April 21, 2015

FY 2016 BUDGET MARKUP PROCESS and FY 2017 BUDGET PLAN RECOMMENDATIONS

Chairman's Remarks - Fiscal Year 2016 Budget Mark-Up

Fiscal Year 2016 Advertised Budget Mark-up

Investing in Fairfax

April 21, 2015

It wasn't hard to identify a theme for this year's budget. Speakers during our three days of public hearings adopted as their theme a call to ***Invest in Fairfax*** and that is what this Mark-up package seeks to do.

The Advertised Budget as amended by these actions results in some changes that will make some folks happy, some relieved, and some disappointed. It is, however, a responsible package that:

- Maintains our current tax rate at $1.09
- Addresses our commitment to bolster our reserves
- Does not rely on one-time funding for on-going needs
- Implements a new Compensation Plan for our General County employees with an average increase of approximately 3.60%, including a Market Rate Adjustment (MRA) of 1.10%. Compensation increases for our public safety employees include the MRA and merit steps/longevities.
- Comes very close to fully funding the School Board's request for their Transfer with an increase of over $66 million (including funding for School Debt Service) over last year and 52.7% of our General Fund Budget. In Fiscal Year 2016 the Schools receive almost 2/3 of the entire increase in General Fund Revenue, and benefit from a net $9.9 million unanticipated increase from the State.
- Honors our commitment to allocate funding to both the County and Schools for Infrastructure Investment and School Construction through Fiscal Year 2015 Carryover balances

- Restores the most critical Human Services reductions in the Advertised Budget – notably, *Healthy Families, Parenting Education/Good-Touch/Bad-Touch, as well as mental health services in the jail, and detox diversion positions. Also restores Enforcement of the Grass Ordinance which addresses care of premises issues in neighborhoods.*

The Mark-up Package that I am about to move is the result of much hard work by my colleagues, members of the School Board, our County staff and our Fairfax County community. It is not a "great news" package, but I think that it is **responsible and responsive** to the needs of our community and to the uncertain fiscal climate we are operating in.

Work will continue during the next months and years ahead to address our County's challenges through a comprehensive **Lines of Business Review**. This important discussion will engage the community in an evaluation of programs and services Fairfax County offers in light of our current fiscal environment. This will be an important exercise to ensure that we maintain the quality of life our residents value and rely upon, while making sure taxes are affordable.

With that, Madam Chairman I will now move approval of the separate motions for the *FY 2015 Third Quarter Review* and the Budget Mark-up amendments that we discussed at the Budget Committee last Friday:

Approval of the FY 2015 Third Quarter Review

I move approval of the *FY 2015 Third Quarter Review* including approval of Supplemental Appropriation Resolution AS 15190 and Amendment to the Fiscal Planning Resolution AS 15901 which includes the revenue, expenditure and transfer adjustments, grant awards and adjustments, and associated reserve adjustments contained in the County and School's Third Quarter Review as presented on March 3, 2015, resulting in an available balance of $0.

FY 2016 Budget Mark-Up with FY 2017 Budget Recommendations

I will next outline and move approval of the budget proposal:

We start the package with a balance of $5.52 million available after the adjustments included in the County Executive's Add-On package of April 8, 2015. This balance is the result of the $3.06 million balance identified in the FY 2016 Advertised Budget Plan, as well as an increase of $2.73 million in General Fund revenue based on final State budget actions, offset by expenditure and associated reserve increases of $0.27 million.

	FY 2016		FY 2017
FY 2016 Advertised Balance	**$3,063,792**		**($92,923,623)**
Add-On Adjustments			
Additional State Revenue	$2,732,619		$2,732,619
Board Salary Increase	($102,500)	R	($205,000)
Planning Commission Salary Increase	($48,000)	R	($96,000)
Board of Zoning Appeals Salary Increase	($9,450)	R	($18,900)
Police Consultant Study	($100,000)	NR	($0)
Economic Development Authority Position	$0		$0
Revenue Stabilization Reserve (3% Target)	($8,039)		($1,606)
Managed Reserve (2% Target)	($5,360)		($1,070)
Subtotal:	$2,459,270		$2,410,043
Balance as of Add-On	**$5,523,062**		**($90,513,580)**

This package maintains the Real Estate tax rate at $1.090 per $100 of assessed value. As a result of the FY 2016 increase based on equalization, the average annual tax bill for County homeowners increases by approximately $185.

