

April 21, 2008
FY 2009 BUDGET MARKUP PROCESS

1. Approval of the *FY 2008 Third Quarter Review* with amendments as included in the April 21, 2008 memorandum to the Board. Approval of the FY 2009 Budget and FY 2009-2013 Capital Improvement Program (with future fiscal years to 2018) as Advertised, with the changes to Revenue and Administrative Adjustments included in the FY 2009 Add-On Package, and Board Adjustments2
2. Budget Guidelines for Fiscal Year 2010 7

BOARD MOTIONS

FY 2008 THIRD QUARTER REVIEW

- I move that the Board approve the FY 2008 *Third Quarter Review* including approval of Supplemental Appropriation Resolution AS 08107 and Amendment to the Fiscal Planning Resolution AS 08901. which includes the revenue, expenditure and transfer adjustments and grant awards and adjustments and associated managed reserve adjustments contained in the County and School's Third Quarter Review as advertised with amendments as presented to the Board of Supervisors in the memorandum dated April 21, 2008 related to net revenue reductions primarily as a result of investment interest and sales tax projections, additional expenditure requirements associated with rising fuel costs and associated managed reserve adjustments and Supplemental Appropriation Resolution AS 07148 which reflects final FY 2007 audit adjustments. The General Fund balance as a result of these actions is \$0.

FY 2009 ADVERTISED BUDGET PLAN, ADD-ON, FY 2009 - FY 2013 CAPITAL IMPROVEMENT PROGRAM (WITH FUTURE FISCAL YEARS TO 2018), and BOARD BUDGET PROPOSAL

- I move Board approval of the County Executive's recommendations for the FY 2009 Advertised Budget Plan, and the FY 2009-FY 2013 Capital Improvement Program (with future fiscal years to 2018) with the FY 2009 revenue and administrative adjustments as identified in the FY 2009 Add-on memo dated April 9, 2008, and with adjustments outlined in the Board of Supervisors' "Adjustments to the FY 2009 Budget Proposal and CIP" package which follows. These actions result in a balanced budget for FY 2009.

Attachment A

Board of Supervisor's Adjustments to the County Executive's FY 2009 Budget Proposal based on \$0.92 Real Estate Tax Rate and the FY 2009-FY 2013 Capital Improvement Program

Introduction

The Board's deliberations on the FY09 Budget begins with a DEFICIT of \$24.8 million caused by continued declines in revenue and increased fuel costs. This deficit is in addition to the total shortfall of \$152 million already addressed as part of the County Executive's proposal which required a net 4% reduction in agency salary budgets, reduced employee compensation increases, elimination of full funding for inflationary increases, use of set aside balances such as that identified at carryover, and reduction of capital project funding.

The School Board has requested an increase of \$63.8 million (4% over the FY 2008 level). The Board of Supervisors adjustments provides for an increase of \$40 million over FY 2008, **and represents 90% of Board's available funding**. The School operating transfer of \$1.626 billion combined with the \$155 million transfer for debt service, means that total FY 2009 transfers to the Fairfax County Public Schools equal \$1.78 billion or 53.13% of the County's FY 2009 budget. In the County Executive's Advertised Budget this percentage was 52.4%. In addition, more than \$63.5 million is included in the County's budget for programs supporting the schools such as school crossing guards, school nurses and school resource officers.

These adjustments result in an available balance of \$3.1 million.

To address Board priorities not included in the County Executive's budget proposal the Board of Supervisors makes the following reductions and adjustments.

