County of Fairfax, Virginia

Budget Highlights

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FY 2009

Advertised Budget Plan

FY 2009 FAIRFAX COUNTY BUDGET FACTS

Budget Guidelines

In April 2007, The Board of Supervisors approved Budget Guidelines that directed the County Executive to develop a budget for FY 2009 limiting increases to what is needed to accommodate growth and cost factors. The Board noted that given the limitations for FY 2009 and beyond, the FY 2009 budget may require actual reductions in or eliminations of service and directed the County Executive to begin reviewing and evaluating where the County should focus such adjustments consistent with the Board's priorities and the County's strategic direction. In addition, the Board directed that increases in the transfer to the School Operating Fund also be contained within the same parameters as the General County Budget. Funding requirements beyond this amount were to be identified and discussed in terms of initiatives to be undertaken if funding were available.

In response to this directive, in July 2007 the County Executive provided the Board with information on the FY 2009 revenue and economic outlook. Based on this financial forecast, which was the framework for the County-School discussion on the budget held on July 30, 2007, **overall County revenues were projected to be flat in FY 2009** and overall County disbursements were constrained to no growth**.** Therefore, the Board of Supervisors directed that the School Board and the Superintendent of Schools be provided with a FY 2009 County transfer to the School Operating Fund which matches revenue growth of 0 percent. In addition, the Board directed that balances at the *FY 2007 Carryover Review* and during FY 2008 be held in reserve to fund expenses in FY 2009 ensuring that non-recurring funding is dedicated to non-recurring expenditures.

Expenditures

- **General Fund Direct Expenditures** total $1.23 billion, a decrease of $28.9 million or 2.30 percent from the *FY 2008 Revised Budget Plan.* It is an increase of $28.0 million or 2.33 percent over the FY 2008 Adopted Budget Plan level.
- **General Fund Disbursements** total $3.32 billion and reflect a decrease of $53.64 million or 1.59 percent from the *FY 2008 Revised Budget Plan.* The increase over the FY 2008 Adopted Budget Plan level is $5,319,745 or 0.16 percent.
- In accordance with the Board guidelines for the FY 2009 budget, **the proposed County General Fund transfer for school operations in FY 2009** is held at the FY 2008 level and totals $1.59 billion. It should be noted that the actual transfer request approved by the School Board is $1.65 billion, an increase of 4.0 percent over the FY 2008 Adopted Budget Plan transfer. The gap between the School Board's request and the County Executive's recommendation is $63.75 million.
- **Expenditures for All Appropriated Funds** total $6.06 billion.
- **General Fund Support for Information Technology (IT) Projects** is $11.8 million. Projects with the highest priority include those mandated by the federal or state government, as well as those necessary to complete previous project investments, enhance County security, improve service and efficiency, and maintain the IT infrastructure.
- **Pay-As-You-Go Capital Construction** projects total $22.06 million.
- **The approximate value of one penny** from the County's Real Estate Tax, or $22.8 million, has been included for prioritized capital improvements to the County's stormwater system. In addition, a similar amount has been earmarked to preserve and create affordable housing opportunities in the County.

Tax Base

- **Total FY 2009 General Fund Revenue** is $3.30 billion and reflects an increase of $14.7 million or 0.45 percent over the *FY 2008 Revised Budget Plan.*
- **One Real Estate Penny** is equivalent to approximately $22.8 million in tax revenue.
- **One Personal Property Penny** is equivalent to approximately $1.1 million in tax revenue.
- **The Average Residential Assessed Property Value** is $524,076, a decrease of $18,333 or 3.38 percent from the FY 2008 value of $542,409. Compared to FY 2008, the typical residential annual tax bill will decrease on average $163 in FY 2009 based on the current Real Estate tax rate of $0.89 per $100 of assessed value.
- **The Commercial/Industrial percentage** of the County's Real Estate Tax base is 21.1 percent, a significant change from the FY 2008 rate of 19.2 percent.
- **The Assessed Value** of all real property is projected to increase $1.17 billion or 0.51 percent over FY 2008.
- **Real Estate and Personal Property Taxes** (including the Personal Property portion being reimbursed by the Commonwealth) comprise approximately 75.6 percent of General Fund Revenues.

Tax Rates

- **Real Estate Tax Rate** remains at $0.89 per $100 of assessed value.
- **Personal Property Tax Rate** remains at $4.57 per $100 of assessed value.
- **Leaf Collection Rate** remains at $0.015 per $100 of assessed value.
- **Refuse Collection Rate** for County collection sanitation districts increases from $330 to $345 per household and the **Refuse Disposal Rate** increases from $52 to a proposed $57 per ton.
- **Solid Waste Ash Disposal Rate** remains constant at $11.50 per ton.
- **Integrated Pest Management Program,** a Countywide Special Tax, remains at $0.001 per $100 of assessed value, or an average of $5.24 annually per household.
- **The special real estate tax** rate collected on all properties within Small District 1, Dranesville **for the McLean Community Center is reduced from $0.028 to $0.026 per $100 of assessed value.**
- **Sewer Service Rate** increases from $3.74 to $4.10 per 1,000 gallons of water consumption and the **Sewer Availability Charge** for new single family homes increases from $6,506 to $6,896.
- **Commercial Real Estate Tax Rate** for County transportation projects is recommended to be $0.12 per $100 of assessed value. This tax will be levied on all commercial and industrial properties in the County.

Population and Positions

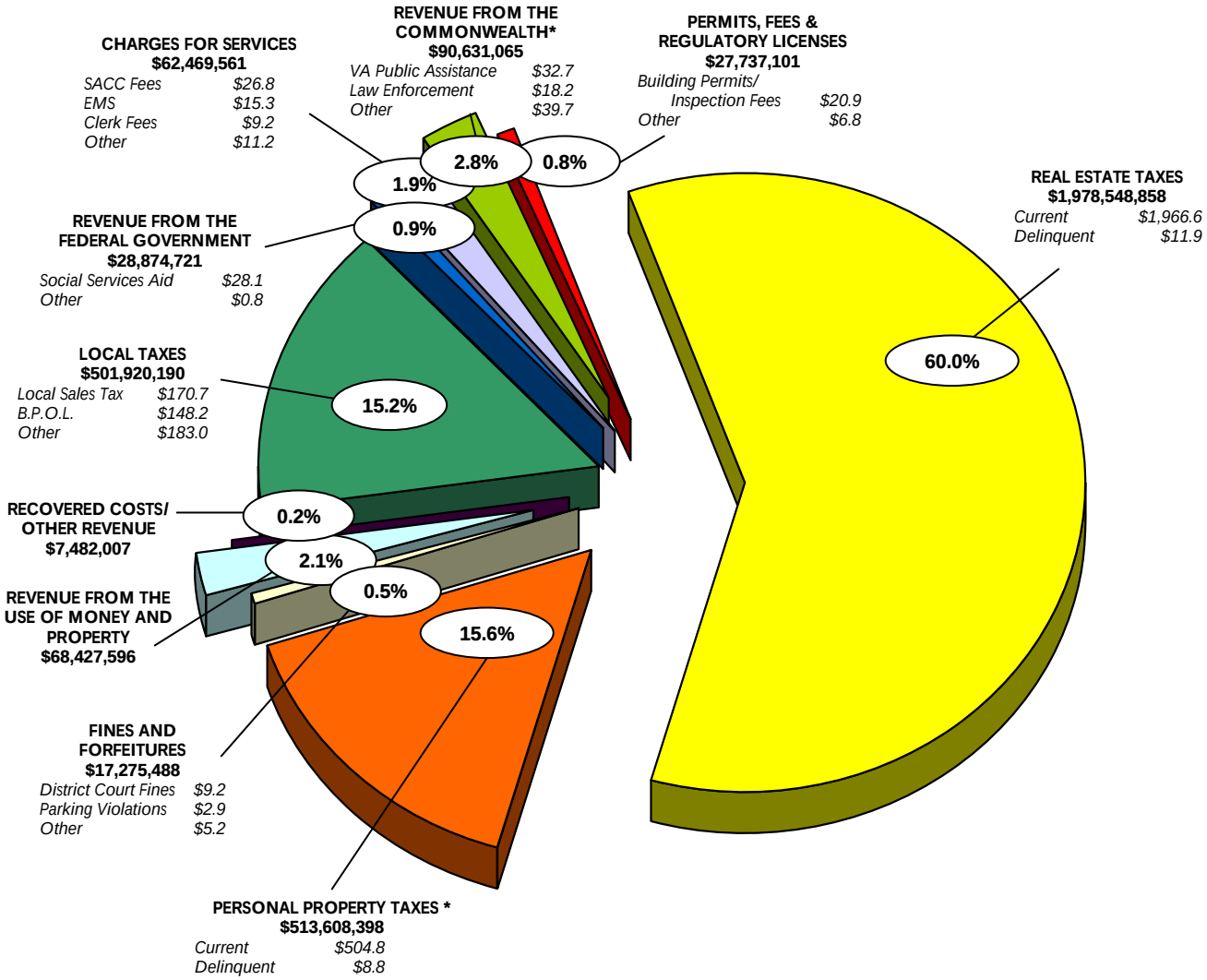
- **Fairfax County's population,** based on estimates from the County's Department of Systems Management for Human Services**,** is projected to be 1,045,104 persons as of January 2008. This is an increase of 0.5 percent over the revised January 2007 estimate of 1,039,904 and is an increase of 27.7 percent over the 1990 census count of 818,584.
- **Authorized Positions** for all funds are increasing by 41/41.0 SYE, all of which are directly connected with the new transportation funding.
- **The ratio of authorized positions per 1,000 citizens** will decrease from 11.51 in FY 2008 to 11.49 in FY 2009.

