OFFICE OF FINANCIAL & PROGRAM AUDIT

September 2013

Quarterly Report

FAIRFAX COUNTY BOARD OF SUPERVISORS

AUDITOR OF THE BOARD

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Office of Financial & Program Audit

QUARTERLY REPORT

EXECUTIVE SUMMARY

Dulles Metrorail Project

As of June 2013, MWAA reports that approximately $2.6 billion of the total $3.35 billion Phase I budget has been expended (the $3.35 billion budget includes $2.7 billion in construction costs, $.5 billion in MWAA specific finance costs and $150 million in construction cost increases). MWAA assesses the main construction component of the Project as 95% complete through July 2013.

In July 2013, MWAA announced a delay of approximately 8 weeks in achieving the substantial completion milestone for Phase 1. The initial stages for Phase 2 are occurring as projected with the award for the design and construction of the guideways, track, stations and systems occurring in May and a notice to proceed issued to the contractor in July.

Space Utilization Survey – Government Center Complex

The Facilities Management Department is responsible for managing the three County-owned buildings that comprise the main Government Center Complex: 1) the Government Center Building, 2) the Pennino Building, and 3) the Herrity Building. FMD's most recent comprehensive space survey of the Government Center Complex was fiscal year 2008, more than five years ago. To obtain more current and complete information regarding the status of workspace in the Government Center Complex, FMD and Office of Financial Program Audit (OFPA) staff conducted walk-throughs of the three main government center buildings in July 2013 and identified potentially vacant workstations.

The space survey identified 34 departments with 704 potential vacant workstations located throughout the three buildings of the Government Center Complex. The 704 vacant workstations represent approximately 16 percent of the 4,430 total workstations in the three Government Center Complex buildings. FMD should review and analyze the vacant workstations identified in the July 2013 space survey and determine whether there are potential opportunities to move administrative functions that are currently in leased space into the Government Center Complex, as appropriate. FMD should also look for opportunities to take a more strategic approach to space planning.

Capital Renewal Construction - Fund Status

The purpose of the Capital Renewal Construction Fund is to maximize the life of the County's facilities by providing a dedicated funding source for building repairs, maintenance, improvements, and restorations. Capital renewal fund expenditures have more than doubled during the past three fiscal years. Total expenditures increased from $8.4 million in 2011 to $17.9 million in 2013. The sharp increase in expenditures combined with an overall decrease in revenues caused the fund balance to steadily decline from a high of $23.5 million in 2010 to a negative (deficit) balance of $6.8 million at the end of fiscal year 2013.

A negative ending fund balance represents a deficit that cannot be covered with existing fund resources at the end of the fiscal year. The fiscal year 2013 $6.8 million deficit was covered by the County's pooled cash account. Starting in January 2014, the County will use short-term borrowing to cover expenditures and to eliminate future fund deficits. The Department of Management and Budget (DMB) should explore the County's existing financial system capabilities and pending project management application resources to more effectively manage capital renewal project expenditures and monitor cash flows and overruns (particularly for large projects) at the fund level to help ensure that appropriate funding is secured in a timely manner.

FY 2014 Paydown Program - Overview

Also referred to as pay-as you-go or pay-go, the Fairfax County Paydown Program includes various types of on-going capital projects funded with current year General Fund revenue appropriated at budget adoption. In FY 14, 23 capital projects received General Fund financing through the Paydown Program totaling $12,033,202 and included the following types of projects: athletic field maintenance, park maintenance, capital obligations, community and transportation improvements and environmental initiatives. Project balances carry forward from one year to the next and the revised budgets for the FY 14 projects reflect the carryover of prior year balances. Paydown funding options and policies for Paydown project budgets are currently being reviewed by the Department of Management and Budget. It is anticipated that recommendations resulting from this review will be discussed by the Infrastructure Financing Committee at a future date.

STUDY BRIEFINGS

DULLES METRORAIL PROJECT

The Audit Committee requested OFPA monitor Phase I of the Dulles Corridor Metrorail Project (Project) with a focus on the following areas: 1) Project Cost, 2) Start of Revenue Service and 3) Funding Obligations.

PHASE 1

1.1 - Budget

Phase I of the Project has a budget of approximately $3.35 billion, comprised of $2.7 billion for construction plus $.5 billion in MWAA specific finance costs and a $150 million budget increase. As of July 2013 approximately $2.6 billion of Project funds have been expended.[1] The Project team assesses Phase 1 as 95% complete.[2] The overall budget utilization and construction completion rates are running in parallel.

