Employee Benefits

Mission

To provide centralized budgetary and financial control over employee fringe benefits paid by the County.

Focus

Agency 89, Employee Benefits, is a set of consolidated accounts that provide budgetary control for most employee fringe benefits paid by the County. Benefits paid for all County employees of General Fund agencies are expended from this agency, as well as most benefits paid for County employees in Non-General Fund agencies. Reimbursements are received from Non-General Fund agencies for benefits paid on behalf of their employees.

- **Group Health Insurance**

Fairfax County Government offers its employees and retirees two health insurance alternatives, with the intent of offering employees the best available options. The first is a self-insured alternative including point of service and preferred provider options. The second alternative includes vendor-administered Health Maintenance Organizations (HMOs). As of December 31, 2006, the County's contracts with the current HMO providers are set to expire, and the contract for the self-insured products will expire on December 31, 2007. In calendar year 2006, the County will be partnering with Fairfax County Public Schools and undergoing a selection process to choose new providers for all health insurance products in order to leverage the County's position in the marketplace and achieve competitive rates. This process may result in changing the range of health insurance options to best fit the needs of employees. As part of this process, the County will also be examining plans related to Medicare Part D to aid in finalizing an approach to the implementation of this new prescription drug benefit product. However, due to the delays in the market for Medicare Part D products, this examination may not be completed until calendar year 2007. Any changes to the health insurance options are expected to be effective January 1, 2007, although changes related to Medicare Part D offerings may not be effective until after this date.

It should be noted that the self-insured health insurance choices are administered through Fund 506, Health Benefits Trust Fund. For a more detailed discussion of the County's self-insured health trust fund, refer to Fund 506 in Volume 2 of the FY 2007 Adopted Budget Plan.

- **Dental Insurance**

Fairfax County Government offers its employees and retirees a dental insurance preferred provider option in order to provide a comprehensive plan with maximum flexibility. The new dental insurance plan became effective January 1, 2005, and replaced three plans with a single dental insurance Preferred Provider Organization (PPO) plan. Included for the first time as part of the new offering was the provision of a 50 percent employer contribution for all eligible active employees who elected dental coverage. Inclusion of an employer contribution as part of the award of contract allowed the County to acquire a high quality, affordable dental insurance plan. It should be noted that retirees that participated in the dental plans that were replaced were given the option to enroll in the new PPO plan on a voluntary basis with no employer contribution.

- **Group Life Insurance**

Life insurance coverage for employees, as approved by the Board of Supervisors beginning in FY 1999, provides group life insurance coverage at one times salary for all County employees funded solely through an employer contribution. If employees choose to accept life insurance coverage above this amount, they are responsible for paying the full premium based on an age-banded premium rating scale.

- **Social Security (FICA)**

Social Security contributions represent the employer portion of salary required to meet Social Security and Medicare tax obligations for Fairfax County employees. Social Security contributions are calculated utilizing a combined rate which includes the portion of salary contributed for Social Security benefits and the portion of salary contributed for Medicare benefits applied to a pre-determined wage base. Any change to the wage base or the Social Security rate is announced in October/November and takes effect January 1 of the upcoming year.

- **Retirement**

Retirement expenditures represent the General Fund net contribution to the three retirement systems as set by employer contribution rates. On March 18, 2002 the Board of Supervisors adopted a corridor approach to employer contributions. The corridor approach adds further stability to the employer contribution rates and continues to adequately fund the Retirement Systems. In the corridor method of funding, a fixed contribution rate is assigned to each System and the County contributes at the fixed rate unless the System's funding ratio falls outside the pre-selected corridor of 90-120 percent or if benefit enhancements are approved.

In addition, retirees are eligible to receive a Cost-of-Living Adjustment (COLA) composed of a base COLA which is the lesser of the Consumer Price Index (CPI) for the 12 months ending on the previous year's March 31, or 4.0 percent. An additional 1.0 percent COLA can be awarded at the discretion of each retirement system's Board of Trustees. This additional COLA is considered a benefit enhancement and results in an increase in the employer contribution rate.

A Deferred Retirement Option Plan (DROP) was added as a benefit enhancement for members of the Uniformed and Police Officers Retirement Systems in FY 2004 and was added for members of the Employees' Retirement System in FY 2006. For a more detailed discussion of the County's retirement systems, refer to Fund 600, Uniformed Retirement, Fund 601, Fairfax County Employees' Retirement, and Fund 602, Police Officers Retirement, in Volume 2 of the FY 2007 Adopted Budget Plan.

