County of Fairfax, Virginia

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

February 25, 2014

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia

Chairman and Board Members:

I am pleased to present the FY 2015 and FY 2016 Multi-Year Budget Plan to the Board of Supervisors and the community. We have had a very busy and productive year, and I am more optimistic about the prospects for the County budget than I was at this time last year. Much of that optimism is due to the continued willingness of the Board to make the difficult decisions discussed last year as it related to adjusting the Real Estate Tax rate, investing in the organization and the community, and being flexible as the County faced fiscal challenges. We have also weathered the initial impact of sequestration and the federal shutdown fairly well and benefitted tremendously from the State transportation funding package approved by the General Assembly in 2013. That said, we are still not back to the value of real property in the County that we were when we peaked in FY 2008 (for residential) and in FY 2009 (for commercial), nor is all of the uncertainty concerning the federal budget resolved. So we must persist in our cautious and deliberative approach to budgeting, only funding items that are sustainable. We also must be ready to make the necessary decisions to maintain investment in our services, infrastructure and in the development of the community. As you will see when I lay out the details of the budget, almost all of the increase on the County side of the budget is for capital investment and for employee compensation. These are two critical elements of our continued success.

A Stable Budget

If I had to choose a theme for FY 2015 and FY 2016, and in direct contrast to the uncertainty that reigned at this time last year, it would be one of stability. The revenue growth we are anticipating for FY 2015 is solid at 3.44 percent over the FY 2014 estimate, but not robust. FY 2016 growth is very similar at 3.68 percent. At the same time, the requirements that we have before us are significant but not overwhelming.

One of the primary drivers of this budget is the paramount need to preserve and enhance the services and programs that make Fairfax County a great place to live, work and play. I said it last year and I will say it again, our residents and businesses are attracted to and remain in Fairfax County because of what we have to offer. What we have to offer is incredible: an outstanding school system; a robust workforce essential in attracting and retaining our businesses; a very safe community due to our outstanding public safety workforce; a community that is environmentally conscious; a safety net to catch those most in need; great amenities such as libraries and parks; a strong financially managed County; and outstanding leadership by the Board of Supervisors in charting the proper balance among our many competing demands. During the last few years of budget reductions, preserving core programs has been successful. And yet, we have made significant reductions in the way our services are delivered by working to find the most efficient and cost effective ways to provide those services necessary for our residents. In some cases, we have changed hours of operation, reduced service levels and eliminated some services to reach core service levels supported by the community. I believe we have reached this service level and that further across the board and significant reductions cannot be made without undermining these core services. In fact, just as we have reached these baseline service levels, we are already feeling the pressure to enhance and expand selected services in areas of widespread community concern. These areas including public safety, economic development, transportation, human services and education, will require enhanced investment.

Investments

I am recommending increases in both employee compensation and in the operating transfer to the Fairfax County Public Schools, clearly two of our largest requirements. As the deliberations on this budget begin, I anticipate that these will be two primary topics for discussion by the Board and community. I am basing my recommendations on maintaining the tax rate at the current level, complying with the Multi-year Budget Plan to provide a 2 percent increase to Schools, and balancing compensation needs between pay and benefits. In addition to these major areas and the capital investments I am recommending, I have included funding increases for a small number of priorities that the Board has identified, including behavioral health services for youth, school readiness for preschoolers and domestic violence services. Finally, the ever changing requirements for information technology, especially in the area of Public Safety, means we need a significant and ongoing investment. As I will outline below, there are a number of funding needs on the horizon and I have directed staff to begin a multi-year technology review that I anticipate will be a part of the FY 2016 budget discussion. For FY 2015, I am recommending increased funding for information technology including starting the costly process of migrating to the next generation of E-911 hardware and software. Finally, I have also laid out a number of high priority requirements beginning in FY 2016 focused on public safety staffing requirements.

As I have stressed over the course of the last year, we need to identify what level of employee compensation growth is fair and sustainable in the current fiscal environment. The discussions that have occurred to-date between employees and the Board have not resulted in a consensus. The Board has committed to continuing and expanding this discussion so a plan for future years can be developed. In addition, the Board will have the opportunity to supplement the funding that I have recommended for FY 2015. I am very pleased to be able to recommend increases that will benefit every County employee after we were unable to do so in FY 2014, especially since one of the concerns we heard during the workforce dialogues was that FY 2015 would be another year with no increases for our employees.

The debate over School funding has also begun. The gap between the School Board request and my recommendation is 3.7 percent or almost $64 million. While we typically start at different points, the size of this discrepancy is challenging. There is some good news in the Governor's budget that may help address some of this gap and I look forward to working with the Superintendent and the two Boards to close this gap efficiently and effectively.

Multi-Year Plan

This budget also continues many of the initiatives implemented last year - notably the multi-year budget process. We have started to look at a number of issues over a longer period of time. The Board has already been briefed on, and concurred with, the multi-year rate setting approach for stormwater management. The Public Safety staffing plan that I suggested and was supported by the Board in their Budget Guidance has been developed and is being released simultaneously with the budget to help inform the discussion of our requirements over the next five years. You will see some enhancements to the Capital Improvement Program (CIP) also being released today, that are designed to make the discussion of our capital requirements more clear and inclusive. Both of these topics will be discussed at Budget Committee meetings in the Spring.

I commend the Board for its commitment to the multi-year perspective and I applaud the efforts of the Infrastructure Financing Committee which will be providing its own set of recommendations in the coming weeks. The County Board members, School Board members and staff supporting this committee have worked hard all year to identify areas for improvement and I look forward to seeing the outcome of this work. The capital needs of both the County and Schools must be viewed as a priority investment and funded for the long term. We are in the process of assessing our facility inventory and its condition and this information will better define our capital needs, both for General Fund contributions and bond referenda in the future.

The budget being presented today maintains the real estate tax rate at the FY 2014 level of $1.085 per $100 of valuation. I am very pleased to be able to present you with a balanced budget while being able to meet our commitment of eliminating the use of any one-time balances in FY 2015. You have heard me mention the importance of not relying on reserves for operational requirements. Later in this letter I will also discuss some of the recent feedback we have concerning our bond rating which re-emphasizes the importance of this financial management decision.

As you know, we have a balance identified at Carryover of approximately $15.1 million. We also have audit adjustments totaling $1.5 million that add to this balance for a total available of $16.6 million. Again, I have not used this funding to balance the FY 2015 budget. Instead, I have a long list of potential one-time uses at our Third Quarter or Carryover Reviews which is the appropriate use of these one-time balances. The list includes funding the increase for the latest accrued liability requirement for our self-insurance program, the County's contribution to the Laurel Hill Adaptive Re-use Site public-private partnership, assessments for capital facilities necessary to identify our long-term capital needs, and possible support for recommendations from the Infrastructure Financing Committee.

As we begin discussing the budget it is always necessary to lay out the current economic outlook as the context in which my recommendations and your decisions will be made.

Economic Overview and the Federal Budget

Nationally

The U.S. economy grew at an estimated rate of 3.2 percent during the fourth quarter of 2013. Consumer spending was especially strong, adding 2.3 percentage points to the total growth estimate. In addition, growth in exports contributed to the gain, a trend that is expected to continue into 2014. Federal spending, on the other hand, subtracted a full percentage point from economic growth during the fourth quarter due to the October shutdown and the effects of the spending sequester. With the successful approval of a bi-partisan budget deal, federal spending is not expected to be as much of a drag on economic growth in 2014. Most economists anticipate the economy to expand approximately 3.0 percent in calendar year 2014.

Nationwide, employment gains continued in 2013. On average, 182,000 jobs per month were added during 2013, about the same as in 2012, when job growth averaged 183,000 per month. Job growth slowed in December and January, adding just 75,000 and 113,000 jobs, respectively. The especially weak job performance in December was attributed to significant winter storms throughout the country. The unemployment rate in January was 6.6 percent, the lowest level in five years; however, there is concern that recent declines in the unemployment rate are partially due to the long-term unemployed giving up on looking for work.

Home prices nationwide recorded strong gains in 2013. According to the S&P/Case-Shiller home price index, home prices nationwide were up 13.7 percent for the 12 months ending November 2013. This was the strongest November performance since 2005. Home prices in the Washington Metropolitan area posted a 7.8 percent gain during the same period. While still expected to be positive, the pace of home price appreciation is expected to slow somewhat during 2014.

In Fairfax

Economic growth in the County improved in 2013. Based on preliminary estimates from IHS Global Insight, Gross County Product (GCP), adjusted for inflation, increased at a rate of 1.4 percent in 2013, up from just 0.6 percent in 2012. The County's unemployment rate remains well below the state and national level at 3.6 percent as of December 2013, a decline from 4.0 percent in December 2012.

Total annual employment in Northern Virginia in 2013 was 1.37 million, an increase of 16,700 jobs, or 1.2 percent, over 2012 based on preliminary estimates. The increase represents a solid gain; however employment figures were not quite as strong as in 2012 when 23,500 jobs were created. Industry sectors that created new jobs include Hospitality, Retail and Financial Activities. The number of federal jobs in Northern Virginia fell by 800 while employment in Professional Business Services, which includes most federal contractors, dropped by 1,100 jobs during the year. While County data is not yet available for calendar year 2013, preliminary data show that the average number of jobs in Fairfax County through June 2013 was 588,735, an increase of 1,483 jobs over the average of the first six months of 2012.

According to the Economic Development Authority, the commercial office market in the County remained sluggish during 2013, primarily due to federal budget issues. At year-end 2013, the direct vacancy rate was 14.9 percent, up from 14.4 percent at the close of 2012. This is the highest level since 1991 when it was 16.8 percent. Including sublet space, the overall office vacancy rate was 17.1 percent, up from 16.7 percent at year-end 2012. Government contractors have consolidated operations throughout the Washington area and retooled operations in order to operate in an economic environment less dependent on government procurement spending. Total leasing activity in 2013 rose to 11.6 million square feet, an increase over the 2012 level of 10.7 million square feet. Lease rates for new space are adjusting to market conditions. Many tenants are taking advantage of favorable rates and others are looking to capitalize on market conditions by consolidating operations in newer space near Metro. The Tysons market is uniquely positioned to take advantage of this trend with more than 26 million square feet of new office space in the pipeline.

At the close of 2013, there were nine buildings totaling nearly 1.0 million square feet under construction. More than 69 percent of the new office space under construction is speculative development. This interest in speculative development reflects confidence in the stability of the Fairfax County office market. However, as vacancy rates continue to increase there could be concern that this space will not be easily leased. Development has been focused along Metro's Silver Line, which is scheduled to open in Tysons and Reston in early 2014. However, Merrifield continues to see development as does Springfield and the Route 1 corridor, all vital to our continued strength.

The County's Bond Rating

I wrote you last year about the negative outlook placed on County bonds by Moody's Investors Service. This outlook was the result of the issues surrounding the federal budget and debt concerns as a result of the determination by Moody's that there was an indirect linkage between Fairfax County and the federal government based on a perceived reliance on federal expenditures and contracting. Additionally, pending any downgrade of the federal rating, Moody's had been clear that Fairfax and 4 states and 40 other localities "linked" to the federal government would also be downgraded. To our relief, based on the progress at the federal level, we were removed from negative outlook this past summer.

However, in January as they reaffirmed our triple-A bond rating, Moody's again raised concerns and moved the outlook for our bond rating from stable to negative. In assigning the negative outlook, Moody's notes areas of concern including the County's reserve balances/structural imbalance and pension liability funding. I would note that the triple-A was reaffirmed by all three rating agencies and only Moody's expressed concern about the future outlook of our bonds.

With their negative outlook, Moody's noted that the County's available reserves have decreased due to three years of declining balances. Moody's contention is that the County reserves are not sufficient, especially when compared to other triple-A jurisdictions. As the Board is aware, the County has a conservative reserving practice whereby reserves are identified for specific uses which include the Managed Reserve at 2 percent of General Fund Disbursements, the Revenue Stabilization Reserve at 3 percent of General Fund Disbursements and available replacement reserves. These other reserves include replacement reserves for vehicles, public safety apparatus, and some technology equipment, as well as for potential losses associated with the County's self-insurance programs. Despite the existence of these specific reserves, Moody's has determined that the County's level of reserve funding is inadequate. Specifically Moody's identified the fact that declining reserves meant that we had a structural imbalance. The commitment to not using one-time balances in FY 2015 is important to eliminating this concern.