Previous MWAA reports noted a $71.8 million transfer (per direction from the FTA/PMOC)[3] into the Contingency Budget. Additionally, their reports note a $78.2 million increase in non-federal FFGA scope budget. Combined the transfer and increase equate to $150 million, consistent with the MWAA Board action in June of 2012 to increase the Project budget. The transfers are reflected in the MWAA 2014 Budget.

1.2 - Change Orders

MWAA reports change orders in two broad categories: (1) Amended and Restated Design Build and (2) Utility Relocation. Through July 2013, there were $115 million in total changes to the Design Build category[4] which represent approximately 6.7% of the original Design Build estimate. There have been $19.1 million in total changes to the Utility Relocation category, which represent 15.6% of the total original budget amount.[5] There is approximately $25 million in additional Contract Change Orders currently under evaluation by MWAA.[6] Depending on the outcome of these evaluations all or a portion of these change orders could be applied against the contingency budget.

1.3 - Allowance Items

There is a $486 million budget for allowance items. The total awarded/recommended allowance items through July 2013 is $610 million. Allowance Items contain a budget overrun of $166 million, with 91% of the base allowance item budget complete.[7] Overruns are funded by contingency budget drawdowns.

1.4 - Contingency Utilization

Contingency funds are classified as federal and non-federal. The federal contingency had a starting budget of $297.7 million. This budget was supplemented with a $71.8 million transfer from MWAA finance cost savings (part of the June 2012, $150 million budget increase approved by the MWAA Board). An additional transfer of $19 million came from savings in Indexed Commodity Costs.[8] This brings the total additions to Federal Contingency to $90.8 million. The adjusted federal contingency budget is now $388.6 million.

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[1] MWAA July 2013 - Monthly Progress Report: Table 8, Page 21
[2] MWAA July 2013 - Monthly Progress Report: Page 4
[3] PMOC Report for July 2012, Dated August 31, 2012, page 6
[4] MWAA July 2013 - Monthly Progress Report: Table 11, Page 27
[5] MWAA July 2013 - Monthly Progress Report: Table 12, Page 28
[6] MWAA July 2013 – Monthly Progress Report, Tables 13 & 14, Pages 29 & 30
[7] MWAA July 2013 – Monthly Progress Report: Table 9, Page 24
[8] MWAA October 2012 – Monthly Progress Report, Page 29

Through July 2013 - Utilized and Obligated Federal Contingency totaled $351.9 million as reflected in the following MWAA chart.

Federal Contingency Utilized and Obligated Summary, July 2013

CONTINGENCY PHASE	BUDGET	CONTINGENCY		
		CONTRIBUTION	TO-DATE	REMAINING
Phase 1 through 10	$ 271,000,000	$ 90,800,000	$ *332,990,581* (Utilized)	$ *28,809,419*
Phase 11 through 12	$ 26,762,579	$ -	$ 18,988,157 (Obligated)	$ 7,774,424
TOTAL	**$ 297,762,579**	**$ 90,800,000**	***$ 351,978,738***	***$ 36,583,843***

Source: MWAA July 2013 – Monthly Progress Report, Table 20, Page 40

The original non-federal contingency budget had been $14.5 million through September 2012. In July 2013 the estimated balance of this line was $12.7 million.[9]

1.5 Budget Summary

The additional budget authorization and reduced commodity escalations have provided $169 million to address project cost overruns. Of this, $36.5 million remains in Federal Contingency and $12.7 million in non-federal contingency.[10] There are approximately $37.1 million in additional Contract Change Orders currently under evaluation by MWAA.[11] Contract change orders, allowance item and contingency overruns will need to be continually managed. There are a large number of potential design build change orders (113) and utility relocation subcontractor changes (5) still under review.[12]

1.6 - Start of Revenue Service

In July 2013, MWAA announced a delay of approximately 8 weeks in achieving the substantial completion milestone for Phase 1. According to MWAA, the delay is caused by the need to accommodate further testing and system performance prior to transferring the rail line to WMATA.[13] The new forecasted substantial completion date is projected as mid-November 2013. A revised revenue operations date has not been announced, previous schedule projections showed 90 days between the Scheduled Substantial Completion Date and the start of revenue service. The following table shows construction progress through September 2013.