Board of Supervisors' Adjustments to the FY 2009 Budget Proposal and FY 2009 - FY 2013 Capital Improvement Program

Budget Proposal Detail

FY 2009 Shortfall	(\$24,800,490)
<i>Increase in the Real Estate tax rate from \$0.89 to \$0.92 results in a decrease in the real estate tax paid by the average homeowner from FY 2008</i>	\$68,549,220
<i>Increased revenue based on Fire Marshal recovery rate increase</i>	\$170,676
Net Available for Schools and the County	\$43,919,406
Transfer to Schools (90% of net available). This results in Schools receiving 53.13% of General Fund Disbursements in FY 2009; an increase from the 52.4% included in the FY 2009 Advertised Budget.	\$40,000,000
<i>Managed Reserve Adjustment as a result of increased disbursements (School Transfer)</i>	\$800,000
Remaining available for the County	\$3,119,406
Board Budget Committee Reductions/Reallocations from the County Executive's FY 2009 Advertised Budget	\$13,486,504
<i>Fund 104, IT Projects deferrals of various IT Projects</i>	(\$3,000,000)
<i>Fund 503, Vehicle Services balances based on vehicle replacement schedules</i>	(\$750,000)
<i>Fund 505, Infrastructure Technology based on PC replacement requirements</i>	(\$100,000)
<i>Fund 603, Further Reduction of GASB funding from \$4.1 million to \$3.1 million</i>	(\$1,000,000)
<i>Fund 312, Public Safety Construction use balance in MPSTOC construction project contingency based on project schedule</i>	(\$2,000,000)
<i>Agency 89, Employee Benefits savings in Health Insurance Premiums based on no increase in health insurance premiums for employees in the County's self-insured health plans</i>	(\$1,800,000)
<i>Fund 144, Housing Trust Fund transfer of \$1 million in General Fund balance as a result of project close-out for Project 013908, West Ox Group Home</i>	(\$1,000,000)
<i>Fund 100, County Transit based on actual requirements for EZ-bus and VRE contribution</i>	(\$250,000)
<i>Fund 309, Metro balance</i>	(\$1,500,000)
<i>Agency 89, Employee Benefits savings</i>	(\$580,000)
<i>Fund 116, Forest Integrated Pest Management charge Health Department administrative support positions</i>	(\$200,000)
<i>Additional Traffic Fine Revenue</i>	(\$1,000,000)
<i>Managed Reserve</i>	(\$306,504)
Net Available for the County	\$16,605,910

Adjustments to FY 2009 Budget Proposal (continued)

Board Budget Committee Adjustments to the County Executive's FY 2009 Advertised Budget	\$16,117,801
<i>Restore reductions to the Market Rate Adjustment and the Pay For Performance Program</i>	\$12,656,124
<i>Enhanced level of service for the Code Enforcement Strike Team</i>	\$1,250,000
<i>Partially restore Exempt Limited Term funding focusing on critical areas especially within human services as well as the field walk-on use enforcement program</i>	\$600,000
<i>Provide funding for P'CASO for 4 positions</i>	\$544,759
<i>Restore psychiatric funding at INOVA Mt. Vernon Hospital</i>	\$347,000
<i>Decrease Social Security offset to service connected disability benefits from 40% to 30% for uniformed and employees systems</i>	\$260,000
<i>Maintain increase for Consolidated Community Funding Pool</i>	\$249,918
<i>Restore funding for CrisisLink</i>	\$135,000
<i>Restore Funding to Alternative House</i>	\$75,000
<i>Restore proposed reduction to the Burke Library to allow the library to open on-time by eliminating funding for the EZ-Bus shuttle to the satellite VRE lots</i>	\$0
<i>Increase Adult Protective Service staffing by 2 positions and reallocate existing funding flexibility to meet the cost</i>	\$0
<i>Utilize additional revenues, estimated at \$400,000, generated from the State approved increase in the subscription rate for remote access to land, civil and criminal records as well as the new \$5 fee per document for e-recording land records to fund costs associated with the redaction of social security numbers from electronic land records.</i>	\$0
<i>Extend the DROP program for all employees for another 5 years</i>	\$0
<i>Managed Reserve Adjustments</i>	\$322,356
Balance	\$165,753

Adjustments to FY 2009 Budget Proposal (continued)

Commercial and Industrial Tax for Transportation

Board approval of a Commercial and Industrial Real Estate Tax for Transportation of \$0.11 per \$100 of assessed valuation to be used for new transportation initiatives. The traffic study in communities surrounding Tysons Corner and the restoration of Route 505 mid-day service will be funded from these resources.