FY 2009 BUDGET
GENERAL FUND REVENUES

FY 2009 revenues are projected to be $3,296,974,985, an increase of $14,715,964 or 0.45 percent over the *FY 2008 Revised Budget Plan*. This minimal level of revenue growth in FY 2009 is due predominantly to a slight increase in Real Estate Tax revenue and Other Local Taxes partially offset by decreased Interest on Investments. Growth in Real Estate Tax revenue is the result of an increase of 0.51 percent in the assessment base while maintaining a Real Estate Tax rate of $0.89 per $100 of assessed value, the same rate as FY 2008.

$3,296,974,985 **

(subcategories in millions)



* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

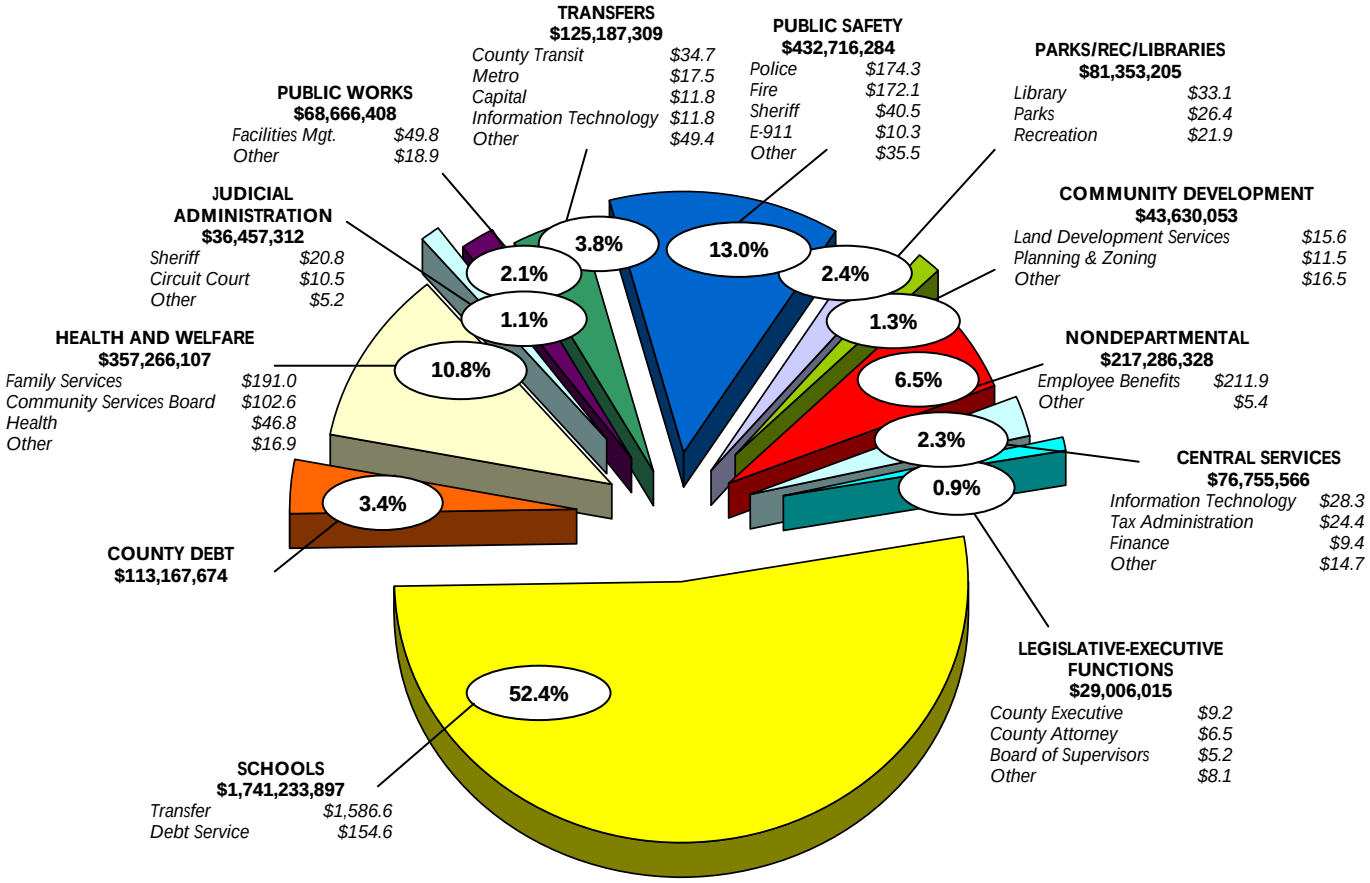
** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

FY 2009 BUDGET
GENERAL FUND DISBURSEMENTS

FY 2009 disbursements total $3,322,726,158, a decrease of $53,643,287 or 1.59 percent from the *FY 2008 Revised Budget Plan* amount of $3,376,369,445. Excluding adjustments in the current year of $59.0 million, the actual increase over the FY 2008 level is $5.3 million or 0.16 percent. The proposed County General Fund transfer for school operations in FY 2009 totals $1,586,600,722, unchanged from the FY 2008 Adopted Budget Plan transfer. In addition, the County's contribution to School Debt Service for FY 2009 is $154,633,175, reflecting an increase of $6,774,471 or 4.58 percent over the FY 2008 level.

General Fund Direct Expenditures total $1,230,247,000 and reflect a decrease of $28,904,889 or 2.30 percent from the *FY 2008 Revised Budget Plan*. A summary of the major initiatives included in the FY 2009 Advertised Budget Plan is presented on the following pages. Details concerning each of these items can be found in the various budget volumes.

$3,322,726,158
(sub categories in millions)



Budget Highlights

Major funding adjustments are tied to Fairfax County's strategic priorities in order to clarify the linkage of the investment of resources to the desired outcomes. The road map used is based on the County Core Purpose supported by its seven associated vision elements, as well as Board of Supervisors' priorities. Strategies and funding to address these priorities have been incorporated in the FY 2009 Advertised Budget Plan and are addressed in greater detail on the following pages. These budget highlights are listed by the County vision element and/or Board of Supervisors' priority that they support. Some of these initiatives may support more than one vision element; however, they are shown here based on their predominant focus.