This package maintains the 3.20% increase in the School Operating transfer included in the Advertised Budget. It is important to note that this increase in funding represents almost two-thirds of all new revenues received by the County in FY 2016. Additionally, the Board recognizes the importance in providing funding for the Schools to address capital needs and directs the County Executive to fund up to $13.1 million for the School Construction Fund using available balances at Carryover. The package also assumes a preliminary increase of 3% to the School Operating transfer in FY 2017 for the School Board and the Superintendent as they start planning for the costs in FY 2017 associated with enrollment growth and employee compensation. This level is above anticipated revenue growth of 2.48 percent and will be revisited if the County's economic outlook changes.

FY 2016 marks the first year of a new compensation plan for General County employees, and the Board remains appreciative of the hard work and compromise shown by employee group representatives during the development of the plan. The new plan outlines pay priorities in years during which the program cannot be fully funded. The compensation package approved by the Board follows these priorities by maintaining full funding of performance and longevity increases and partially funding the Market Rate Adjustment (MRA). An MRA of 0.84% was included in the Advertised budget; this package increases the MRA for all County employees to 1.10%. In addition, the Board approves the long-term plans for pension financing as outlined in the County Executive's Advertised budget.

This package restores positions and/or funding for a number of programs impacted by proposed reductions in the Advertised budget – such as Healthy Families and Good-Touch/Bad-Touch – for which we have heard compelling testimony from the community. It also adds funding for other priorities of the Board.

Funding Adjustments Recommended by Board

	FY 2016		FY 2017
Adjustments to address Proposed Reductions:			
Restore funding and 11 positions for the Healthy Families Fairfax Program in the Department of Family Services and Health Department	($1,871,715)	R	($1,871,715)
Restore funding for the Contract for Legal Services for Persons with Disabilities	($51,017)	R	($51,017)
Restore funding and 1 position for the Good-Touch/Bad-Touch Program	($85,056)	R	($85,056)
Restore funding and 2 positions for the Parenting Education Program	($216,816)	R	($216,816)
Restore funding for the Rent Relief Program	($275,000)	R	($275,000)
To accommodate critical mental health services within the Adult Detention Center, staff is directed to generate planned efficiencies and restructure operations through partial restoration of funding and 1 position within Jail-Based Behavioral Health Services in the Community Services Board	($105,110)	R	($105,110)
To maintain Diversion options in the community, restore funding and 3 positions in the Diversion to Detoxification Outreach Program	($257,394)	R	($257,394)
Delay closing of Annandale Adult Day Health Care (ADHC) Program site by six months. Funding, if needed, will be provided at *FY 2015 Carryover Review*. In addition, 1 position and funding of $66,805, completely offset by revenue, is maintained from the Annandale ADHC reduction and transferred to the Lincolnia ADHC to provide staffing in support of all current Annandale clients.	$0	R	$0

