FY 2014
Advertised Budget Plan

Multi-Year Budget – FY 2014 and FY 2015

Multi-Year Financial Planning Process/Financial Forecast

As part of FY 2014 budget development, the County is undertaking a more comprehensive multi-year General Fund budgeting process - the development of a two-year budget framework. The two years include the budget being approved by the Board of Supervisors (FY 2014) and the subsequent year framework (FY 2015). In this way County staff throughout the organization will be able to more completely outline the prospective issues that will need to be addressed as part of the budget process for the following year, more clearly demonstrate the impact of decisions in the budget being adopted, and lay out a more accurate projected shortfall or surplus for the next year as well as any associated options for balancing that budget. The process will culminate in the adoption each year of the annual budget, as required by State Code.

The multi-year budget process includes a three-year historic view of the General Fund, the FY 2013 revised budget, the County Executive's FY 2014 Recommendations and the FY 2015 Projections. In addition, a detail of increases, both in dollars and as percentages, are included at the end of this section. This review will be expanded in future years to include an even longer planning horizon to further enhance budget development.

In addition to the development of the FY 2014 requirements, the new process includes review and analysis by each General Fund agency of its upcoming requirements for FY 2015. Specifically, agencies are projecting increased workload requirements, the impact of changing demographics, and the cycle of replacement for infrastructure, as well as areas for greater efficiency.

Summary of the FY 2014 and FY 2015 Multi-Year Budget

As a result of the projections for revenues and expenditures included above, a manageable budget deficit of $39.70 million exists for FY 2015. In summary (in millions):

General Fund	FY 2103 Revised	FY 2014 Advertised	FY 2015 Projected	% Change FY 2014 – FY 2015
Beginning Balance	$209.44	$87.94	$85.42	
Revenues	$3,474.06	$3,570.19	$3,673.95	2.91%
Transfers In	$6.77	$18.65	$9.15	
Total Available	**$3,690.27**	**$3,676.78**	**$3,768.52**	
School Disbursements	$1,848.08	$1,889.36	$1,947.17	3.06%
County Disbursements	$1,754.25	$1,699.60	$1,773.00	4.32%
Total Disbursements	**$3,602.33**	**$3,588.96**	**$3,720.17**	**3.66%**
Ending Balance	$87.94	$87.82	$48.34	
Managed Reserve	$72.05	$71.78	$74.40	
Other Reserves	$15.89	$13.64	$13.64	
As included in the FY 2014 and FY 2015 Multi-Year Budget				
Current Balance/(Shortfall)		**$2.41**	**($39.70)**	
As compared to November 2012 Forecast				
Forecasted Shortfall		($169.10)	($274.30)	

The detail of the revenue and expenditure assumptions discussed above are presented in the Multi-Year Budget Schedule at the end of this section, and the County Executive's budget letter contains important information on the context of the FY 2014 and FY 2015 Multi-Year Budget.

Revenue Assumptions

Based on the assumptions and estimates detailed above, General Fund revenues are projected to experience moderate increases of 2.77 percent and 2.91 percent in FY 2014 and FY 2015, respectively. Revenue growth rates for individual categories are shown in the following table:

ACTUAL AND PROJECTED REVENUE GROWTH RATES

	ACTUAL	PROJECTIONS		
Category	FY 2012	FY 2013	FY 2014	FY 2015
Real Estate Tax - Assessment Base	3.27%	3.27%	3.40%	2.55%
Equalization	2.67%	2.53%	2.63%	1.75%
Residential	2.34%	0.71%	3.50%	2.00%
Nonresidential	3.73%	8.21%	0.14%	1.00%
Normal Growth	0.60%	0.74%	0.77%	0.80%
Personal Property Tax - Current[1]	2.55%	5.46%	1.07%	2.00%
Local Sales Tax	5.22%	2.48%	2.70%	3.00%
Business, Professional and Occupational, License (BPOL) Taxes	3.20%	3.50%	2.45%	2.00%
Recordation/Deed of Conveyance	17.58%	-10.20%	1.00%	1.00%
Interest Rate Earned on Investments	0.65%	0.58%	0.50%	0.55%
Building Plan and Permit Fees	15.57%	-8.20%	1.94%	3.00%
Charges for Services	8.63%	1.64%	2.72%	0.74%
State/Federal Revenue[1]	-1.86%	-2.37%	-9.87%	0.00%
TOTAL REVENUE	**1.77%**	**2.79%**	**2.77%**	**2.91%**

[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

Economic Indicators and Assumptions

Economic projections for the national and local economies were reviewed from a variety of sources in the development of these revenue estimates, such as the Blue Chip Financial Forecasts, which incorporates economic projections from a panel of approximately 50 forecasters, Kiplinger, Global Insight, and the National Association of Realtors. For forecasts of the state and Northern Virginia economies, staff reviewed information from Chmura Economics & Analytics and George Mason University's Center for Regional Analysis. Projections specific to Fairfax County are obtained from Moody's Analytics.

Most national indicators suggest that the economy is slowly improving; however, growth remains uneven. The U.S. economy grew at a preliminary 2.2 percent clip in 2012 despite a contraction of 0.1 percent in the fourth quarter of the year. The fourth quarter report, however, is the advance estimate which is the first of three estimates and is often subject to sharp revisions. During the fourth quarter, defense spending plummeted 22 percent and inventories declined. Hurricane Sandy may have also hurt fourth quarter growth. In spite of the decrease in the fourth quarter, there are indications of economic resilience. Consumer spending, the largest component of U.S. growth, rose 2.2 percent in the fourth quarter and housing added to the annual growth in 2012 for the first time in six years. Most economists anticipate the economy to expand at a 2.0 to 2.5 percent rate in calendar year 2013.

Nationwide, employment increases averaged 181,000 jobs per month in 2012, a gain of 2.2 million jobs. The pace of job growth slowed somewhat in January 2013 with an increase of 157,000 jobs. The unemployment rate ticked up in January to 7.9 percent. The slower pace indicates that businesses remain cautious about hiring. The unemployment rate may continue to rise as workers once discouraged about job prospects return to the labor market.

Home prices nationwide improved in 2012. According to the Case-Shiller home price index, prices were 5.5 percent higher in the 12 months ending November 2012 than during the same period in the prior year. This was the strongest year-over-year growth since August 2006. Home prices in the Washington Metropolitan area posted a 4.4 percent gain during the same period.