BOARD OF SUPERVISORS' PRIORITIES

- Strong investment in education
- Public safety and gang prevention
- Affordable housing
- Environmental protection
- Transportation improvements
- Revenue diversification to reduce the burden on homeowners

COUNTY CORE PURPOSE

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County by:

- Maintaining Safe and Caring Communities
- Building Livable Spaces
- Practicing Environmental Stewardship
- Connecting People and Places
- Creating a Culture of Engagement
- Maintaining Healthy Economies
- Exercising Corporate Stewardship

For FY 2009, Fairfax County is providing $1,741.2 million or over 52 percent of its total General Fund budget to Fairfax County Public Schools (FCPS). The County provides funding through two transfers: one to support FCPS operations and another to support debt service for bond-funded projects to build new schools and renew older facilities. These transfers are as follows:

- The County General Fund transfer for school operations in FY 2009 totals $1,586,600,722. In accordance with the Board-adopted guidelines for the FY 2009 Budget, the proposed transfer is being held at the FY 2008 level. It should be noted that the actual transfer request approved by the School Board is $1,650,347,739, an increase of $63.75 million, or 4.0 percent over the FY 2008 Adopted Budget Plan transfer.

- A transfer of $154,633,175 is provided for School Debt Service, which is an increase of $6,774,471 or 4.6 percent over the FY 2008 level and will support current School bond debt service as well as new bond sales of $155.0 million in FY 2009.

BOARD PRIORITY:

Strong Investment in Education

In addition to $1.74 billion in County transfers to FCPS for operations and debt service, Fairfax County provides additional support totaling $63.5 million for the following programs:

- $31.9 million for the Comprehensive Services Act (CSA), Head Start and School-Age Child Care (SACC) programs within the Department of Family Services;

- $12.6 million to support School Health including Public School Nurses and Clinic Room Aides;

- $10.1 million for School Crossing Guards; Resource Officers who are assigned to all FCPS high schools, middle schools and alternative schools; and security for activities such as proms and football games;

- $3.7 million primarily for after-school programming in middle schools;

- $3.3 million in services provided by the Fairfax-Falls Church Community Services Board;

- $1.7 million for athletic field maintenance and other recreation programs; and

- $0.2 million for fire safety education programs for students.

More detailed information regarding this additional support for FCPS may be found in the Financial, Statistical and Summary Tables section of this Overview Volume of the FY 2009 Advertised Budget Plan.

MAINTAINING SAFE AND CARING COMMUNITIES

Public Safety Compensation

- **Market Rate Adjustment** **$6.4 million**

  An increase of $6.4 million, including fringe benefits, is recommended for a 2.96 percent Market Rate Adjustment discounted by 50 percent to 1.48 percent for public safety personnel including uniformed Police, Sheriff, Public Safety Communications, and Fire and Rescue employees to maintain pay competitiveness. This includes $5,091,901 for the 1.48 percent adjustment and $1,270,741 in associated fringe benefits for a total of $6,362,642. In FY 2002, the County adopted a Market Index to maintain pay competitiveness in the future and avoid the need for large-scale adjustments to catch up with the market. As a result of the Compensation Study in FY 2007, the component factors and weightings were revised to place greater emphasis on the local area employment market. The Market Index now consists of the following components: the Consumer Price Index (CPI) for the Washington-Baltimore area represents 40 percent of the index; the Local Area Jurisdictions Salary Structure Adjustments for Non-bargaining General Employee Scales and Federal Wage Adjustment reflects 50 percent of the index; and the HRA-NCA Salary Planning Survey which includes information on current year actual and upcoming calendar year anticipated budget pay increases for Washington DC area private (and a few public) employers reflects 10 percent of the index.

  BOARD PRIORITY:

  Public Safety and Gang Prevention

- **Merit Increments** **$3.1 million**

  An increase of $3.1 million is provided for merit increments for those public safety employees eligible to receive them based on grade and step. It is anticipated that between 45 and 50 percent of uniformed public safety employees will be eligible to receive merit increments in FY 2009.

- **Employer Contribution for Police Retirement** **$1.3 million**

  An increase of $1.3 million is included for Police Retirement, consisting of a $0.4 million retiree cost-of-living benefit enhancement and a $0.9 million benefit enhancement resulting from continuation of the phased-in reduction in the employee contribution rate from 11.00 to 10.00 percent of pay. This decrease in the employee contribution rate will reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. Currently, the percentage of pay that Police Officers contribute to the retirement system is higher in Fairfax County than in several surrounding localities. Moreover, because Police Officers do not participate in Social Security, nor receive Social Security benefits unless they qualify through other employment, Police Officers' net income replacement ratio at retirement is lower than that of other County retirees who do participate in Social Security. Lowering the employee contribution rate will provide Police with a more equitable and competitive benefits package.

Gang Prevention Services **$0.1 million**

An increase of $120,000 is included to provide gang prevention services/efforts in targeted areas of the County. These efforts had been supported by a federal grant; however, the grant is not expected to continue in FY 2009. The grant has been supporting contracted case management services to youth in gangs and youth at risk of becoming gang members focused on the East County and South County areas. Approximately 100 youth and families have been served since the inception of the grant, an amount that is expected to at least be matched in FY 2009.

Child Care Assistance and Referral Program **$2.6 million**

An increase of $2,591,187 is included for the Child Care Assistance and Referral (CCAR) Program. State funding cuts for subsidized child care, combined with an ongoing demand for services, have created considerable challenges for the County in helping low-income working families manage the cost of child care. In FY 2007, Fairfax County's subsidy funding from the state was reduced by $10.4 million and in FY 2008 it was further reduced by $2.6 million. However, the County has committed $2.6 million in local funding to address the most recent state reduction. Even with the additional funding, the County is providing subsidized child care to approximately 1,600 fewer children at a time when low unemployment rates and the high cost of living is creating a great need for subsidized child care. With the additional funding in FY 2009, the CCAR program can support 5,141 children. Staff continues to work with the Governor and General Assembly to identify additional state funds for child care. As part of the Governor's introduced 2008-2010 Biennium budget an additional $8.5 million each year was included to address the statewide wait list for at-risk child care subsidies and Head Start wrap-around care. Staff is determining how much of this money will be available to the County. It should also be noted that the General Assembly has not yet approved the funding.

Comprehensive Services Act **$4.1 million**

In an effort to address the Comprehensive Services Act (CSA) anticipated expenditure shortfall in FY 2009, $4.1 million has been placed in reserve in Agency 87, Unclassified Administrative Expenses, for this purpose. The increased costs are attributed to the recent reinterpretation of the state policy regarding foster care prevention. This reinterpretation was intended to prevent the relinquishment of custody by parents whose children are in need of mental health services, but for whom there is only limited non-mandated funding available to purchase services. By broadening the foster care prevention population, which is mandated, more youth can now receive services. Other factors attributed to the increased costs include an increase in the number of children served in FY 2007 and an overall increase in the cost per child associated with contract rate increases. Staff is still awaiting final implementation guidelines from the state.

Realignment of Domestic Violence Programs

A realignment of domestic violence programs is included as part of the FY 2009 Advertised Budget Plan. Funding and positions previously reflected in Fund 106, Fairfax-Falls Church Community Services Board, are being moved to the Office for Women and Domestic Violence Services in the Department of Family Services as part of a multi-agency effort to streamline and strategically focus the County's domestic violence services.

Citizen Corps Programs **$0.1 million**

An increase of $80,000 is included to continue support of Citizen Corps volunteer programs, previously supported by grant funding. Citizen Corps programs provide volunteer support for several County agencies, including the Office of Emergency Management's Citizen Corps Council, the Police Department's Neighborhood Watch and Volunteers in Police Services (VIPS) programs, the Fire and Rescue Department's Community Emergency Response Team (CERT), and the Health Department's Medical Reserve Corps (MRC). The volunteers participating in these programs are able to supplement County first responders both in emergencies and on a daily basis. The funding will be used to purchase supplies and equipment, as well as support classes, training and exercises for the volunteers. It is estimated that at least 6,700 volunteers participate in the core programs (Neighborhood Watch, VIPS, CERT and MRC).

Office of the Commonwealth's Attorney **$0.5 million**

An increase of $450,000 is included to allow for staffing initiatives within the Office of the Commonwealth's Attorney in response to significant workload-related issues and to provide for an improved career ladder and retention of employees. The reorganization will result in the conversion of vacant administrative/support positions to higher grade positions to support court requirements. This funding allows for the expansion of the number of attorneys as the number of cases per prosecutor handled by this office is one of the largest and most complex in the Commonwealth.