Funding Adjustments Recommended by Board

	FY 2016		FY 2017
Restore funding for the Enforcement of the Grass and Lawn Provisions of the County Code	($120,000)	R	($120,000)
Restore funding for the Weekend Fire Boat Patrols	($10,000)	R	($10,000)
Restore 4 Planner positions in the Department of Planning and Zoning (DPZ) with the stipulation that funding will be identified from existing transportation resources appropriate for transportation studies to be performed by these positions and/or flexibility identified in DPZ as a result of upcoming retirements	$0	R	$0
Consistent with the action taken by the Board of Elections the proposed reductions in training of Election Officers and absentee satellite voting hours will not be taken. Instead the reduction to be taken by the Office of Elections will be accomplished as a result of efficiencies gained due to the new online voter registration and by further delaying the scanning and archiving of existing paper voter registration records.	$0	R	$0
Adjustments to address other Board Priorities:			
Increase Market Rate Adjustment for all County employees from 0.84% to 1.10%	($2,928,541)	R	($2,928,541)
Accelerate funding and positions included in the FY 2017 projected budget by adding 2 Probation Counselor II positions in the General District Court for the Veterans Docket	($211,163)	R	$0
Increase support for Fort Belvoir National Army Museum from $100,000 to $150,000	($50,000)	R	($50,000)

Funding Adjustments Recommended by Board

	FY 2016		FY 2017
Adjustments to provide additional flexibility:			
Consistent with health care reform changes on the horizon, staff is directed to explore options related to health insurance, including plan design changes and the offering of lower-cost plan alternatives, resulting in lower increased costs for the plan year beginning in 2016	$448,839	R	$448,839
Based on the latest fuel projections, reduce the estimated per gallon costs in FY 2016, resulting in additional savings on top of the $1 million already included in the FY 2016 Advertised budget	$500,000	R	$500,000
Revenue Stabilization Reserve (3% Target)	($174,054)		$11,915
Managed Reserve (2% Target)	($116,035)		$7,942
Subtotal:	($5,523,062)		($5,001,953)
Final Remaining Balance/(Shortfall)	**$0**		**($95,515,533)**

As a result of these changes, we have a balanced FY 2016 budget.

There continues to be a projected shortfall of over $95 million as we project ahead to FY 2017. Difficult budget decisions will continue to face this Board. Our challenge will be aided by the **Lines of Business** exercise process being undertaken by the County which will be used to inform the budget decisions over the next several years.

In addition, this budget includes other tax and fee adjustments, including:

- An increase in Sewer Service Charges to $6.65 per 1,000 gallons. This is an increase from the FY 2015 service charge of $6.62 per 1,000 gallons.

- An increase in the Sewer Service Base Charge from $15.86 per quarter to $20.15 per quarter.

- An increase in the Stormwater Services district tax rate from $0.0225 to $0.0250 per $100 of assessed value.

- An increase in the Tysons Service District tax rate from $0.04 to $0.05 per $100 of assessed value per the recommendation from the Tysons Service District Advisory Board.

- A decrease in the Phase I Dulles Rail Transportation Improvement District tax rate from $0.21 to $0.19 per $100 of assessed value.

Other fee adjustments included in the budget proposal are increases to School-Age Child Care (SACC) fees and refuse disposal fees.

Therefore, having provided public notice and conducted a public hearing as required by Virginia law, **I move approval of the FY 2016 Budget as Advertised, with the changes I just summarized**, advertised changes to other taxes and fees, and required Managed Reserve and Revenue Stabilization adjustments. The tax and fee increases become effective on and after July 1, 2015 unless otherwise noted. **These actions result in a balanced budget for FY 2016.**

Adoption of Ten Principles of Sound Financial Management

I move adoption of the updated Ten Principles Sound Financial Management which is attached. The changes to the Ten Principles focus on the County's reserve policies and include:

- Increasing the Managed Reserve from 2% to 4% of General Fund disbursements;
- Increasing the Revenue Stabilization Fund from 3% to 5% of General Fund disbursement; and
- Establishing a new Economic Opportunity reserve, totaling 1% of General Fund disbursements, to allow strategic investment in economic development opportunities. This fund will act as a revolving reserve to address opportunities that are identified as priorities of the Board. Criteria will be developed for the utilization of this reserve, including regular replenishment, and will be funded after the Managed Reserve and Revenue Stabilization Fund are fully funded at their new levels.

In total, targeted County reserves will increase from 5% to 10% of General Fund disbursements.