SILVER LINE CONSTRUCTION PROGRESS THROUGH SEPTEMBER 2013			
ELEMENTS	**% COMPLETE**	**STATIONS/YARD**	**% COMPLETE**
O-3 (DCR) Trackway	100%	Tysons East	*94%*
Tysons East Guideway	100%	Tysons Central 123	*92%*
Tysons West Guideway	100%	Tysons Central 7	*92%*
O-9 (DIAAH) Trackway	100%	Tysons West	*92%*
Systems	*90%*	Wiehle Avenue	*97%*
Trackwork	100%	Systems Testing	*81%*

Source: September MWAA/FTA/PMOC Update Meeting – September 4, 2013

[9] MWAA July 2013 – Monthly Progress Report: Table 8, Page 21
[10] MWAA July 2013 – Monthly Progress Report: Table 8, Page 21
[11] MWAA June 2013 – Monthly Progress Report: Tables 13 & 14, Pages 32 and 33
[12] PMOC Report for June 2013, Dated July 29, 2013, page 25
[13] MWAA Press Release, July 17, 2013

The West Falls Church Yard construction activities have not been connected to the project's mainline schedule critical path. Previous schedules created concerns related to the Yard's projected completion date being after the start of revenue service. The completion date for the WFCY is now projected for the beginning of January.[14]

PHASE 2

2.1 - Contract Procurement Activities

The initial stages for Phase 2 are occurring as projected with the award for the design and construction of the guideways, track, stations and systems occurring in May and a notice to proceed issued to the contractor in July. The targeted revenue operations start for Phase II is late 2018 to spring 2019.

The following procurement activity schedule supports Phase 2:[15]

Activity	Date
New Mass Transit Line (Package A)	Complete
Dulles maintenance Facility (Package B)	Solicitation Late 2013, Selection May 2014
Advanced Earthwork (Package S)	Expect NTP by September 2013
Parking Garages (Package C)	Fairfax has selected architect, engineering and parking consultants for both garages. Construction expected to be complete in April 2018

2.2 - Budget

The firm fixed price contract was awarded in May for less than the original estimate. This resulted in the MWAA Board adjusting the total Project Capital Cost from $3.153 billion to $2.90 billion.[16] The FTA's Project Management Oversight Contractor (PMOC) conducted analysis of the Phase 2 contingency levels. This analysis has lead the PMOC to recommend increasing the contingency level by $146 million, which if executed, could bring the Phase 2 project cost to approximately $3.126 billion.[17]

The PMOC notes that MWAA has implemented lessons from Phase 1 to reduce budget risk in Phase 2. Specifically, the PMOC points to Allowance Items being eliminated, a cost loaded schedule requirement being instituted and requiring the contractor to be responsible for utility relocations as examples.[18]

[14] MWAA July 2013 – Monthly Progress Report, p. 43
[15] PMOC Report for June 2013, Dated July 29, 2013, pp. 9-11
[16] PMOC Phase 2 Report for July 2013, Dated August 29, 2013, p. 5
[17] PMOC Phase 2 Report for July 2013, Dated August 29, 2013, p. 17
[18] PMOC Phase 2 Report for July 2013, Dated August 29, 2013, p. 6

FUNDING OBLIGATIONS OF FAIRFAX COUNTY

Based on the current funding agreement, Fairfax County is obligated to pay 16.1% of the total project costs. This will include a proportionate share of the $150 million budget increase approved by the MWAA Board in June 2012. OFPA will continue to monitor the Project construction costs. With Phase 2 moving forward; any variation in the Phase I budget will be combined with the costs in Phase II to determine the final project cost.

SPACE UTILIZATION SURVEY – GOVERNMENT CENTER COMPLEX

Overview

The Facilities Management Department (FMD) oversees 193 County-owned facilities that include office buildings, specialty spaces (such as community centers and libraries), warehouses, parking garages, fire and police stations, and court buildings. FMD is responsible for managing the three County-owned buildings that comprise the main Government Center Complex: 1) the Government Center Building, 2) the Pennino Building, and 3) the Herrity Building. The Government Center Complex has a combined total of over 1.2 million gross square feet.

Space Survey – Government Center Complex

FMD conducts periodic space reviews of the Government Center Complex at the request of individual departments or based on other immediate space needs. The purpose of these ad-hoc reviews is to determine if an individual department needs to reconfigure its space or if there are opportunities to move staff and service operations to/from leased space. The ad-hoc nature of FMD's space planning efforts limits strategic planning and does not readily allow for a systematic or comprehensive process to track vacant workspaces. FMD's most recent comprehensive space survey of the Government Center Complex was fiscal year 2008, more than five years ago.

To obtain more current and complete information regarding the status of workspace in the Government Center Complex, FMD and Office of Financial Program Audit (OFPA) staff conducted walk-throughs of the three main government center buildings in July 2013 and identified potentially vacant workstations. To confirm the results of the walk-throughs, FMD then surveyed each department with identified vacant workstations. The space survey identified 34 departments with 704 potential vacant workstations located throughout the three buildings of the Government Center Complex. The 704 vacant workstations represent approximately 16 percent of the 4,430 total workstations in the three Government Center Complex buildings. In terms of square footage, the 704 vacant workstations represent a conservatively estimated 45,056 square feet out of a total combined 852,580 usable square feet in the Government Center Complex.