Economic growth in the County rose modestly in FY 2012 based on preliminary estimates. Moody's Analytics estimates that Gross County Product (GCP), adjusted for inflation, rose at a rate of 1.0 percent in 2012. The County's unemployment rate remains well below the state and national level at 3.7 percent as of December 2012, a decline from 4.0 percent in December 2011.

The preliminary estimate of annual employment in the Northern Virginia area in 2012 is 1,355.2 thousand, an increase of 26,000 jobs, or 2.0 percent, over 2011. This rate is slightly higher than 2011 and the highest rate of growth since 2005, when job creation rose 2.5 percent.

Sequestration

The biggest downside risk for the revenue forecast is the potential impact of federal spending reductions. The Budget Control Act of 2011 established caps on discretionary spending through 2021. The automatic cuts, known as sequestration, were to take effect in January 2013 but were delayed until March. If lawmakers cannot agree on measures to meet these spending caps, automatic across-the-board cuts would be applied. The automatic cuts would require approximately $60 billion annually in both defense and nondefense reductions. To stop the automatic across-the-board cuts, planned, more moderate spending cuts must be made; therefore, federal government spending is expected to slow over the next few years. The extent of this slowdown will not be known until Congress acts. Reduced government spending will impact direct federal revenue to the County as well as other revenue streams. Business Professional and Occupational License (BPOL) receipts will be impacted by reduced federal contracting; Sales Tax receipts will be impacted by lower employment and reductions in federal contracts.

The uncertainty about sequestration puts Fairfax in a particularly vulnerable economic situation. The automatic budget reductions are estimated to cut cities and counties deeply by slashing state and local education investment by 36 percent, cutting investment in housing and community development by 28 percent, taking 18 percent from spending on health and the environment, and reducing public safety and disaster response investment by 5 percent. The good news is that Fairfax County's General Fund only receives about 1 percent of its budget from the federal government and the County's total revenue stream is fairly resilient. The bad news is that residents and businesses within the County will also be impacted which in turn will impact growth and substantial recovery in the real estate market, consumer consumption and business expansion. Contraction or even no growth in these components of the County's economy will negatively impact real estate, personal property, sales and BPOL tax revenues. The potential impacts to the state are also significant which will further impact localities such as Fairfax.

Real Estate Tax Revenues:
Total Real Estate: Based on the assumptions below, the total Real Estate Tax base is expected to rise 3.40 percent in FY 2014 and 2.55 percent in FY 2015.

Residential Housing Market
The housing market in the County has stabilized with average prices rising modestly for the past three years. Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in 2012 rose 4.5 percent from $471,317 in 2011 to $492,480. This does not translate directly into growth in residential equalization because it is highly dependent on the actual inventory of homes sold in a given year. MRIS also reported that 13,817 homes sold in 2012, up 9.3 percent over 2011 homes sales of 12,640, which had been a nine-year low. Sales in 2012 are still over 46 percent below the 2004 peak of 25,717 homes sold. The number of net foreclosures in Fairfax County set a new record low each month of 2012. Foreclosures are projected to remain at low levels and are not expected to be a factor in county-wide assessments.

After rising just 0.71 percent in FY 2013, residential values rose a moderate 3.50 percent in FY 2014 to a mean assessed value for residential property of $465,713. Residential values are anticipated to continue to rise but at a more modest 2.0 rate in FY 2015. The anticipated growth in residential equalization is projected to be constrained as the impacts of sequestration are felt on job growth and personal earnings.

Nonresidential Real Estate
After rising for two consecutive years, nonresidential real estate values rose a meager 0.14 percent in FY 2014. The effects of the uncertain political landscape and the possibility of sequestration were already felt in the County's commercial office market. At year-end 2012, the office vacancy rate stood at 14.6 percent, the highest level on record since 1992. The increase in the vacancy rate is attributed to the threat of sequestration, as government contractors consolidated operations throughout the Washington area and retooled operations in order to operate in an economic environment less dependent on government procurement spending. The value of office elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at over 36 percent, fell 2.41 percent. The County's total office space inventory as of year-end 2012 was 114.1 million square feet, an increase of just 500,000 square feet over year-end 2011.

Multi-family apartment properties, which make up over 21 percent of the nonresidential base, experienced an increase of 4.90 percent in FY 2014. Demand for apartments was strong during the year, which increased rental income. Retail property values increased 1.18 percent in FY 2014 reflecting a tepid rise in consumer spending. In FY 2015, the value of all types of nonresidential properties is projected to rise at a modest pace, with an overall increase of 1.00 percent.

New Construction
The Real Estate Tax base will also be impacted by new construction in the County. New office construction activity is being driven by the construction of the Metrorail Silver Line along the Dulles Toll Road corridor. At the end of 2012, there were 12 buildings totaling more than 2.2 million square feet under construction. Speculative development made up over 69 percent of this space. The continued interest in speculative development reflects confidence in the stability of the Fairfax County office market. Based on current activity, total new construction is projected to add 0.80 percent to the overall real estate base in FY 2015, a rate similar to the FY 2014 rate of 0.77 percent.

Personal Property Taxes

Current Personal Property Tax revenue, which represents approximately 15 percent of total General Fund revenue, is anticipated to experience an increase of 1.1 percent in FY 2014 primarily due to a modest increase in the vehicle component which comprises over 73 percent of total Personal Property levy. Nationwide, vehicle sales picked up in late 2012 and new car sales are anticipated to increase at a somewhat higher rate in 2013. These factors will impact Personal Property Tax revenue in FY 2015 which is projected to increase 2.0 percent over FY 2014.

Other Major Revenue Categories

Sales tax receipts are projected to rise a moderate 2.5 percent in FY 2013. Slight up-ticks are projected in FY 2014 and FY 2015 with growth estimate at 2.7 percent and 3.0 percent, respectively. BPOL receipts will be impacted by slower projected federal procurement spending. Contractors and professional business services will feel the brunt of this impact. Combined, these categories comprise 46 percent of total BPOL receipts. Recordation and Deed of Conveyance revenues, which are paid for recording deeds, are anticipated to rise 1.0 percent in both FY 2014 and FY 2015 due to modest projected increases in home sales and mortgage refinancings.