Options to fund the reserves include:

- A deposit into the Revenue Stabilization Fund as part of the *FY 2015 Third Quarter Review*/consolidation of the Sequestration Reserve;
- One-time revenues or one-time balances not required for critical one-time expenditures;
- Allocation of 40% of year-end balances not required for critical items;
- Allocation of savings from bond refundings; and/or
- Budgeting funds for reserves when available including contributions for increased disbursements.

Ten Principles of Sound Financial Management

Background

The *Ten Principles*, adopted by the Board of Supervisors on October 22, 1975, endorsed a set of policies designed to contribute to the County's fiscal management and maintain the County's "triple A" bond rating. The County has maintained its superior rating in large part due to its firm adherence to these policies. The County's exceptional "triple A" bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low interest rates, thus realizing significant savings now and in the future for the residents of Fairfax County.

From time to time the Board of Supervisors has amended the Ten Principles in order to address changing economic conditions and management practices. Changes adopted on April 21, 2015 have been made which reflect the Board's commitment to increasing the County's reserve policies and continue to strengthen the County's financial position. The rating agencies have for many years validated the approach the County has taken identifying a Managed Reserve at 2 percent of General Fund Disbursements and the Revenue Stabilization Reserve at 3 percent of General Fund Disbursements (for a total of 5 percent), as well as funding other replacement reserves, as strong financial management. The increases recommended further strengthen this approach by adjusting the policy for the two primary reserves and adding an additional reserve for a total reserve policy of 10 percent. As a result, the County reserve policy will be more in line with the other triple-A jurisdictions. Funding of this increase will begin immediately; however, it will take several years to fully fund the new target level.

In addition to the more traditional methods of long-term financing through General Obligation Bonds, the County has been able to accomplish major capital improvements through the use of alternative financing while maintaining the County's fiscal integrity as required by the *Ten Principles*. Accomplishments such as Metro station parking garages, construction of Route 28, the opening of a commuter rail, and construction of government facilities have all been attained in addition to a robust bond construction program. In 2003 the County was able to accelerate the construction of a new high school by three years through the creative use of revenue bonds in connection with the joint development of a senior care facility and a golf course in conjunction with the high school. From 1999 through 2014, the County has approved $3.47 billion of new debt at referendum, with $2.31 billion for Schools and $1.16 billion for the County.

Since 1975, the savings associated with the County having a "triple-A" bond rating is estimated at $470.88 million. Including savings from the various refunding sales, the total benefit to the County equates to $702.51 million. Also, implementation of a Master Lease program and judicious use of short-term lease purchases for computer equipment, copier equipment, school buses and energy efficient equipment have permitted the County and the Schools to maximize available technology while maintaining budgetary efficiency.

The *Ten Principles* full text is as follows:

Ten Principles of Sound Financial Management
April 21, 2015

1. **Planning Policy**. The planning system in the County will continue as a dynamic process, which is synchronized with the capital improvement program, capital budget and operating budget. The County's land use plans shall not be allowed to become static. There will continue to be periodic reviews of the plans at least every five years. Small area plans shall not be modified without consideration of contiguous plans. The Capital Improvement Program will be structured to implement plans for new and expanded capital facilities as contained in the County's Comprehensive Plan and other facility plans. The Capital Improvement Program will also include support for periodic reinvestment in aging capital and technology infrastructure sufficient to ensure no loss of service and continued safety of operation.

2. **Annual Budget Plans and Reserves**. Annual budgets shall continue to show fiscal restraint. Annual budgets will be balanced between projected total funds available and total disbursements including established reserves.

    a. A Managed Reserve shall be maintained in the General Fund at a level sufficient to provide for temporary financing of critical unforeseen disbursements of a catastrophic emergency nature. The reserve will be maintained at a level of not less than four percent of total General Fund disbursements in any given fiscal year.