Contractual Increases **$2.0 million**

Funding of $2,038,719 is included to fund limited contract rate increases to providers, as well as accommodate increases in medical supplies and services to meet the needs of individuals served. Of this total, an increase of $924,305 is for the Fairfax-Falls Church Community Services Board (CSB) supporting a 2.71 percent contract rate adjustment for providers of contracted mental health, mental retardation, alcohol and drug abuse treatment, early intervention services and CSB-wide services; an increase of $500,171 is for the Department of Family Services for providers of mandated and non-mandated services including Home Based Care Services, Merits for Head Start, Emergency Shelter program, Healthy Families Fairfax, Federal Reimbursement Unit, Burial Services, Northern Virginia Resources Center for the Deaf and Hard of Hearing, Legal Services, Bathing Services, Independent Home and Community-Based Contracts, Hypothermia Prevention, and the Health Access Assistance Team (HAAT); and an increase of $380,305 is for the Office of the Sheriff to support contractual adjustments for medical exams, drugs/pharmaceuticals, and food.

Mental Health Adult Outpatient Services **$0.6 million**

An increase of $571,038 is included to continue ongoing efforts to address timely access and manageable caseloads for Mental Health adult outpatient services. Funding will ensure that access and caseload standards can be met by maintaining current clinical capacity, continuing retiree and Exempt Limited Term employee options and utilization of the County's workforce planning strategies. This action is intended as a temporary action while awaiting the Board-appointed Beeman Commission proposals and recommendations to improve the County's mental health services delivery systems. In addition, efforts are underway to streamline the processes by which services are accessed and to address caseloads through program redesigns.

Artist rendering of the Gregory Drive Facility to accommodate the therapeutic mental health and substance abuse program for County residents, planned to be completed by summer 2009. This planned project is supported by General Obligation bonds approved as part of the fall 2004 Human Services/Juvenile Facilities Bond Referendum.

Special Education Graduates

Within the CSB's FY 2009 Advertised Budget Plan baseline funding plan, CSB Mental Retardation Services currently projects that all special education graduates expected in June 2008 can be served at no additional cost through a combination of approved Medicaid MR Waiver slot allocations, program attrition, efficient use of existing funding, and continuation of recently implemented management initiatives. Overall, in June 2008, there are expected to be 70 new special education graduates turning 22 years of age who are eligible for day support and employment services.

BUILDING LIVEABLE SPACES

The Penny for Affordable Housing **$22.8 million**

An amount of $22.8 million represents a financial commitment on behalf of the Board of Supervisors to preserve and create affordable housing opportunities by dedicating revenue equivalent to the value of one penny on the Real Estate Tax specifically for affordable and workforce housing. The County lost 1,300 affordable units between 1997 and 2004, and increases in rents and the prices of homes continue to outpace income growth, making it increasingly difficult for many individuals and families to find affordable housing in the County. As a result, the Board of Supervisors established Fund 319, The Penny for Affordable Housing Fund. As of January 2008, a total of 2,207 affordable units have been preserved for both homeownership and rental purposes in a variety of large and small projects. Of that number, 252 units are preserved as affordable housing for periods of five years or less, and 1,955 units are preserved for 20 years or longer. A variety of funding sources were used to preserve these units; however, Fund 319 funds were critical for the preservation efforts.

BOARD PRIORITY:

Affordable Housing

CIP Issues and Capacity

The FY 2009-FY 2013 Advertised Capital Improvement Plan (With Future Fiscal Years to 2018) anticipates continuation of the approved bond sale limits, $275 million or $1.375 billion over a five-year period with a technical limit of $300 million in any given year. The ratio of debt to taxable property value is projected to remain less than 3.0 percent and the ratio of debt service to Combined General Fund disbursements is projected to remain less than 10.0 percent. In FY 2009, total new bond sales are projected at $266.93 million. Actual County and School bond sale amounts are based on the cash requirements for each project and municipal bond market conditions.

The FY 2009 Advertised Budget Plan includes $22.0 million for Paydown Capital Projects, representing a decrease of $13.3 million from the FY 2008 Adopted Budget Plan total due in part to one-time project funding not required in FY 2009 as well as a reduction in funding due to budget constraints. Reductions to a variety of projects have been necessary in FY 2009, including support for the development of Laurel Hill, capital renewal requirements mentioned below, additional courtroom renovations, and other projects. In addition, no funding has been included in FY 2009 for the County's land acquisition reserve.

Capital Renewal **$6.9 million**

Funding in the amount of $6,924,321 is included in FY 2009 for the most critical prioritized renewal projects, such as electrical systems, HVAC, fire alarm system replacement and emergency generators, among other needs, which are categorized as Category F. This level of General Fund support represents a decrease of $1.0 million from the FY 2008 Adopted Budget Plan. Capital Renewal projects are classified by category as follows: Category F: urgent/safety related, or endangering life and/or property; Category D: critical systems beyond their useful life or in danger of possible failure; Category C: life-cycle repairs/replacements where repairs are no longer cost-effective; Category B: repairs needed for improvements if funding is available, and Category A: good condition. Fairfax County presently has a facility inventory of 170 County-owned, General Fund-supported buildings (excluding schools, parks, leased space, revenue facilities, housing and human services residential facilities) with approximately 7.8 million square feet of space throughout the County. This inventory is expanding with the addition of newly constructed facilities, the expansion of existing facilities, and through the acquisition of other property. With such a large inventory, and the acquisition of additional facilities, it is critical that a planned program of repair and restoration be maintained. In addition, the age of a major portion of this inventory of facilities is reaching a point where major reinvestment is required in the building subsystems.

Athletic Field Maintenance **$5.1 million**

In FY 2009, a total of $5.1 million is included in order to support maintenance efforts at both County and Fairfax County Public Schools (FCPS) fields to ensure greater availability of fields for community use. Revenue in the amount of $950,000 generated from the Athletic Services Fee directly supports this program. This level of funding is consistent with FY 2008 funding levels and includes only a minimal increase in General Fund support of $150,000 to begin to address increases in water and electricity costs experienced in recent years. An amount of $2.43 million supports field maintenance efforts including electricity for lighted facilities and maintenance of lighting systems, water and irrigation system maintenance, and minor ball field repairs. An amount of $0.2 million supports continued replacement and upgrading of FCPS boys' athletic field lighting systems and installation of lights on FCPS athletic fields and County park fields used for girls' softball. In addition, an amount of $0.05 million supports routine maintenance of girls' softball field amenities on select FCPS sites. These amenities, such as dugouts, fencing, and irrigation systems, were added or constructed by the County based on recommendations by the citizen-led Action Plan Review Team (APRT) in order to reduce disparities in the quality of fields assigned to boys baseball and girls softball organizations. Funding of $1.0 million is provided for school athletic fields to ensure a consistent mowing frequency schedule for high school diamond fields, as well as diamond field infield preparation twice a week for all elementary, middle and high school fields. An amount of $0.74 million provides for general maintenance at designated FCPS athletic fields to improve playing conditions, safety standards, and increase user satisfaction.

An amount of $0.2 million is also provided for custodial support for indoor gyms used by sports organizations. The use of FCPS indoor facilities on the weekend requires FCPS to schedule a school system employee to open and close the facility. Revenue generated from the Athletic Services Fee is used to provide payment for FCPS staff, eliminating the need for indoor sports organizations to pay the hourly rate previously charged. Finally, an amount of $0.5 million will support the Synthetic Turf Development Program. This program facilitates the development of synthetic turf fields in the County. Fields are chosen through a review process based on the need in the community, projected community use, and the field location and amenities. In addition to this funding, the voters approved a $25 million Park Bond Referendum in November 2006, of which $10 million is earmarked to fund the conversion of up to 12 fields from natural turf to synthetic turf.

PRACTICING ENVIRONMENTAL STEWARDSHIP

The Penny for Stormwater Management **$22.8 million**

The approximate value of one penny from the County's Real Estate Tax, or $22.8 million, has been included for prioritized capital improvements to the County's stormwater system. Proper management of stormwater is essential to protect public safety, preserve home values and support environmental mandates such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways. The County's stormwater system, which includes 1,800 miles of storm drainage conveyance systems, 45,000 stormwater drainage structures, approximately 1,200 publicly-maintained stormwater management ponds, and approximately 2,400 privately-maintained stormwater management facilities, is strained by an aging infrastructure and rapid urbanization that has occurred over the past two decades. This, in combination with higher water quality standards that must now be addressed by local governments, requires a more significant, multiyear investment in terms of funding and staff resources.