Due to the construction of the Silver Line Metro and redevelopment around the Tysons area and Fort Belvoir, construction activity and building permit fee revenue are forecasted to grow approximately 3.0 percent in FY 2015. Other permits, licenses, and user fees are also expected to experience modest growth throughout the forecast period.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. The federal funds rate has remained unchanged since the end of 2008, when it was set at 0.0 to 0.25 percent, its lowest in history. Based on statements by the Federal Reserve, the federal funds rate is expected to remain at an ultra-low level in FY 2014. The average annual yield on County investments is anticipated to be 0.50 percent in FY 2014. A modest increase in the yield is anticipated in FY 2015 to 0.55 percent.

Charges for services reflect lower growth in FY 2015 as a result of the 5 percent increase in SACC fees included in FY 2014.

Due to budget shortfalls since FY 2009, the Commonwealth of Virginia significantly reduced funding to localities. From FY 2009 through FY 2013, funding to Fairfax County has been reduced nearly $38 million, including cuts to state reimbursable salaries, Law Enforcement Funding and in overall aid to localities. This "flexible" cut required the County to choose the funding stream in which to make the reduction or to remit payment to the state. Except for the continuation of the "flexible" cut, few additional funding reductions were approved in FY 2013; however, previous cuts were not restored. For the purposes of this forecast, funding from the Commonwealth has been held at the FY 2014 level in FY 2015. In addition, revenue from the federal government is assumed to remain even with FY 2014 in FY 2015. This is an area that will be thoroughly monitored.

Disbursement Assumptions

The disbursement adjustments for FY 2015 reflect a $131.22 million increase over FY 2014. The most significant increases are discussed below. Detailed information on the Actuals and FY 2014 recommendations can be accessed online at:

http://www.fairfaxcounty.gov/dmb/fy2014/advertised/where_it_goes.htm

It is important to note that the assumptions contained below will be revalidated during the FY 2015 and FY 2016 multi-year budget development process and it may be necessary to make changes in order to attain a balanced budget.

Fairfax County Public Schools (FCPS) ***$57.8 million***

Assuming a 3 percent increase in the transfer to the Fairfax County Public Schools for operations results in an increase of approximately $52 million. An increase of this size is not sustainable with the growth of less than 2 percent in revenue discussed above. As a result, the County Executive has included the real estate tax rate increase in FY 2014 to build a base of revenues that is sufficient to support the growth in requirements for both the County and Schools.

For planning purposes, the assumption of a 3 percent increase in the transfer is made to reflect the fact that school enrollment is anticipated to increase approximately 3,000, that some level of compensation increase will be required for FCPS employees and for anticipated increases in benefit costs which are expected to rise in future years.

In addition, and based on the size of bond sales for School facilities, an increase of $6.3 million is anticipated for FY 2015 for debt service. As a result, the County commitment for Schools in FY 2015 would be at 52.3 percent based on the projected level of disbursements for FY 2015.

Compensation ***$25.4 million***

Consistent with the new approach for compensation (STRIVE) that has been outlined by the County Executive and which is proposed for approval as part of the FY 2014 Budget, funding of $25.37 million is included in the FY 2015 budget. There is no compensation funding recommended for FY 2014 with the exception of the full-year funding for increases received by County employees in FY 2013 and longevities for public safety employees. The benefit of this revised compensation model is a much more uniform pattern of compensation increases, anticipated to be in the mid $20 million range for a number of years to come. This approach results in more level funding from budget year to budget year and eliminates the need to fund the remaining full-year cost of actions from the prior year. It is important to note that the compensation increases will be included in future year budgets contingent on funding availability. It should be noted that in addition to the salary increases noted below, the STRIVE proposal includes a strengthened performance management and succession planning component.

The new proposal for compensation includes the following components:

1) Market rate increases (MRA) for all employees which will be granted in odd fiscal years, beginning in FY 2015 at a cost of $21.67 million, based on the previously agreed to funding calculation. The MRA increase in funding is applied to employee salaries at the beginning of the fiscal year. The MRA provides a guide to the amount of pay structure adjustment needed to keep County pay rates competitive with the market. The funding increase assumes a 2 percent MRA but the actual MRA to be calculated in odd fiscal years is formula-driven.

2) A flat-rate pay increase for General County employees are provided on an alternating year basis and are tied to the new evaluation system recommended by the County Executive. The new system is a meets/exceeds expectations evaluation system with reviews provided annually and pay increases (of 2 percent) granted in even fiscal years, at the beginning of the fiscal year, beginning in FY 2016. Performance reviews occur each year in the last quarter of the fiscal year and are focused on employee development and require input from both the employee and the supervisor.

3) Public Safety step increases are also granted in even fiscal years, but on the anniversary date of the employee, again beginning in FY 2016. Step increases are 5 percent and are awarded to employees not at the top of their pay scales. Approximately 45 percent of public safety employees receive a step increase in each year they are awarded.

4) Longevity increases for public safety employees are granted to employees as they reach 15 and 20 years of service once they have reached the top of the pay scale. Longevity awards are granted each year on the anniversary date of the employee. The FY 2015 projected cost of these longevity increases is $600,000. In addition the full year impact of longevities earned in FY 2014 totals $600,000 for a full year impact in FY 2015 of $1.2 million.

5) A placeholder of $2.5 million is included in FY 2015 for compensation adjustments that would result from the annual review of 25 percent of all County job classifications. This schedule of review is designed to ensure that all County classes are reviewed over each four year period. The process for review uses representation job classes from among job families and compares pay levels with our competitors in the local job market.

Fringe Benefits ***$10.4 million***

The three primary increases for benefits for FY 2015 are for health insurance ($7.50 million), retirement ($2.55 million) and employee development ($350,000) for a total of $10.40 million.

Fairfax County Government offers its employees and retirees several health insurance alternatives, with the intent of offering options that are both comprehensive and cost effective. As the health care environment is in the midst of significant reform, staff is monitoring changes in the health plan market, incorporating required changes in the County's plans and processes, and examining the overall impact of reform on the County's benefits package. Upon a thorough examination, staff will be developing a long-term strategy to continue to provide cost-effective and comprehensive health care coverage to employees and retirees within the parameters of the new health care laws. Health insurance costs increases are primarily the result of actual experience in the County self-insured retirement plans, partially offset by anticipated savings resulting from plan redesign which is currently underway. The estimated increases in FY 2015 total $7.5 million.