    b. A Revenue Stabilization Fund (RSF) shall be maintained in addition to the managed reserve at a level sufficient to permit orderly adjustment to changes resulting from curtailment of revenue. This Fund shall be maintained at five percent of total General Fund disbursements in any given fiscal year. Use of the RSF should only occur in times of severe economic stress. Accordingly, a withdrawal from the RSF will not be made unless the projected revenues reflect a decrease of more than 1.5 percent from the current year estimate and any such withdrawal may not exceed one half of the RSF fund balance in that year. A drawdown of this Fund should be accompanied with expenditure reductions.

    c. An Economic Opportunity Reserve shall be established in addition to the Managed Reserve and the Revenue Stabilization Fund. This reserve is meant to stimulate economic growth and will provide for strategic investment opportunities that are identified as priorities by the Board of Supervisors. When fully funded, this reserve will equal one percent of total General Fund disbursements in any given fiscal year. Funding for this reserve would only occur after the Managed Reserve and the Revenue Stabilization Fund are fully funded at their new levels of four percent and five percent, respectively. Criteria for funding, utilization, and replenishment of the reserve will be developed and presented to the Board of Supervisors for approval. The criteria for use will include financial modeling analysis (e.g. cost-benefit, etc.) to determine the fiscal impact to the County of the proposed investment opportunity and will require approval from the Board of Supervisors for any use.

d. Budgetary adjustments which propose to use available general funds identified at quarterly reviews should be minimized to address only critical issues. The use of non-recurring funds should only be directed to capital expenditures to the extent possible.

e. The budget shall include funds for cyclic and scheduled replacement or rehabilitation of equipment and other property in order to minimize disruption of budgetary planning from irregularly scheduled monetary demands.

3. **Cash Balances**. It is imperative that positive cash balances exist in the General Fund at the end of each fiscal year. If an operating deficit appears to be forthcoming in the current fiscal year wherein total disbursements will exceed the total funds available, the Board will take appropriate action to balance revenues and expenditures as necessary so as to end each fiscal year with a positive cash balance.

4. **Debt Ratios**. The County's debt ratios shall be maintained at the following levels:

a. Net debt as a percentage of estimated market value shall be less than 3 percent.

b. Debt service expenditures as a percentage of General Fund disbursements shall not exceed 10 percent. The County will continue to emphasize pay-as-you-go capital financing. Financing capital projects from current revenues is indicative of the County's intent to use purposeful restraint in incurring long-term debt.

c. For planning purposes annual bond sales shall be structured such that the County's debt burden shall not exceed the 3 and 10 percent limits. To that end sales of General Obligation Bonds and general obligation supported debt will be managed so as not to exceed a target of $275 million per year, or $1.375 billion over five years, with a technical limit of $300 million in any given year. Excluded from this cap are refunding bonds, revenue bonds or other non-General Fund supported debt.

d. For purposes of this principle, debt of the General Fund incurred subject to annual appropriation shall be treated on a par with general obligation debt and included in the calculation of debt ratio limits. Excluded from the cap are leases secured by equipment, operating leases, and capital leases with no net impact to the General Fund.

e. Use of variable rate debt is authorized in order to increase the County's financial flexibility, provide opportunities for interest rate savings, and help the County manage its balance sheet through better matching of assets and liabilities. Debt policies shall stipulate that variable rate debt is appropriate to use when it achieves a specific objective consistent with the County's overall financial strategies; however, the County must determine if the use of any such debt is appropriate and warranted given the potential benefit, risks, and objectives of the County. The County will not use variable rate debt solely for the purpose of earning arbitrage pending the disbursement of bond proceeds.

f. For purposes of this principle, payments for equipment or other business property, except real estate, purchased through long-term lease-purchase payment plans secured by the equipment will be considered to be operating expenses of the County. Annual General Fund payments for such leases shall not exceed 3 percent of the annual General Fund disbursements, net of the School transfer. Annual equipment lease-purchase payments by the Schools and other governmental entities of the County should not exceed 3 percent of their respective disbursements.