Government Center Complex Buildings
Square Footage and Workstations

Building	Gross Square Feet*	Usable Square Feet*	Total Workstations**	Vacant Workstations***
Government Center	674,943	460,645	2,316	387
Pennino Building	281,810	210,697	1,249	133
Herrity Building	247,000	181,238	865	184
Total Government Center Complex	**1,203,753**	**852,580**	**4,430**	**704**

* Gross and usable square footage provided by FMD Space Management Division. Usable square feet represents space occupied by the workstations and all support functions such as filing, conference and storage rooms, and interior access circulation.

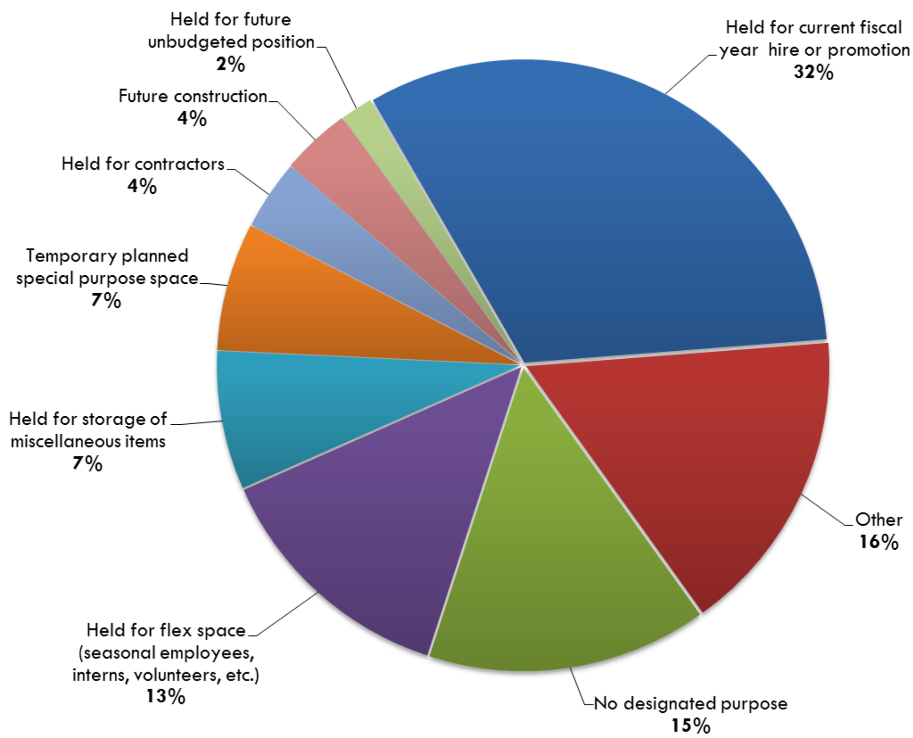
**FMD does not maintain a list of workstations in the Government Center Complex. Therefore, total workstations represent an estimate based on phone and data line information provided by the Department of Information Technology.

***Vacant workstations represent those identified in the July 2013 space survey.

Reported Reasons for Holding Workstations Vacant

To determine the reasons for holding workstations vacant, the departments were asked to provide a "vacancy reason code" for each identified vacant workstation. As shown on the chart below, the departments reported that current fiscal year hires and promotions were the most common reason for holding workstations vacant - representing 226 workstations, or 32%, of the total 704 identified vacant workstations. The second most commonly reported reason code was "Other", which included workstations used as scanning stations, document storage, and meeting space. The third most commonly reported reason code was the vacant workstation had no designated purpose - representing 105, or 15%, of the total identified vacant workstations.

Government Center Complex - July 2013 Space Survey
Reported Reasons for Holding Workstations Vacant



Reported Reasons for Holding Workstations Vacant	Workstations
Held for hire or promotion to be filled in fiscal year 2014	226
Other	115
No designated purpose	105
Held for flex space (seasonal employees, interns, volunteers, etc.)	94
Held for storage (miscellaneous items such as office chairs, office supplies, or boxes)	52
Temporary planned special purpose space (such as the World Police and Fire Games)	48
Held for contractor work space	26
Future construction	26
Held for future unbudgeted position	12
Government Center Complex - TOTAL	**704**

***Source**: County department/agency responses from the July 2013 space survey conducted by FMD and OFPA staff.*

The common reasons for holding workstations vacant varied among the three Government Center Buildings. The following tables provide a breakdown of the total 704 vacant workstations by each of the Government Center Buildings:

GOVERNMENT CENTER BUILDING	Workstations
Held for hire or promotion to be filled in fiscal year 2014	127
Other	63
Held for flex space (seasonal employees, interns, volunteers, etc.)	50
Temporary planned special purpose space (such as the World Police and Fire Games)	44
No designated purpose	39
Held for storage (miscellaneous items such as office chairs, office supplies, or boxes)	30
Held for contractor work space	18
Future construction	10
Held for future unbudgeted position	6
Total	**387**

PENNINO BUILDING	Workstations
Held for hire or promotion to be filled in fiscal year 2014	62
Other	25
Held for flex space (seasonal employees, interns, volunteers, etc.)	19
Held for storage (miscellaneous items such as office chairs, office supplies, or boxes)	8
No designated purpose	7
Held for future unbudgeted position	5
Held for contractor work space	5
Future construction	2
Total	**133**

* **Note**: The 2nd and 4th floors of the Pennino Bulding were under construction at the time of the survey. Vacant workstations were determined from planned future occupancy as documented in floor plans.

HERRITY BUILDING	Workstations
No designated purpose	59
Held for hire or promotion to be filled in fiscal year 2014	37
Other	27
Held for flex space (seasonal employees, interns, volunteers, etc.)	25
Held for storage (miscellaneous items such as office chairs, office supplies, or boxes)	14
Future construction	14
Temporary planned special purpose space (such as the World Police and Fire Games)	4
Held for contractor work space	3
Held for future unbudgeted position	1
Total	**184**

TOTAL VACANT WORKSTATIONS (As of July 2013) 704

Recommendations

- FMD should review and analyze the vacant workstations identified in the July 2013 space survey and determine whether there are potential opportunities to move administrative functions that are currently in leased space into the Government Center Complex, as appropriate.

- FMD should look for opportunities to take a more strategic approach to space planning, such as developing future plans for the more than 40 workstations that will become available in the Government Center after the World Police and Fire Games and space vacated in the Pennino Building resulting from construction and consolidations.

CAPITAL RENEWAL CONSTRUCTION FUND STATUS

Overview

The purpose of the Capital Renewal Construction Fund is to maximize the life of the County's facilities by providing a dedicated funding source for building repairs, maintenance, improvements, and restorations. According to the Facilities Management Department (FMD) Director, FMD oversees a facilities inventory of over 190 buildings (excluding schools, parks, housing, and human services residential facilities) representing 8.7 million square feet located throughout the County. Capital renewal fund projects include upgrades to building electrical systems, Heating, Ventilation, and Air Conditioning (HVAC), carpet replacement, parking lot resurfacing, and roof repairs. The Facilities Management Department is primarily responsible for managing the projects in the Capital Renewal Fund.

Capital Renewal Construction Fund (30020) Project Categories

- Carpet Replacement
- Electrical Systems
- Heating, Ventilation, and Air Conditioning (HVAC)
- Fire Alarm Systems
- Parking Lot and Garage Repairs
- Roof Repairs
- Elevator Replacement
- Public Safety Capital Renewal

Sources and Uses of Funding

The County's General Fund has been the primary revenue source for the Capital Renewal Fund. From fiscal years 2009 to 2011, the Capital Renewal Fund received direct transfers from the General Fund totaling $17.4 million. The Capital Renewal Fund also receives financing through General Obligation Bonds, which are repaid from General Fund transfers to the County's Debt Service Fund. In addition, the Capital Renewal Fund receives revenues from the Virginia Department of Transportation and Virginia State Police for the reimbursement of operating costs related to the McConnell Public Safety and Transportation Operations Center (MPSTOC).

Capital Renewal Construction Fund (30020)
Fiscal Years 2009 – 2013

	2009	2010	2011	2012	2013
Revenues:					
General Fund	6,924,321	7,470,000	3,000,000	0	0
General Obligation Bonds	0	0	0	3,000,000	1,900,000
MPSTOC Reimbursement*	486,516	53,347	387,502	446,063	441,514
Transfers In**	0	0	0	0	285,000
Total Revenues	**$ 7,410,837**	**$ 7,523,347**	**$ 3,387,502**	**$ 3,446,063**	**$ 2,626,514**
Total Expenditures	**$ (5,460,233)**	**$ (5,205,382)**	**$ (8,445,360)**	**$ (13,481,515)**	**$ (17,914,083)**
Transfers Out**	(2,500,000)	0	0	0	0
Ending Fund Balance	**$ 21,201,555**	**$ 23,519,520**	**$ 18,461,662**	**$ 8,426,210**	**$ (6,861,359)**