Retirement increases of $1.9 million represent the employer contribution increase required for the General Fund net contribution to the three retirement systems as set by employer contribution rates. In FY 2015, it is also anticipated that the employee contribution rate for members of the Police Retirement System will be reduced by 0.675 percent with the employer rate increasing the same amount for a cost to the General Fund of $0.65 million. Over a period of years the County has been reducing the employee contribution rate and at this point, the rate has been decreased from 12 percent to 10 percent with a goal of making the benefit more comparable between the Police and Uniformed Retirement systems, recognizing that Police do not participate in Social Security and the benefit structure and contribution rates are different between the two systems. As part of the multi-year review for the FY 2015 budget, the staff of the Retirement Administration agency and the County's actuary have reviewed the contribution rates to attempt to provide a comparison. As a result it is recommended that the Police employee contribution rate be reduced to 8.65 percent from the current level of 10 percent. It is anticipated that this reduction will be phased over two years with the first reduction taking place in FY 2015 resulting in a reduction from 10 percent to 9.325 percent.

Position Requirements ***$8.6 million***

In order to reflect anticipated staffing requirements, the FY 2015 plan include projections of $8.6 million and 69 positions anticipated for FY 2015. These positions are recommended based on current and planned conditions and service requirements. As part of the FY 2015 budget development process, all position requirements will be reviewed thoroughly and workload requirements analyzed prior to inclusion in the FY 2015 budget. As new information becomes available additional positions may be identified.

Fire and Rescue Department

The new Wolftrap Fire Station will address response times on the highly traveled Leesburg Pike near Wolftrap Farm Park as well as along the Dulles Airport Access/Toll Road corridor. Construction is substantially completed; however, as part of the FY 2014 budget, the opening was delayed to generate necessary savings to help balance the budget. The station will be used for specialized activities and training during FY 2014. When it officially opens in January 2015, it will house a Medic Unit, Engine Company and a Tanker. In FY 2015, operating the station will require $4,164,498 and 29/29.0 FTE positions including $2,340,888 for staffing, $802,956 for operating and capital equipment and $1,020,654 for fringe benefits. The heavy equipment has already been purchased for the station, so all of these expenses will be ongoing.

Facilities Management Department

Additional funding for the Facilities Management Department (FMD) of $315,338 and 4/4.0 FTE positions associated with capital renewal requirements is included for FY 2015. These four positions include one Engineer III and three Project Managers. The Board of Supervisors approved a 3-year short-term borrowing plan of $35 million as part of the FY 2011 Adopted Budget Plan for the backlog of renewal projects at the time. Many of these backlogged capital renewal projects required multiple years to complete both design and construction and many are still underway. In addition, current staffing levels, the complexity of some of the projects, and staff requirements in other areas has delayed the completion of renewal projects up to four years. In order to be able to keep on schedule going forward and successfully manage the backlog of work these positions are necessary.

Office of Elections

In anticipation of recommendations emerging from the Commission appointed to identify requirements for funding within the Office of Elections, 7/7.0 FTE positions, including 2 election officer recruiters, an absentee voting position, a language coordinator, a supervisor, a technical position, and an administrative position are included for FY 2015 at a cost of $575,000. Additionally, $6.0 million is identified for FY 2015 for voting machine equipment pending recommendations from the Commission.

Department of Housing and Community Development
To address workload increases within the Board of Supervisors' initiative for Workforce Housing, 2/2.0 FTE positions are identified for FY 2015. Funding for the positions will be absorbed within Fund 30300, The Penny for Affordable Housing. Responsibilities for the positions include proffer review, inspections through the construction period, pricing, and coordination with other County agencies.

Department of Transportation
An additional position is included for the Department of Transportation for financial management support to address the increasingly complex work associated with the various funding streams supporting Department of Transportation projects and transit services. The cost for the position is $75,000.

Department of Neighborhood and Community Services
A new 32,000 square foot facility will house offices for the Providence District Supervisor and County police (small office primarily for paperwork, bicycle storage, and interrogations) while also providing on-site programming for all age groups, including a Senior Center, Teen Center, Community Center, Technology Program and Therapeutic Recreation programs. Located within the facility will be a full size gymnasium, class rooms, computer rooms, meeting space, fitness room, multi-purpose activity rooms and a therapeutic sensory room to serve participants with disabilities.

This facility will allow the Departments of Neighborhood and Community Services and Family Services to better provide prevention-based strategies and community building approaches in the delivery of services, meeting the needs of youth, families, older adults and persons with special needs throughout the County through innovative partnerships with community-based organizations and various non-profits. The agencies also expect to better serve the senior population given the expected growth and current near capacity attendance at DNCS senior centers in proximity to the new Providence Community Center. The center will open in FY 2015 and require 6/6.0 FTE additional staff and $1,891,061.

Police Department
Over the next twenty years, as the Tysons Corner Urban Center is developed, the County anticipates that the average daily population will double. The Fairfax County Police Department (FCPD) projects a similar increase in calls for police service, far outpacing the McLean District Station's resources. Long term, FCPD proposes merging all five existing patrol areas covering the planned Tysons Corner Urban Center into one patrol area. Driven by service needs, FCPD recommends the new patrol area be staffed strategically over the next thirty to forty years through a phased-approach, with Phase I implementation concurrent with the December 2013 opening of the Metro Silver Line. As part of the FY 2014 budget, FCPD total funding of $1,365,303 and 9/9.0 FTE new positions has been included. County staff will conduct a 5 year analysis of staffing requirements based on projected growth and other metrics to identify future year needs. Pending that review, in FY 2015 an additional 3/3.0 FTE positions and $405,321 is included. It should be noted that operational policing requirements for the Tysons Corner Urban Center are different than those for the current eight district stations. To ensure tactical safety due to the city scape, rail platforms, and vertical structure environments, officers assigned to the new Tysons Corner Urban Center district will patrol in pairs, utilizing other modes of transportation, such as foot patrol, bicycle patrol and Segways, reducing the need for police cruisers. Based on known research and information on the scope of development in Tysons, the increased population at certain times of day, and the resulting projected "mixed-use" policing needs in the Tysons corridor, staffing deployment methods need to change to meet these demands. It is anticipated that additional staff will be housed initially in a new McLean sub-station facility currently in the consideration phase; however final build-out plans will require a new district police station facility. The facility will be located to leverage redesign of other

police station district boundaries to meet emerging crime trends in areas such as Merrifield/Dunn Loring and South County which are also undergoing urbanization.