In addition, Moody's cited concern about the funding of the County pension liabilities. Moody's does not consider the actuarially calculated corridor funding level to be sufficient. In 2002, the County adopted the corridor funding approach to its pension liabilities. This policy, in practice for over a decade and validated annually by the County's actuaries, has been designed to decrease the year-to-year volatility of the County's annual contribution rates as a percent of payroll. The County has consistently funded its pension systems in accordance with the funding levels required in County Code. Following the global recession and weak investment returns in FY 2008, the County committed to fund its pension systems beyond the minimal annual amount that is calculated in accordance with County Code defining the corridor. Moody's action discounts this historical trend of appropriately funding the County's systems, as well as the County's deliberate action to increase funding to its pension systems over the last few years. In 2013, Moody's changed its own rating criteria for the evaluation of pension funding levels. The County believes Moody's rating action reflects a change in Moody's rating methodology and not any deterioration in the strength of the County's pension funding given that funding ratios improved in 2013 for all three County pension plans. The County pension funds remain adequately funded and employees need not be concerned.

In the short-term we do not anticipate that this negative outlook will have a significant impact on how we are viewed in the market. In fact, the response to our bond sale in late January was extremely positive in terms of the number of bids received, how close the bids were, and how low the winning bid was.

At the same time I think we should use this input from Moody's constructively. First, in order to be able to demonstrate that we do value the importance of the reserves we have, it is critical that we do not use any one-time funds to balance the FY 2015 budget. As I mentioned previously, this budget uses no one-time funding. Given the way Moody's calculates declining balances from year-to-year the use of one-time balances is viewed very negatively because of the implication of a structural imbalance. Second, while I have not specifically recommended any increase in reserves at this time, I would advise that the Board consider, over a multi-year period, increasing the amount of funding we have in reserve. I have directed staff to identify some options and I will return to the Board with recommendations prior to the end of FY 2014. Third, we have made the case to Moody's that the Board has already taken policy action to strengthen our pension funding, as I described above. However, we have not made any practical improvements since FY 2011 so I have included funding as part of this budget so that we begin progressing through the corridor. My goal is that by the end of the decade our target for amortizing our funding is at 100 percent. We have an opportunity in FY 2015 to make some progress on this front with a limited investment because of the strength of the returns and other factors I discuss below. I have also anticipated a similar commitment in FY 2016.

In the context of the current economic outlook, I will now lay out the recommendations I have included in the FY 2015 budget and planned for FY 2016.

FY 2015 Budget Summary and FY 2016 Budget Plan

In November I briefed the Board on the County's Fiscal Forecast for FY 2015 and FY 2016. At that time, I indicated projected shortfalls of $39.4 million for FY 2015 and $57.7 million in FY 2016. Today I am presenting balanced budgets for both years. In summary, the FY 2015 budget is not only in balance but results in $10.6 million available to be used by the Board as they make their decisions on the budget. This balance is available while maintaining the current real estate tax rate of $1.085 per $100 of assessed value, eliminating the use of one time balances, funding the Fairfax County Public School transfer at 2 percent and meeting a number of County priorities I will go into more detail below.

Multi-Year Budget Plan

For FY 2016, I anticipate revenue will increase approximately $140 million, or 3.68 percent. Spending projected for FY 2016 is an increase of just over $130 million and includes new positions and support of our many public safety and human services programs. For Fairfax County Public Schools, the FY 2016 budget proposal includes a 2 percent increase in the County transfer for School operations and the required increase for School debt service to continue to support annual School bond sales of $155 million. While we continue to discuss our pay structure I have assumed across the board increases of 2 percent for County employees. Eliminating the structural imbalance in FY 2015 makes balancing the FY 2016 budget possible, and, in fact, we have a modest balance of almost $14 million. Keeping the current tax rate is also possible; however, it goes with the trade-off of not having as much flexibility for employee pay, schools or other priorities the Board may wish to address. Detailed information about the FY 2016 proposal is included in the Multi-Year Budget – FY 2015 and FY 2016 section of the Overview following this letter.

I think it is important to discuss the budget in multiple years to allow the County to take advantage of opportunities and address challenges that do not limit themselves to a 12-month period. This multi-year budget approach produces a more informed discussion but does not replace the annual budget process as the Board will need to make annual budget appropriation and tax rate decisions. However, the 2-year approach helps define the impacts of today's budget decision on the future. Most importantly it promotes a continuous discussion of the challenges before us, whether they are public safety staffing projections, stormwater service district requirements, School funding, Information Technology trends or capital needs. It also allows us to reflect the sustainability of our actions.

FY 2015 Budget: All Funds

As always our focus is on the General Fund and its impact on our residents and businesses, but it is important to recognize that there are other funds through which important services are provided to the community. All Fund Revenues in the FY 2015 Advertised Budget Plan total $7.320 billion. This County revenue total is an increase of $280.02 million, or 3.98 percent over the FY 2014 Adopted Budget Plan. On the expenditure side, the FY 2015 Advertised Budget Plan totals $6.955 billion. This total County funding is an increase of $203.38 million, or 3.01 percent, over the FY 2014 Adopted Budget Plan.

Additional detail concerning non-General Fund revenues, expenditures, and positions is available in the *Financial and Statistical Summary Tables* of the Overview and in Volume 2 of the County Budget.

FY 2015 Budget: General Fund

FY 2015 General Fund Revenue

FY 2015 General Fund revenues are projected to be $3,707,705,268, an increase of $123,377,394, or 3.44 percent, over the *FY 2014 Revised Budget Plan*, which contains the latest FY 2014 revenue estimates, and an increase of $148,157,621, or 4.16 percent, over the FY 2014 Adopted Budget Plan.

On the County's real estate front, residential home values are continuing to improve. The number of homes sold increased in 2013, back to a level on par with the average number sold during the previous seven years. The average price of homes sold rose and the number of days on the market fell. Foreclosures and mortgage delinquencies fell. All of these indicators are very positive and, as a result, overall residential equalization reflects a 6.54 percent increase in FY 2015, compared to a 3.50 percent increase in FY 2014. The average value of a residential unit in FY 2015 is $497,962. Non-residential values remain a significant concern as they are essentially level with FY 2014, decreasing 0.10 percent in FY 2015, compared to the 0.14 percent rise in FY 2014.

The value of a penny on the Real Estate Tax rate is $21.86 million in FY 2015. Each penny change in the tax rate equals $49.80 on a taxpayer's bill. My budget recommendation proposes that we maintain the Real Estate Tax rate at $1.085 per $100 of assessed value. At this rate, FY 2015 Real Estate taxes per "typical" household would increase $331.67 over FY 2014.

We carefully reviewed options for revenue enhancements, large and small, that could help as we built this balanced budget. No one likes fees to increase but we have heard consistently from the community, including the Board's budget committees, to maximize General Fund revenues from rate setting that reduces, even if by only a small amount, our reliance on real estate taxes. As a result I am recommending a number of fee increases including:

> ***EMS Transport rates*** are recommended to increase from the current rate structure. Basic Life Support (BLS) transport is recommended to increase from $400 to $500; Advance Life Support 1 (ALS-1) transport from $500 to $650; Advance Life Support 2 (ALS-2) transport from $675 to $800; and the current charge of $10 per mile transported is recommended to increase to $12 per mile transported. The proposed EMS Transport fee increases are estimated to generate an additional $1.0 million in FY 2015. The recommended change to the current EMS Transport fees is necessary to bring the County's rate structure in line with other jurisdictions in Virginia. The revenue generated by this increase will directly support necessary expenditures for an extra ALS class at the Fire and Rescue Academy to ensure that we have a sufficient number of ALS providers on staff.
>
> ***School-Age Child Care (SACC) fees*** are increased by 1.3 percent, consistent with salary increases for employees which will generate $0.5 million in additional revenue.
>
> ***Animal Shelter adoption and boarding fees*** are also proposed to increase in FY 2015. The current adoption rates are $40 for dogs and $30 for cats. The proposed new rates will vary by age and range from $50 to $175 and result in an estimated $87,695 in additional revenue that will support the cost of services associated with spaying and neutering dogs and cats prior to being put forward for adoption from the Animal Shelter. There are cost, humane, and customer service reasons for spaying and neutering adoptable animals prior to adoption. Reducing an animal's length of stay at the shelter reduces shelter operating expenditures, opens spaces to aid more animals in the community, and helps prevent a decline in behavior. This policy change is intended to serve as an incentive to adopt from the shelter and will eliminate the need for staff time coordination and the subsequent follow up between the shelter, contracted vet and adopter, which exists under current adoption policy. Boarding fees for dogs will increase from $10 to $15 per day and generate an estimated $14,465.

The General Fund Revenue Overview in the FY 2015 Overview volume has much more detail on General Fund revenues.

How was the FY 2015 General Fund Budget Built?
(in millions)

Available Revenue Increase in FY 2015 over the FY 2014 Adopted Budget Plan	
Total Increase in Revenues	**$148.16**
Net Impact of Transfers In (Primarily one-time balances used in FY 2014)	($15.72)
Total Available	**$132.44**
How Additional Resources Were Spent In FY 2015 (in millions)	
Fairfax County Public Schools Operating and Debt Service	$39.11
Capital Construction and Debt Service	$29.93
Pay and Benefits	$29.54
Public Safety	$14.23
Cost of County Operations	$12.23
Human Services	$8.50
New Facilities	$4.03
Community Development	$4.00
Elimination of transfer to recognize Communication Sales and Use Tax revenue in E-911 Fund	($23.54)
Net Adjustments to Managed Reserve	$3.77
Total uses	**$ 121.80**
Available balance	**$10.64**

FY 2015 General Fund Disbursements

FY 2015 General Fund disbursements are $3,704,394,576, an increase of $118,024,854, or 3.29 percent, over the FY 2014 Adopted Budget Plan and an increase of $40,923,029, or 1.12 percent, over the *FY 2014 Revised Budget Plan.* The increase over the Adopted budget is based on FY 2015 increased funding of $39.11 million for Fairfax County Public Schools for both Operating and Debt. I am also recommending funding for 58 new positions in the FY 2015 Advertised Budget Plan which are detailed below. It should be noted that 45 positions are included for abolishment as an efficiency that we are able to generate in the FY 2015 budget which will result in a net increase of 13 new positions in FY 2015 over the FY 2014 level.

Increases in the General Fund budget fall into the following main categories: Schools, capital construction and debt service, employee compensation, public safety, cost of County operations, human services requirements, new facilities and community development.

General Fund transfers to Fairfax County Public Schools

The recommended General Fund transfer to the Public School Operating Fund reflects a 2.0 percent increase over the funding level in the FY 2014 Adopted Budget Plan. The County General Fund transfer to Fairfax County Public Schools (FCPS) underscores that education continues to be our community's highest priority and this funding is consistent with the percentage allocated to FCPS over the past few years at 52.1 percent. The proposed County General Fund transfer for school operations and debt service in FY 2015 totals $1.93 billion, an increase of $39,113,302, or 2.07 percent, over the FY 2014 Adopted Budget Plan. Within this amount, the transfer for School operations is $1.75 billion, an increase of $34.34 million, and the transfer in support of School debt service is $177.14 million, an increase of $4.77 million. The County also provides additional support for the Schools in the amount of $72.6 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others. On February 6, 2014, the Fairfax County School Board requested an operating transfer of $1.82 billion for FY 2015 that would give school employees raises, add more positions to address increased enrollment from the previous year and necessitates a $98.1 million, or 5.7 percent, increase over the FY 2014 Adopted Budget Plan General Fund transfer to fully fund the Schools' budget request. This request would require an additional $63.8 million, or an almost 3 cent Real Estate Tax rate increase, to fund, which has not been included in my budget proposal. It should be noted that the FCPS budget eliminates over 700 positions, increases class sizes and makes reductions to non-school based funding.

General Fund Disbursements

The most significant changes for non-School Disbursements include:

Capital Construction and Debt Service $29.93 million

The total increase in funding for paydown capital construction and debt service is $29.93 million and represents the largest increase in County non-school disbursements for FY 2015. The Capital Construction Program is essential to the sustainability of County services and is designed to meet the existing and anticipated future needs of the residents of the County. Reinvestment in County facilities is critical to avoid deterioration and obsolescence. During the height of the economic crisis the County contribution to the Capital Program did not keep pace with the County's needs. As a result of our focus on the need to invest in our infrastructure and the work of the Infrastructure Financing Committee, a joint committee of the County and School Boards, funding for capital requirements has been renewed and strengthened for FY 2015 and beyond.