- **Virginia Retirement System (VRS)**

Beginning in FY 1996, VRS funding was provided in Agency 89 for 233 Health Department employees who were converted from state to County employment. Funding reflects the County's share of payments made into VRS for the converted employees. It should be noted that VRS payments are included only for these converted employees. As they terminate service with the County or transfer to other positions within the County, funding for VRS payments will be reduced.

In FY 2006, the Board of Supervisors approved two additional benefits for employees who remain in VRS. First, current and future retirees who participate in a County health plan are eligible to receive the differential between the County retiree health benefit subsidy for which the employee is eligible based on years of service and the subsidy provided by VRS. For a more detailed discussion of this benefit, refer to Fund 500, Retiree Health Benefits Fund, in Volume 2 of the FY 2007 Adopted Budget Plan. Second, the County began allowing converted employees to use accrued sick leave to purchase additional service credit in VRS upon retirement. Thus, beginning in FY 2007, funding for VRS in Agency 89, Employee Benefits, also includes these County payments made on behalf of the employees.

- **Unemployment Compensation**

Unemployment compensation payments reflect premiums paid to the state based on the actual number of former Fairfax County employees filing claims.

- **Capital Projects Reimbursements**

Capital Projects reimbursements represent the reimbursable portion of fringe benefits for County employees who charge a portion of their time to capital projects.

- **Training**

General training centrally managed by the Department of Human Resources and the Language Coordinator includes: language skills training to recruit and retain bilingual staff to better serve foreign-born residents; the employee tuition assistance (TAP) and language tuition assistance (LTAP) reimbursement programs; and courses related to communications, supervisory development, team building, and career development.

Countywide initiatives include designated training approved by the County Executive and Deputy County Executives, performance measurement training, and expenses associated with the County Executive's specially designated task forces.

Technology-related training is offered in recognition of the challenges associated with maintaining skills at the same pace as technology changes. The rate of change in information technology has out-paced the County's ability to maintain proficiency. As the County's workforce becomes increasingly dependent on information technology, training support has become more essential.

- **Workers Compensation**

Workers Compensation funding reflects payments to Fund 501, County Insurance, for General Fund premiums. Beginning in FY 2006 funding is no longer budgeted in this agency; instead Fund 501, County Insurance, will receive a transfer from the General Fund for Workers Compensation, and the expenditure for Workers Compensation in Agency 89 will be eliminated. For a more detailed discussion of the County Insurance Fund, refer to Fund 501 in Volume 2 of the FY 2007 Adopted Budget Plan.

- **Employee Assistance Program (EAP)**

Provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise, is funded through a contract with an outside vendor.

- **Other Operating/Capital Equipment**

The operating expenses of the Employees Advisory Council (EAC) are funded utilizing one-third of 85 percent of the actual revenues realized from vending machine sales.

Budget and Staff Resources

Agency Summary					
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Expenditures:					
Fringe Benefits Expenditures	$187,693,703	$213,519,422	$211,138,760	$231,842,384	$231,986,687
Fringe Benefits Reimbursements	(34,711,574)	(37,042,905)	(37,542,905)	(40,856,365)	(40,863,372)
Net General Fund Fringe Benefits	**$152,982,129**	**$176,476,517**	**$173,595,855**	**$190,986,019**	**$191,123,315**
Personnel Services	$0	$0	$0	$0	$0
Operating Expenses[1]	12,990,198	1,688,791	2,024,757	2,158,846	2,908,846
Capital Equipment	0	0	0	0	0
Total Expenditures	**$165,972,327**	**$178,165,308**	**$175,620,612**	**$193,144,865**	**$194,032,161**

[1] Includes Training, Conferences, Workers Compensation and Other Operating Expenses.

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- **Group Health Insurance** **$2,290,870**
  Health Insurance premiums total $59,183,673, an increase of $2,290,870, or 4.0 percent, over the *FY 2006 Revised Budget Plan*. The increase includes $1,326,700 based on a projected average increase of 10.0 percent for the HMOs and no premium increase for the self-insured plan, effective January 1, 2007, and $964,170 based on adjustments to reflect the inclusion of new positions. After significant increases in medical costs at the beginning of the decade, cost growth has begun to moderate in the last few years. On average, most employers nationwide are experiencing cost increases from 8 to 10 percent per year. The County's experience under the HMOs mirrors this trend, but the self-insured plan has experienced medical cost growth below the national average. Advances in medical technology, the increasing cost of medical malpractice and liability insurance, and increased utilization continue to drive increases in medical costs.