Two new Fairfax County Public Schools (FCPS) were recently opened, Mason Crest Elementary and South County Middle School. Although no new positions were created for these specific schools FCPD assigned personnel to the crossings, absorbing the workload within the existing position count. While FCPD anticipates being able to absorb the workload as well as the increased cost through the FY 2014 budget, FCPD requests funding of $75,787 and 2/2.0 FTE new School Crossing Guard positions in FY 2015.

Office of the Sheriff

Based on current projections of daily input populations it will likely be necessary to open additional space in the Adult Detention Center facility. Currently, sufficient staffing exists for the current ADP level being experienced; however, with projected growth of 50-60 inmates by 2015, it is likely that an additional ½ floor (and the commensurate additional positions that would be required to staff this) may be needed in the FY 2015 time period. This proposal would have a net cost to the County of $729,536 for 6/6.0 FTE positions including $436,061 for personnel services, $241,279 in fringe benefits, and $52,196 in operating costs. The proposal funds one Deputy Sheriff II, four Deputy Sheriffs II, and one Public Health Nurse II needed for one regular cell block or 48 beds. The operating costs include $35,000 for radios and the remainder for uniforms.

Office of Emergency Management (OEM)

The Department of Homeland Security recently decreased the Urban Area Security Initiatives (UASI) grant funding for the Federal FY 2013 budget. The estimated 10 percent reductions will again affect Tier 1 sites, including the National Capital Region. The Emergency Planner, Training and Exercise Officer and National Incident Management System (NIMS) Compliance Officer positions are all supported by UASI funding. FY 2012 funding of these positions is projected to run out in FY 2014, unless additional funds become available. As a result, it is anticipated that full-year costs for these 3/3.0 FTE positions of $350,000 is necessary for FY 2015. These merit positions are needed to create and maintain countywide emergency plans as well as develop and conduct countywide training and exercise functions to ensure County readiness for all disaster types. It should be noted that the impact of potentially losing UASI funding in the longer term is not limited to OEM. For example, the Police Department's NOVARIS program is primarily supported by UASI funding. At this time, they anticipate that sufficient UASI funding will be available to support estimated maintenance and upgrade costs. If federal UASI funding is not available, however, NOVARIS partner agencies may be requested to fund these costs, which are estimated at $322,816 for Fairfax County. Another program that is highly dependent on UASI funding is the National Capital Region Interoperable Communications Infrastructure (NCR-ICI); however, the most recent projections indicate that existing funding will be sufficient in the short term.

Fairfax-Falls Church Community Services Board

A total of 6/6.0 FTE Intellectual Disability Specialist positions in the Fairfax-Falls Church Community Services Board (CSB) are potentially needed to fulfill requirements of the U.S. Department of Justice (DOJ) Settlement Agreement with the Commonwealth of Virginia to provide community-based services to individuals with intellectual and developmental disabilities currently residing in state residential training centers. The County is in negotiations with the state to determine next steps, and, as a result, a plan will be developed to determine next steps and lay out the responsibilities of the state and the County. Demographics of consumers coming out of Centers are: 1) all have severe to profound range of intellectual disabilities; 2) 85 percent have complex and/or multiple medical/physical challenges; 3) 15 percent have behavioral issues; and 4) most are age 40 to 60 years old. Most of these individuals would likely be given Medicaid Waivers and receive services from the CSB's Employment and Day Support and Intensive Service – Support Coordination programs. This additional staff that might be necessary is to provide the required Case Management Services that would need to accompany individuals entering the community with a Medicaid Home and Community-Based Waiver. The full-year personnel costs for these positions would be $529,005 comprised of $372,807 for salaries and $156,198 for fringe benefits. In addition, operating costs of approximately $60,000 are likely to be incurred due to Information Technology costs, mileage reimbursement, leased office space and other basic expenses of a CSB direct services staff. Thus, the total loaded cost for these 6/6.0 FTE positions is $589,005. However, the six positions are anticipated to generate $548,520 in revenue, thus leaving a net cost of $40,485 to the CSB. An additional increase of $1,100,000 will support the June 2014 special education graduates of Fairfax County Public Schools turning 22 years of age who are eligible for day support and employment services who currently do not have a funding source for such services.

Planning and Development positions

Positions may be required for planning and development requirements that arise in various parts of the County over the next year. There is a significant volume of potential development and redevelopment activities throughout Fairfax County which may require staff support. The County is currently evaluating staffing requirements in order to ensure expedited processing of development requests and plans. Also, a long-term review of stormwater planning which is being undertaken might also identify position needs, which while not funded with General Fund resources, will need to be incorporated into multi-year planning of the budget.

All other increases *$29.0 million*

The major categories of additional increases are discussed below:

Contract Rate Adjustments

Based on the assumption that pay increases would be funded in FY 2015 for County employees, an average contract rate adjustment of 2 percent or $4.9 million is included for contract rates in the Department of Family Services, Health Department, Office to Prevent and End Homelessness, Department of Neighborhood and Community Services, County Transit Services and Fairfax-Falls Church Community Services Board. Individual contracts are not guaranteed a contract rate increase of 2 percent as a result of this funding, but the negotiated increases that are effective in FY 2015 would be funded from this adjustment.

New Facilities, Capital Construction and County Debt Service

Based on the timing of new facility construction, support will be required in FY 2015 for the Facilities Management Department totaling $1.4 million for general maintenance, utilities, and security. These costs reflect the full-year impact for facilities to open in both FY 2014 and FY 2015.

