BUDGET GUIDELINES
For FISCAL YEAR (FY) 2008

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium in the Fairfax County Government Center at Fairfax, Virginia, on Monday, April 24, 2006, at which meeting a quorum was present and voting, the Board adopted the following Budget Guidelines for FY 2008:

1. Information on the FY 2008 revenue and economic outlook should be forwarded with a financial forecast to the Board for discussion. This financial forecast will provide the framework for the continued County-School discussion on the budget and will help identify resources available for Board priorities, including tax relief. Based on current market trends, it appears that growth in residential real estate assessments and overall County revenues will be very moderate and significantly less than that experienced in the last several years. As a result, increases in County and School spending will likely also be limited in FY 2008. **The Board directs the County Executive to develop a budget for Fiscal Year 2008 that limits increases to what is needed to accommodate growth and cost factors, and clearly identifies funding requirements driven by state and/or federal mandates and major County initiatives. In addition, the Board directs 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 increase will be identified and discussed in terms of initiatives to be undertaken if funding is available. <u>Specific direction on targeted budget growth rates should be provided to County staff and the School Board by the July 31, 2006, Board of Supervisors meeting</u>, which is the last meeting prior to the Board's August break.**

2. The Board directs that the County Budget presentation continue to focus on Board priorities and County vision elements. The County Executive and County staff will also provide contextual information regarding the growth in the budget, including but not limited to population growth, market forces impacting the budget, demographic changes, mandates and other primary drivers for growth. In addition, the presentation of the budget should continue to include a clear identification of the resources and new initiatives targeted for seniors, a rapidly growing group in our population.

3. In order to avoid structural imbalances between County resources and requirements, resources should be allocated with consideration for the continued availability of these funds:
   - Non-recurring funds will be directed toward non-recurring uses.
   - Only recurring resources may be targeted toward recurring expenses.
   - The County's policy concerning the utilization of recurring and non-recurring funds should be followed by the School Board.

4. Any available balances materializing at the Carryover and Third Quarter Reviews that are not required to support County expenditures of a critical nature should be held in reserve to offset future requirements or to address one-time requirements such as GASB 45 liability, unfunded capital paydown projects, the County's commitment of $8 million to the School Board for No Child Left Behind Requirements, and for equipment replacement. In addition, Fairfax County Public Schools should identify the School system's GASB 45 liability and provide information to the Board of Supervisors as to how this liability will be addressed and over what time period. This information should be provided to the Board of Supervisors prior to the FY 2008 budget.

5. The Board directs the following reviews of County programs:

COMPENSATION – General County Employees

In the area of compensation, the Board understands concerns expressed by some general County employees as it relates to pay and the competitiveness of County salaries to the market. The Board values the contributions of all County staff who consistently provide high quality, effective services to our residents.

The Board therefore directs the County Executive to oversee a comprehensive review of the current compensation system, including retirement benefits, for general County employees. Such a review should 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. Proposals for across the board adjustments will not address the compression issues or inequities in the current system highlighted by the EAC and other employees and do not provide long term solutions to the compensation program.

As such, the County Executive is further directed to provide a more detailed scope of the review to the Board by June 1, 2006. The comprehensive review of the current compensation system must be completed in time for its incorporation 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 EAC, 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.

OTHER COMPENSATION-RELATED GUIDELINES

The Board of Supervisors directs that the County Executive review and make recommendations on the following items with recommendations for action to be made available in time for the Board's deliberations on the FY 2008 budget:

Regarding Animal Control Officer Pay Plan
The Board directs staff to review the appropriateness of the pay plan for the County's animal control officers including an analysis of how like positions in other jurisdictions are handled in terms of pay.

Police Retirement
The Board directs the County Executive to review the benefits and employer/employee contributions of the Police Retirement System including the multiplier, spousal benefit and social security offset in relation to the other County retirement systems.

ADDITIONAL POLICE OFFICERS

The Board of Supervisors directs the County Executive to prioritize available County resources during the development of the FY 2008 budget toward new police officer positions as part of a multi-year strategy to increase the size of the County's police force and that additional revenues available during FY 2007 be considered to begin the process of adding additional police officers for assignment to higher crime areas of Fairfax County. The effectiveness of our department's community policing strategies is apparent in the County's sustained low crime rates. Yet increases in our population, the complexity of criminal trends in our community and the continued need to staff prevention efforts require continued support and staff increases in our Police Department which maintains one of the lowest ratios of officers-to-residents in the nation.

DULLES RAIL PROJECT

The Board of Supervisors directs the County Executive to review possible strategies to procure state funding for traffic enforcement and congestion mitigation efforts resulting from the Dulles Rail project and return to the Board with recommendations.

DEVELOPER DEFAULT PROGRAM

The Board of Supervisors directs the County Executive to review the current developer default program and return to the Board with process changes and staff requirements in order to handle current developer default caseload and maximize County's ability to recover the cost of mitigation.

COURT OPERATIONS

Recognizing the significant commitment that the County has already made to funding both operating and construction/expansion costs for the State courts serving Fairfax County, the Board of Supervisors directs the County Executive to work with

the Courts to review potential ongoing savings and efficiencies in operations that may be available to partially offset these costs and report back to the Board prior to the FY 2008 budget.

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Nancy Vehrs

Nancy Vehrs
Clerk to the Board of Supervisors