- **Dental Insurance** **$636,634**
  Dental Insurance premiums total $2,399,134, an increase of $636,634, or 36.1 percent, over the *FY 2006 Revised Budget Plan*. The increase includes $596,461 based on a projected premium increase of 10.0 percent, effective January 1, 2007, and increased employee participation, and $40,173 based on adjustments to reflect the inclusion of new positions.

- **Group Life Insurance** **($284,314)**
  Life Insurance premiums total $1,906,042, a decrease of $284,314, or 13.0 percent, from the *FY 2006 Revised Budget Plan*. The reduction includes a decrease of $489,213 based on negotiated premium reductions, partially offset by increases of $62,931 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; $63,627 based on the FY 2007 Market Index of 4.25 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2007; $14,301 based on the 2.00 percent adjustment included for Fire and Rescue employees on the public safety pay scale F, effective the first full pay period of FY 2007; and $64,040 to reflect the inclusion of new positions.

- **Social Security (FICA)** **$1,861,328**
  Social Security contributions total $42,362,041, an increase of $1,861,328, or 4.6 percent, over the *FY 2006 Revised Budget Plan*. The increase includes $1,211,233 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance and to reflect the change in the federally set maximum pay base against which contributions are calculated; $551,658 based on the FY 2007 Market Index of 4.25 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2007; $182,340 based on the 2.00 percent adjustment included for Fire and Rescue employees on the public safety pay scale F, effective the first full pay period of FY 2007; $11,708 based on an increase in the shift differential rate to $0.90 for the evening shift and $1.30 for the midnight shift; and $650,494 to reflect the inclusion of new positions. These increases are partially offset by a reduction of $746,105 due to projected savings in FY 2006.

  Note: The Social Security wage base increases from $90,000 to $94,200 as of January 1, 2006 for the 6.20 percent base contribution rate. The wage base against which the 1.45 percent rate for Medicare is applied remains unlimited. The overall Social Security rate remains unchanged at 7.65 percent. The wage base and/or rate change for January 1, 2007 is not yet known; any subsequent adjustments to the Social Security wage base with a fiscal impact will be included at a quarterly review during FY 2007.

- **Retirement (Fairfax County Employees', Uniformed, Police) $9,617,608**

FY 2007 employer contributions to the retirement systems total $84,528,779, an increase of $9,617,608, or 12.8 percent, over the *FY 2006 Revised Budget Plan*. The increase includes $2,110,190 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; $2,371,366 based on the FY 2007 Market Index of 4.25 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2007; $593,976 based on the 2.00 percent adjustment included for Fire and Rescue employees on the public safety pay scale F, effective the first full pay period of FY 2007; $45,255 based on an increase in the shift differential rate to $0.90 for the evening shift and $1.30 for the midnight shift; $1,709,565 to reflect the inclusion of new positions; and $5,477,337 based on projected increases in the employer contribution rates (*see table below for further details*), partially offset by a reduction of $2,690,081 primarily due to savings projected in FY 2006, including savings as a result of the implementation of DROP for members of the Employees' Retirement System and the subsequent reduction in the underlying salary base used to calculate contributions as a result of excluding the salaries of those who enroll in DROP.

The increase in rates for FY 2007 follows the current effective actuarial funding policy whereby contribution rates are adjusted to fund approved benefit enhancements and/or to recognize funding adjustments required when the funding ratio is below 90 percent or above 120 percent. In addition, a five-year experience study was performed in FY 2006 concurrent with the June 30, 2005 valuation to analyze economic and demographic assumptions. As a result of the study, several assumption changes were made which impacted the employer contribution rates.

Adjustments Associated with the Corridor

- As a result of the June 30, 2005 actuarial valuation, based on the investment returns experienced by the fund and actuarial losses related to liabilities, the funding ratio for the Employees' system increased to 85.6 percent, but still remained below the 90 percent threshold. As a result, the employer contribution rate for the Employees' system decreased 0.15 percent. The Police Officers and Uniformed systems remain within the corridor at 91.0 percent and 92.3 percent respectively, with no adjustment to the contribution rate.

Increases Associated with Benefit Enhancements

- The employer contribution rate for the Police Officers system increased 0.46 percent based on an elective 1.0 percent cost of living adjustment approved by the system's Board of Trustees.