The Mid-County Human Services Center

The new 200,000 square foot facility will be for the Woodburn Center replacement, including the 24/7 Emergency Services, and will house mental health, substance use disorder, intellectual disability, emergency, health and wellness, youth and administrative services, as well as INOVA services through a 10-year lease agreement of 40,000 square feet in the facility. The specific program has not been identified by INOVA, but is believed to be a mix of administrative offices and educational classrooms; overnight care is prohibited by the contract of sale. New spaces to be added at Mid-County include: small emergency operations center, peer resource center, pharmacy, satellite primary care clinic, satellite offices for the Department of Information Technology (DIT) and Facilities Management Department (FMD), and consolidation of related Fairfax-Falls Church Community Services Board (CSB) program leadership from various County and leased spaces. The Mid-County facility will consolidate CSB services from various County sites and annual lease savings of approximately $1 million will be realized by the CSB. No new staff is needed for the new facility, although the CSB may request additional staff for program expansion in the future if INOVA vacates its space when the 10-yr lease ends. Occupancy is projected for September, 2104. In FY 2015, one-time startup costs of $2.5 million for the new facility are required and are associated with furnishings and equipment. Partial-year lease savings for the five leased sites of approximately $300,000 is used to offset this cost. Please note there may be other recurring savings such as reductions in maintenance costs, utilities, courier services, security personnel, and lab tests.

Capital Construction and Debt Service

One time savings in capital construction funding in FY 2014, primarily as the result of the use of $1.1 million in Park Authority balances to fund American's with Disabilities Act (ADA) requirements in FY 2014, need to be replaced and results in an increase in capital construction funding for FY 2015 of $1.5 million. In addition, a debt service increase of $4,757,635 is included in FY 2015 to reflect the required costs for County bond projects.

Other Cost Drivers

A number of other large, specific adjustments are included for FY 2015 as follows:

Consolidated Community Funding Pool (CCFP)

FY 2015 is the first year of a two-year funding cycle. Consistent with prior year cycles, the FY 2015 budget contains an increase of 5 percent or $493,388. Given potential reductions in federal support which are also part of the funding pool process, on top of reductions that have already occurred, this funding is necessary to maintain program goals as an important component of the human services system. The CCFP process is a partnership between the County and community nonprofit and faith-based organizations and leverages funding from all partners.

Fire and Rescue Apparatus – Volunteer Companies

Currently, out of the 12 volunteer fire departments in Fairfax County, four have notified the Fire and Rescue Department (FRD) of their inability to replace, two have identified concern over replacement and six have committed to the continued purchase of volunteer-owned large apparatus. FRD has proposed a partnership whereby FRD will use volunteer contributions (when available), one-time year-end balances, and Fire Programs Grant funding (up to $1 million per year, maximum) to assist with the initial purchase of five large volunteer units (two engines, one tower and two rescues) that require replacement in the FY 2013 – FY 2018 time period. These five vehicles represent the known universe of large volunteer units that will require assistance in funding their replacement in this timeframe. While there are no FY 2014 General Fund dollars necessary to support this proposal, future-year General Fund increases to the Large Apparatus Fund will be required. Per FRD analysis, the addition of these vehicles to the fleet would require a maximum increase of $775,000 to the annual contribution from County Funds. As a result, an increase of $775,000 in annual vehicle replacement contributions is included for FY 2015 to ensure that the reserve remains adequately funded.

Of the 106 front-line vehicles career FRD staff operates daily for emergency response, 35 are owned by volunteer companies. These vehicles are not additional or extras, they are operated 24-hours a day/7 days a week with career personnel as part of the minimum staffing calculation. Without these vehicles, FRD does not have the apparatus available to provide the current level of emergency response coverage throughout the County.

Because these are front line units, FRD must purchase replacements or daily emergency response coverage will fall below currently established numbers. These thresholds have been established in order to provide the greatest coverage by each vehicle type in order to reduce response times to medical and fire emergency calls. Elimination of vehicles and associated staffing would result in response time delays. Even with current staffing, FRD does not meet several of the National Fire Protection Association's (NFPA) standards for fire protection and emergency medical response.

The reasons that replacement by the volunteer organizations is no longer possible is the result of a combination of several factors – including the economy's impact on fundraising activities, as well as more stringent federal emissions standards, federal safety regulations and material costs.

Fire and Rescue Apparatus

An increase of $1,000,000 is required to support the second year of a multi-year process to gradually increase the annual contributions to the Large Apparatus Replacement Fund and Ambulance Replacement Fund. This funding is in addition to the department dedicating additional grant funds, additional baseline funds and one-time contributions in support of this effort. Additional contributions are required due to increasing cost of vehicles, some fleet growth, and a contribution level that has remained flat since FY 2007. Without additional funding, the replacement reserves will be depleted in FY 2016. The FY 2014 budget also contains a $ 1.0 million increase to the two FRD reserves. At the same time, FRD will also increase its baseline contribution to the Large Apparatus Reserve by $250,000 and support some ambulance purchases through the use of Four-for-Life grant funds. FRD, with the assistance of the Department of Management and Budget, has developed several scenarios with the goal of stabilizing the replacement reserve and ensuring sufficient funding is available in future years. These plans include additional one-time, inflationary and baseline contributions from both FRD and the General Fund from FY 2013 forward. It should be noted that given the current inventory and replacement cycle, the annual contribution should be in the $5-6 million range for the Large Apparatus Replacement Reserve and approximately $1 million for the Ambulance Replacement Reserve. The current (FY 2013) annual contributions are $2.9 million and $0.2 million, respectively.

Fuel

Based on the latest estimates for increases in usages and per gallon costs, an adjustment of $1.0 million is included for FY 2015. The increase for FY 2014 is only $140,000.

Fairfax-Falls Church Community Services Board Intellectual Disability Services (IDS)

An increase of $1,100,000 will support the June 2014 special education graduates of Fairfax County Public Schools turning 22 years of age who are eligible for day support and employment services who currently do not have a funding source for such services. This funding maintains the program as currently designed and is intended to prevent any Special Education graduates from being without services. It is anticipated that the Board of Supervisors will be reviewing the work of staff and the consultant tasked with identifying service model adjustments for IDS that will be available in the spring of 2013. Any adjustments generated as a result of that review and subsequent policy decisions will be available as savings to the FY 2015 budget.

INOVA Translational Medicine Institute

Based on the Board of Supervisors' support of the establishment of the Translational Medicine Institute, an increase of $1.1 million is included for FY 2015. The Board has indicated that it intends to support the Institute over a multi-year period with a total contribution of $11 million and it is anticipated that this support will commence in FY 2015. The Institute is intended to translate advances in genomics and molecular sciences into major improvements in personalized health care, both in the prevention and treatment of serious illnesses and is also an economic development initiative. It is anticipated that the Board of Supervisors will approve the means of making this contribution as part of the FY 2015 budget.