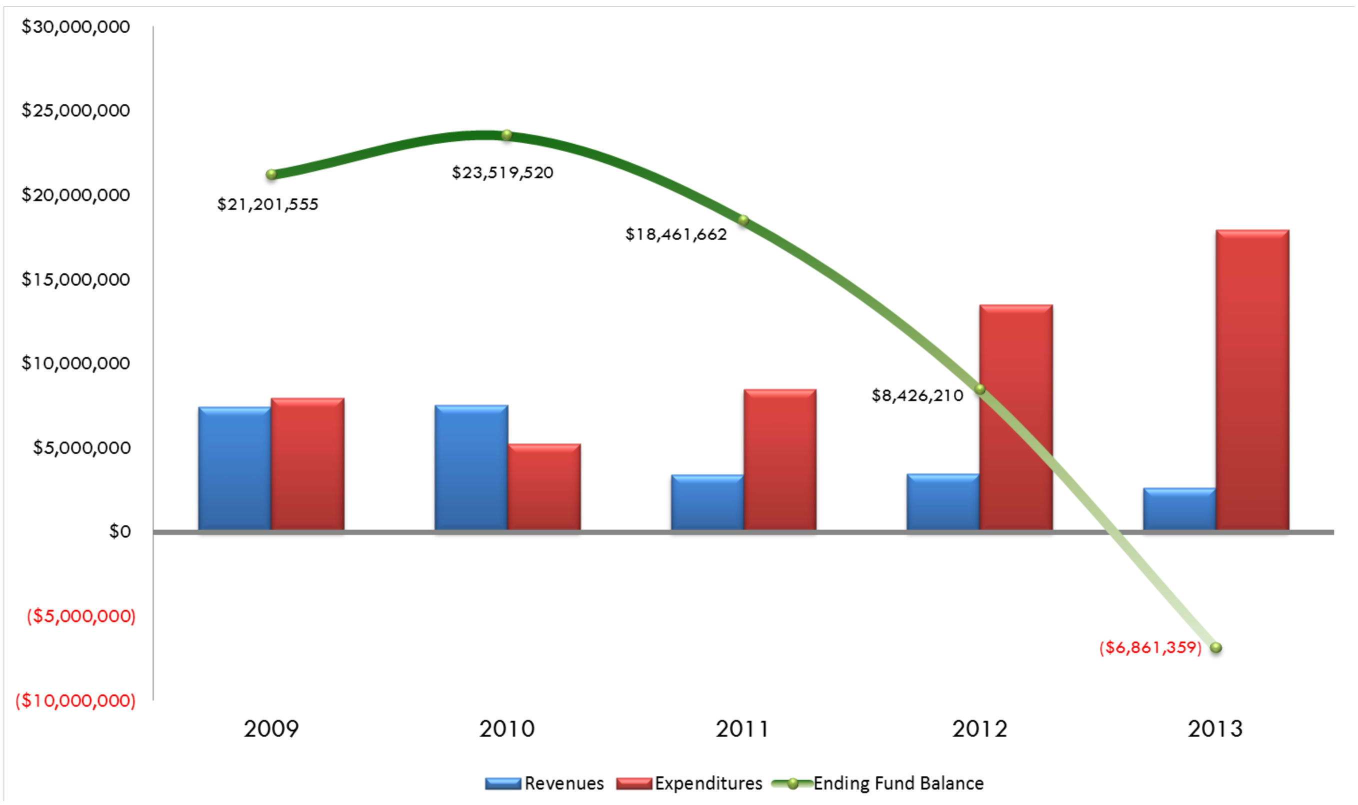
Source: *Published Fairfax County budget documents and fund statements for fiscal years 2009 through 2013.*

* McConnell Public Safety and Transportation Operations Center (MPSTOC) state operating costs reimbursements.

** Fiscal year 2013 transfers in represent monies provided by the Cable Communications Fund to offset the costs of Government Center renovations. Fiscal year 2009 transfers out represent monies provided to the Public Safety Construction Fund to offset the costs of asbestos removal.

Capital renewal fund expenditures have more than doubled during the past three fiscal years. Total expenditures increased from $8.4 million in 2011 to $17.9 million in 2013. The increase in expenditures resulted from upgrades to the Government Center Complex related to Heating Ventilation and Air Conditioning (HVAC), electrical systems, and elevator replacements. As shown in the graph below, the sharp increase in expenditures combined with an overall decrease in revenues caused the fund balance to steadily decline from a high of $23.5 million in 2010 to a negative (deficit) balance of $6.8 million at the end of fiscal year 2013.