Increases Associated with the Five-Year Experience Study

- The employer contribution rates for all three systems are required to increase based on the results of a five-year experience study. This detailed study compares actual experience to actuarial assumptions, both economic and demographic, to ensure each plan is being valued appropriately. The Uniformed employer contribution rate increased 1.09 percent, the Employees' rate increased 1.16 percent, and the Police Officers rate increased 0.65 percent due to demographic assumption changes including retirement rates, probability of disability, and accrual of sick leave. The next experience study will take place in FY 2011.

Employee Benefits

The following table shows the FY 2006 contribution rates and rates for FY 2007. It should be noted that the net General Fund impact solely based on the change in the rates is reflected in the table below:

Fund	FY 2006 Rates (%)	FY 2007 Adopted Rates (%)	Percentage Point Increase (%)	Reason for Increase	General Fund Impact
Uniformed	24.92	**26.01**	1.09	Changes in demographic assumptions based on five-year experience study.	$1,435,928
Employees'	8.24	**9.25**	1.01	Decrease of 0.15 percent and $448,829 based on funding ratio below approved 90% level, offset by increase of 1.16 percent and $3,470,938 due to changes in demographic assumptions based on five-year experience study.	$3,022,109
Police	18.44	**19.55**	1.11	Increase of 0.46 percent and $422,412 based on an elective 1% COLA and an increase of 0.65 percent and $596,888 due to changes in demographic assumptions based on five-year experience study.	$1,019,300
				Total	**$5,477,337**

- **Virginia Retirement System (VRS)** **$396,462**
  Virginia Retirement System contributions total $1,456,671, an increase of $396,462, or 37.4 percent, over the *FY 2006 Revised Budget Plan*. The increase includes $42,495 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; $228,967 based on a projected increase in the employer contribution rate; and $125,000 as a result of projected payments to VRS associated with the change to allow the purchase of additional service credit using accrued sick leave. Note: The number of employees covered by VRS has decreased from 233 in FY 1996 at the program's inception to 110 in FY 2007.

- **Capital Projects Reimbursements** **($53,453)**
  Capital Projects reimbursements total $1,293,657, an increase of $53,453, or 4.3 percent, over the *FY 2006 Revised Budget Plan*. The increase is associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance for those employees who charge a portion of their time to capital projects.

- **Language Skills Proficiency Pay** **$198,528**
  An amount of $198,528 is included for the implementation of a Language Skills Proficiency pay program to attract and retain employees with bilingual skills. Employees that provide direct service to Limited English Proficiency customers for at least 35 percent or more of their work time will be eligible for a stipend. Funding is included in Agency 89, Employee Benefits, pending a final implementation plan from the Department of Human Resources, at which time funding will likely be reallocated to the appropriate agencies.

- **Training** **($74,808)**
  Training funding totals $1,630,700, a decrease of $74,808, or 4.4 percent, from the *FY 2006 Revised Budget Plan*. The decrease is due to one-time encumbered carryover of $335,966 at the *FY 2005 Carryover Review*, partially offset by an increase of $100,000 for the Tuition Assistance Program (TAP) and Language Tuition Assistance Program (LTAP), and an increase of $161,158 for General County Training.

Total FY 2007 training funding includes the following:

- $669,050 for General County Training programs including supervisory development, leadership development, language skills training, and communication skill building (written, oral, and interpersonal). Beginning in FY 2007, these competency development courses will be offered using a framework targeted towards employee needs at each career stage (i.e. New Hire, General Employee, Emerging Leader, New Manager, Experienced Manager, Executive).

- $331,650 is included for countywide initiatives including designated training approved by the County Executive and the Deputy County Executives, performance measurement training, and expenses associated with specially designated task forces and special studies.

- $50,000 is included to continue funding for Microsoft Outlook training for new employees and to provide refresher courses as needed.

- $220,000 is included to continue funding information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.

- $300,000 is included for Tuition Assistance Program (TAP) reimbursements.

- $60,000 is included for Language Tuition Assistance Program (LTAP) reimbursements.

♦ **Other Benefits** **$50,672**
A net increase of $50,672 from the *FY 2006 Revised Budget Plan* reflects the required contributions for Unemployment Compensation, contributions to the Employees Advisory Council, and projected contractual increases for the Employee Assistance Program.

