



ATTACHMENT III
County of Fairfax, Virginia

MEMORANDUM

DATE: February 25, 2008
TO: Board of Supervisors
FROM: Anthony H. Griffin *AHG*
County Executive
SUBJECT: Proposed Reductions to Address FY 2009 Shortfall

As indicated today, the FY 2009 Budget Proposal is out of balance by approximately \$32 million as a result of recent interest rate reductions by the Federal Reserve and anticipated decreases in State aid based on the Governor's proposed budget cuts in light of revised state revenue estimates. I have summarized below my recommendations for actions to resolve this shortfall. As I noted in my budget proposal, I believe it is prudent for the Board to consider advertising a small increase in the real estate tax rate to provide flexibility over the coming months to address worsening economic conditions. However, the list I am presenting does provide sufficient recurring reductions and one time resources to balance the FY 2009 budget at the current tax rate of \$0.89/\$100 of assessed value.

The Federal Reserve acted in January 2008, reducing its key interest rate, the federal funds rate from 4.25 to 3.00 percent. The 125 net basis point reduction, combined with market analyst projections that interest rates will be approximately 2.0 percent by July 2008, had the cumulative impact of reducing County General Fund interest income by over \$26 million from the revenue estimates originally included in the FY 2009 proposed budget. On February 12, 2008, Governor Kaine announced revised revenue forecasts for fiscal years 2008 through 2010 and a budget reduction plan to deal with the state revenue shortfall. The Governor's proposed strategy includes a 5.4% cut in certain state aid to localities' programs. As a result, Fairfax County expects to lose an additional \$5.1 million. That new reduction, along with a reduction of \$1.1 million in the Governor's originally proposed Biennium Budget plan, has not been included in the County's FY 2009 proposed budget. The total revenue shortfall as a result of the Federal Reserve actions and the Governor's budget proposals is approximately \$32 million.

I believe the recommended adjustments to my FY 2009 proposal are reasonable in the short term however many utilize one time funding which will not be available in the FY 2010 budget process. In addition, the reductions are difficult and will reduce staff resources for agencies and are likely to result in service delays. The list includes deferral of important capital paydown and information technology projects which will need to be restored in future budgets and diverts funding away from stormwater and affordable housing projects in order to fund the staff necessary to implement these projects. Using a portion of the new transportation funding to offset approximately fifty percent of the County's contribution to Metro will result in a deferral of some County transportation improvements. In total, the recommended list of adjustments addresses the FY 2009 shortfall and will give the Board time to complete a program by program review in order to make more permanent changes to the overall inventory of County services in time for the FY 2010 budget.

Strategy	Amount
<p>Reduce the annual General Fund contribution to Metro by approximately 50 percent utilizing new Transportation funding sources: In October 2007, the Board approved a project plan of transportation improvements, transit service enhancements and other initiatives. These projects will be funded with a combination of new funding from fees and taxes approved in HB 3202 and levied through the Northern Virginia Transportation Authority as well as a proposed 12 cent commercial real estate tax for transportation. As currently proposed in the FY 2009 budget, a portion of this new funding will support existing and new staff in the Department of Transportation responsible for implementing these projects. The \$8.5 million reduction in the General Fund transfer to Metro will require the use of the new transportation funding to support the County's obligation to WMATA. As a result, County staff will return to the Board with an adjusted project plan which will defer or possibly eliminate some projects from the October list.</p>	\$ 8.5 million
<p>Utilize available balances in the Cable Fund: One time funding in the amount of \$3.0 million is available in Fund 105, Cable Communications as a result of Board negotiated payments from Cox Communications based on I-NET construction delays. In addition, an amount of \$2.5 million in available balances as a result of one time savings in the cable system operations can be used to offset County telephone and other data services requirements in FY 2009. It should be noted that the cable fund is also supporting a \$1.5 million lease payment for the County's telecommunications network in FY 2009 and planned for FY 2010. As a result, and based on system requirements, no further balances are available.</p>	\$ 5.5 million
<p>Reduce GASB Funding by 50 percent: The annual required contribution (ARC) for the County's GASB 45 liability for the retiree participation in the County's insurance plans and the retiree health benefit subsidy is approximately \$32 million. Funding of \$8.2 million in FY 2009, combined with GASB 45 reserves, are included in the FY 2009 budget proposal. Reducing the FY 2009 contribution by 50 percent will require that higher contributions be made in future years.</p>	\$ 4.1 million
<p>Reduce Limited Term Funding: The FY 2009 budget includes an increase of \$1.3 million to support limited compensation increases for limited term employees. Eliminating this increase, as well as an additional \$2.0 million, will reduce limited term funding by approximately 10 percent from the FY 2008 level and will significantly impact the County's ability to attract and maintain these employees. In addition, some agencies may be required to reduce the overall use of limited term positions. Limited term employees are used by the County to provide staffing coverage for seasonal, relief or other types of work for which merit employees are not required or available. Examples of this include lifeguards at recreation centers and front desk staff at community centers. In addition, Limited Term positions provide supplemental staffing to allow the County to respond quickly to initiatives that are short term or temporary in duration. CSB for example, uses limited term positions to address the intake waiting list for Mental Health services. The Department of Tax Administration uses limited term data collectors to supplement existing appraisal staff.</p>	\$ 3.3 million
<p>Charge Additional Stormwater Positions to the Penny for Stormwater: In the FY 2009 budget, the Stormwater Planning Division and a portion of the Maintenance and Stormwater Management Division (MSMD) within the Department of Public Works and Environmental Services (DPWES) will charge positions and associated costs totaling \$4.4 million to the Penny for Stormwater Management fund. These expenses have been historically supported by the General</p>	\$ 3.2 million