Capital Improvement Program

Adjust the Fall 2008 bond referendum to increase the amount of bond funding to \$65 million for the Fairfax County Park Authority from \$50 million to ensure limited funding for park development. \$15,000,000

Adjust the Fall 2008 bond referendum to increase the amount of bond funding to \$12 million for the Northern Virginia Regional Park Authority capital contribution from \$11 million. \$1,000,000

Deferral of the public facilities portion of the Fall 2008 bond referendum, tentatively planned for \$39 million.

Temporarily increase annual bond sales for Fairfax County Public Schools by \$5 million in FY 2009 and \$5 million in FY 2010 to construct the South County Middle School. This supports the School Board's amended CIP which includes the redirection of \$2 million from BRAC planning to immediately begin planning for the South County Middle School, the long term solution to overcrowding. \$10,000,000

All changes necessary to implement final Board of Supervisor's decisions on the FY 2009 Budget impacting the CIP.

BUDGET GUIDELINES

For FISCAL YEARS 2009 and 2010

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 Monday April 21, 2008, I move Board approval of the following Budget Guidelines for FY 2010:

1. Based on current market trends, it appears that residential real estate assessments will realize significant negative growth in FY 2010 as a result of the continued deterioration of the housing market and that overall County revenue will at best remain flat but most likely will actually decline in FY 2010. As a result, funding for County and School spending will be further limited in FY 2010, and possibly for several years beyond. As a result, the Board directs the County Executive to develop a budget for Fiscal Year 2010 that:

Forecast

- Provides the Board of Supervisors with regular updates on the FY 2010 financial forecast to assist Board of Supervisors' decision making as it relates to guidance to the County and the Schools on the strategic priorities and the budgetary support for programs and services in FY 2010. This forecast shall include revenue projections with a focus on the residential market including regular updates on the number of foreclosures, their location and the impact on the housing market. Preliminary estimates of revenue growth should be provided by the August 4, 2008 Board of Supervisors meeting and shared with the Schools.

Lines of Business Review

- Provides the Board of Supervisors with the opportunity to comprehensively review the County's Lines of Business (LOBS) including focused discussions with County agencies regarding program and service priorities, possible areas for elimination, reduction, reorganization, consolidation, and/or alternative service delivery and provides the opportunity to address the performance and efficiency of County programs. In addition, the LOBS process should include a review and discussion of opportunities for revenue enhancements such as user fees, a meals tax, increased transit fees, etc. Because the transfer to the FCPS represents more than 50% of the budget, the Board of Supervisors requests that the School Board share in this process and also undertake a review of School spending and programs.

Public Input Process

- The Board of Supervisors is extremely interested in engaging the community in this discussion of what Fairfax County's priorities

should be during difficult economic times. Therefore, the County Executive is directed to work with the Board of Supervisors to implement a public input process as part of the FY 2010 budget that provides opportunity for public comment, beginning with a public hearing/forum in the Fall of 2008. The public input process should include traditional means of gathering and disseminating information about the budget such as community meetings and presentations as well as more on-line opportunities using newer social media initiatives. As part of this process, the County will provide additional information through expanded internet access to budget information and staff will explore the feasibility and costs associated with a web accessible online database for citizen review of county funding for services. Specific means of soliciting input from the various boards, authorities and commissions should also be included.

Recognizing the valuable insight that County employees have regarding County services and programs the Board of Supervisors recommends the use of employee chats, surveys and an anonymous hotline for employee comments and improvement suggestions.