NOTE THE FOLLOWING ADJUSTMENTS ARE SPREAD ACROSS THE FRINGE BENEFIT CATEGORIES DETAILED ABOVE. THEY ARE REPORTED IN SUMMARY HERE FOR CLARIFICATION PURPOSES:

♦ **Market Adjustments** **$2,986,651**
A net increase of $2,986,651 in Fringe Benefits based on the FY 2007 Market Index of 4.25 percent is included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2007. This adjustment impacts Life Insurance premiums, Social Security contributions, and employer contributions to the Uniformed and Police Retirement Systems.

♦ **Salary Adjustments Based on Public Safety Pay Study** **$790,617**
A net increase of $790,617 in Fringe Benefits based on the 2.00 percent adjustment included for Fire and Rescue employees on the public safety pay scale F, effective the first full pay period of FY 2007. This adjustment impacts Life Insurance premiums, Social Security contributions, and employer contributions to the Uniformed Retirement System.

♦ **Shift Differential Rate Increase** **$56,963**
A net increase of $58,619 in Fringe Benefits based on an increase in the shift differential rate to $0.90 for the evening shift and $1.30 for the midnight shift. This adjustment impacts Social Security contributions and employer contributions to the Uniformed, Employees' and Police Retirement Systems.

- **New Positions** **$3,428,442**

  A net increase of $3,428,442 in Fringe Benefits based on funding for new positions including:

  - Agency 08, Department of Facilities Management - 5/5.0 SYE new positions associated with the expansion of the Courthouse and 6/6.0 SYE new positions for the Public Safety and Transportation Operations Center (PSTOC);

  - Agency 13, Office of Public Affairs – 2/2.0 SYE new positions associated with the expansion of the Courthouse;

  - Agency 26, Capital Facilities, Department of Public Works and Environmental Services – 2/2.0 SYE new positions to manage the increased number of construction contracts associated with the Developer Default Program and 2/2.0 SYE new positions for capital projects associated with the completion of Watershed Management Plans;

  - Agency 29, Stormwater Management, Department of Public Works and Environmental Services – 1/1.0 SYE new position for capital projects associated with the completion of Watershed Management Plans;

  - Agency 35, Department of Planning and Zoning – 5/5.0 SYE new positions for the Combined Community Inspector Program;

  - Agency 38, Housing and Community Development – 1/1.0 SYE new position to manage databases containing GIS (Geographic Information Systems) information to be used for marketing and in support of revitalization activities;

  - Agency 40, Department of Transportation – 3/3.0 SYE new positions to address substantial workload-related issues;

  - Agency 51, Park Authority – 1/1.0 SYE new position associated with the opening of Turner Farm and CLEMYJONTRI Park;

  - Agency 67, Department of Family Services – 12/9.72 SYE new positions associated with the opening of two School-Age Child Care (SACC) rooms each at Oak Hill and Eagle View (formerly West Fairfax) Elementary Schools;

  - Agency 70, Department of Information Technology – 3/3.0 SYE new positions associated with the expansion of the Courthouse, 1/1.0 SYE new Deputy Director position, 1/1.0 SYE new Wireless Analyst, 1/1.0 SYE new Interoperability Manager, and 1/1.0 SYE new Security Analyst;

  - Agency 71, Health Department – 2/1.27 SYE new Clinic Room Aides and 2/2.0 SYE new Public Health Nurses associated with the opening of Eagle View (formerly West Fairfax) Elementary School and increased enrollment at Westfield High School, 2/2.0 SYE new positions to serve the medically fragile homeless population, 2/2.0 SYE new positions for the Medical Reserve Corps, 2/2.0 SYE new positions for the Communicable Disease Unit, 2/2.0 SYE new positions associated with the reestablishment of a chemical hazard response capability, and 1/1.0 SYE new position for strategic planning and analysis.

  - Agency 90, Police Department – 24/24.0 SYE new positions assigned to Patrol in support of the County's eight District Police Stations, 3/3.0 SYE new Animal Control Officers, 5/5.0 SYE new Police Officers at the Department of Public Safety Communications, 2/2.0 SYE new positions for the Property and Evidence Room, 1/1.0 SYE new Sergeant position for the Criminal Investigations Bureau, 4/4.0 SYE new Police Detective positions for the Criminal Investigations Bureau, 1/1.0 SYE new Police Officer for recruiting, 1/1.0 SYE new Crime Analyst, 2/2.0 SYE new positions for Information Technology-related initiatives, and 6/6.0 SYE new Police Officers for the School Resource Officer Program which will be partially funded by COPS in Schools grant funding;

- Agency 91, Office of the Sheriff – 6/6.0 SYE new positions associated with the expansion of the Courthouse;