- ***Capital Construction***

  The Capital Program is primarily financed by the General Fund, general obligation bonds, fees, and service district revenues. General Fund support for the Capital Program in FY 2015 totals $27,018,981. This represents an increase of $14,985,779 over the FY 2014 Adopted Capital Paydown level. The increase in paydown benefits all areas of the capital program; however, the largest increases are in capital renewal, Americans with Disabilities Act (ADA) compliance and athletic field maintenance areas. In FY 2014 there was no General Fund paydown in the Adopted Budget for capital renewal and ADA funding so my recommendation for FY 2015 represents an increase of $8 million dedicated to capital renewal and $3.95 million in ADA funding as well as an increase of almost $1.0 million for athletic field maintenance and sports projects.

The Paydown Program of $27.02 million represents General Fund support only for the following projects and programs: Capital Renewal Requirements of $8.00 million; Athletic Field Maintenance of $5.64 million; ADA compliance funding of $3.95 million; ongoing development such as Laurel Hill development, emergency road repairs and developer defaults of $1.96 million; Park Authority Grounds, Building and Equipment Maintenance of $1.68 million; continued revitalization maintenance and support of $1.06 million; funding associated with the County's Environmental Improvement Program of $0.54 million; and obligations and commitments to the School-Age Child Care (SACC) program, the Northern Virginia Community College, and the annual Salona property payment of $4.19 million.

In addition to the General Fund support, the FY 2015 budget includes a recommended increase in the Athletic Services Fee for rectangular field users from $5.50 to $8.00 per participant per sport. In addition, an increase in the post season tournament fees from $15 to $50 for County teams and $100 for non-County teams is recommended. These changes are based on recommendations detailed in the July 2013 Synthetic Turf Task Force Report. The increased revenues of $0.37 million, supplemented with an increase of $0.99 million in General Fund support, will begin to address increased field maintenance requirements and the replacement requirements associated with synthetic turf fields. Synthetic turf fields are viewed as crown jewels in our athletic field inventory because they provide even playing surfaces and more safety; offer similar playing conditions to natural turf fields; need no watering or mowing; use no fertilizers or pesticides; can be used year-round and in most weather conditions; do not need to be closed to protect or re-sod the grass; and have a significant life cycle with reduced and easier maintenance requirements.

Details about the Capital program are available in the *Capital Projects Overview* of the Overview volume.

- ***Debt Service***

In addition to requirements associated with School debt service, FY 2015 General Fund support of County debt service requirements is $133.74 million, an increase of $14,944,165 over the FY 2014 level. The FY 2015 funding level supports debt service payments associated with existing debt service requirements including the $289 million in bonds sold in January 2014, the first year of debt service payment for the new Merrifield Human Services Center, the new Providence Community Center, the rehabilitated Lincolnia Senior Center and Residence and for short term borrowing for capital renewal initiated in FY 2014. During FY 2015 it is anticipated that a general obligation bond sale of approximately $265 million will be conducted to fund cash requirements for on-going capital projects for School and County purposes. This bond sale estimate is consistent with the FY 2015-FY 2019 Advertised Capital Improvement Program (With Future Fiscal Years to 2024).

Employee Compensation (Pay and Benefits) $29.54 million

♦ ***Impact of a 1.29 percent Market Rate Adjustment (MRA) to be awarded in July 2014***

Funding of $14.10 million is included for the full-year impact of a 1.29 percent MRA increase effective July 2014 for all employees. The MRA provides a guide to the amount of pay structure adjustment needed to keep County pay rates competitive with the market. It is based on a calculation approved by the Board of Supervisors. The calculation consists of the following components:

- Consumer Price Index (CPI) for the Washington-Baltimore area. The U.S. Department of Labor's Bureau of Labor Statistics prepares this index. The CPI closely monitors changes in the cost of living. The CPI represents 40 percent of the index.

- Employment Cost Index (ECI). The U.S. Department of Labor's Bureau of Labor Statistics prepares the ECI. The ECI measures the rate of change in employee compensation (wages and salaries). The index used by the County measures changes in employee compensation for "Civilian" workers. This includes private sector, state, and local government employees. Federal employees are not included in this index. The ECI represents 50 percent of the index.

- Federal Wage Adjustment for the Washington-Baltimore area. The Federal Office of Personnel Management prepares this wage adjustment. Fairfax County will use the most current approved wage adjustment in budget calculations. However, because of the timing of the approval of the Federal Wage Adjustment and Fairfax County's budget cycle, Fairfax County will use the wage adjustment from the previous January. The Federal Wage Adjustment represents 10 percent of the index.

The Board has expressed a desire to increase the MRA to 2 percent. An additional $7.76 million will be necessary if this adjustment is approved.

♦ ***Impact of compensation market studies for Fire and Rescue employees to be awarded in July 2014***

Funding of $5.19 million is included for the full-year impact of a 3 percent increase effective July 2014 for all uniformed Fire and Rescue employees based on the County's current methodology which is to make adjustments to Public Safety pay scales when the midpoints of two out of three designated classes in each of the Public Safety groups fall more than 5 percent behind the market average midpoints. For Police, those classes are Police Officer I, Police Officer II, and Police Captain. For Sheriff, those classes are Deputy Sheriff I, Deputy Sheriff II, and Deputy Sheriff Captain. For Fire, those classes are Firefighter, Fire Technician, and Battalion Chief. Current compensation policy is to target the 50th percentile of midpoint pay rates of Metropolitan Washington area comparators: City of Alexandria, Arlington County, District of Columbia, Loudoun County, Montgomery County, Prince George's County, and Prince William County. Midpoint rates provide a consistent point of comparison in analyzing rates of employers with various pay range (minimum to maximum) spreads. As agreed upon by the Board of Supervisors and the Fire and Rescue Department, the average of the hourly midpoint rates is used rather than the annual midpoint rates.

For FY 2015, analysis of the market using the above methodology and policy results in the requirement for a pay adjustment for Fire and Rescue classes. A 3 percent adjustment results in 2 of the 3 classes being in market. No adjustment is necessary for Sheriff and Police classes based on the results of the market study.

- ***Impact of compensation market studies for general County employees to be awarded in July 2014***

  Funding of $1.22 million is included for the full-year impact of recommendations for re-grades based on comparisons of Fairfax County midpoints to market midpoints for benchmark job class matches. The market is identified as Arlington County, City of Alexandria, District of Columbia, Loudoun County, Montgomery County, Prince George's County, and Prince William County. Private companies and other authorities, boards, and commissions operating in these areas are also included from time to time depending on the class(es) surveyed. The trigger point for recommending re-grades for these benchmark and classes is if they are less than 95 percent of the market average midpoint. Since market adjustments have not been made during the last several years, all County benchmark job classes were reviewed in the fall of 2013. It is anticipated that roughly half of non-uniformed classes will be reviewed each year beginning in FY 2016.

  Using the current methodology of comparing Fairfax County midpoint to market midpoint, an upward adjustment of one pay grade is recommended for 11 benchmark job classes (Speech Pathologist II, Physical Therapist II, BHN Nurse Specialist, Public Health Nurse II, Electronic Equipment Technician I, Welder I, Naturalist I, Automotive Mechanic I, Instrumentation Technician, Nurse Practitioner and Physician's Assistant) and an upward adjustment of two pay grades for 2 benchmark job classes is recommended (Pharmacist and Graphic Artist II). The impact of this study is also applied to 52 related job classes. Employees in these job classes will receive an increase of either 1.5 percent or 3 percent depending on where they are in the pay scale.

- ***Public Safety Longevities***

  Funding of $1.55 million is included for the full-year impact of longevity increases provided to uniformed employees in FY 2014 and for partial year costs for longevity increases provided to uniformed employees in FY 2015. Public Safety employees who have reached a combination of length of service (15 and 20 years) and have otherwise reached the top step of their pay scale are eligible for longevities.

- ***Retirement Funding***

  The FY 2015 budget includes a net $2.12 million increase for fiduciary requirements associated with the County's retirement systems and as a modest investment to strengthen our funding ratios. The County's retirement systems all saw healthy returns in FY 2013 and improved funding ratios. In addition our recent experience study, performed every five years by an outside actuary, had identified some positive trends that are still used in the assumptions for identifying the employer contribution rates. However, as recent financial reporting requirement changes are implemented and as rating agencies take a different view of funding ratios, it is important to continue to be flexible as we fund our retirement obligations. In the corridor method of funding, a fixed contribution rate is assigned to each system and the County contributes at the fixed rate unless the system's funding ratio falls outside the pre-selected corridor of 90-120 percent or if benefit enhancements are approved. If the funding ratio falls below 90 percent, the unfunded actuarial accrued liability below 90 percent is amortized over 15 years in order to return the funding ratio to 90 percent. At the Board of Supervisors' direction, staff conducted a comprehensive examination of the corridor policy in FY 2010 and concluded that the corridor approach should be maintained, as it has cushioned the County from dramatic rate increases in the past. At the same time it is unlikely that the funding ratios for the three systems will increase significantly over the next few years based on the current corridor parameters. Consequently, while the corridor will remain at 90-120 percent, as codified in the Fairfax County Code, the County will increase funding to the systems to allow amortization of the unfunded actuarial accrued liability to 100 percent. The employer contribution rates were increased in FY 2011 to allow for amortization to a 91 percent level. In FY 2015, employer contribution rates are further increased to allow for amortization to a 93 percent level. It is anticipated that increases in the employer contribution rates will continue each of the next several years to fund amortization to a 100 percent level by the end of the decade.

- ***Police Officer's Employee Contribution Rate***

  The employer contribution rate for the Police Officers system is also required to increase due to a reduction in the employee contribution rate from 10.00 percent to 9.32 percent, which is the first reduction in the two-year phased reduction from 10.00 percent to 8.65 percent. 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. The cost of the adjustment is $0.62 million.

- ***Health Insurance and Other Benefits***

  An increase of $4.04 million is primarily due to the full-year impact of calendar year 2014 premium increases and costs associated with a projected 8 percent premium increase for all health insurance plans, effective January 1, 2015, and for Social Security (FICA) requirements in FY 2015. Additionally, dental insurance and group life insurance premiums are projected to increase 5 percent in calendar year 2015. It should be noted that these premium increases are budgetary projections only, and final premium decisions will be made in the fall based on updated claims experience.

- ***Employee Development***
  An increase of $0.40 million is included for enhanced succession planning and employee development opportunities and to fund a portion of the certification requirements that employees have in order to perform their jobs.

Public Safety — *$14.23 million*

- ***E-911 Fund Support***
  An increase of $6.19 million is necessary to ensure full operational capabilities of the E-911 system. The current E-911 center became operational in Fall 2009 and it is necessary to begin the replacement cycle for a number of components of the system as they reach the end of their useful life and as technology changes require refreshes. Of the total, $5.00 million is specifically for Information Technology related requirements including the necessary replacement of equipment such as public safety 9-1-1 Computer Aided Dispatch (CAD) equipment and technology infrastructure, and the 9-1-1 telephone system. While Verizon will continue to maintain and operate the 9-1-1 services lines, the telephony system hardware and software located within the County's 9-1-1 center necessary to answer and dispatch 911 calls for service will not be supported or maintained by Verizon past the end of the current contract on January 1, 2015. A new server-based technology is planned, similar to systems supported for many other County agencies and applications and can be more easily maintained and updated. The new technology is a foundation that will support the implementation of next generation 911, and integration of multi-media data, radio and other communications in the future. The remainder of the funding requirement is primarily the result of increasing personnel services funding to ensure 24-7 coverage of the facility based on current call volume.

- ***Wolftrap Fire Station – Station 42***
  An increase of $4.16 million is required for the full year funding of the Wolftrap Fire Station. Although the station construction was completed, the FY 2014 budget delayed the opening of Station 42 until January 2015 due to budget constraints. However, as part of the *FY 2013 Carryover Review*, the Board approved accelerating the opening based on recent response time analysis which indicated an earlier opening would be beneficial to the response area. At Carryover, funding was identified to begin operation of a single engine unit out of Station 42 beginning in October 2013 and the full opening of the station beginning in July 2014 rather than January 2015. In order to accommodate this acceleration, one-time funding was required to cover the overtime to staff the engine company during FY 2014 and to support the costs of a recruit school during FY 2014 to ensure staffing of the fully operational station for the full year in FY 2015. At that time 29/29.0 FTE positions were

created in FY 2014, and this funding is necessary to meet the ongoing operational requirements of the station in FY 2015.

- ***Fire and Rescue Vehicle Replacement***
  An increase of $1.00 million is required to support the first year of a multi-year plan 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 costs 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 by FY 2017.