Information Technology (IT) Project Support

The County's strategic IT investments in major technology projects improve access to County services, promote government operational efficiencies and effectiveness, and increase performance and security capabilities. They include automation for County agencies, requirements aligned with countywide strategic importance, enterprise technology infrastructure, and enterprise-level or inter-agency corporate systems. The County's technological improvement strategy has two key elements. The first element is to provide an adequate infrastructure of basic technology for agencies in making quality operational improvements and efficiencies. The second is to redesign business processes and apply technology to achieve large-scale improvements in service quality and achieve administrative efficiencies. The County's long-term commitment to providing 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. The FY 2014 budget reflected a reduction of $2.4 million from the FY 2013 Adopted funding level as a budget balancing effort. In FY 2015, this $2.4 million is funded to accommodate necessary information technology projects.

Office of Elections Voting Machines

In anticipation of recommendations emerging from the Commission appointed to identify requirements for funding within the Office of Elections, $6.0 million is included for FY 2015 for voting machine equipment.

Next steps in the Multi-Year Process

While this comprehensive baseline sets the stage for the FY 2015 budget, as a result of the existence of the projected deficit, there will need to be adjustments made to what is funded or what is available. Some of these changes will occur naturally over the next year before the release of the FY 2015 and FY 2016 Multi-Year Budget. Some others will require policy decisions to be made. In addition, the following cost avoidance, efficiencies and service reductions and revenue enhancement options are identified to ensure a balanced budget in FY 2015.

Cost Avoidance

A number of items outlined above could be deferred beyond FY 2015 if necessary to balance the budget. As an example, the County has selectively made decisions to defer capital or IT projects in the past to balance the budget. In addition, some of the position requirements driven by anticipated workload, such as expansions in the Adult Detention center population, may not materialize.

Efficiencies and Service Reductions

The next items for review in order to balance the FY 2015 budget would be additional reduction options. As the County Executive stresses in his transmittal letter to the Board of Supervisors, the level of services that are being provided are repeatedly communicated to him by the community as the right array that the community wishes to have continued. However, in light of the need to balance the budget, these services will need to be reviewed again. As part of the development of the Multi-Year Budget, departments have identified what types of reductions would be reviewed and these will be evaluated to determine what program reductions may need to be discussed for FY 2015.

Staff also has begun several significant projects anticipating the need for budget savings in FY 2015 that will be able to respond to changing dynamics and thereby minimize the impact on services while generating significant efficiencies. Among these is a review of the continuum of services provided by the Department of Neighborhood and Community Services, Health Department, and Department of Family Services for senior adult services, the school-age child care program, and the model of service provision at County Libraries.

Projects to Identify Service Efficiencies

Senior Services
Services for senior adults is an area that will continue to grow as the community ages while remaining active and engaged. As a result, staff is working to identify a more efficient and effective way of providing the current continuum of senior adult-specific services. A working group of staff from the Departments of Family Services, Health, Neighborhood and Community Services, Human Resources, and Management and Budget, under the direction of the Deputy County Executive for Human Services, will be identifying opportunities for changes in the way services are provided in the County.

School-Age Child Care (SACC)
Another County service which has received significant attention in the last several years of constrained budgets is the School-Age Child Care (SACC) program. County staff has worked to maximize cost recovery and generate efficiencies without compromising the high quality of the program. In FY 2014 rates will increase by 5 percent, thus bringing the SACC cost recovery rate closer to 80 percent. This was done while still maintaining the County's commitment to provide subsidized childcare to low-income families and children with special needs. Beginning in FY 2010, new SACC rooms were opened using a modified staffing model which utilized a combination of merit and benefits-eligible employees. After several years of experience, this model has been successful and staff will now implement the new model in all SACC rooms. As a result, a total of 115 Teacher I merit positions will be converted to benefits-eligible positions as they become vacant. Based on the current rate of attrition, it is anticipated that full implementation of the new staffing model will take three years. The first phase of the staffing model will be implemented in FY 2014 with the conversion of 30 positions generating savings of $272,343. The remaining positions will be converted in FY 2015 and FY 2016. In addition, staff is evaluating the extended day pilot program implemented in September 2010 at White Oaks Elementary and will be reporting the results to the Board to see if this alternative service model is an option at the remaining three schools where SACC is not offered.

Library Operations
The Fairfax County Public Library (FCPL) will work over the coming years (FY 2015 and beyond) with a completion goal of three to four years to significantly restructure the agency. Staffing will be reduced through attrition and position redirection to centralized functions. Public service hours will be expanded, striving for consistent hours across all library branches; a single point of contact for customers will be developed in each branch, and the materials collection will be refreshed and circulated in a new manner resulting in greater efficiency with reduced resources.

Revenue Enhancements

The final options for balancing the budget are a number of revenue enhancement options that are possible for consideration for FY 2015. These do not include an increase to the Real Estate Tax rate as the increase in FY 2014 is designed to preclude the need for any additional adjustments to the Real Estate Tax rate in FY 2015. The focus would therefore be on other revenues. The County periodically reviews all user fees to determine if there are necessary adjustments that should be made to the various rates and fees. This User Fee Study will be undertaken as part of the FY 2015 and FY 2016 Multi-Year Budget. It is important to note that many user fees such as School-Age Child Care fees and Land Development Service fees, which were raised in FY 2014, are already reviewed annually. In addition, many of the County's charges have maximums set by the State. User fees and charges not set by the State total approximately $95 million, or 2.7 percent, of the total General Fund budget, so adjustments to individual fees will not result in significant increases.

Conclusion

As a result of the multi-year budget process, the projected deficit for FY 2015 is $39.70 million. It is important to note that this deficit is predicated on the $0.02 increase in the Real Estate Tax rate which is included in FY 2014, **and no tax increase is anticipated for FY 2015 based on the assumption of this tax rate being implemented.**

The importance of this tax rate increase in FY 2014 to address the multi-year issues that have been laid out in the County Executive's letter and above is significant. For example, without the tax rate increase, there would be a deficit in FY 2015 of $80 million, which is not manageable without significant actions.