- Agency 92, Fire and Rescue Department – 32/32.0 SYE new positions associated with the implementation of the SAFE staffing initiative and 8/8.0 SYE new positions for the creation of a 7th Battalion; and

- Agency 95, Department of Public Safety Communications – 1/1.0 SYE new position associated with the expansion of the Public Safety and Transportation Operations Center. It should be noted that the General Fund is reimbursed for the fringe benefit costs for this position by Fund 120, E-911.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

♦ **New Positions** **$137,296**

A net increase of $137,296 in Fringe Benefits based on funding for position adjustments. The increase includes $40,554 for Social Security (FICA), $47,887 for Health Insurance, $43,680 for contributions to the Employees' Retirement System, $1,995 for Dental Insurance, and $3,180 for Group Life Insurance. It should be noted that this increase represents only a portion of the fringe benefit costs related to these positions; the remaining costs will be absorbed by Agency 89. Position adjustments include the following:

- Agency 31, Land Development Services – 2/2.0 SYE new positions for the Urban Forestry Program;

- Agency 40, Department of Transportation – 4/4.0 SYE new positions, including 1/1.0 SYE position dedicated to Transportation Demand Management, 1/1.0 SYE Bicycle Coordinator position, and 2/2.0 SYE positions to enhance the County's transportation planning, analysis, and modeling capacities;

- Agency 67, Department of Family Services – 6/4.86 SYE new positions associated with the opening of two School-Age Child Care (SACC) rooms at Cherry Run Elementary School;

- Agency 81, Juvenile and Domestic Relations District Court – 2/2.0 SYE new positions to offer informal intake/probation services when cases are referred from Intake in order to help prevent youth from becoming involved in more serious offenses;

- Agency 91, Office of the Sheriff – 4/4.0 SYE new positions associated with providing the necessary security resulting from the addition of judges in the General District Court and the Juvenile and Domestic Relations District Court; and

- Fund 113, McLean Community Center – 1/1.0 SYE new position to manage and supervise Camp McLean. It should be noted that the General Fund is reimbursed for the fringe benefit costs for this position.

- **Compensation Study** **$750,000**
  An increase of $750,000 in Operating Expenses to provide consultant support for a comprehensive review of the County's compensation system, including retirement benefits, for general County employees. As directed by the Board of Supervisors, the review will consider a market-based component to the determination of employees' annual increases to maintain the competitiveness of County salaries, especially for those employees who are at the beginning of the pay scales and are losing relative ground when compared to newer hires. The review is expected to be completed in time for the resulting recommendations to be incorporated into the FY 2008 budget. Status reports and recommendations associated with the study will be provided as part of discussions with the Personnel Committee of the Board. Incremental action will be considered by the Board of Supervisors throughout FY 2007.

  The review shall provide specific recommendations and alternatives to the Board of Supervisors to address problematic areas and to highlight the beneficial aspects of the system. The review is to be directed by County staff and supplemented by contracted compensation experts as necessary, and must also include input from employees, including the Employees Advisory Council, who can provide their experiences with the current system that have been beneficial and/or problematic, and by offering suggestions to be considered in the study.

Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- **Carryover Adjustments** **$340,030**
  As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved encumbered funding of $340,030 in Operating Expenses.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- **Third Quarter Adjustments** **($2,884,726)**
  As part of the *FY 2006 Third Quarter Review*, the Board of Supervisors approved a reduction in Fringe Benefit expenditures of $2,884,726, primarily due to lower than projected premium increases and enrollment choices effective January 2006, resulting in projected savings. These savings were used to offset increased costs associated with workers' compensation, self insurance losses, commercial insurance premiums, and administration in Fund 501, County Insurance Fund.