- ***Advanced Life Support (ALS) Schools***
  An increase of $1.00 million is included to fund required Advanced Life Support (ALS) schools in FY 2015. The Fire and Rescue Department (FRD) will need to hold three recruit schools in FY 2015 rather than the normal two schools to address higher than normal vacancies, accommodate growth due to SAFER grant awards and the opening of the Wolftrap Fire Station, ensure adequate daily staffing, and help control overtime costs. This increase will allow FRD to maintain required ALS provider levels, increase diversity among ALS providers, and invest in current FRD staff. It should be noted that there will be no net cost to the County associated with this action as an increase of $1.0 million in EMS Transport Fee revenue is being targeted to offset this increased expenditure, as described earlier.

- ***Commonwealth's Attorney staffing***
  An increase of $0.54 million is required for the establishment of 3/3.0 FTE Senior Assistant Commonwealth's Attorney positions, additional limited-term support, and associated Operating Expenses due to significant workload-related issues. Recent changes in the law, increased preparation time for cases and time spent in trial, requirements for written responses to all motions made by the Defendant in Circuit Court, and the increased number of traffic courtrooms have all impacted the Office of the Commonwealth's Attorney. In addition, there have been substantial increases in key Police enforcement priorities such as DWI arrests and these cases have become much more complex through legislation and case law. As an example of the shortage in staffing, the ratio of attorneys per citizen for the four largest court systems in the state are 1 per 5,534 in Richmond, 1 per 6,643 in Norfolk, 1 per 12,082 in Virginia Beach, and 1 per 44,744 in Fairfax.

- ***Fire Prevention Division staffing***
  An increase of $0.24 million is associated with the establishment of 2/2.0 FTE Engineer III positions to support the Fire and Rescue Department's Fire Prevention Division (FPD). These positions will support the County's economic development and revitalization goals, improve development process timelines and address rising workload requirements to ensure that the capacity exists to meet customer expectations and respond to development

opportunities. In 2013, the Fire Marshal's Office conducted approximately 9,200 plan reviews, which reflects an increase of one-third over the 6,915 reviews completed just four years earlier in 2009. This workload is anticipated to increase further in subsequent years. Also, there has been a significant increase in non-plan review duties, such as attending new project meetings and increased training requirements that impact the amount of available plan review time. In addition, other agencies responsible for other types of reviews in the process (mechanical, electrical) have added a substantial number of positions, allowing them to complete reviews more quickly often causing a bottleneck on plans review to occur in FPD.

♦ ***Animal Shelter staffing***
An increase of $0.12 million and 2/2.0 FTE Administrative Assistant II positions is required to support the renovated Animal Shelter facility. The expanded facility includes approximately 14,000 additional square feet and double the number of kennels to address an increasing volume of animals requiring housing. It should also be noted that the completion of the shelter renovations, including a second lobby with staffing requirements, will result in expansion of community-based programs. In order to address a projected increased number of visitors and other operational requirements of the renovated Animal Shelter, an additional two administrative positions are included.

♦ ***Animal Shelter Operating Adjustment***
An increase of $0.08 million in funding is required due to the cost of services associated with spaying and neutering dogs and cats prior to being put forward for adoption from the Animal Shelter. This additional appropriation will be recovered as part of a revised adoption fee structure that will now include the cost of spaying and neutering animals and differentiate the cost between different types and age groups, resulting in no net cost to the County. There are cost, humane, and customer service reasons for spaying and neutering adoptable animals ahead of time. Reducing an animal's length of stay at the shelter reduces shelter operating expenditures, opens spaces to aid more animals in the community, and helps prevent a decline in behavior. This policy change is intended to serve as an incentive to adopt from the shelter and will eliminate the need for staff time coordination and the subsequent follow up between the shelter, contracted vet and adopter, which exists under current adoption policy.

♦ ***Department of Code Compliance (DCC) staffing***
An increase of $0.03 million is associated with the establishment of 1/1.0 FTE Administrative Assistant IV position to support administrative-related needs within DCC's Customer Services Branch. The position will replace a part time position based on increasing workload within this relatively new agency as new programs, such as the County's Rights-of-Way and illegal sign abatement programs have been added and as service levels in existing programs such as the Special Investigations Unit have increased.

Cost of County Operations $12.23 million

- ***Information Technology Projects***
An increase of $4.44 million is required to meet additional funding requirements for Information Technology projects in FY 2015. The General Fund support for information technology projects was held artificially low during the last several years as a result of budget constraints. I am recommending a multi-year process to increase funding for Information Technology to include another $5.00 million increase in FY 2016. A total of $10.4 million in IT project development is funded in FY 2015 supported primarily by a General Fund transfer of $7.35 million and a transfer from the Cable fund. This funding supports initiatives that meet 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 new and continuing initiatives with the need for securing and strengthening the County's technology infrastructure. One of the major projects included is $1.0 million to replace the Police Records Management system based on dramatic changes in the public safety solutions industry. The new system will be a next generation law enforcement case management system which will also enhance the implementation of electronic summons and reporting. Also included is $2.9 million in infrastructure and support services to ensure the County's IT architecture stays up to date and operable; $2.1 million for various document imaging and case management projects within the Department of Family Services in programs impacting children and families; $1.5 million for electronic plan submission and review projects in Land Development Services to allow online submission of developer plans and an E-Plan project with the Department of Planning and Zoning to allow for automated submission of various zoning applications; and $0.6 million to replace the Parks management and information system which is necessary for class, camp and program registration and check ins.

- ***County Insurance***
An increase of $2.19 million is required to reflect anticipated increases in expenditures in FY 2015 and to adjust for the existing imbalance in FY 2014 between revenues and expenditures which will result in a budgeted catastrophic reserve well below the policy level. Increases in FY 2015 expenditures are projected due to anticipated worker's compensation requirements.

- ***Facilities Management***
A net increase of $1.17 million is required for annual rent-based adjustments for the County's lease contracts as well as additional requirements for expanded space for the Police Warehouse and temporary facilities while the Herndon Fire Station is under construction.

- ***Revenue Stabilization Fund***
An increase of $1.03 million is required to maintain the Revenue Stabilization Fund Reserve at the target level of 3 percent of General Fund disbursements.

- ***Information Technology computer (PC) replacement***
  An increase of $0.71 million is required to reflect updated inventory counts and revised costs, primarily associated with licenses and software requirements, following a comprehensive review of the PC Replacement Program conducted in FY 2014 and as a result of negotiations with the vendors providing licenses for County machines.

- ***Office of Elections staffing***
  An increase of $0.29 million and an additional 3/3.0 FTE positions are included in the Office of Elections. A Bi-Partisan Election Process Improvement Commission was established by the Board of Supervisors to review operations subsequent to the 2012 Presidential election and to identify improvements and efficiencies to ensure access and convenience for voters in future elections. The Commission presented their findings at the March 19, 2013 Board Meeting. In FY 2015 additional funding and positions have been included to ensure the agency has sufficient resources to address the Commission's recommendations.

  The first new position, 1/1.0 FTE Business Analyst position is required to provide additional technical support in the agency. Expertise is required due to increased technical requirements related to additional electronic poll books; the acceptance of online voter registrations; initial efforts associated with an online ballot delivery system due to new state requirements; the increasing technology needs of satellite absentee voting locations due to Central Absentee Precinct technology and the state database becoming more complex; the finalization of the voter registration project; the purchase of new voting equipment; and the varying forms of technology used to provide voter information. An additional 1/1.0 FTE is included to support a language outreach position to ensure the County is compliant with the language accessibility requirements of the Voting Rights Act. In October 2011, Fairfax County was notified of the need to immediately comply with the language accessibility requirements of Section 203 of the Voting Rights Act for the Spanish language. As a result, the County was required to provide ballots and all voter related election materials in Spanish in all subsequent elections. Funding was provided in FY 2014 to cover costs associated with printing and translation services; however, the office requires an additional position to manage the current, and significant, future requirements anticipated in this area. Finally, 1/1.0 FTE position is required to oversee Election Officer recruiting and training efforts. There is a substantial need in this area due to the advancing age of current Election Officers. Approximately 30 percent of the County Election Officers are over the age of 70 and only 15 percent are under the age of 50. Having positions dedicated to performing these important functions will allow existing staff to perform election-related activities in a more efficient and economical manner.

- ***Contract Rebates and Surplus and Excess Property Program staffing***
  An increase of $0.29 million and 3/3.0 FTE positions are required to support additional workload requirements associated with contract rebates and the Surplus and Excess Property Program. It is important to note that in addition to addressing workload requirements, these positions are anticipated to result in additional revenue which will fully offset their cost. The agency has experienced a significant growth in contract rebate workload primarily associated with the County's participation in cooperative purchasing programs and acting as the lead jurisdiction for four national contracts sponsored by the U.S. Communities Purchasing Alliance. Revenue generated as a result of the County's participation in cooperative purchasing programs increased by 9.9 percent from FY 2011 to FY 2013 and is anticipated to increase by approximately 26 percent from FY 2013 to FY 2015. The Surplus and Excess Property Program, which allows County agencies to sell used items to the public, has experienced significant growth in the number of web-based auctions. Between FY 2012 and FY 2013, the number of online auctions increased from 449 to 1,158 and in FY 2014 the number of online auctions is projected to increase to over 4,500. These sales are anticipated to result in revenue of nearly $2.0 million in both FY 2014 and FY 2015.

- ***Additional Funding for Library Materials***
  An increase of $0.25 million is included to supplement the Library's materials budget. This additional funding will allow for the purchase of nearly 13,000 items in areas such as children's homework support, additional copies of popular non-fiction, college guides, tests and job skill manuals, and additional copies of classic non-fiction titles. This increase is the first of a four year commitment to increase the collections within libraries.

Human Services *$8.50 million*

We must continue to leverage our ability to assist the most in need in the community and maintain the safety net to which the Board is so committed. Some of the most significant Human Services adjustments are discussed below, representing priorities of the Board as well as maintenance of funding for programs that are losing their grant funding:

- ***Contract Rate Increases***
  An increase of $2.17 million is required to support a contract rate increase for the providers of Human Services in the County, especially important for our non-profits. Services provided contractually are a critical part of the Human Services system with both for-profit and non-profit vendors partnering with the County to ensure a broad array of services are available to the community. Each year individual contracts are let for the various services, and program staff and the community providers negotiate funding requirements. To keep pace with inflation, pay and benefits the County periodically funds contract rate increases so service delivery levels are not reduced to accommodate the increased cost of doing business. This funding is spread between the Department of Family Services, the Health Department, the Office to Prevent and End Homelessness, the Department of Neighborhood and Community Services and the Fairfax-Falls Church Community Services Board.

- ***Redeployment of Positions and new positions to Address Increasing Public Assistance Caseloads***

  An increase of $1.73 million is required to fund the redeployment of 18/18.0 FTE positions and the creation of 3/3.0 FTE new positions needed to address increasing public assistance caseloads in the Self-Sufficiency division. It is hoped that the additional positions will be sufficient to address current caseloads; however, additional workers will be needed to address future growth. Most notably, at least 9,000 new FAMIS cases are being transferred, effective March 1, to DFS from the state related to the implementation of the Patient Protection and Affordability Care Act (PPACA). The existing positions are Day Care Center Teachers I that are vacant due to the SACC conversion of merit positions to benefits-eligible positions. Instead of abolishing these positions, I am redirecting them to address public assistance caseloads that have increased by more than 60 percent since FY 2008. In addition, the caseload increase is continuing. While there was an initial significant jump after FY 2008, just between FY 2010 and FY 2013, the average monthly caseload for public assistance programs increased almost 17 percent from 71,373 to 83,458. In 2012 the Self-Sufficiency Division completed implementation of a new service delivery model whereby work is disaggregated and assigned by specific processes rather than the traditional case management model. This model has been very successful and has allowed the Self-Sufficiency Division to manage the increasing workload with no new positions; however, given the continued growth in caseloads, additional positions are now needed. It is hoped that the additional positions will be sufficient to address current caseloads; however, additional workers may be needed to address future growth. The expenditure increase is fully offset by an increase in revenue for no net impact to the County.

- ***Fairfax-Falls Church Community Services Board Intellectual Disability Graduates***

  An increase of $1.30 million in operating expenses supports 74 of the 121 June 2014 special education graduates of the County Public Schools turning 22 years of age who are eligible for day support and employment services and who currently do not have a funding source for such services. The County support meets the Board's commitment to ensure that all eligible graduates seeking services have funding.