BOARD PRIORITY:

Environmental Protection

Projects supported by this funding include: repairs to stormwater infrastructure, measures to improve water quality, such as stream stabilization, rehabilitation and safety upgrades of dams, repair and replacement of underground pipe systems and surface channels, structural flood proofing and Best Management Practices (BMP) site retrofits. This funding also supports development of watershed master plans, increased public outreach efforts and stormwater monitoring activities.

$22.8 million, or the approximate value of one penny from the County's Real Estate Tax, has been included for prioritized capital improvements to the County's stormwater system.

In FY 2009, the Stormwater Planning Division (SPD) 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 Fund 318, Stormwater Management Program. This represents 34 positions from SPD and partial support of positions in MSMD. Administrative expenses will be charged directly to the Operations Support project, and will not be charged to individual projects throughout the fund. Historically, these expenses have been supported by the General Fund; however, based on budget constraints in FY 2009, the General Fund cannot fully support the Stormwater program. Other General Fund reductions would have been required had Fund 318 funding not been available to provide this support for the Stormwater program. This adjustment to Fund 318 will impact future stormwater project implementation schedules.

Energy Coordinator **$0.1 million**

An amount of $0.1 million is included to fund a redirected position that will serve as the County's Energy Coordinator in the Office of the County Executive. This position will lead work across a number of County agencies to develop coordinated, cross-agency energy efficiency/conservation and cost-avoidance actions, as well as policies that could be directly linked to enhancing air quality, reducing adverse climate change impacts and cost savings through reduced emissions and cost-avoidance associated with reduced electricity demand. This individual will also serve as a central conduit of information to and from agencies and the community to better understand and leverage energy efficiency and conservation practices employed and lessons learned.

Environmental Projects **$0.6 million**

An amount of $0.6 million, consistent with FY 2008 funding, is included to provide funding for prioritized initiatives that directly support the Board of Supervisors' Environmental Agenda. The Environmental Excellence 20-year Vision Plan (Environmental Agenda) includes six topic areas: Growth and Land Use; Air Quality and Transportation; Water Quality; Solid Waste; Parks, Trails and Open Space; and Environmental Stewardship. FY 2009 prioritized initiatives include: continued outreach materials for air quality awareness targeted at County employees, residents, school children and business owners ($30,000); removal of invasive plants that threaten native plant communities and expansion of Park Authority volunteer and outreach programs ($150,000); an additional five remote household hazardous waste events ($75,000); litter campaign and other environmental initiatives ($66,900); and energy management at eight park facilities ($278,100). In addition, an amount of $108,000 has been provided in Fund 119, Contributory Fund to continue partnering with three non-profit agencies to expand tree planting throughout the County.

Support for Non-Revenue Generating Solid Waste Programs **$1.3 million**

The FY 2009 General Fund Transfer of $1.25 million to Fund 110, Refuse Disposal, fully supports those programs that do not entirely recover costs such as the County's Recycling Program, the Code Enforcement Program, the Household Hazardous Waste (HHW) program, and the Citizen's Disposal Facilities. The FY 2009 General Fund transfer reflects a decrease of 50 percent from the FY 2008 Adopted Budget Plan transfer of $2.5 million based on limited availability of General Fund monies and the current level of program requirements. This reduction also accounts for the new service agreement with Covanta allowing for the sale of electricity in excess of 80 megawatts as approved by the Board of Supervisors on December 3, 2007. An estimated $250,000 in additional revenue is anticipated to be generated, reducing the General Fund transfer requirements by a like amount.

Sewer Fees Increase

Changes to the FY 2009 Sewer Service Charge and Availability Fee are based on increased costs associated with capital project construction, system operation and maintenance, debt service and upgrades to reduce nitrogen discharge from wastewater in order to meet more stringent environmental regulations.

Photo of the Noman M. Cole Jr. Pollution Control Plant for wastewater treatment.

The Availability Fee charged to new customers for initial access to the system will increase from $6,506 to $6,896 for single-family homes based on current projections of capital requirements, which is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2007 through June 30, 2012.

The Sewer Service Charge is billed to all existing customers and is used to fully recover operating and maintenance costs, debt service payments and capital project funding primarily attributable to improving wastewater treatment effluent standards as mandated by federal and state agencies. The Sewer Service Charge will increase from $3.74 to $4.10 per 1,000 gallons of water consumption in FY 2009. This equates to a rate increase of approximately 9.75 percent and a cost increase of $27.36 to the typical household.

The increase in Sewer Service Charges is adjusted based on federally mandated requirements which will result in the renovation and rehabilitation of existing treatment facilities. New Chesapeake Bay water quality program requirements include reductions in the amount of nutrient pollutants discharged from wastewater treatment facilities. In December 2004, the state notified the County that the renewal of County's National Pollutant Discharge Elimination System (NPDES) permit will include a requirement that nutrient removal be performed at the "Limits of Technology." Current technology allows for discharge limits of less than 3.0 milligrams per liter of nitrogen and 0.1 milligrams per liter for phosphorus. The County currently has the capability to meet a voluntary nitrogen removal standard of 8.0 milligrams per liter. A phased approach is recommended to renovate and upgrade current plant facilities to accommodate these more stringent nutrient discharge requirements.

CONNECTING PEOPLE AND PLACES

Transportation Enhancements

In the FY 2009 Advertised Budget Plan, new funding sources are available to support a major expansion of transportation, including additional personnel, operations, and capital projects. This funding is available on an annual basis, beginning in the second part of FY 2008, as a result of the General Assembly's April 4, 2007 passage of the Governor's substitute for House Bill 3202 (HB 3202). This bill is the first infusion of new transportation dollars in Northern Virginia in more than 20 years. The County will merge the current activities, program, and staff of the County's Department of Transportation with the staff of the Department of Public Works and Environmental Services (DPWES) who currently support planning and design related to roadway improvements. The merging of all staffing functions and programs in support of transportation permits an integrated seamless system for addressing a current and growing list of transportation capital projects and efforts to improve traffic flow, transit and general mobility of Fairfax County residents.

BOARD PRIORITY:

Transportation Improvements

Two significant sources of funding included in the FY 2009 budget are: revenue remitted to the County from the Northern Virginia Transportation Authority (NVTA), and funding from a proposed increase to the County's commercial real estate tax. House Bill 3202 gave the NVTA the authority to implement seven new taxes and fees to support transportation-related projects and services. This revenue will raise over $300 million per year for Northern Virginia. From these funds, NVTA annually will set-aside $25 million for VRE operating and capital expenses and $50 million for Metro capital expenses. It will utilize 60 percent of the balance of raised funds for regional projects, and will return the remaining 40 percent to the jurisdiction where the funds were raised. The FY 2009 Advertised Budget Plan includes a projected $60.0 million in revenue associated with the 40 percent returned to Fairfax County from this NVTA distribution.

HB 3202 also gives local jurisdictions within Northern Virginia the authority to increase the commercial real estate tax, which was previously held to the same value as the residential real estate tax, by as much as 25 cents per $100 assessed value in support of transportation. The FY 2009 Advertised Budget Plan includes a recommended commercial real estate tax rate increase of 12 cents which will generate a projected $52.8 million. Of this new revenue, 8 cents will address transportation project increases, approximately 2 cents will address new staffing requirements due to the influx of transportation project funding and approximately 2 cents will fund existing staff resources and related costs associated with transportation planning and implementation projects. A total of 93/93.0 SYE existing County positions, including 75 in the Department of Transportation and 18 in the Office of Capital Facilities will now be supported by these funds.

In addition, sufficient funding is available to begin the phase-in of 41/41.0 SYE new positions in support of transportation planning, management, and engineering design. These positions will also address future planned expansions of the FAIRFAX CONNECTOR; proffer and zoning workload increases resulting from transportation studies and improvements to the Tysons area and revitalization areas; and increasingly complex prioritizing, reporting, and invoicing requirements associated with major projects with multiple funding sources.