5. **Cash Management**. The County's cash management policies shall reflect a primary focus of ensuring the safety of public assets while maintaining needed liquidity and achieving a favorable return on investment. These policies have been certified by external professional review as fully conforming to the recognized best practices in the industry. As an essential element of a sound and professional financial management process, the policies and practices of this system shall receive the continued support of all County agencies and component units.

6. **Internal Controls**. A comprehensive system of financial internal controls shall be maintained in order to protect the County's assets and sustain the integrity of the County's financial systems. Managers at all levels shall be responsible for implementing sound controls and for regularly monitoring and measuring their effectiveness.

7. **Performance Measurement**. To ensure Fairfax County remains a high performing organization all efforts shall be made to improve the productivity of the County's programs and its employees through performance measurement. The County is committed to continuous improvement of productivity and service through analysis and measurement of actual performance objectives and customer feedback.
8. **Reducing Duplication**. A continuing effort shall be made to reduce duplicative functions within the County government and its autonomous and semi-autonomous agencies, particularly those that receive appropriations from the General Fund. To that end, business

process redesign and reorganization will be encouraged whenever increased efficiency or effectiveness can be demonstrated.

9. **Underlying Debt and Moral Obligations**. Debt related to but not directly supported by the County's General Fund shall be closely monitored and controlled to the extent possible, including revenue bonds of agencies supported by the General Fund, the use of the County's moral obligation, and underlying debt.

    a. A moral obligation exists when the Board of Supervisors has made a commitment to support the debt of another jurisdiction to prevent a potential default, and the County is not otherwise responsible or obligated to pay the annual debt service. The County's moral obligation will be authorized only under the most controlled circumstances and secured by extremely tight covenants to protect the credit of the County. The County's moral obligation shall only be used to enhance the credit worthiness of an agency of the County or regional partnership for an essential project, and only after the most stringent safeguards have been employed to reduce the risk and protect the financial integrity of the County.

    b. Underlying debt includes tax-supported debt issued by towns or districts in the County, which debt is not an obligation of the County, but nevertheless adds to the debt burden of the taxpayers within those jurisdictions in the County. The issuance of underlying debt, insofar as it is under the control of the Board of Supervisors, will be carefully analyzed for fiscal soundness, the additional burden placed on taxpayers, and the potential risk to the General Fund for any explicit or implicit moral obligation.

10. **Diversified Economy**. Fairfax County must continue to diversify its economic base by encouraging commercial and, in particular, industrial employment and associated revenues. Such business and industry must be in accord with the plans and ordinances of the County.

Budget Guidance for FY 2016 and FY 2017 – April 21, 2015

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, April 21, 2015, the Board approved the following Budget Guidance for FY 2016 and FY 2017:

Fairfax County Public Schools Operating Support

The Board recognizes the fiscal pressure that rapidly increasing enrollment and rising compensation costs are placing on the Fairfax County Public Schools (FCPS). The reliance on one-time balances in recent years during the economic downturn has also created added challenges to meet school funding needs. County revenue growth for FY 2017 is projected to be 2.48 percent. A preliminary guideline is provided to the FCPS for an increase of 3 percent in the School Operating Transfer for the FY 2017 Advertised Budget Plan. The Board will work with the School Board to reevaluate the 3 percent guideline for the FCPS transfer prior to the release of the FY 2017 Advertised Budget. The Board of Supervisors will continue to advocate in partnership with the School Board for sufficient levels of state funding necessary to fund the County's excellent schools.

Board of Supervisors/School Board Collaboration

Recognizing the important role that the Lines of Business (LOBs) process will play over the coming years, the Board encourages FCPS to participate as a full partner in LOBs. This unique opportunity will allow both Boards to continue to work cooperatively in determining and addressing joint priorities and will build upon the positive efforts of the Joint Budget Development Committee (JBDC). By coordinating County and Schools LOBs reviews, the Boards and the community can focus more clearly on program effectiveness and identify desired outcomes with the goal of improving services in shared priority areas. The LOBs process also provides the opportunity to identify areas in which there may be duplication of efforts between County and Schools as a means of generating efficiencies and improvements in the provision of services. The Board suggests that the Schools enhance their discussion of their program budget by including metrics and performance information so that the respective Boards and the community are able to understand the importance of various programs.

