoming year, there are some increased expenditures that we cannot avoid

- Increase in debt service for
  - County debt service - \$7.5 million
  - School debt service - \$850,000
- Increase in jail/juvenile detention center funding - \$700,000
- Full year in operating costs for the Humphrey Building - \$500,000
- Full cost of 29 positions which were funded for only a partial year in 2008 - \$550,000

These and other items will add \$10.8 million to our FY 2009 baseline budget

In summary, with revenues down \$14.8 million and expenditures up \$10.8 million, we start out with the gap of \$25.6 million just to fund a baseline budget. This deficit is increased or decreased depending on the Board's consideration of the reassessment and where the Board sets the real estate tax

We define the "baseline" budget as the current year's service levels with no changes in staffing levels or compensation, no increased operating expenses for County or Schools, and funding of debt service and corrections. Funding a baseline budget will require a tax rate of 91 cents. *Please know that staff is currently reviewing the budget in detail and this is not a recommendation. It is only provided for your preliminary consideration of the upcoming situation.*

The baseline budget does not begin to address the significant service demands that remain unmet in public safety, parks, and human services. Staff recognizes that the Board will evaluate any tax increase carefully. Our priority remains providing the highest level of service possible with resources available

**Possible Real Estate Tax Rate Scenarios - FY09**  
(Draft Preliminary Not a Recommendation)


Rate	Name	Estimated Effect on Projected FY08 Unreserved Fund Balance*	What's In	What's Out	Annual Impact on Average Homeowner	
					Tax at this rate	Impact
0.70	Current Tax Rate	\$10.9 million below target	Revenues \$20.2 million below FY08 budget - drastically below current service levels	Including schools	\$ 2,289	2,730 (441)
0.76	Equalized Tax Rate (The rate at which total tax revenue would stay the same)	\$7.1 million below target	Revenues \$11.2 million below FY08 budget - drastically below current service levels	Including schools	\$ 2,485	2,730 (245)
0.84	Modified Equalized Rate (The rate at which the average homeowner's real estate tax would stay the same)	\$1.5 million below target	<ul style="list-style-type: none"> <li>New school debt service</li> <li>Increase in corrections funding</li> <li>Increase in health insurance</li> <li>Full year's operating cost - Humphrey building</li> <li>New County debt service</li> <li>Humphrey building</li> <li>FY2008 borrow</li> <li>Crow's Nest</li> </ul>	After funding the items listed at the left, \$8.6 million is required to balance the budget	\$ 2,747	2,730 17
0.91	Baseline Budget	\$3.4 million above target	All of the above, plus Current year's service levels	No changes in staffing levels or compensation No increased operating expenses for County or Schools	\$ 2,976	2,730 246
1.09	Fund All Requests	\$17.9 million above target	Fully fund School and County agency requests		\$ 3,564	2,730 834

\*Fund balance target = 10% of revenue



# Stafford County Fire and Rescue Department

## *Memo*

Date January 29, 2008  
To Anthony Romanello, County Administrator  
From Rob Brown  
Fire and Rescue Chief   
Subject Ambulance Cost Recovery

During budget discussions in March and April of 2006, staff presented data regarding fire and rescue system performance, and answered questions regarding the possibility of an ambulance transport revenue recovery program. This program was desired by the Board of Supervisors to fund immediate staffing needed to ensure minimum Advanced Life Support (ALS) ambulance staffing on a 24 hour basis.

As proposed by the Department, the program was to kick off on October 1, 2006, with minimal additional staff until such time that revenue was realized to compare our projections, which were based on those of Spotsylvania County who had begun their program one year earlier. However, recognizing the immediate need to staff the minimum number of ALS ambulances, the Board of Supervisors opted to hire all of the needed fire-rescue personnel at the beginning of the program.

Ambulance cost recovery programs operate like a private business, and are far different than usual government programs where lump sum tax revenues are received often in advance of service delivery. In an ambulance cost recovery program, services are billed once the service has been provided. In the healthcare industry, it is common to have a 6 – 12 month claim processing and resolution period. Billing can only begin after the Centers for Medicare and Medicaid Services (CMS) issues the County a provider number. Once this occurs, private insurance payors also issue the County a provider number that allows our billing contractor, Diversified Ambulance Billing (DAB), to begin processing our bills for service.