Budget Highlights

County Transit Funding – General Fund Transfer **$34.7 million**

The total FY 2009 General Fund Transfer for Fund 100, County Transit Systems, is $34.7 million, the same level as the FY 2008 budget but incorporates increases to fund FY 2009 partial year operations of the new West Ox Bus Operations Center, costs associated with new operational and service contracts for CONNECTOR operations, and additional estimated CONNECTOR fuel costs based on continuing increases in diesel fuel prices as well as a 21 percent increase in the County's subsidy requirement for the Virginia Railway Express (VRE) based on operating system and debt service requirements. In addition to the General Fund Transfer support, $12,000,000 in newly authorized State Aid support for mass transit will support FY 2009 projected expenditures. The newly authorized mass transit support results from a provision within HB 3202 that provides for an earmark for mass transit of 2 cents per $100 of State recordation tax collections.

Metro Funding – General Fund Transfer **$17.5 million**

The General Fund Transfer in support of Metro Operations and Construction totals $17.5 million, a decrease of $2.8 million or 13.8 percent from the *FY 2008 Revised Budget Plan* level based on savings associated with the Board-approved transfer of the 12s and 20s Metrobus service to the FAIRFAX CONNECTOR, and the application of a higher level of State Aid and Gas Tax revenue in support of Metro. The total Fairfax County requirement for Washington Metropolitan Area Transit Authority (WMATA) Operating Expenses totals $68.6 million, an increase of 8.6 percent over the *FY 2008 Revised Budget Plan*.

This funding supports existing Metrorail and Metrobus service levels, including $38.2 million for Metrobus and the continuation of Springfield Circulator service started in FY 2001; $21.2 million for Metrorail; $7.8 million for MetroAccess service; and a WMATA projected prior year audit adjustment of $1.4 million. Overall, this funding level supports an operating increase of 10.0 percent over the *FY 2008 Revised Budget Plan* partially offset by a decrease in payments due to WMATA associated with the current WMATA 12s and 20s Centreville/Chantilly routes. The estimated decrease results from the Board of Supervisor's approval, in February 2006, of the transfer of these non-regional routes to the County in the second half of FY 2009, at which time the service will be provided by FAIRFAX CONNECTOR.

FY 2009 Capital Construction expenditures total $28.4 million, of which $24.8 million is focused on the Metro Matters Program, which supports the acquisition of facilities, equipment, rail cars, and buses, as well as provides general infrastructure support to the 106-mile Metrorail system. An additional $0.4 million supports the Beyond Metro Matters Program which addresses capital construction needs beyond those included in the Metro Matters Program. Finally, an amount of $3.2 million funds Adopted Regional System (ARS) debt service requirements.

Information Technology (IT) Funding – General Fund Transfer **$11.8 million**

Total funding of $22.8 million, which includes a General Fund transfer of $11.8 million, a transfer from Fund 506, Health Benefits Trust Fund of $7.0 million, a transfer from Fund 105, Cable Communications, of $1.8 million, State Technology Fund revenue of $1.0 million and interest income of $1.2 million, is provided for initiatives that meet one or multiple priorities established by the Senior Information Technology Steering Committee. These initiatives include a mix of projects that provide benefits for both citizens and employees and that adequately balance continuing initiatives with the need for maintaining and strengthening the County's technology infrastructure. Funded projects will support initiatives in the Human Services, Planning and Development, General County Services and Public Safety program areas.

Budget Highlights

The County's long-term commitment to provide quality customer service through the effective use of technology is manifested in service enhancements, expedited response to citizen inquiries, improved operational efficiencies, better information for management decisions and increased performance capabilities. Although many initiatives meet more than one of the technology priorities, for narrative purposes below, projects have been grouped into only one priority area. In addition, they may also address other vision elements; however, have been included under the ***Connecting People and Places*** vision element because that is a key focus for many of them.

Priority	FY 2009 Advertised Funding
Mandated Requirements	$0.3 million
Completion of Prior Investments	$2.6 million
Enhanced County Security	$7.6 million
Improved Service and Efficiency	$8.0 million
Maintaining a Current and Supportable Technology Infrastructure	$4.3 million
TOTAL	$22.8 million

CREATING A CULTURE OF ENGAGEMENT

Burke Community Library **$0.6 million**

An increase of $639,418 is included to fund the full year Personnel Services and ongoing operating costs associated with opening the Burke Community Library, scheduled to open in spring/summer 2008. This facility will meet increased service demands due to insufficient capacities at both the Kings Park Community Library and Pohick Regional Library. The library site is adjacent to the Fairfax County Parkway and is expected to attract a broad customer base of Parkway commuters in addition to the library's geographically defined community. Funding was included in FY 2008 for the four-month period of March-June 2008, and this increase is required to provide full year funding in FY 2009.

Costs Associated with Presidential Election **$0.3 million**

An increase of $324,293 in the Office of Elections is included reflecting funds for both Personnel Services and for additional postage for the mailing of voter cards and absentee ballots to help support the costs associated with the 2008 Presidential election. Presidential elections, and the months immediately preceding them, represent the peak period of activity for the Department of Elections over any four-year period. In addition to the spike in voter turnout on Election Day, there is a significant increase in electoral interest and participation throughout the year. Absentee voting activity will more than double or triple the levels seen in non-presidential years.

Consolidation of Office of Human Rights and Office of Equity Programs

The Office of Human Rights and the Office of Equity Programs have been merged to form the new Office of Human Rights and Equity Programs. The mission of this office will be to institute an affirmative human rights program of positive efforts to eliminate discrimination and to provide the public and Fairfax County employees with recourse for discriminatory acts. It is anticipated that there will be savings in administration as a result of this consolidation.

MAINTAINING HEALTHY ECONOMIES

Community Funding Pool – General Fund Transfer **$9.0 million**

Funding of $8,970,687, an increase of $249,918, or approximately 3.0 percent, over the *FY 2008 Revised Budget Plan* reflects the General Fund transfer to support the first year of the two-year cycle in the Consolidated Community Funding Pool (CCFP) to leverage nonprofit organizations' resources to meet community challenges. Funds are awarded for a two-year period on a competitive basis after a citizen Selection Advisory Committee has reviewed responses from all eligible community organizations to the Request for Proposals (RFP). The Board of Supervisors approved the Consolidated Community Funding Advisory Committee's (CCFAC) FY 2009/ FY 2010 recommended priorities on July 9, 2007. A major responsibility of the CCFAC is to recommend funding priorities for the CCFP. The CCFAC maintains an ongoing process for the review and analysis of both data and community input that provides the information on which funding priority allocations are based. Community input processes include a variety of citizen and provider input activities conducted throughout the year around the County. Subsequent to the receipt and review of public comments, the CCFAC finalizes the funding priorities and forwards them to the Board of Supervisors for action.

Contributory Funding – General Fund Transfer **$13.6 million**

General Fund appropriations of specified amounts are made available through Fund 119, Contributory Fund, to various nonsectarian, nonprofit or quasi-governmental entities for the purpose of promoting the general health and welfare of the community. Contributory agency positions are not part of the County merit system and funding for all contributory agencies is reviewed annually. Each request is reviewed on the basis of the benefit to Fairfax County citizens, contractual or regional commitments, the responsibilities of state agencies, and a prior County commitment of funding.

FY 2009 funding totals $13,553,053, an amount entirely supported by a General Fund Transfer, reflecting an increase of $301,171 or 2.3 percent over the *FY 2008 Revised Budget Plan* funding level of $13,251,882. The overall increase is due in part to increases for the Northern Virginia Healthcare Center/Birmingham Green Adult Care Residence, mainly attributable to budgeting for full-year costs associated with the new expanded assisted living facility scheduled to open in the February/March 2008 timeframe and an increase for the Convention and Visitors Corporation based on projected transient occupancy tax revenue for FY 2009. In addition, at the direction of the Board of Supervisors, three new agencies are designated as contributory agencies. The three new contributory agencies are Fairfax ReLeaf, which is provided funding of $52,000; the Center for Chesapeake Communities which is provided funding of $36,000; and Earth Sangha, which is provided funding of $20,000. It should be noted that these non-profit organizations received a similar amount of funding in FY 2008, but in a different fund. These contributions will provide a source of funding for joint participation projects related to tree buffer restoration throughout the County. These organizations leverage the use of volunteers, and provide significant opportunities for community involvement and environmental awareness. These increases and new contributories are partially offset by decreases in the County's share for the Northern Virginia Regional Identification System (NOVARIS) as a result of decreased lease and maintenance requirements based on obligations that have been met, and for the Pentagon Memorial Fund, which was provided by the Board of Supervisors as a one-time contribution for the organization in FY 2008.