Capital Renewal Construction Fund
Revenues, Expenditures, and Fund Balance
Fiscal Years 2009 - 2013



Source: *Published Fairfax County budget documents and fund statements for fiscal years 2009 through 2013.*

"Higher Than Anticipated" Costs Caused a Negative Ending Fund Balance

A negative ending fund balance represents a deficit that cannot be covered with existing fund resources at the end of the fiscal year. The fiscal year 2013 Adopted Budget reported that the Capital Renewal Fund would end the year with a zero fund balance. However, the Capital Renewal Fund actually ended fiscal year 2013 with a $6.8 million deficit. According to the 2013 year-end budget carryover package, the deficit was caused by "a higher than anticipated amount of capital renewal projects reaching the construction phase and increased project activity in the spring of 2013." The fiscal year 2013 $6.8 million deficit was covered by the County's pooled cash account. Starting in January 2014, the County will use short-term borrowing to cover expenditures and to eliminate future fund deficits.[19]

[19] During fiscal year 2011, the Board of Supervisors authorized the use of short-term borrowing to help address an estimated $35 million backlog of critical capital renewal projects. The County has not yet used short-term borrowing for the Capital Renewal Construction Fund, but has plans to start in January 2014.

The use of various Excel spreadsheets to track project expenditures and a lack of discrete accounting for individual construction projects within the financial system have hindered efforts to effectively monitor cash flows and anticipate funding needs. Although the County recently implemented a new financial system (FOCUS) and FMD has a pending project management software system, capital renewal project expenditures are currently tracked and maintained in various Excel spreadsheets. According to FMD officials, the County's financial system (FOCUS) does not discretely account for individual construction projects. Individual project expenditures are combined within the financial system into one cost center, or "bucket", of expenditures. For example, expenditures related to HVAC and Electrical Systems are reported under one cost center (GF-000011), which represents at least 18 individual construction projects. The absence of true and accurate accounting for individual construction projects within the financial system makes it difficult to reconcile and monitor project expenditures.

Recommendation

- The Department of Management and Budget (DMB) should explore the County's existing financial system capabilities and pending project management application resources to more effectively manage capital renewal project expenditures and monitor cash flows and overruns (particularly for large projects) at the fund level to help ensure that appropriate funding is secured in a timely manner.

PAYDOWN PROGRAM OVERVIEW – FISCAL YEAR 2014

This quarter OFPA reviewed the fiscal year 2014 Paydown Program including project funding sources, revised project budgets and expenditures. Also referred to as pay-as you-go or pay-go, the Fairfax County Paydown Program includes various types of on-going capital projects funded with current year revenue that is appropriated at budget adoption. The 23 projects in the fiscal year 2014 program include athletic field maintenance, park maintenance, capital obligations, community and transportation improvements and environmental initiatives.

Projects Financed with Current Year Revenue

The *Ten Principles of Sound Financial Management* adopted by the Board of Supervisors emphasize pay-as-you-go capital financing to purposefully limit long-term debt. Capital projects that receive funding from current year General Fund revenues support the pay-as-you go principle and form the Paydown Program for a given year. In FY 14, twenty-three capital projects received General Fund financing through the Paydown Program totaling $12,033,202.

In addition to General Fund financing, the fiscal year 2014 Paydown Program includes four projects that received additional financing from other current year revenue sources in Fund 30010 – General Construction and Contributions totaling $775,000 ($475,000 in Athletic Services Fee revenue to support athletic field related projects and $300,000 in developer bond revenue to support improvements required to complete developer defaulted projects).

FY 14 Paydown Program[1] - Project Summary

	FY 13 Expenditures	FY 14 General Fund Revenue Appropriation	FY 14 Fund 30010 Revenue Appropriation	FY 14 Revised Budget (post FY13 Carryover)
Athletic Field Maintenance and Sports Projects Maintenance at Park Authority and FCPS sites, turf field replacement	$ 4,410,642	$ 4,647,535	$ 475,000	$ 7,651,348
Park Maintenance Projects Facility, grounds and equipment maintenance at non-revenue generating Park Authority sites	$ 1,740,574	$ 1,270,076	$ -	$ 2,621,461
On-Going Development Efforts Laurel Hill, developer default, transportation improvements and maintenance	$ 2,134,769	$ 1,302,383	$ 300,000	$ 7,034,254
Obligations and Payments Northern Virginia Community College, other capital support	$ 3,637,812	$ 3,908,208	$ -	$ 3,908,208
Revitalization Initiatives Commercial Revitalization Area maintenance	$ 278,637	$ 405,000	$ -	$ 598,839
Environmental Initiatives Environmental Agenda projects	$ 177,106	$ 500,000	$ -	$ 1,300,922
TOTAL	**$12,379,540**	**$ 12,033,202**	**$ 775,000**	**$ 23,115,032**

Source: Published Fairfax County budget documents for FY 2013 – FY 2014 including the FY 2014 Adopted Budget Plan and the FY 2013 Carryover Summaries of Capital Projects in Fund 30010 – General Construction and Contributions and Fund 30060 – Pedestrian Walkway Improvements

[1]The Department of Management and Budget (DMB) identifies capital projects that receive General Fund financing at Budget Adoption as the Paydown Program for a given fiscal year. Projects previously funded via Paydown or projects funded by alternative sources or at FY 2013 Carryover are not included in DMB's documents that are specific to the FY 2014 Paydown Program.