Consistent with the direction from the JBDC concerning meeting joint priorities, the Board of Supervisors and School Board should also collaborate on identifying multi-year plans for closing the minority achievement gap and enhancing career and technical education programs. These plans should identify both long-term and interim goals, suggested funding allocations (within realistic fiscal guidelines), and programmatic priorities designed to reach the ultimate goals. The Board suggests the 10-Year Plan to End Homelessness be used as a model for the development of these plans.

County and Schools Infrastructure Investment

The Board also directs that the County Executive include a County transfer of up to $13.1 million to the School Construction Fund as part of the *FY 2015 Carryover Review*, subject to availability of sufficient year-end balances. This increase in the transfer, which would fund Infrastructure Replacement and Upgrades projects, was originally intended to begin in FY 2016, however was deferred until FY 2017 as part of budget balancing decisions. It is expected that the $13.1 million be maintained in the County Executive's Advertised budget for FY 2017. FCPS has used an average of $13.1 million in bond funding each year for the past five years to meet what is now termed Infrastructure Replacement and Upgrades. This transfer will fund, through pay-as-you-go funding, capital replacement and upgrade requirements and will free up general obligation bond funding for large replacement or new capacity requirements.

County Employee Market Rate Adjustment

The Board recognizes the importance of fully funding the Market Rate Adjustment (MRA) as calculated by the approved formula. While the MRA is the flexible component of the newly adopted compensation plan, and as a result was not completely funded in FY 2016, maintaining the integrity of the calculation and ensuring the agreed-upon increases for County employees is a Board priority. The County Executive is directed to fully fund the MRA in his FY 2017 Advertised Budget.

Public Safety Compensation/Equipment

The Board appreciates the hard work and dedication of public safety employees and remains committed to ensuring that employees are supported in terms of adequate and safe equipment, as well as pay structures which allow for successful recruitment and retention. The Board directs staff to develop long-term plans to appropriately fund reserves for Fire and Rescue apparatus and vehicles for both career and volunteer stations and to provide necessary equipment for Police Officers. As always, the Board encourages staff to pursue federal or state funding to offset the General Fund impact of these requirements. Additionally, the Board directs staff to examine the two-year hold at Step 8 in all public safety plans to determine whether removal of the hold would allow plans to be more competitive with peer jurisdictions. Staff should also provide analysis regarding additional adjustments to the Social Security offset for Service-Connected Disability Retirements, perform further research on uniformed Sheriff employee salaries, specifically addressing questions regarding pay parity with uniformed Police employees, and look at the pay and organization structure for employees in the Animal Control Division.

Police Reorganization

With the projected growth and urbanization of Fairfax County the need for an efficient Police Department to adequately address the needs of the County residents is increasing rapidly. Due to the demographic and topographical changes to the County since the Police Department was founded 75 years ago it is necessary to reorganize the operational and administrative structure of the department in synchronization with the concepts of the Five-Year Public Safety Staffing Plan. The Board directs the County Executive and County staff to work with the Police Department and Police Employee Groups, seeking outside consultant assistance if required, to develop a plan to reorganize the operational and administrative structure of the Police Department, to include but not limited to changes to the current rank structure. Any adjustments should be made in the context of the anticipated creation of a South County Police Station as included in the County's CIP, which will require redrawing of Police District boundaries.

Comprehensive Services Act (CSA) for At-Risk Youth and Families

Under the psychiatric residential treatment benefit in Virginia, Medicaid youth with serious mental health issues who meet medical criteria may be placed directly by parents in residential treatment facilities with Medicaid as the funding source. Residential services include three service components and costs: treatment and room and board services are covered by Medicaid; there is, however, no funding source that fully covers the cost of educational costs for youth in Medicaid-funded residential treatment, which average $160 per day. Each year residential providers and parents must fund the educational cost for the more than 500 youth placed in residential facilities, of which approximately 50 annually are Fairfax residents.