- ***Behavioral Health Services for Youth***

  An increase of $1.00 million and 3/3.0 FTE positions is associated with expanding behavioral health services for youth and families as a result of the recommendations presented to the Human Services Committee of the Board of Supervisors on October 1, 2013. These recommendations were the direct result of the guidance included by the Board of Supervisors as part of the FY 2014 Adopted Budget directing staff to identify requirements to address youth behavioral human services requirements in schools and the broader community. An Interagency Youth Behavioral Health Services Work Group, with representatives from County human services departments, Fairfax County Public Schools and the Fairfax Partnership for Youth, was convened to identify the array of youth services currently being provided as well as services that are necessary to address the most pressing needs in the community. It is estimated that between 400 and 500 youth and their families are in need of interventions and services for emerging mental health or substance use issues. FY 2015 funding creates a new program unit which will implement a Systems of Care model by connecting the continuum of supports and services across County agencies, FCPS and community partners. The new unit will develop new policies and procedures on providing care coordination and service delivery, as well as oversight, to the various entities delivering services along the continuum. Additionally, the new unit will also be responsible for implementing contractual services for individuals with emerging mental health and substance use issues. The Interagency Youth Behavioral Health Services Work Group will continue its work and make final recommendations by May 2014 focusing on developing protocols to ensure effective cross-system coordination of services. Work will also be done on how to track system performance measures and outcomes. It should be noted that in addition to the new funding, $200,000 funded as part of the FY 2014 Adopted Budget for behavioral health services for youth is available for this program.

- ***Consolidated Community Funding Pool***
  An increase of $0.74 million, or 7.53 percent, is included to support the community organizations providing Human Services in the County. FY 2015 is the first year of a two-year funding cycle. The Consolidated Community Funding Advisory Committee (CCFAC) has organized the FY 2015/FY 2016 funding priorities according to four areas (Prevention, Crisis Intervention, Self-Sufficiency and Long-Term Supportive Services), and adopted corresponding outcome statements. The CCFAC also recommended target percentage ranges for each priority area, which are intended to be used as guidelines for applicants and for the Selection Advisory Committee. The Board of Supervisors approved these funding priorities on July 9, 2013.

- ***School Readiness***
  An increase of $0.71 million and 3/3.0 FTE Child Care Specialist II positions is associated with expanding school readiness activities in support of community programs serving young children. School readiness describes the capabilities of children, their families, schools and communities that will best promote student success in kindergarten and beyond. Early childhood education programs support the development of children's cognitive, social, emotional and physical development skills which are strong predictors of success in school. In the fall of 2012, 33 percent of kindergartners in FCPS were eligible for free/reduced meals; 16 percent of kindergartners in FCPS did not meet the reading intervention benchmark and were referred for services; and 6 percent of children under the age of 5 were living below the poverty level. The County addresses school readiness through quality community-based programs that are accessible even to those most vulnerable. Additional funding has been included in FY 2015 to expand and support community-based programs. Funding is aimed at creating a network of programs that promote school readiness through the alignment of curricula to the Virginia Foundation Blocks for Early Learning, as well as supporting children living in poverty to reach fall kindergarten benchmarks. Funding specifically supports the following community-based school readiness initiatives:

- Neighborhood School Readiness Teams (NSRTs): NSRTs exist to support school readiness in communities where there are large numbers of children at-risk for school failure by fostering collaborative partnerships between schools, County, community and early childhood programs. The teams develop and implement action plans to support school readiness to ensure that children successfully transition to kindergarten. The expansion of the NSRTs included with this funding will make it possible for all Title I elementary schools to participate on a team.

- Virginia Quality Rating and Improvement (VQRIS): VQRIS enables additional County child care centers/preschools and family child care homes serving children living in poverty to participate in this key program that defines standards for early childhood education and creates a framework for accountability. This funding will enable an additional 30 programs to be rated and receive mentoring each year.

- Coaching and Professional Development: Increased coaching and professional development opportunities for early childhood educators in community programs will support quality early care and education. Funding will enable the County to provide on-site coaching to 360 early childhood professionals in child care centers, preschool settings, and family child care homes.

- Virginia Preschool Initiative: The Virginia Preschool Initiative serves at-risk four-year olds in a comprehensive preschool program in community-based settings (child care centers, preschools and family child care homes) and Fairfax County Public Schools. Additional funding has been included to serve an additional 50 children in community-based settings. This funding will also allow the County to draw additional state revenue totaling $150,000.

The County has worked closely with FCPS to develop a mixed-delivery system providing community-based as well as school-based options for school readiness. Most notably, FCPS has proposed expanding school-based services in the Virginia Preschool Initiative. FCPS has indicated an additional 34 children can be served in FY 2015 if an additional $0.4 million is provided in the FCPS budget. It is hoped that the FCPS School Board will support the expansion of school-based programs; however, expansion of community-based programs is not contingent on additional school funding.

♦ *Evening Reporting Center (ERC) Program*

An increase of $0.29 million and 2/2.0 FTE positions is included to support the Evening Reporting Center (ERC) in the Juvenile and Domestic Relations District Court, which provides a community-based detention alternative for youth who violate their terms of probation or who commit new crimes while on probation and enhances the range of existing detention alternatives that are available to probation officers in the South County Probation Unit. Grant funding initially supported the program through FY 2014; however, those funds are no longer available in FY 2015.

- ***Virginia Initiative for Employment, not Welfare (VIEW)***
  An increase of $0.27 million is associated with the VIEW program. The VIEW program provides employment and training services to Temporary Assistance for Needy Families (TANF) recipients who are required to participate in the program as a condition of eligibility, and to TANF recipients who volunteer to participate. The expenditure increase is fully offset by an increase in intergovernmental revenue for no net impact to the County.

- ***Intervention Prevention Education (IPE) Program***
  An increase of $0.20 million is included to continue contracted support for the IPE Program, the only County program specifically targeted to offering gang prevention and intervention services to Fairfax youth. The program in the Juvenile and Domestic Relations District Court promotes the integration of intervention services across service systems to include employment, mentoring programs, recreation programs, mental health, court services, schools and other community agencies. The types of services provided are community and street outreach, individual and family services, mentoring and employment services. Grant funding initially supported the program through FY 2014; however, those funds are no longer available in FY 2015.

- ***Program Manager for Domestic and Sexual Violence Services***
  An increase of $0.14 million and 1/1.0 FTE Program Manager position will address both increasing caseloads and the complexity of work in the Office for Women and Domestic and Sexual Violence Services. This position will allow for more targeted and expert coordination within domestic violence services. The expenditure increase is fully offset by an increase in intergovernmental revenue for no net impact to the County. Additional funding will be required for FY 2016 to replace grant funding for domestic violence services that will no longer be available.

- ***Kinship Care Program staffing***
  An increase of $0.11 million and 1/1.0 FTE Social Services Specialist III position is associated with the Kinship Care program in the Children, Youth and Family division. Kinship Care involves placing children with kin, rather than the traditional foster care model. This position will help ensure successful placement and positive outcomes for children, while decreasing placement costs. The expenditure increase is fully offset by an increase in intergovernmental revenue for no net impact to the County.

- ***Adoption Subsidy Program***
  A decrease of $1.00 million in Operating Expenses associated with the Adoption Subsidy program is included in FY 2015. Program spending has declined significantly due to the maximization of Medicaid as an alternative funding source for these subsidies; therefore, this adjustment reconciles program year funding to actual experience. The expenditure decrease is fully offset by a decrease in federal and state revenues for no net impact to the County.

- ***Continue Implementing the New Staffing Model in the SACC Program***
  Beginning in FY 2010, new SACC rooms were opened using a modified staffing model which utilized a combination of merit and benefits-eligible employees. In FY 2014, staff began implementing the new model in all SACC rooms. A total of 75 Teacher I merit positions will be converted to benefits-eligible positions as they become vacant. Of this total, 30 were converted in FY 2014. Based on the current rate of attrition, it is expected that the remaining Teacher I positions will be converted in FY 2015. As a result, savings of $0.27 million in Fringe Benefits will be realized in Agency 89, Employee Benefits, in FY 2015. The original estimate of 115 position reductions has been modified to accommodate the redeployment of positions, such as the 18 needed immediately for self-sufficiency as discussed earlier.

New Facilities $4.03 million

- ***Funding for Operations and Maintenance Positions for Merrifield Human Services Center***
  An increase of $1.67 million and 4/4.0 FTE positions is required for the new Merrifield Human Services Center, a new 200,000 square foot facility, scheduled to open in September 2014. This facility will consolidate Fairfax-Falls Church Community Services Board (CSB) programs from various leased sites and provide 24/7 Emergency Services, and house programs such as mental health, substance use disorders, intellectual disabilities, 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 positions are required to address daily service and general maintenance requirements for HVAC systems which include heating, ventilation, air conditioning equipment, chillers, heat-pumps, boilers, furnaces, air conveyance systems, and control systems. Of the total, $0.31 million supports the positions which will also support maintenance activities as needed at neighboring County facilities, resulting in reduced response times and increased service delivery to facility customers. Other satellite maintenance shops, such as the Government Center Complex, Public Safety Complex, McConnell Public Safety and Transportation Operations Center (MPSTOC) and South County use a similar maintenance operating model as proposed for Merrifield Human Services Center. The remaining funding of $1.36 million is required for utilities, custodial contracts, security, repair/maintenance, and landscaping costs associated with full-year costs for this facility.

- ***Providence Community Center***
  An increase of $1.38 million and 7/7.0 FTE positions is required for the new Providence Community Center. The 7/7.0 FTE new positions will organize, manage and supervise activities and programs (e.g., adult programming, youth and family programming, community engagement, programs for people with disabilities, programs and services with clinical elements) at the new community center. The staffing structure is comparable to the 6/6.0 FTE positions at Gum Springs Community Center with the addition of 1/1.0 FTE position at Providence Community Center to implement a Therapeutic Recreation program.

The number of persons projected to use the facility is approximately 142,000, which is 2 percent more than the FY 2014 average number of participants (139,190) currently utilizing a similar Fairfax County community center with accommodations for a senior center and a teen center.

- ***Utility and maintenance costs for new facilities***
  A net increase of $0.50 million is required for custodial, utility, repair and maintenance, and grounds maintenance costs associated with the partial or full year opening of new or expanded facilities in FY 2015. These facilities include the Bailey's Crossroads Fire Station, Fire and Rescue Training Academy Renovation and Expansion, McLean Police Station Renovation and Expansion, Providence Community Center, Woodrow Wilson Library Renovation and Expansion, Reston Police Station Renovation and Expansion, County Indigent Cemetery and the Newington DVS (Department of Vehicle Services) Renovation and Expansion. These new facilities will provide an additional 145,760 square feet to the current square footage maintained by the Facilities Management Department.

- ***Mondloch Place***
  An increase of $0.28 million reflects the additional funding needed to support Mondloch Place, which provides permanent housing to formerly homeless single adults. The 20 fully furnished efficiency rental units offer onsite supportive services operated by a local nonprofit provider. The funds will pay the contract costs to operate the program including staffing of the facility. The residents will pursue greater self-sufficiency through job training, life skills training, healthcare and case management.

- ***Katherine K. Hanley Townhomes***
  An increase of $0.21 million reflects the additional funding needed to support the Katherine K. Hanley Townhomes, which will provide permanent supportive housing and services to families with children under age 18 who are headed by a person with disabilities, currently homeless and are determined by an admissions team to have no other housing options. Two three-unit buildings (for a total of six units) are being constructed on the site adjacent to the Katherine K. Hanley Family Shelter and are scheduled to open in December 2014. The funds will pay the contract costs of staffing the program.

Community Development $4.00 million

We have been very successful focusing increased land development fees on necessary investments in economic development support, especially positions supporting land development processing. In addition, the County has been proactive making investments in opportunities such as the World Police & Fire Games and the Inova Translational Medicine Institute. Some of the most significant Community Development adjustments are discussed next. There is also a $0.75 million reduction in Contributory payment requirements due to the elimination of operational support for the Lorton Arts Foundations.

- ***Economic Development Core Team***

  An increase of $2.27 million is required to provide baseline funding for positions previously held vacant in the Department of Public Works and Environmental Services – Land Development Services to process land development applications, fund 7/7.0 FTE new positions added but not funded in FY 2014 for the Economic Development Core Team, as well as for 2/2.0 FTE additional positions supporting revitalization areas. This adjustment is reflective of the current and forecasted level of permitting and processing workload in the department and necessary to support the revenue base being generated as a result of this activity. The Board approved an Economic Development staffing plan at their March 18, 2013 Budget Committee meeting. At that time, these 7/7.0 FTE additional positions were identified for FY 2015 as part of a phase-in of expanding services in consultation with industry to ensure that the economic development goals of the County were being met. The balance of the funding is for 2/2.0 FTE new positions to continue to support County revitalization efforts. These positions will coordinate and review projects in the revitalization areas of Fairfax County, to include participation from rezoning through final development plans, maintain consistency and expedite the review and approval of all development plans.