Although the Ordinance to establish Ambulance Cost Recovery was enacted by the Board of Supervisors on September 19, 2006, fire and rescue staff had already begun work in August to secure our CMS provider number, thus allowing for the maximum cost recovery in FY2007. The Fire and Rescue Department completed our application on August 22, 2006. The Treasurer's Office completed their portion of the application on September 19, 2006, after the

Ordinance had passed the Board of Supervisors DAB then submitted our application on September 25, 2006

At the time of application, the County was advised that issuance of the CMS number normally occurs within 60 days. However, by Federal Regulation, CMS can take up to 120 days to issue the number. Our staff and DAB continually followed up with CMS, and even sought the assistance of Congresswoman Jo Ann Davis in late February when CMS failed to meet the 120 day requirement. On March 16 2007, our CMS provider number was finally issued, and on April 13<sup>th</sup> our Electronic Funds Transfer (EFT) number was received by CMS - - thus allowing our back-logged bills for service to begin processing.

This delay, combined with the 6-12 month claim resolution period, has affected the actual revenue collected YTD, but will not affect our ability to invoice and ultimately receive the funds. Currently, the County has collected \$858,304 through the November 2007 close out - - December will be closed out in the next few days, and additional revenue will be posted. We currently have \$2,248,621 in outstanding invoices (known as aging) in-process, and we will bill an additional \$1,750,000 for the remainder of FY08 - - for a total of 65% or \$2,042,411 to be collected within the next 12 months. The collection rate of 65% is the area average. Our compassionate billing program, the rise in self-pay insurance and the newly federally enacted "signature rule" could drop that rate by 5%.

Regardless of the reason, this delay will dramatically affect our cash-on-hand as of the close-out of the fiscal year on August 15<sup>th</sup>. At current rate of collections, the actual revenue realized by FY2008 closeout will be \$1,392,172 which is \$1,044,428 short of budget revenue. The remaining \$1,044,428 budgeted *will be* collected, but since this revenue will post after the August 15<sup>th</sup> cutoff, this revenue will be reported as FY09 revenue. As I indicated above, ambulance cost recovery is based on revenue after the fact (after the service has been provided). As such, cost recovery programs will always run 6-12 months behind in capturing the revenue - - even though the expenditure has already been made to provide the service.

The delay in beginning the billing process due to the delay in the CMS number issuance is the root cause of the cash revenue short fall in FY08. The FY08 Revenue Number was established during the FY08 budget submittal process in November of 2006 before any of us knew the delay was going to occur. In retrospect, the revenue number projected in November 2006 should have been adjusted in April 2007, once we knew that our CMS number had suffered significant delay.

All that said, the Ambulance Cost Recovery program remains on track to generate the funds projected at the onset. This program, now that we are nearing our 12 month claim resolution period for the first time, will continue to generate the annual revenue expected.

I have attached supporting documentation to demonstrate the efforts to obtain our CMS provider number.

Please contact me should you have any questions.

Thank you



January 29, 2008

Stafford County Fire Rescue  
1729 Jefferson Davis Hwy  
Stafford, VA 22555

Please find attached support documentation that provides a timeline of the communications between CMS (Center for Medicare/Medicaid Services) and DAB (Diversified Ambulance Billing, Inc). Please keep in mind that CMS corresponds through USPS, telephone and fax. Emails are typically not an option. Because of this process, it is DAB's customary policy to follow up on a weekly and sometimes daily basis when applications have completed the 120 day benchmark. Stafford County was no exception. As the timeline indicates DAB was in close communication with CMS's progress in completing the necessary steps for assignment of Stafford County's provider number. As the timeline indicates DAB was as prompt as possible, in some cases along with the cooperation of Stafford County personnel, in providing expeditiously the requested information to CMS analysts.

DAB has successfully obtained Medicare provider numbers over the last 12 years on behalf of more than 60 providers. During that span DAB has seen many changes occur with the CMS application process. One major change that occurred of late is the implementation of the NPI (National Provider Identifier) which further complicated the process and timeline.

The provided documentation supports the communications between DAB and CMS from September 25, 2006 through March 7, 2007. As unfortunate as the effects of the delay are, there is a track record of similar delays in many other organizations. DAB is both sensitive and understanding of your frustration but as the documentation indicates CMS operates independently and we are both at their mercy.