The FY 2015 projections are based on a comprehensive list of requirements based on information available today. There are clear priorities within the items identified for funding, and there is also the potential for changes as more information is available over the course of the next year. The items that need to be funded in FY 2015 will therefore be considered in the context of Board priorities, and decisions will be made by the County Executive on what specific items to recommend for FY 2015 and which items to exclude or delay until FY 2016. In addition, revenue estimates will change between February 2013 and February 2014. This is always the case, but even more likely given the uncertainties concerning the federal budget that currently exist.

The detailed summary of historical and projected funding follows:

Fairfax County, Virginia
Multi-Year Budget Plan Summary
FY 2014 Budget Process
FY 2010 - FY 2015
(in millions)

	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Revised	FY 2014 Recommended	FY 2015 Projected	Increase/ (Decrease) Over FY 2014	% Increase/ (Decrease) Over FY 2014
Positions	**9,407**	**9,542**	**9,684**	**9,681**	**9,618**	**9,687**	**69**	**0.7%**
Beginning Balance	**$185.39**	**$240.28**	**$236.24**	**$209.44**	**$87.94**	**$85.42**	**($2.52)**	**(2.9%)**
Revenues								
Real Property Taxes	$2,115.97	$2,019.84	$2,047.28	$2,116.23	$2,228.38	$2,290.09	$61.70	2.8%
Personal Property Taxes	296.17	301.97	316.92	340.54	336.32	358.59	22.27	6.6%
General Other Local Taxes	460.15	505.52	517.38	523.49	523.25	543.29	20.03	3.8%
Permit, Fees & Regulatory Licenses	28.67	34.27	36.84	34.65	35.19	36.05	0.86	2.4%
Fine & Forfeitures	14.94	16.56	14.08	14.61	14.86	14.94	0.07	0.5%
Revenue from Use of Money & Property	21.82	18.81	18.40	17.16	15.67	13.96	(1.71)	(10.9%)
Charges for Services	62.98	64.09	69.63	70.77	72.69	73.23	0.54	0.7%
Revenue from the Commonwealth	295.69	309.03	304.69	307.35	303.20	303.20	0.00	0.0%
Revenue from the Federal Government	48.28	38.42	40.22	34.40	25.68	25.68	0.00	0.0%
Recovered Costs/Other Revenues	5.94	12.50	14.24	14.86	14.94	14.94	0.00	0.0%
Total Revenues	**$3,350.61**	**$3,321.01**	**$3,379.68**	**$3,474.06**	**$3,570.19**	**$3,673.95**	**$103.76**	**2.9%**
Transfers In	**$12.12**	**$8.06**	**$6.90**	**$6.77**	**$18.65**	**$9.15**	**($9.50)**	**(51.0%)**
Total Available	**$3,548.12**	**$3,569.35**	**$3,622.82**	**$3,690.27**	**$3,676.78**	**$3,768.52**	**$91.74**	**2.5%**
Direct Expenditures by Program Area								
Legislative-Executive Functions / Central Services	$92.00	$92.92	$98.98	$105.30	$101.67	$109.75	$8.08	7.9%
Judicial Administration	31.18	31.52	31.02	33.80	32.99	33.49	0.50	1.5%
Public Safety	401.76	397.92	403.11	430.58	424.68	447.65	22.97	5.4%
Public Works	62.04	61.63	63.88	72.93	67.74	69.96	2.22	3.3%
Health and Welfare	253.26	278.25	293.63	311.50	285.77	299.01	13.24	4.6%
Parks and Libraries	69.73	47.75	47.35	51.37	50.00	51.00	1.00	2.0%
Community Development	47.56	43.02	42.77	47.16	45.89	46.71	0.83	1.8%
Non-Departmental	203.91	235.32	261.55	289.33	299.85	311.60	11.75	3.9%
Total Direct Expenditures	**$1,161.44**	**$1,188.33**	**$1,242.28**	**$1,341.97**	**$1,308.60**	**$1,369.18**	**$60.58**	**4.6%**
Transfers Out								
Schools Operating	$1,626.60	$1,611.59	$1,610.83	$1,683.32	$1,716.99	$1,768.50	$51.51	3.0%
Schools Debt Service	163.77	160.21	159.74	164.76	172.37	178.68	6.31	3.7%
Subtotal Schools	**$1,790.37**	**$1,771.80**	**$1,770.57**	**$1,848.08**	**$1,889.36**	**$1,947.17**	**$57.82**	**3.1%**
County Transit	$21.56	$31.99	$34.46	$36.55	$34.55	$34.55	$0.00	0.0%
Information Technology	13.43	19.02	16.18	14.28	2.91	5.28	2.37	81.3%
Community Services Board	93.62	93.13	100.50	109.61	109.23	111.87	2.64	2.4%
County Debt Service	110.93	121.66	116.78	116.85	118.80	123.56	4.76	4.0%
Metro	7.41	7.41	11.30	11.30	11.30	11.30	0.00	0.0%
OPEB	9.90	13.90	27.74	28.00	28.00	28.00	0.00	0.0%
Capital Paydown	20.90	15.91	19.63	17.89	13.93	15.43	1.50	10.8%
Other Transfers	78.28	69.96	73.95	77.80	72.28	73.83	1.56	2.2%
Subtotal County	**$356.03**	**$372.98**	**$400.53**	**$412.28**	**$391.00**	**$403.82**	**$12.82**	**3.3%**
Total Transfers Out	**$2,146.40**	**$2,144.78**	**$2,171.10**	**$2,260.36**	**$2,280.36**	**$2,351.00**	**$70.64**	**3.1%**
Total Disbursements	**$3,307.84**	**$3,333.11**	**$3,413.38**	**$3,602.33**	**$3,588.96**	**$3,720.17**	**$131.22**	**3.7%**
Total Ending Balance	**$240.28**	**$236.24**	**$209.44**	**$87.94**	**$87.82**	**$48.34**	**($39.48)**	**(45.0%)**
Less:								
Managed Reserve	$68.01	$68.04	$69.34	$72.05	$71.78	$74.40	$2.62	3.7%
Other Reserves	69.04	63.13	62.78	15.89	13.64	13.64	(0.00)	(0.0%)
Total Available	**$103.23**	**$105.06**	**$77.32**	**($0.00)**	**$2.40**	**($39.70)**	**($42.10)**	**(1752.1%)**