Revenue Stabilization Reserve

- Recognizing that the County's General Fund revenue situation may continue to deteriorate, the Board directs staff to return to the Board with recommendations for short term adjustments to the Revenue Stabilization Reserve policy that may be required should the County Executive need to respond quickly should revenues drop precipitously.
 - On a longer term basis and as part of the Lines of Business review, the County Executive is directed to provide recommendations for adjustments to the Revenue Stabilization Reserve criteria to maximize flexibility of the fund while providing for and maintaining adequate reserves to address County emergency requirements. Recommended adjustments could include increasing the size of reserve once the economy recovers to allow for some tax rate stabilization, identifying reserve replenishment procedures, and criteria for authorizing the County Executive to utilize the fund under certain circumstances as a short term remedy while longer term strategies are being developed.
2. Available balances materializing at the Carryover and Third Quarter Reviews that are not required to support County and/or School expenditures of a critical nature should be held in reserve to offset non-recurring future requirements. In order to avoid structural imbalances between resources and requirements, County and School resources should be allocated with consideration for the continued availability of these funds with non-recurring funds targeted toward non-recurring uses.

3. The Board of Supervisors appreciates the work of the School Board and School Superintendent in bringing forth a request for FY 2009 funding which recognizes the budget limits presented by the County's current revenue forecast. Based on continued discussions with the School Board and a review of the difficult reductions that would be required as a result of not providing increases in the FY 2009 transfer level over the FY 2008 budget, the Board of Supervisors has approved a transfer for School operations of \$1.626 billion. This is an increase of \$40 million more than proposed in the County Executive's FY 2009 budget and represents 90% of all available funding. The School operating transfer of \$1.626 billion combined with the \$155 million transfer for debt service, means that total FY 2009 transfers to the Fairfax County Public Schools equal \$1.78 billion or 53.13% of the County's FY 2009 budget. In addition, more than \$63.5 million is included in the County's budget for programs supporting the schools such as school crossing guards, resource officers, and clinic room staff.
4. The Board of Supervisors has provided funding for 4 positions to partially replace the 6 positions funded as part of the P'CASO (Protecting Children Against Sex Offenders) program for which Federal grant funds are no longer available. The Board of Supervisors requests County staff to explore grant and other revenue opportunities which could be used to restore the remaining two positions as well as continuing to work with State officials to maximize state resources for this purpose in the Northern Virginia area based on population.
5. The Board of Supervisors supports the addition of four more Safety Officers in the Fire and Rescue Department to increase their availability beyond one Safety Officer per shift countywide. The Board of Supervisors directs that the Fire Chief look into reallocating available funding and positions to this.
6. The Board of Supervisors acknowledges the excellent work of County employees. We recognize and appreciate that our workforce is doing more with less. The Board of Supervisors understands the feedback provided by employees regarding the proposed reductions to FY 2009 pay for performance and market rate increases. After much deliberation and discussion of alternatives and impacts, the Board of Supervisors has reviewed the County Executive's budget proposal and has identified reductions which have been reallocated to the restoration of the FY 2009 pay for performance system funding and the market rate adjustments for all County employees. While these adjustments were difficult, the Board reaffirms its commitment to the County's compensation system and the importance of a competitive pay structure and looks forward to the results of the current job class study concerning pay policies and compensation philosophy. In addition, the job class pay study must examine the issues of fire and rescue comparative pay,

including the concept of a 12th step. The Board of Supervisors also directs County staff to review the issue of living wage as it relates to the County's exempt limited term employees and return with recommendations prior to the Board's deliberations on the FY 2010 budget.

7. The Board of Supervisors confirms its support of the Deferred Retirement Option Plan (DROP) for County employees and instructs staff to return to the Board with the appropriate ordinance changes to extend the DROP program for an additional five years for all County employees.
8. The Board of Supervisors reaffirms its commitment to dedicated funding for Affordable Housing. The Board also reaffirms its commitment to dedicated funding for the Stormwater Management program which is a key part of the Board's Environmental Initiative.
9. The Board of Supervisors directs that General Fund revenue from Litigation Proceeds for court ordered fines for zoning violations that are collected in excess of the \$122,215 included in the FY 2009 estimate be made available to the strike team annually as part of regularly scheduled quarterly reviews.

A Copy Teste:

Nancy Vehrs,
Clerk to the Board of
Supervisors