<p>Fund but are proposed to be charged against the Penny fund based on budget constraints. The additional \$3.2 million will move the entire Stormwater Line of Business to the Penny, including an additional 75 positions. This adjustment will significantly impact future stormwater project implementation schedules. As a result of this action, a balance of \$15.2 million in new funding remains available for stormwater project improvements in FY 2009.</p>	
<p>Reduce Comprehensive Services Act Reserve by 25 percent/ Utilize Additional State Funding for Child Care: The FY 2009 budget includes a reserve of \$4.1 million to address the Comprehensive Services Act (CSA) anticipated expenditure shortfall in FY 2009. The increased costs are attributed to the recent state reinterpretation of the policy regarding foster care prevention and mental health services, an increase in the number of children served and overall increase in the cost per child associated with contract increases. A reduction of \$1.0 million will result in the reduction and possible elimination of services for non-mandated services and may require a shifting of agency resources from other services to fund mandated services. As a result of additional funding from the state, General Fund support of the Child Care Assistance and Referral (CCAR) program has been reduced by \$1.0 million. This action will not result in the loss of services to children but will prevent program expansion to address the increasing waiting list for service.</p>	<p>\$ 2.0 million</p>
<p>Eliminate General Fund Transfer to Solid Waste Programs: The FY 2009 includes a General Fund transfer of \$1.3 million to support non revenue-generating solid waste programs such as the County’s Recycling program, the Code Enforcement Program, the Household Hazardous Waste program and the Citizens Disposal Facilities. The elimination of the General Fund transfer in FY 2009 will likely require an increase in the contract tipping fee from the proposed level of \$53.95 to \$55.00 per ton. This rate would be at the high end of rates charged by regional jurisdictions but not the highest. The average homeowner should experience a net increase of \$1.25 per month as a result of this proposed tipping fee increase as well as the increase included in the FY2009 budget plan. In addition, the replacement of three refuse trailers will be deferred.</p>	<p>\$ 1.3 million</p>
<p>Reduce General Fund Contributions to Capital Paydown Projects: FY 2009 Capital Paydown funding is \$22 million, a decrease of \$13.3 million from the FY 2008 level. An additional reduction of \$1.2 million will require further project impacts including the elimination of funding to support the implementation of a new County cemetery (\$500,000), reductions in electricity funding for athletic fields (\$150,000), and deferral of maintenance to the County’s GIS markers (\$125,000). This adjustment will eliminate General Fund support of VDOT sidewalk/trail participation projects (\$300,000) and telephone system replacements (\$190,000). These 2 projects will be funded from the new transportation funding and with Cable fund balances as available.</p>	<p>\$ 1.3 million</p>
<p>Charge Staff Costs to the Penny for Affordable Housing: Based on current capital acquisition costs already committed by the Board, flexibility within the fund is limited. However, an amount of \$570,000 in staff costs, equal to 2.5% of the annual funding, will be charged to the fund. As a result of this action, a balance of \$22.2 million in new funding remains available for affordable housing costs in FY 2009.</p>	<p>\$ 0.6 million</p>
<p>Refined Health Insurance Costs: Annual savings of approximately \$900,000 will be realized as a result of close management of health costs and spending. In addition, the County’s proposed wellness initiative should result in savings in medical costs for employees.</p>	<p>\$ 0.9 million</p>

<p>Reduction in Information Technology Projects: Funding of \$0.7 million will be reduced from Fund 104, Information Technology projects which will impact progress on imaging and document management activities in the Department of Housing and Community Development (\$421,500), IT security initiatives (\$200,000), and IT training (\$100,000).</p>	<p>\$ 0.7 million</p>
<p>Eliminate Increase in Consolidated Community Funding Pool: The FY 2009 budget includes an increase of approximately 3% or \$0.3 million, for the first year of a new two year cycle in the Consolidated Community Funding Pool to leverage non-profit organizations' resources to meet community challenges. In previous years, the new cycle funding has allowed increases of 10%. Eliminating any increases in the funding pool in FY 2009 will impact the capacity of these organizations to continue services at the same level and would maintain General Fund support of the Funding Pool at the FY 2008 level of \$8.7 million.</p>	<p>\$ 0.3 million</p>
<p>Delay Opening of Burke Library Until October 2008: Based on current construction schedules, the Burke Library will be complete in July 2008. Delay of the opening of this facility until October 2008 will result in one time savings of \$0.2 million in FY 2009.</p>	<p>\$ 0.2 million</p>
<p>Consolidation of the Office of Human Rights and the Office of Equity Programs. Identify savings of \$100,000</p>	<p>\$ 0.1 million</p>
<p>TOTAL</p>	<p>\$ 32.0 million</p>