Respectfully Yours,

Gary Matthews  
Sr. Vice President

**MID-ATLANTIC REGION** 397 Little Neck Rd, Building 3300 South Suite 300 - Virginia Beach Virginia 23452 Office (757) 557 0833 Fax (757) 557 0936  
**SOUTHEAST REGION** 10002 Princess Palm Ave Suite 124 Tampa, Florida 33619 Office (813) 635 9202 Fax (813) 635-0605 Toll Free 800 355 1753  
**MAILING ADDRESS** P O Box 9030 - Virginia Beach, VA 23450

WWW.DABILL.COM

## Stafford County Timeline

- 9/25/2006- Mailed Application to Medicare
- 9/29/2006- Application logged into Medicare system
- 1/27/2007- Medicare made request for additional information
- \* 1/29/2007- Application reached 120 day mark
- 2/1/2007- Stafford County supplied missing form via fax to DAB
- 2/2/2007- DAB supplied missing information to Trailblazer representative Stephanie Smith for processing
- 2/12/2007- DAB called to follow up on receipt of fax, Stephanie informed DAB that information was not received although DAB has fax confirmation sheet
- 2/12/2007- DAB re-faxed requested information to Stephanie at Trailblazer
- 2/18/2007- Stephanie called to verbally request another document from DAB
- 2/19/2007- DAB faxed back requested information to Stephanie at Trailblazer
- 3/7/2007- Medicare generated confirmation letter and mailed directly to Stafford County
- 3/16/2007- DAB received copy of Medicare confirmation letter from Stafford County

Approximate Processing Time-180 days, which currently is the average processing time for Trailblazer new applications

\*DAB calls at minimum once a week to Trailblazer general customer service to follow up on all pending client applications



**MEDICARE**

Part A Intermediary  
Part B Carrier

March 7, 2007

**STAFFORD COUNTY BOARD OF  
P O BOX 62349  
VIRGINIA BEACH, VA 23466**

Dear Provider

We are pleased to inform you that your Medicare account identification number has been established. This letter is an official CMS notification regarding your personal Practitioner/Provider Identification Number (PIN). The Privacy Act of 1974 regulates the collection, maintenance, use and dissemination of personal information by Federal executive branch agencies. As a Medicare Contractor, we are required to comply with the Privacy Act and related regulations concerning disclosures and we are prohibited from releasing any information regarding the processing of your application or the PIN assigned to you. It is at your discretion with whom you choose to share this information, however you might use this letter as confirmation of your Medicare enrollment when dealing with other insurance programs and carriers such as Medicaid. This provider number is your personal account number and should be used on all bills and correspondence.

Tax ID Number	546001626
Group Number	██████████
Individual Number	██████████
Participation Status	Participation
Specialty	59
Effective Date	8/20/2005
Name	STAFFORD COUNTY BOARD OF P O BOX 62349 VIRGINIA BEACH, VA 23466

Please verify all of the above information and if changes are necessary, immediately contact the appropriate Medicare Provider Enrollment Helpline listed below  
D C Metro/Delaware & Maryland (866) 828-6254  
Texas & Indian Health (866) 528-1602  
Virginia (866) 697-9670 or (866) 528 1602

**TrailBlazer Health Enterprises, LLC<sup>SM</sup>**  
Provider Enrollment Department - (866) 528-1602  
PO Box 650544 • Dallas, TX 75265-0544  
Executive Center III • 8330 LBJ Freeway • Dallas TX 75243-1213  
*A CMS Contracted Intermediary and Carrier*

**MAR 16 PM**



CENTERS for MEDICARE & MEDICAID SERVICES

**MEDICARE**

Part A Intermediary  
Part B Carrier

April 11, 2007

STAFFORD COUNTY BOARD OF  
PO BOX 62349  
VIRGINIA BEACH, VA 23466

Re Electronic Funds Transfer

Dear STAFFORD COUNTY BOARD OF

We have received your request for Electronic Funds Transfer (LFT) for your provider number 190001511

We have processed your request and your effective date for EFT is 04/13/2007

If you have any questions, please call me, toll-free (888) 519-5974

Sincerely,

*Christina Martin*

EDI Technician  
Provider Support

**TrailBlazer Health Enterprises, LLC<sup>SM</sup>**

Provider Support  
Post Office Box 660156 Dallas Texas 75266-0156

*A CMS Contracted Intermediary and Carrier*