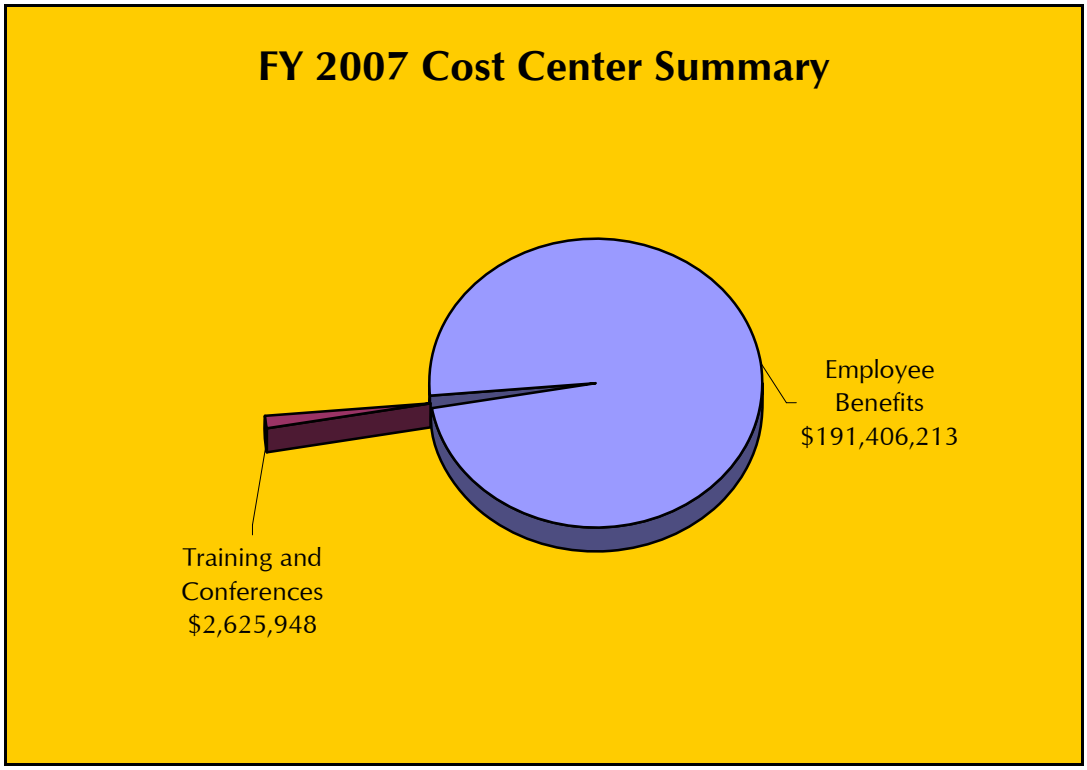
Employee Benefits

The following chart summarizes Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects.