A state proposal being considered to close this funding gap would require that these educational costs be funded by the CSA pooled funds on a state-local cost-sharing basis. Localities would also incur a match requirement on the otherwise Medicaid-funded portions of the placements. It is estimated that the proposal would cost Fairfax an additional $1.35 million annually - $425,000 for the required local CSA match of residential education services and $925,000 for the required local match to the Medicaid-covered services.

County staff are advocating for changes in the state proposal that would reduce or eliminate the local cost associated with this new state mandate. In the event those efforts are unsuccessful, the local cost for CSA in FY 2016 could increase as much $1.35 million. Staff will monitor the CSA expenditures and address any shortage at Third Quarter.

Service Source

The Service Source Disability Resource Center embodies a strategic direction the Human Services System is moving to in support of our nonprofit organizations. Nonprofit centers provide community-based organizations with high-quality, affordable space, increasing the capacity of people to work together. Across the County, these centers are redefining how communities use space to improve people's lives and to enhance collaboration and resource sharing among the nonprofits. For the past 4 years, Human Services has worked to encourage and find ways to support multi-tenant Nonprofit Centers in all 5 regions of the County. Nonprofit centers are buildings that house multiple organizations and provide accessible, efficient, quality, mission-enhancing workspace. In a time of constrained resources, it is difficult to identify and commit multi-year funding necessary to support the development of the Disability Resource Center with the objective of gaining space for County or County-supported organizations. However, one-time only funding may be possible should savings be identified at Carryover or at Third Quarter in the next few years.

Year-End Balances

There continues to be pressure at year-end to use available balances to address numerous priorities. By policy, the Board has directed that 60% of year-end balances not needed for critical items be allocated for capital infrastructure requirements (20%) and increased reserve requirements under the new policy (40%). In order to establish clear expectations, the Board directs the County Executive to propose guidance that clearly outlines the methodology for allocating resources available at year-end, including the definition of critical items. This proposal should be delivered to the Board no later than June so that feedback can be provided by the Board to the County Executive before the *FY 2015 Carryover Review* is released.

Future Year Investments/FY 2017 Lines of Business (LOBs) Process

Consistent with the recent adoption of the Board's economic strategy, the Board agrees with the importance of investing in Fairfax as expressed by many speakers during public testimony. This investment will take many different forms, ranging from the workforce, to traditional capital infrastructure, to technology requirements. It is important to recognize that meeting our investment goals is a multi-year process. As part of the planning for the next several budgets, the Board endorses the opportunity to comprehensively review the County's Lines of Business (LOBs). The first phase of this process will culminate in the Winter/Spring of 2016 with discussion by the Board and the community about the priorities of the County in the context of the LOBs inventory.

This discussion will focus on both providing an understanding of what the County's LOBs are and a reaffirmation of which programs should continue and which may need to be modified. The comprehensive presentation of what the County does will be critical to help evaluate where resources need to be added to ensure that the proper investments are made. The added focus on metrics to be incorporated into this LOBs exercise will be critical to provide the Board and the community with an evaluation tool as they review what the County does to determine the effectiveness, efficiency, and outcomes of our programs.

The Board directs that the County Executive provide updates on the timeline and the steps of the LOBs process early in FY 2016.

I now move the Budget Guidance that I just reviewed which will help direct the FY 2017 Budget process.

Approval of the FY 2016-2020 Capital Improvement Program (with future fiscal years to 2025)

I move Board approval of the FY 2016-FY 2020 Capital Improvement Program (with future fiscal years to 2025) with the following amendment:

- Make all necessary adjustments to reflect actions taken during the Board's decision on the FY 2016 Adopted Budget Plan that impact the CIP.