- ***World Police and Fire Games***

  An increase of $1.75 million in contributory payments is made to support the Fairfax 2015 World Police and Fire Games. The total contribution in FY 2015 is $2.00 million, including this increase. There was also an increase of $1.0 million added at the *FY 2013 Carryover Review*, for a total of $3.0 million, completing the County cash commitment for funding the Games. The games are an Olympic-style event held biennially throughout the world to promote friendly competition, camaraderie, and international relationships among the participants. This event is anticipated to generate considerable revenue through the thousands of visitors that will come to Fairfax County for the Games and will stay in local hotels, eat, and shop at County establishments. The 10-day event is projected to bring as many as 10,000 participants and 15,000 visitors to Fairfax County. Additional corporate and private support is also being generated for this effort. It is also important to note that the County is supplying in-kind support such as office space and staff detailed to assist with the Games.

- ***Inova Translational Medicine Institute***

  An increase of $1.10 million is required for the first year of a ten year funding commitment to the Inova Translational Medicine Institute (ITMI), an important economic development opportunity for the County. The Institute is Inova's initiative to bring personalized medicine to Northern Virginia. It is designed to lead the transformation of healthcare from a reactive to a predictive model using technological innovation, pioneering research and sophisticated information management. The goal is to provide the right treatment for the right patient at the right time, and ultimately prevent disease in the first place. The long-term work of ITMI will enable Inova to successfully and quickly translate advances from genomics (the study of genes and their function) and the molecular sciences to patients, optimizing individual health and well-being. Consistent with Board direction, funding of $1,100,000 has been included as part of the FY 2015 budget to establish a partnership with ITMI.

- ***Positions to support Transportation funding added in FY 2014 and other Transportation Requirements***

  A net increase of $0 and 12/12.5 FTE positions is associated with supporting transportation-related programs in FY 2015. Starting in FY 2014, the County will annually benefit from approximately $125 million annually in regional revenues dedicated to transportation as a result of the State Transportation funding plan approved during the 2013 Session by the General Assembly (HB 2313). On January 28, 2014, the Board approved a list of nearly 230 priority local roadway and transit projects that will require various amounts of staff management, oversight, and review over the foreseeable future. Of the total positions, 6/6.0 FTE new positions are included in Fund 40010, County and Regional Transportation Projects, specifically associated with supporting initial implementation of projects and services funded with the State Transportation funding plan (HB 2313). Another 1/1.5 FTE positions in the Department of Public Works and Environmental Services – Office of Capital Facilities will also support transportation program projects. The positions in Capital Facilities will provide land acquisition and construction management activities for new transportation projects. The increased funding included in Fund 40010, County and Regional Transportation Projects, will support these position costs and results in no net impact to the General Fund.

  In order to allow existing staff the time to dedicate to these high visibility projects, an additional 5/5.0 FTE positions are recommended to address specific programmatic requirements in the Department of Transportation (DOT). These requirements include a number of items critical to the service delivery of transit in the County. The first is the implementation, monitoring, and updating of the Transportation Division's Disadvantaged Business Enterprise (DBE), Small Business Enterprise (SBE) and Title VI Programs in accordance with Federal Transit Administration (FTA) requirements. The new position will set overall triennial DBE/SBE goals and document progress on goals and program activities as well as assist in the establishment of procedures for investigating and recording Title VI complaints and submit a Title VI report to the FTA as required. An additional position is included to be the primary lead and provide oversight for the Intelligent Transportation Systems (ITS) equipment and software which is being implemented on Fairfax Connector. ITS will include Computer Aided Dispatch/Automatic Vehicle Locator (CAD/AVL), Automatic Passenger Counter (APC), and stop annunciation. Important to the success of the ITS project will be the proper installation, testing, and maintenance of components and sub-systems which are highly technical in nature. Another position is included to support the data management resulting from the implementation of new ITS equipment and software. This position will be responsible for managing the reports and information generated from the ITS program when the system is fully functional, as well as testing and validating data during system implementation. This information will allow for more efficient scheduling, route refinements, and faster schedule development, which will reduce the overall cost of the Fairfax Connector operation. Coordination of several new marketing projects associated with the implementation of Metro's Silver Line Phases I and II, new services to Tysons and Vienna related to the Stringfellow Park and Ride expansion, and stronger marketing for the Tysons Express routes and implementation of Transportation Development Plan (TDP) recommendations will be the responsibility of one of the new positions. Finally, the last position will focus primarily on research development that has occurred in the area of the transportation projects. This research will determine if there were any commitments (proffers/conditions) for transportation that were provided with approval of the development. The lack of such research can result in added capital expenditures in land acquisition and construction that otherwise could have been offset by development contributions. DOT's proffer issues will increase tremendously with the new transportation projects it will be taking on, and a dedicated position for this will allow for the support needed to be successful. It should be noted that funding of these positions will be covered through chargebacks to various Transportation Funds requiring no additional General Fund dollars.

- ***Positions to support Public-Private Education Act projects***

  A net increase of $0 and 3/2.5 FTE positions in the Department of Public Works and Environmental Services – Capital Facilities are required for Public-Private Education Act (PPEA) and other significant County projects. These positions will manage complex PPEA projects, expanded partnership arrangements with various agencies and the growth of economic development initiatives. The construction value of projects managed by the Building Design and Construction Cost Center is anticipated to rise from $246 million in FY 2014 to $303 million in FY 2015. The Public Safety Headquarters is among the projects anticipated to enter the construction phase in FY 2015. There are at least 10 other PPEA projects in the pipeline, including the Route 28 and Herndon Monroe Metro parking structures, the East County Center and the Reston Town Center North Master Plan. All costs associated with these positions will be charged to project funding that is currently budgeted.

- ***Positions to support Stormwater activities***

  There are 3/3.0 FTE positions added at a net General Fund cost of $0 to support increased stormwater related activity in the County, funded by the Stormwater Services District rate increase as discussed with the Board in October 2013. The first position is in the Department of Public Works and Environmental Services – Office of Capital Facilities and will support stormwater activities by acquiring land rights, identifying infrastructure reinvestment, and managing large scale construction projects. The value of stormwater projects is projected to rise from $27.0 million in FY 2014 to $40.5 million in FY 2015. The other two new positions are in the Department of Public Works and Environmental Services – Stormwater Services and include a Project Manager I and an Urban Forester III. The Project Manager I position will support the growing number of transportation facility maintenance requirements. The Urban Forester III position will focus on implementing projects and programs associated with the County's Tree Action Plan (TAP) and related Municipal Separate Storm Sewer System (MS4) goals. This position will work on identifying tree cover goals for watersheds; developing tree-related practices and programs to help satisfy air quality, water quality, and stormwater regulatory requirements; planting and replacing trees on public property; implementing community-based outreach and education programs; refining guidelines needed to maximize tree conservation during the development of public and private land; developing ecosystem-based management plans to help preserve native forest communities; and partnering with non-profit tree planting organizations and Fairfax County Public Schools on tree planting and outreach programs.

All costs associated with these positions will be funded out of Fund 40100, Stormwater Services. In FY 2015, the Stormwater Service District rate will increase by $0.0025 from the FY 2014 Adopted level of $0.020 to $0.0225 per $100 of assessed real estate value. The FY 2015 levy of $0.0225 will generate just over $49 million, supporting $19 million for staff and operational costs, and $30 million for capital project implementation including infrastructure reinvestment, stream and water quality improvements, regulatory requirements, and dam safety requirements. Stormwater staff is currently evaluating the required future funding levels to meet the increasing federal and state regulatory requirements pertaining to the MS4 Permit, and State and Federal mandates associated with the Chesapeake Bay. I am very pleased that the new long range plan for stormwater, including a five-year rate plan, a phased approach for funding and staffing, including an increase in the fee of $0.0025 annually for the next 5 years, and a public outreach plan to support the anticipated regulatory increases was endorsed by the Board on October 15, 2013. The process of laying out the regulatory requirements, the current limitations in meeting them and a well-crafted plan to respond to them is a wonderful example of how effective a multi-year approach can be.

Shift of E-911 Revenues ($23.54) million

FY 2015 revenues and disbursements are adjusted due to the decision to have the Communications Sales and Use Tax fully support the E-911 fund instead of having a combination of revenue and General Fund transfer support the fund.

Conclusion

As I said last year, the opportunities facing the County are very exciting. The longer term focus and planning perspective we are employing will allow for a better framing of the important choices facing the Board of Supervisors over the next several years and continue to provide the Board with the information they need to make the important decisions that are before them.

Before you begin poring over the detailed budget information that follows, please spend a moment with the Countywide dashboard for FY 2015 and FY 2016. As you recall, in preparation for publication in the FY 2014 Advertised Budget Plan, I requested that every General Fund and General Fund Supported agency identify key drivers of its budget to form the basis of a new agency dashboard. This dashboard is not replacing an agency's performance measures, but rather provides an additional snapshot of relevant statistics that pertain directly to why our agencies are funded as they are. The purpose of these drivers is to keep us all aware of this key data and how they are changing over time.

The figures cited in the agency dashboards are a combination of key outputs, indicators or statistics. Similar to how performance measures were implemented in the mid 1990's, I am primarily interested in starting the process of thinking in terms of the dashboard and what are an agency's key drivers. Drivers will naturally change over time and these drivers will be built into the annual budget process and into needs discussions with the community. This visual representation of what is driving the County's budget will improve the communications with the public and the Board as it relates to specific budget requests. When we talk about what is driving our needs overall we must remember:

COUNTYWIDE DASHBOARD

	Key Data	FY 2014	FY 2015	FY 2016
1.	Residential Real Estate Equalization	3.50 percent	6.54 percent	5.50 percent
2.	Commercial Real Estate Equalization	0.14 percent	(0.10) percent	0.00 percent
3.	Office Vacancy Rates- Direct/with Sublets	14.4%/16.7%	14.9%/17.1%	14.9%/17.1%
4.	Projections for School Enrollment Growth/ cost of growth and demographic changes	3,089/ $23.8 million	3,369/ $25.8 million	2,483/ $20 million
5.	Increases in Employee Pay	$1.2 million	$22 million	$26 million

The $3.70 billion General Fund budget is certainly impacted by many, many things; however, I want to stress the mix of revenue and expenditure drivers above which represent a significant portion of our budget. In terms of our resources, real estate taxes equal 63.2 percent of General Fund receipts in FY 2015. The change in values of existing properties, or equalization, is clearly a very important driver in the development of annual budgets. Fortunately, on the residential side, the message is positive. However, we cannot move forward with no growth in commercial real estate values and we need to continue to work to ensure that the community is an attractive place for economic development, business retention and investment.

On the expenditure side, the countywide drivers include two categories that represent a significant portion of our budgets: the transfer to Schools and compensation increases. Based on the Fairfax County Public Schools (FCPS) projections, student enrollment growth is occurring and must be accommodated within the budget. The demographics of students and the changes within specific special education services also drive the estimated costs.

As I have said I am pleased to be able to present a balanced budget at the existing Real Estate Tax rate of $1.085 per $100 of assessed value. However, given the topics that I believe will be the focus of the discussion on the budget, employee pay and the transfer to FCPS, it may be prudent for the Board to advertise a tax rate increase higher than the $1.085 rate used to balance the budget to allow the flexibility to address issues beyond my budget recommendations. Funding decisions must be sustainable and viewed over a multi-year period.

In closing, I respectfully submit the FY 2015 Advertised Budget Plan, which includes the plan for FY 2016, for your consideration, and I look forward to working with you, our employees, the FCPS and the community as you ask questions and propose alternatives. Fairfax County's priority services and programs are high quality and I am proud to work with you to sustain them. The elements of a strong government which include the Board's fiscal discipline, strong financial management of reserves, balances and long-term liabilities, a well-managed debt program and adherence to a sound, strategic approach, are important components of our continued success. I am certain that as the County moves forward, while adhering to these elements, we will continue to maintain our quality Product.