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2005 Actual	FY 2006 Adopted	FY 2006 Revised	FY 2007 Advertised	FY 2007 Adopted	Amount Inc/(Dec)	% Inc/ (Dec)
Fringe Benefits							
Group Health Insurance							
Expenditures	$60,057,888	$66,573,285	$66,573,285	$70,377,406	$70,426,513	$3,853,228	5.8%
Reimbursements	(10,604,662)	(9,680,482)	(10,180,482)	(11,193,733)	(11,194,953)	(1,014,471)	10.0%
Net Cost	**$49,453,226**	**$56,892,803**	**$56,392,803**	**$59,183,673**	**$59,231,560**	**$2,838,757**	**5.0%**
Dental Insurance							
Expenditures	$1,238,163	$1,762,500	$1,762,500	$2,950,192	$2,952,316	$1,189,816	67.5%
Reimbursements	(431,875)	0	0	(551,058)	(551,187)	(551,187)	–
Net Cost	**$806,288**	**$1,762,500**	**$1,762,500**	**$2,399,134**	**$2,401,129**	**$638,629**	**36.2%**
Group Life Insurance							
Expenditures	$2,458,043	$3,206,276	$3,206,276	$2,551,214	$2,554,600	($651,676)	(20.3%)
Reimbursements	(892,435)	(1,015,920)	(1,015,920)	(645,172)	(645,378)	370,542	(36.5%)
Net Cost	**$1,565,608**	**$2,190,356**	**$2,190,356**	**$1,906,042**	**$1,909,222**	**($281,134)**	**(12.8%)**
FICA							
Expenditures	$46,214,654	$52,623,250	$50,742,588	$53,995,531	$54,038,710	$3,296,122	6.5%
Reimbursements	(11,960,912)	(12,126,601)	(12,126,601)	(11,633,490)	(11,636,115)	490,486	(4.0%)
Net Cost	**$34,253,742**	**$40,496,649**	**$38,615,987**	**$42,362,041**	**$42,402,595**	**$3,786,608**	**9.8%**
Employees' Retirement							
Expenditures	$34,312,385	$37,210,578	$36,710,578	$41,016,851	$41,063,358	$4,352,780	11.9%
Reimbursements	(9,509,677)	(12,979,698)	(12,979,698)	(13,041,051)	(13,043,878)	(64,180)	0.5%
Net Cost	**$24,802,708**	**$24,230,880**	**$23,730,880**	**$27,975,800**	**$28,019,480**	**$4,288,600**	**18.1%**
Uniformed Retirement							
Expenditures	$27,192,791	$33,207,127	$33,207,127	$39,690,793	$39,690,793	$6,483,666	19.5%
Reimbursements	0	0	0	(2,419,009)	(2,419,009)	(2,419,009)	–
Net Cost	**$27,192,791**	**$33,207,127**	**$33,207,127**	**$37,271,784**	**$37,271,784**	**$4,064,657**	**12.2%**
Police Retirement							
Expenditures	$14,901,070	$17,473,164	$17,473,164	$19,360,390	$19,360,390	$1,887,226	10.8%
Reimbursements	0	0	0	(79,195)	(79,195)	(79,195)	–
Net Cost	**$14,901,070**	**$17,473,164**	**$17,473,164**	**$19,281,195**	**$19,281,195**	**$1,808,031**	**10.3%**
Virginia Retirement System	**$964,736**	**$1,060,209**	**$1,060,209**	**$1,456,671**	**$1,456,671**	**$396,462**	**37.4%**
Unemployment Compensation	**$353,973**	**$403,033**	**$403,033**	**$443,336**	**$443,336**	**$40,303**	**10.0%**
Miscellaneous Reimbursements	**($49,322)**	**$0**	**$0**	**$0**	**$0**	**$0**	**–**
Capital Project Reimbursements	**($1,262,691)**	**($1,240,204)**	**($1,240,204)**	**($1,293,657)**	**($1,293,657)**	**($53,453)**	**4.3%**
Total Fringe Benefits:							
Expenditures	**$187,693,703**	**$213,519,422**	**$211,138,760**	**$231,842,384**	**$231,986,687**	**$20,847,927**	**9.9%**
Reimbursements	**($34,711,574)**	**($37,042,905)**	**($37,542,905)**	**($40,856,365)**	**($40,863,372)**	**($3,320,467)**	**8.8%**
Total Fringe Benefits	**$152,982,129**	**$176,476,517**	**$173,595,855**	**$190,986,019**	**$191,123,315**	**$17,527,460**	**10.1%**
Operating Expenses							
Tuition/Training	$947,462	$1,369,542	$1,705,508	$1,630,700	$2,380,700	$675,192	39.6%
Other Operating	35,247	39,037	39,037	46,720	46,720	7,683	19.7%
Language Proficiency Pay	0	0	0	198,528	198,528	198,528	–
Worker's Compensation	11,738,058	0	0	0	0	0	–
Employee Assistance Program	269,431	280,212	280,212	282,898	282,898	2,686	1.0%
Total Operating Expenses	**$12,990,198**	**$1,688,791**	**$2,024,757**	**$2,158,846**	**$2,908,846**	**$884,089**	**43.7%**
TOTAL EXPENDITURES	**$200,683,901**	**$215,208,213**	**$213,163,517**	**$234,001,230**	**$234,895,533**	**$21,732,016**	**10.2%**
TOTAL REIMBURSEMENTS	**($34,711,574)**	**($37,042,905)**	**($37,542,905)**	**($40,856,365)**	**($40,863,372)**	**($3,320,467)**	**8.8%**
NET COST TO THE COUNTY	**$165,972,327**	**$178,165,308**	**$175,620,612**	**$193,144,865**	**$194,032,161**	**$18,411,549**	**10.5%**

Cost Centers



Employee Benefits[1]

Funding Summary					
Cost Center	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Total Expenditures	$199,701,192	$213,799,634	$211,418,972	$232,125,282	$232,269,585
Less:					
Fringe Benefit Reimbursements	($34,711,574)	($37,042,905)	($37,542,905)	($40,856,365)	($40,863,372)
Net Cost to the County	**$164,989,618**	**$176,756,729**	**$173,876,067**	**$191,268,917**	**$191,406,213**

[1] It should be noted that even though most fringe benefits are budgeted in Agency 89, Employee Benefits, primary responsibility for administering these benefits is managed by the Department of Human Resources, the Retirement Administration Agency, and the Risk Management Division. For more information regarding the objectives, goals and performance indicators related to the functioning of the individual programs, please refer to the individual agencies/funds.

Training and Conferences[1]

Funding Summary					
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Total Expenditures	**$982,709**	**$1,408,579**	**$1,744,545**	**$1,875,948**	**$2,625,948**

[1] It should be noted that the Training and Conferences cost center includes tuition/training expenses, language proficiency pay, other operating expenses, and capital equipment.