Project Balances are Carried Forward

Projects in the Paydown Program are typically on-going and support maintenance or other general multi-year capital related expenditures. Project balances for on-going capital projects carry forward from one year to the next. The revised budgets for the fiscal year 2014 projects reflect the carryover of prior year balances.

Project financing is reviewed annually via the Capital Improvement Program (CIP) and Budget Adoption processes. Individual project balances are evaluated and adjusted at quarterly reviews.

Potential Non-General Fund Revenue for Consideration
As part of our review, OFPA discussed with the Department of Management and Budget the use of other current year revenue sources to supplement the support provided by the General Fund. One potential source for future consideration is dedicated transportation funding. Two projects in the FY 2014 Paydown Program support road improvement expenditures:

- Road Viewers Program, Project 2G25-022-000
- Developer Defaults, Project 2G25-020-000

Both projects upgrade existing substandard roads for acceptance into the Virginia Department of Transportation's (VDOT) secondary roadway system. Capital improvements that allow streets to be accepted into the VDOT system result in the transfer of future maintenance responsibility to the state. In fiscal year 2014, the Road Viewers Project is supported by two sources: General Fund revenue and revenue from Fund 40010 – County and Regional Transportation Projects.[20] The Developer Default Project is funded in fiscal year 2014 by revenues from the General Fund and developer relinquished bonds. The Developer Default project supports, in part, default related road improvement expenditures.

Funding Options and Budgets Under Review
OFPA's review of Paydown projects this quarter coincided with the on-going Infrastructure Financing Committee discussions on capital facility needs and financing. On August 7, 2013, the Department of Management and Budget reported to the committee that Paydown funding options and policies for Paydown project budgets were being reviewed. It is anticipated that recommendations resulting from this review will be discussed by the Infrastructure Financing Committee at a future date.

[20] The Road Viewers Program has two projects: 1) Project 2G25-022-000 in Fund 30010 – General Construction and Contributions; 2) Project 2G40-027-000 in Fund 40010 – County and Regional Transportation Projects.

FOLLOW-UP AND OTHER ONGOING ACTIVITIES

CSB DEVELOPMENT OF A COST-BENEFIT METHODOLOGY

During the January 2013 Audit Committee meeting and a subsequent Board of Supervisors action in March 2013, OFPA was requested to review the results of the Community Services Board (CSB) staff effort to develop a cost benefit analysis methodology. This methodology was to fully account for and analyze costs when evaluating contracting options to provide services to the community. The analysis was to consider direct as well as indirect costs and revenues not only within CSB but also supporting agencies such as the Department of Administration for Human Services (DAHS).

During the past eight months, officials from CSB, DAHS and the Deputy County Executive for Human Services developed a trial cost analysis methodology based on a Government Finance Officers Association (GFOA), Research and Consulting Center publication titled, "*Make or Buy? Using Cost Analysis to Decide Whether to Outsource Public Services.*" The CSB trial cost-benefit methodology includes the consideration of revenues and fixed as well as variable costs. Specifically, CSB's trial cost-benefit analysis considers pension costs and other fringe benefits as well as contractor oversight costs. The trial analysis also covers a multi-year period, as recommended by the GFOA. CSB plans to incorporate this analysis in future contract evaluations, as appropriate.

LIST OF ACRONYMS

CIP	Capital Improvement Program
CSB	Fairfax-Falls Church Community Services Board
DAHS	Department of the Administration for Human Services
DCMP	Dulles Corridor Metrorail Project
DMB	Department of Management and Budget
DTP	Dulles Transit Partners
ETS	Emergency Trip Stations
FFGA	Full Funding Grant Agreement
FMD	Facilities Management Department
FTA	U. S. Federal Transit Administration
GFOA	Government Finance Officers Association
HVAC	Heating, Ventilation, and Air Conditioning
MPSTOC	McConnell Public Safety and Transportation Operations Center
MWAA	Metropolitan Washington Airports Authority
OFPA	Office of Financial and Program Audit
PMOC	Project Management Oversight Contractor
ROD	Revenue Operations Date
ROW	Right of Way
TPSS	Traction Power Substation
VDOT	Virginia Department of Transportation
WFCY	West Falls Church Yard
WMATA	Washington Metropolitan Area Transit Authority