Respectfully submitted,

Edward L. Long Jr.
County Executive

FY 2015 Advertised Summary General Fund Statement
(in millions)

	FY 2013 Actual	FY 2014 Adopted Budget Plan	FY 2014 Revised Budget Plan [1]	FY 2015 Advertised Budget Plan	Inc/(Dec) Over Adopted	% Inc/(Dec) over Adopted
Beginning Balance	$209.44	$87.78	$182.81	$110.97	$23.19	12.69%
Revenue [2]	$3,498.10	$3,559.55	$3,584.33	$3,707.71	$148.16	4.13%
Transfers In	$6.77	$23.87	$23.87	$8.15	($15.72)	(65.86%)
Total Available	$3,714.31	$3,671.20	$3,791.01	$3,826.82	$155.62	4.10%
Direct Expenditures [2]	$1,269.32	$1,309.40	$1,360.47	$1,361.29	$51.89	3.81%
Transfers Out						
School Operating [3]	$1,683.32	$1,716.99	$1,716.99	$1,751.33	$34.34	2.00%
School Debt Service	164.76	172.37	172.37	177.14	4.77	2.77%
Subtotal Schools	$1,848.08	$1,889.36	$1,889.36	$1,928.47	$39.11	2.07%
Contributory Fund	$15.68	$13.37	$14.37	$15.36	$1.99	13.85%
Information Technology	14.28	2.91	9.76	7.35	4.44	45.49%
County Debt Service	116.85	118.80	118.80	133.74	14.94	12.58%
County Transit	36.55	34.55	34.55	34.55	0.00	0.00%
Community Services Board	109.61	109.23	110.04	112.57	3.34	3.04%
E-911	15.26	17.05	17.28	0.00	(17.05)	(98.67%)
County Insurance	22.09	21.02	21.03	23.23	2.21	10.51%
Capital Paydown	18.00	12.03	25.88	27.02	14.99	57.92%
Other Transfers	65.76	58.65	61.94	60.82	2.17	3.50%
Subtotal County	$414.10	$387.61	$413.65	$414.64	$27.03	6.53%
Total Transfers Out	$2,262.17	$2,276.97	$2,303.00	$2,343.11	$66.14	2.87%
Total Disbursements	$3,531.50	$3,586.37	$3,663.47	$3,704.39	$118.02	3.22%
Total Ending Balance	$182.81	$84.83	$127.53	$122.43	$37.60	29.48%
Less:						
Managed Reserve	$71.88	$71.73	$73.27	$74.09	$2.36	3.22%
Reserve for State/Federal Reductions and Federal Sequestration Cuts [4]	$8.10	$8.10	$7.70	$7.70	(0.40)	(5.19%)
Litigation Reserve [5]	$5.00	$5.00	$30.00	$30.00	25.00	83.33%
Transportation Reserve [6]	$0.54					
Reserve for FY 2014 Budget Development [7]	$0.74					
FY 2012 Audit Adjustments [8]	$1.51					
FY 2013 Audit Adjustments [2]	$1.47		$1.47			
Reserve for FY 2014 Third Quarter [9]			$15.10			
Reserve for Board Consideration [10]				$10.64	10.64	-
Total Available	$93.56	$0.00	$0.00	$0.00	$0.00	-

[1] *FY 2014 Revised Budget Plan* revenues reflect a net increase of $24,481,152 based on revised revenue estimates as of fall 2013. The *FY 2014 Third Quarter Review* will contain a detailed explanation of these changes. Of the total, $25,000,000 has

been added to the Litigation Reserve and the remaining amount, a decrease of $518,848, has been taken from the Reserve for FY 2014 Third Quarter.

[2] In order to appropriately reflect actual revenues and expenditures in the proper fiscal year, FY 2013 revenues are increased $2,084,386 and FY 2013 expenditures are increased $614,936 to reflect audit adjustments as included in the FY 2013 Comprehensive Annual Financial Report (CAFR). As a result, the *FY 2014 Revised Budget Plan* Beginning Balance reflects a net increase of $1,469,450. Details of the FY 2013 audit adjustments will be included in the FY 2014 Third Quarter package. This one-time funding is expected to be utilized as part of the *FY 2014 Third Quarter Review* and, as a result, is not carried forward into FY 2015.

[3] The proposed County General Fund transfer for school operations in FY 2015 totals $1,751,328,506, an increase of $34,339,775, or 2.0 percent, over the FY 2014 Adopted Budget Plan. It should be noted that the Fairfax County Public Schools Superintendent's Proposed budget reflects a General Fund transfer of $1,815,133,009, an increase of $98,144,278, or 5.7 percent, over the FY 2014 Adopted Budget Plan. In their action on the Superintendent's Proposed budget on February 6, 2014, the School Board maintained the Superintendent's request for a $98.1 million increase in the transfer.

[4] As part the *FY 2012 Carryover Review*, an amount of $8,099,768 was set aside in reserve for State/Federal Reductions and Federal Sequestration Cuts. As part of the County Executive's proposed *FY 2013 Carryover Review*, $401,888 of this reserve was utilized to offset federal sequestration reductions for the Head Start and Early Head Start grant programs. Use of the reserve funding is in line with the direction given by the Board of Supervisors as part of the June 25, 2013 Human Services Committee meeting. As part of their deliberations on the *FY 2013 Carryover Review*, the Board of Supervisors earmarked $1,000,000 of this reserve for potential requirements within the Housing Blueprint/Bridging Affordability program as a result of the use of $1,000,000 in Blueprint funding for the Housing Choice Voucher (HCV) Reserve.

[5] As part of the *FY 2012 Carryover Review*, an amount of $5,000,000 was set aside in reserve to address the impact of a number of potential refunds resulting from pending tax appeals. As a result of revised projections of the timing of litigation requirements, this reserve has been increased by $25,000,000 to $30,000,000.

[6] As part of the *FY 2012 Carryover Review*, an amount of $538,344 was set aside in reserve for transportation requirements. This reserve was utilized to balance the FY 2014 budget.

[7] As part of the *FY 2012 Carryover Review*, an amount of $742,333 was set aside in reserve for FY 2014 budget development. This reserve was utilized to balance the FY 2014 budget.

[8] As a result of FY 2012 audit adjustments, an amount of $1,513,332 was available to be held in reserve in FY 2013 and was utilized to balance the FY 2014 budget.

[9] As part of the *FY 2013 Carryover Review*, an amount of $15,616,776 was set aside in reserve for FY 2014 requirements or FY 2015 budget development. As a result of revised FY 2014 revenue estimates, this reserve has been reduced by $518,848 to $15,097,928. It is expected that this one-time funding will be utilized as part of the *FY 2014 Third Quarter Review* and, as a result, is not carried forward into FY 2015.

[10] As part of the FY 2015 Advertised Budget Plan, an amount of $10,640,747 has been set aside in reserve for Board consideration during their deliberations on the FY 2015 budget.

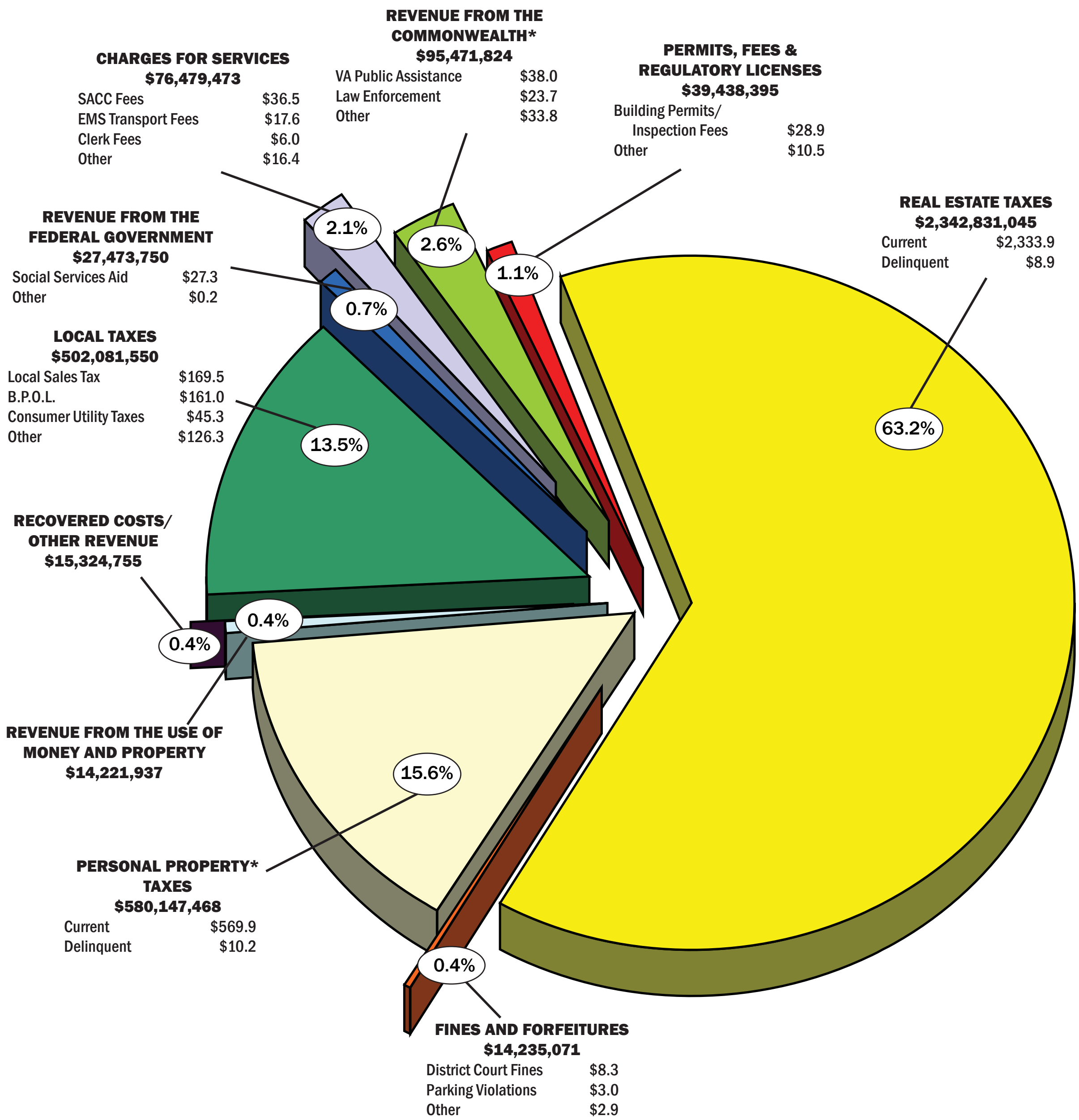
FY 2015 and FY 2016 MULTI-YEAR BUDGET PLAN: TAX AND FEE FACTS

Type	Unit	FY 2013 Actual Rate	FY 2014 Actual Rate	FY 2015 Recommended Rate	FY 2016 Planned Rate
GENERAL FUND TAX RATES					
Real Estate	$100/Assessed Value	$1.075	$1.085	$1.085	$1.085
Personal Property	$100/Assessed Value	$4.57	$4.57	$4.57	$4.57
NON-GENERAL FUND TAX RATES					
REFUSE RATES					
Refuse Collection (per unit)	Household	$345	$345	$345	$345
Refuse Disposal (per ton)	Ton	$60	$60	$62	$62
Leaf Collection	$100/Assessed Value	$0.015	$0.015	$0.015	$0.015
Solid Waste Landfill Ash Disposal	Ton	$17.50	$19.50	$22.50	$22.50
Energy/Resource Recovery Facility	Ton	$29	$29	$29	$29
SEWER CHARGES					
Sewer Base Charge	Quarterly	$5.50	$12.79	$15.86	$20.15
Sewer Availability Charge	Residential	$7,750	$7,750	$7,750	$7,750
Sewer Service Charge	Per 1,000 Gallons	$6.55	$6.55	$6.62	$6.65
COMMUNITY CENTERS					
McLean Community Center	$100/Assessed Value	$0.022	$0.022	$0.023	$0.023
Reston Community Center	$100/Assessed Value	$0.047	$0.047	$0.047	$0.047
OTHER					
Stormwater Services District Levy	$100/Assessed Value	$0.020	$0.020	$0.0225	$0.0250
Route 28 Corridor	$100/Assessed Value	$0.18	$0.18	$0.18	$0.18
Dulles Rail Phase I	$100/Assessed Value	$0.22	$0.21	$0.21	$0.21
Dulles Rail Phase II	$100/Assessed Value	$0.15	$0.20	$0.20	$0.20
Integrated Pest Management Program	$100/Assessed Value	$0.001	$0.001	$0.001	$0.001
Commercial Real Estate Tax for Transportation	$100/Assessed Value	$0.11	$0.125	$0.125	$0.125
Tysons Service District	$100 / Assessed Value	$0.00	$0.04	$0.05	$0.06

FY 2015 ADVERTISED GENERAL FUND RECEIPTS

Where it comes from . . .