EXERCISING CORPORATE STEWARDSHIP

Personnel Services Reductions to Balance Budget **($16.5 million)**

In order to meet budget limitations based on available resources as a result of the continued softening of the residential real estate market, a two percent across-the-board reduction in Personnel Services totaling $16.5 million was taken in General Fund and General Fund-supported agencies. This is in addition to a similar two percent reduction taken as part of the FY 2008 Adopted Budget Plan and Pay for Performance adjustments noted below.

Pay for Performance **$6.3 million**

$6.3 million is provided in order to continue the Pay for Performance (PFP) program for over 8,000 non-public safety employees; however, as a result of budget constraints in FY 2009, employee increases as part of the PFP system have been discounted by 50 percent and the impact of the lower PFP funding is reflected here.

Fuel Costs **$2.5 million**

An additional $2,532,509 in General Fund support over the FY 2008 Adopted Budget Plan is included to address higher fuel prices and related Department of Vehicle Services' charges as a result of market conditions. Countywide fuel and fuel-related expenditures for FY 2009 are funded at $33.4 million, an increase of $8.0 million or 31.3 percent over the FY 2008 Adopted Budget Plan total of $25.5 million and an increase of $13.3 million or 66.2 percent over the FY 2007 Actual of $20.1 million. The dramatic increase is due to the actual price pattern seen in the fall of 2007, especially as it pertains to diesel fuel. The FY 2009 recommended budget assumes an average agency per gallon price of $3.32 - a 78-cent, or over 30 percent, increase over the FY 2008 Adopted Budget Plan level and also allows room for moderate growth in overall number of gallons consumed. The General Fund impact of this increase is $2.5 million as the remainder of the increase is being absorbed by Fairfax County Public Schools, non-General Fund supported entities such as the Solid Waste funds, and the increase attributable to FAIRFAX CONNECTOR is being covered by the new sources of transportation funding available to the County.

New Facilities Operations **$1.6 million**

An increase of $1,592,315 in the Facilities Management Department for increased custodial, utility, repair and maintenance, and landscaping costs is associated with new facilities opening in FY 2009. These facilities include the West Ox Bus Operations Garage, Forensics Facility, McConnell Public Safety and Transportation Operations Center (MPSTOC) and the Girls Probation House. Combined these facilities account for an additional 203,160 square feet to the inventory maintained by the Facilities Management Department.

Benefits

Funding for Fringe Benefits totals $209.3 million, an increase of $8.6 million or 4.3 percent over the *FY 2008 Revised Budget Plan* level, primarily due to the following:

- **Health Insurance** **$2.2 million**

  Health Insurance funding is increased $2.2 million, or 3.5 percent, over the *FY 2008 Revised Budget Plan*. The increase is based on a projected average increase of 5.0 percent for all County health insurance plans, effective January 1, 2009. The large percentage increases experienced by most employers earlier this decade have somewhat mitigated, and the County's experience mirrors this trend. However, advances in medical technology, the increasing cost of medical malpractice and liability insurance, and increased utilization will continue to drive increases in medical costs.

  Fairfax County Government offers its employees and retirees several health insurance alternatives, with the intent of offering employees options that are both comprehensive and cost effective. Self-insured plan options include point of service, preferred provider option, and an open access plan (OAP), which combines aspects of both a point of service and preferred provider option plan. A fully-insured Health Maintenance Organization (HMO) is also available. The County's current selection of health insurance alternatives is a result of revisions enacted in FY 2007. The County partnered with Fairfax County Public Schools and undertook a selection process in calendar year 2006 to choose new providers for all health insurance products in order to leverage the County's position in the marketplace and achieve competitive rates. In addition to implementing the self-insured OAP option effective January 1, 2007, enhanced vision benefits were also instituted across all health insurance plans as a result of the selection process. It should be noted that the County also intends to examine plans related to Medicare Part D to aid in finalizing an approach to the implementation of this new prescription drug benefit product.

It should also 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 2009 Advertised Budget Plan.

- **Dental Insurance** **$0.2 million**

  Dental Insurance funding reflects a net increase of $0.2 million or 8.7 percent over the *FY 2008 Revised Budget Plan* based on a projected premium increase of 5.0 percent, effective January 1, 2009, and increased employee participation. The County contributes 50 percent of the premium for this benefit with the employee paying the remainder of the cost.

- **Social Security (FICA)** **$4.1 million**

  Social Security funding reflects a net increase of $4.1 million or 9.8 percent over the *FY 2008 Revised Budget Plan*. The increase includes $3.9 million 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 and $0.2 million based on the FY 2009 Market Index of 1.48 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009. It should be noted that the Social Security wage base increases from $97,500 to $102,000 as of January 1, 2008 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, 2009 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 2009 as necessary.

- **Retirement** **$2.2 million**

  Retirement funding (Fairfax County Employees', Uniformed, and Police) reflects a net increase of $2.2 million or 2.4 percent over the *FY 2008 Revised Budget Plan.* The increase includes $1.6 million associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; $1.0 million based on the FY 2009 Market Index of 1.48 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009; and $1.4 million based on projected increases in the employer contribution rates, partially offset by a decrease of $1.8 million based on projected savings in FY 2008.

  The increase in rates for FY 2009 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.

  Adjustments Associated with the Corridor

  As a result of the June 30, 2007 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 slightly from 85.2 to 85.5 percent. However, no change was warranted in the employer contribution rate. The Police Officers and Uniformed systems remain within the corridor at 93.3 percent and 92.6 percent respectively, with no adjustment to the contribution rate.

  Increases Associated with Benefit Enhancements

  The employer contribution rate for the Police Officers system is required to increase by 1.34 percentage points. An increase of 0.45 percentage points is based on a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2007. An additional increase in the employer contribution rate of 0.89 percentage points is the result of a decrease in the employee contribution rate of 1.00 percentage point, from 11.00 percent to 10.00 percent of pay. This decrease in the employee contribution rate will reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. It is anticipated that additional adjustments will be made in subsequent years to continue to reduce the employee contribution rate for the Police Officers system.

- **Retiree Health Insurance** **$0.3 million**

Retiree Health Insurance increases $0.3 million or 5.9 percent over the *FY 2008 Revised Budget Plan* level of $5.5 million to $5.8 million and is due to a projected increase in the number of retirees receiving the health insurance subsidy in FY 2009. This is being supported in FY 2009 by one time or limited savings in employer health plan contributions available due to lower than anticipated actual cost growth experience and excess employer contributions. The County's retiree health benefit subsidy was previously funded out of Fund 500, Retiree Health Benefits; however, as part of the FY 2009 Advertised Budget Plan, the benefit and administrative costs related to the subsidy will be paid from Fund 603 as a result of implementation of GASB 45. The County provides monthly subsidy payments to eligible retirees to help pay for health insurance. The current monthly subsidy, approved in FY 2006, commences at age 55 and varies by length of service as detailed in the following table. It should be noted that the retiree health benefit subsidy is provided to retirees on a discretionary basis, and the Board of Supervisors reserves the right to reduce or eliminate the benefit in the future if the cost of the subsidy becomes prohibitive or an alternative is chosen to aid retirees in meeting their health insurance needs.

Retiree Health Benefit Subsidy

Years of Service at Retirement	Monthly Subsidy
5 to 9	$30
10 to 14	$65
15 to 19	$155
20 to 24	$190
25 or more	$220

The current subsidy structure became effective January 1, 2006 and includes a temporary 25 percent increase approved by the Board of Supervisors in response to the implementation of the new Medicare Part D prescription drug benefit. This increase qualified the County's self-insured health insurance plan to be deemed as actuarially equivalent to the Medicare Part D program. Employers who offer an actuarially equivalent program are eligible to receive a subsidy from the Centers for Medicare and Medicaid Services (CMS) based on retiree enrollment in their plans. The County receives the CMS subsidy on retirees and spouses enrolled in the County's self-insured health plan who do not enroll in Medicare Part D. The federal funding from CMS is expected to completely offset the cost of the 25 percent increase to the retiree subsidy. In addition to the increase, the subsidy structure was changed so that retirees no longer receive a reduced subsidy upon reaching the age of Medicare eligibility. County staff are continuing to work on developing a long-term County strategy for Medicare Part D, which may include elimination of the 25 percent increase in the subsidy at some point in the future. Final recommendations regarding Medicare Part D options will be presented to the Board of Supervisors upon a thorough examination of Medicare Part D plans.

- **GASB 45 Liability Reserve** **$8.2 million**

Beginning in FY 2008 the County's financial statements were required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits. Fund 603, OPEB Trust Fund, has been created in order to capture long-term investment returns and make progress towards reducing the unfunded actuarial accrued liability under GASB 45 and funds the cost of other post-employment benefits (OPEBs) including health care, life insurance, and other non-pension benefits offered to retirees, such as the County's retiree health benefit subsidy. As of July 1, 2007, the Annual Required Contribution (ARC) to Fund 603 has been calculated at approximately $32 million. In FY 2009, the County's contribution towards the ARC of $8.2 million will be made through a transfer from Fund 506, Health Benefits Trust Fund, as a result of excess revenues received from employer contributions. Any future balances identified in Fund 506 as a result of excess revenues received from employer contributions will also be considered for possible transfer to Fund 603 to assist in addressing the County's unfunded OPEB liability which has been calculated at nearly $380 million, excluding schools.

- **Wellness Initiative**
  A new Health Promotion and Wellness Initiative is supported by anticipated savings in County health plans. The goal of the initiative is to significantly improve employees' overall health and well-being, while also serving to curb rising health care costs. Components of the new program included in Fund 506, Health Benefits Trust Fund, include:
  - *Health Risk Assessments (HRAs) and Targeted Programming.* Health Risk Assessments gather information on participants' personal medical history, preventative services, and emotional health and lifestyle choices. Health plan participants can use the HRA in order to help determine their personal health risks and take preventative measures, while allowing the County to use aggregate data to create targeted programming towards health conditions that most affect County employees. As part of the new Health Promotion and Wellness Initiative, HRAs will be available for health plan participants so that they may elect to utilize this tool.
  - *Enhancement of the County's disease management program.* Disease management programs are utilized to detect chronic conditions early and provide assistance to those affected to help manage their disease, resulting in a healthier outcome. Participants receive direct support from health care professionals and are assisted with coordination of physician care, medication reviews, standards of care reminders, assessments, screenings, and action plans. Although some health conditions were already included under the County's disease management program, the enhanced program will cover eleven additional conditions which affect County employees and retirees and impact County claims expenses, including Osteoporosis, Osteoarthritis, Fibromyalgia, and Low Back Pain.
  - *Reduced membership fees at County RECenters.* In response to employee demand, as well as to promote the importance of overall physical health, a 50 percent subsidy for annual memberships at County RECenters is included in the new program. Workplace sites for employees are spread throughout the County; thus, all employees do not enjoy convenient access to the Employee Fitness and Wellness Center (EFWC) located in the Government Center. This benefit enhancement will allow merit employees and retirees to utilize all nine County RECenters at a reduced rate.
  - *Influenza vaccinations for employees and retirees.* Providing flu shots to employees is a simple mechanism to reduce absenteeism due to flu outbreaks, as well as protect the overall health of employees and retirees.

A comprehensive wellness program is expected to reduce the rate of escalation of health care costs, resulting in savings for self-insured plans through cost avoidance. As such, expenses related to the new Health Promotion and Wellness Initiative are included in Fund 506 as it is anticipated that increases in self-insured claims expenses will be impacted as benefits of the program begin to materialize.

Enterprise Information Technology System Project **$7.0 million**

Funding of $7.0 million, from a transfer from Fund 506, Health Benefits Trust Fund, is included for a multi-year, joint initiative between the County and the Schools to modernize the County's enterprise information technology systems that support finance, human resources and payroll, budget, procurement and related applications. This FY 2009 funding is available from savings in employer contributions for health insurance and will be used to offset the costs of Phase I of the project which will replace the County's Human Resources and Payroll system. Previous assessments of these aging corporate systems revealed that they are past their projected useful lifecycle, no longer comply with today's technology standards, and do not meet the demands of resource and financial management and decision-making. Short-term changes made to make the systems functional have resulted in increased risk for fraud and security flaws. Due to their age, many of these systems have no vendor support and rely on senior in-house staff for maintenance. The systems are written in technical code that is outdated, not practiced by the vast majority of the industry labor pool, and thus are unable to be integrated with future mandated requirements. Of these systems, the County government's Personnel Resource Information System Management (PRISM) is the most vulnerable to immediate obsolescence issues. It is over 20 years old and highly customized based on historical County operational practices to the extent that it cannot be further enhanced. Further, attrition of in-house technical staff as they approach retirement age is jeopardizing future support for maintaining this legacy application with the other systems approaching a similar expert support dilemma. FY 2009 funding, followed by future-year investments, will allow for the award of software and systems implementer contracts.

FEE ADJUSTMENTS

New User Fees

As part of the development of the FY 2009 budget, a thorough review of the County's General Fund fees and user charges was conducted. Fees were compared to state maximum rates and to those of surrounding jurisdictions. As a result of this review, General Fund fee increases, totaling $4.5 million in revenue, are included in the FY 2009 Advertised Budget Plan. The bulk of the additional revenue is the result of a proposed increase to the Emergency Medical Services (EMS) Transport Fee structure, which is expected to generate an additional $3.5 million in FY 2009. Current General Fund fees to be raised also include Fire Marshal fees, parking garage fees, various parking violation fines, police report and photo fees, and taxi cab licenses. These increases will raise cost recovery in FY 2009, while maintaining consistency with surrounding jurisdictions.

BOARD PRIORITY:

Revenue Diversification to Reduce the Burden on Homeowners

Refuse Collection Fee

Residents within Sanitary Refuse Collection Districts who receive County refuse collection service are charged an annual service fee through the semiannual property tax bill for regular trash pick-up and recycling. These districts are created by the Board of Supervisors upon citizen petition, which has been increasing in recent years. Due to increasing disposal fees, rising personnel expenses and lower fund balances, the annual fee was increased from $315 in FY 2007 to $330 in FY 2008, which was still consistent with rates charged by private sector haulers. In order to cover anticipated expenditures in FY 2009 and maintain essential reserves, an increase in the annual fee to $345 is required for approximately 44,000 customers who receive this service. This increase is based on increasing disposal tipping fees, maintenance and fuel charges, as well as accelerated equipment replacement costs. The accelerated equipment replacement program is anticipated to result in future maintenance savings, as well as reduce equipment downtime.

BOARD PRIORITY:

Environmental Protection

Sewer Fees

As noted under the *Practicing Environmental Stewardship* heading, the Availability Fee charged to new customers for initial access to the system will increase from $6,506 to $6,896 for single-family homes based on current projections of capital requirements, which is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2007 through June 30, 2012.

The Sewer Service Charge will increase from $3.74 to $4.10 per 1,000 gallons of water consumption in FY 2009. This equates to a rate increase of approximately 9.75 percent and a cost increase of $27.36 to the typical household. The Sewer Service Charge is billed to all existing customers and is used to fully recover operating and maintenance costs, debt service payments and capital project funding primarily attributable to improving wastewater treatment effluent standards as mandated by federal and state agencies.

McLean Community Center Special Property Tax District

Facilities and operations of the McLean Community Center (MCC) are supported primarily by revenues from a special property tax collected from all residential and commercial properties within Small District 1, Dranesville. The Small District 1 real estate tax rate for FY 2009 is recommended for reduction by $0.002 from $0.028 to $0.026 per $100 of assessed property value. It should be noted that this two-tenths of a penny reduction reflects a savings of just under $20 on the average Small District 1 residential tax bill.

Commercial Real Estate Tax

The Commercial Real Estate Tax for County transportation projects is recommended to be $0.12 per $100 of assessed value. This tax will be levied on all commercial and industrial properties in the County and is in addition to the real estate tax rate of $0.89 per $100 of assessed value.