(subcategories in millions)



FY 2015 GENERAL FUND RECEIPTS = $3,707,705,268 **

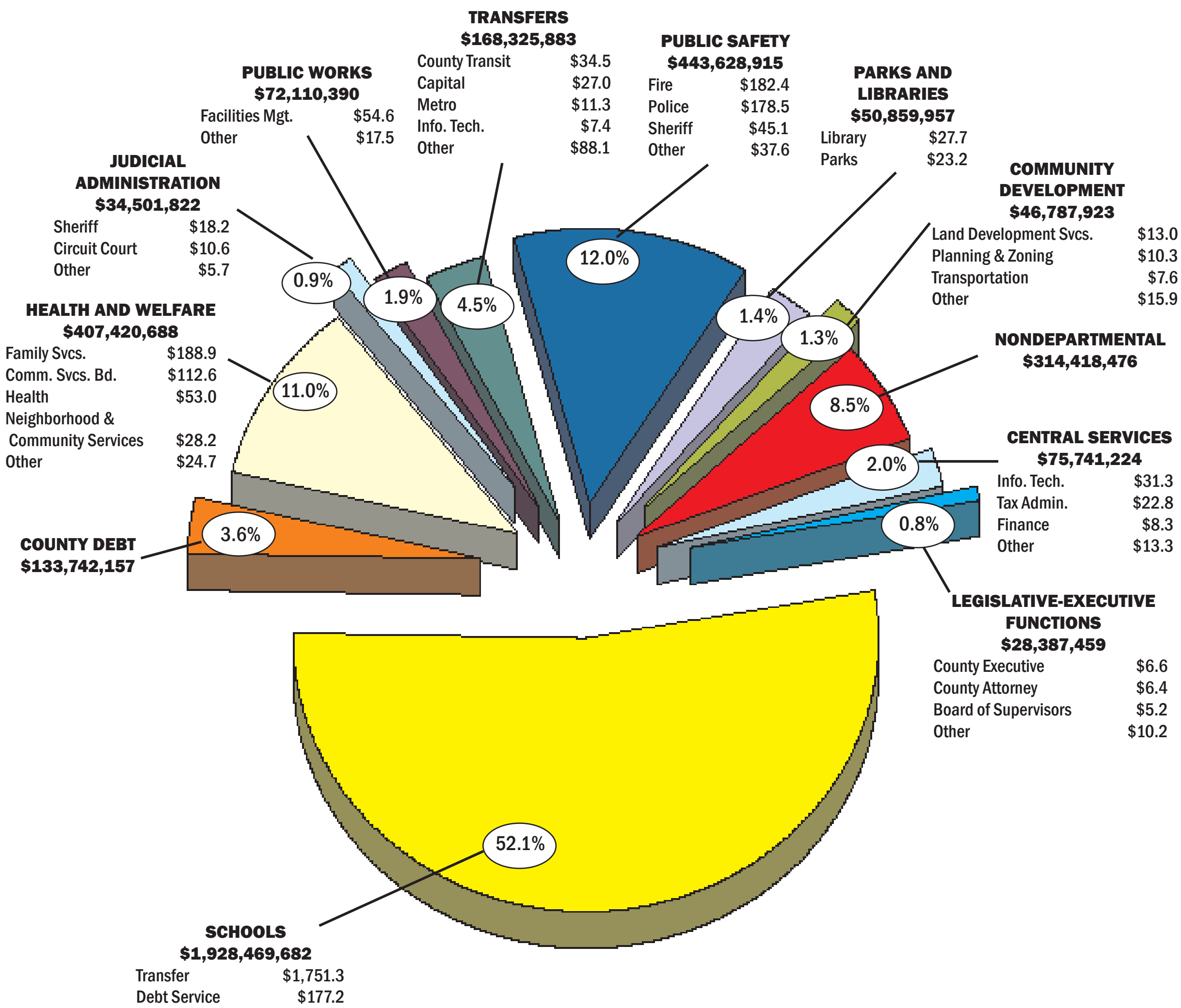
* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources include the receipts shown here, as well as a beginning balance and transfers in from other funds.

FY 2015 ADVERTISED GENERAL FUND DISBURSEMENTS

Where it goes . . .

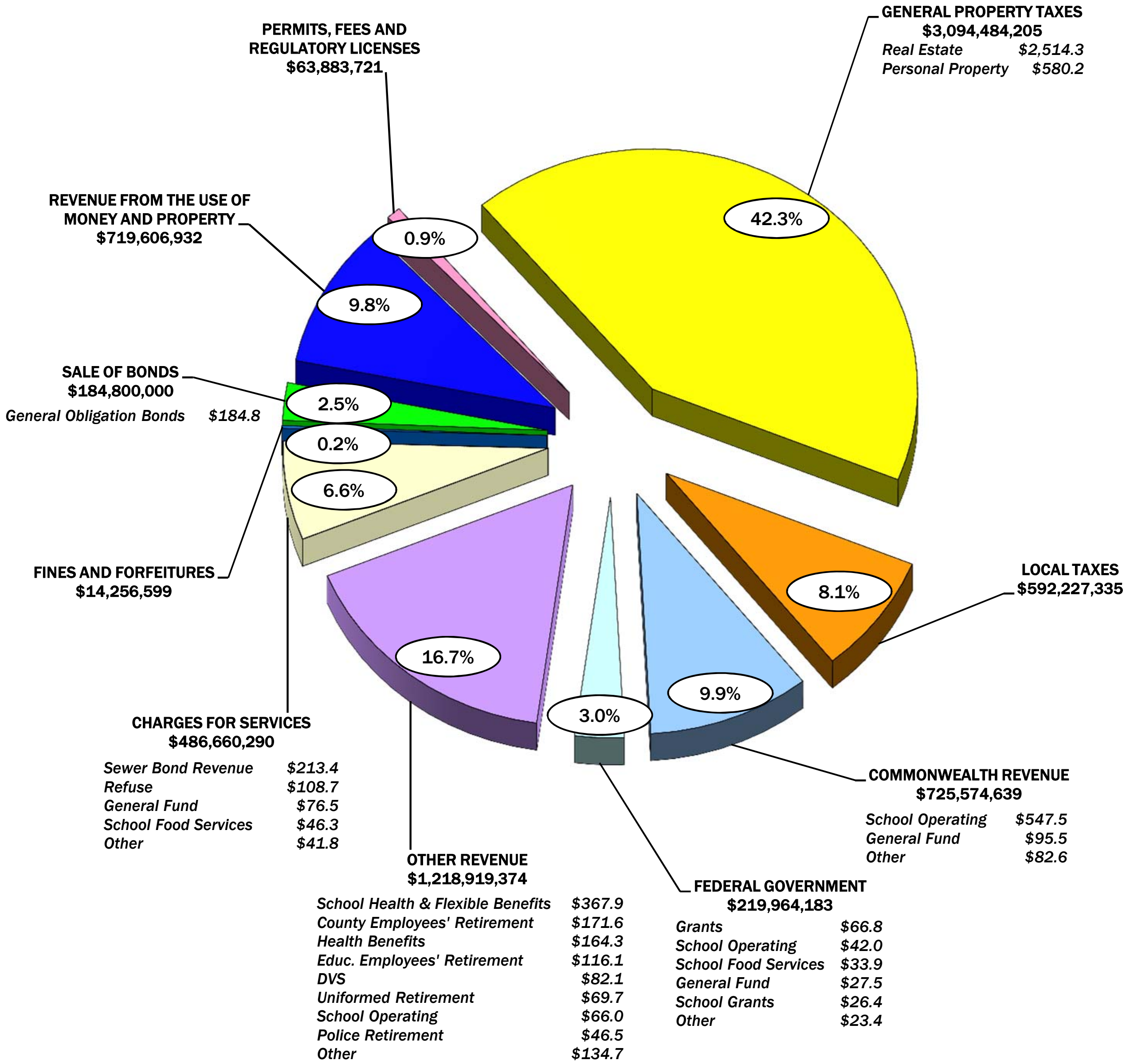
(subcategories in millions)



FY 2015 GENERAL FUND DISBURSEMENTS = $3,704,394,576

In addition to FY 2015 revenues, available balances and transfers in are also utilized to support disbursement requirements.

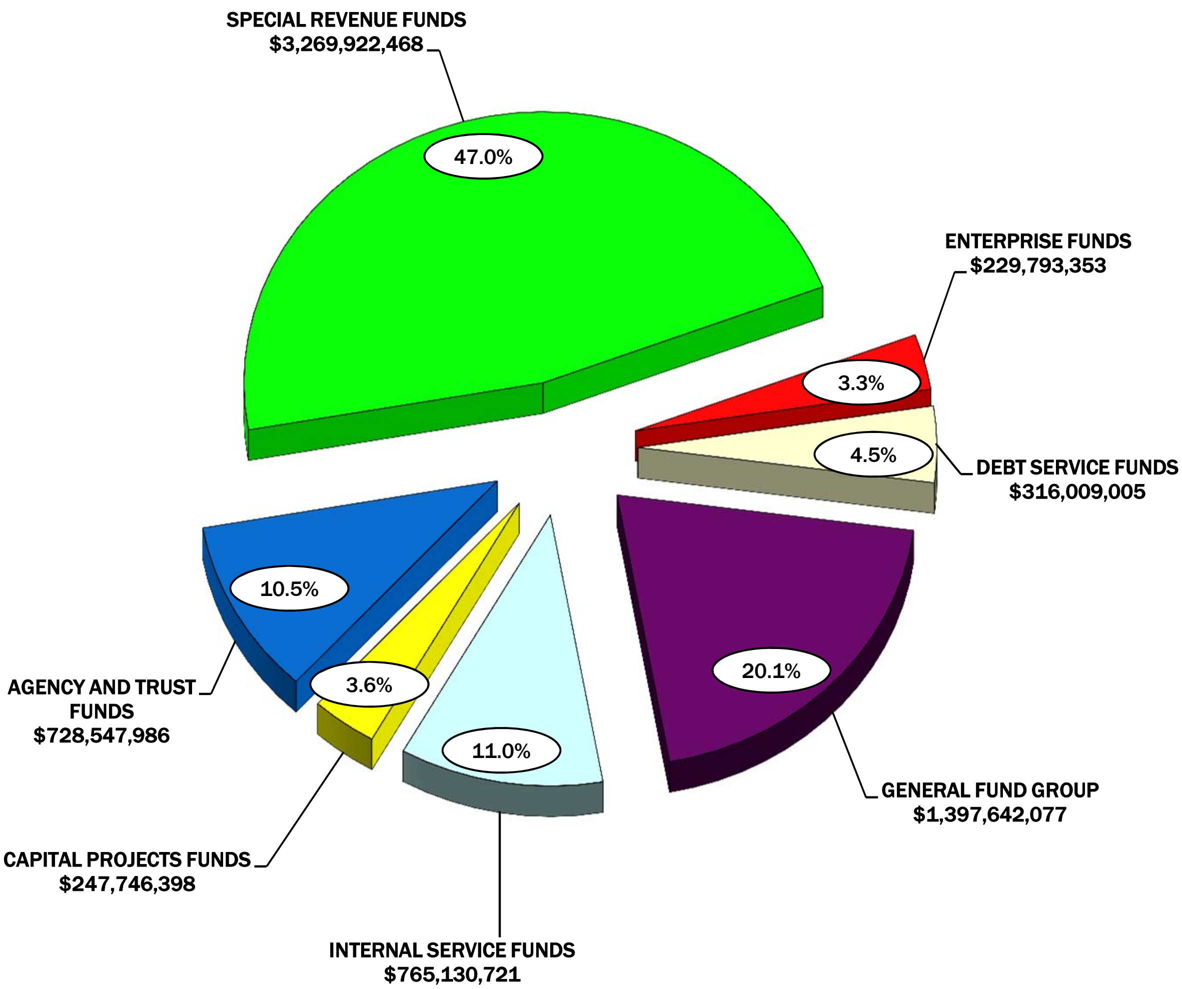
FY 2015 ADVERTISED BUDGET PLAN
REVENUE ALL FUNDS
(subcategories in millions)



TOTAL REVENUE = $7,320,377,278

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.

FY 2015 ADVERTISED BUDGET PLAN
EXPENDITURES ALL FUNDS



TOTAL EXPENDITURES = $6,954,792,008