



County of Fairfax, Virginia

MEMORANDUM

DATE: February 17, 2015
TO: Board of Supervisors
FROM: Edward L. Long Jr.
 County Executive

SUBJECT: Multi-Year Budget - FY 2017 Budget Plan Summary

While the focus of the discussion today will be on the FY 2016 Advertised Budget Plan, I wanted to summarize the challenges that face us for FY 2017 as well. As a result of the projections for revenues and expenditures included below, a budget shortfall of \$92.93 million is currently projected for FY 2017. In summary (in millions):

FY 2017 Forecast as included in the FY 2016 and FY 2017 Multi-Year Budget

General Fund	FY 2015 Revised	FY 2016 Advertised	FY 2017 Projected	FY 2016-FY 2017 Change	
				\$	%
Beginning Balance	\$156.39	\$83.30	\$83.97		
Revenues	\$3,701.04	\$3,807.38	\$3,901.90		2.48%
Transfers In	\$12.15	\$9.83	\$9.83		
Total Available	\$3,869.58	\$3,900.51	\$3,995.70	\$95.19	
School Operational and Debt Service Transfer	\$1,945.64	\$2,012.31	\$2,085.17		3.62%
County Disbursements	\$1,834.53	\$1,801.17	\$1,915.75		6.36%
Total Disbursements	\$3,780.17	\$3,813.48	\$4,000.92	\$187.44	4.92%
Ending Balance	\$89.41	\$87.03	(\$5.21)		
Managed Reserve	\$75.60	\$76.27	\$80.02		
Other Reserves	\$13.81	\$7.70	\$7.70		
Current Balance/(Shortfall)		\$3.06	(\$92.93)		

A large number of the positions and program costs that were originally intended for FY 2016 are now included in FY 2017 as a result of the reevaluation and reprioritization of our needs and available resources in FY 2016. The deferral of these investments is a concern as they are important priorities of the Board and the community. As part of the FY 2017 budget development process the Board will have the opportunity to comprehensively review the County's Lines of Business (LOBs). The process will culminate in the Spring of 2016 with discussion by the Board and the community about the priorities of the County in the context of the LOBs inventory. This discussion will focus on both providing an understanding of what the County's LOBs are and a reaffirmation of which programs should continue and which are no longer viable in the current fiscal environment. The added focus on metrics that will be

incorporated into this LOBs exercise will provide the Board and the community with an evaluation tool as they review what the County does to determine effectiveness, efficiency, and outcomes.

Revenue Assumptions

Based on the assumptions and estimates detailed below, General Fund revenues are projected to increase approximately \$95 million or 2.48 percent in FY 2017. Revenue growth rates for individual categories are shown in the following table:

Category	Actual and Projected Revenue Growth Rates			
	Actual FY 2014	Projections FY 2015 FY 2016 FY 2017		
Real Estate Tax - Assessment Base	3.40%	5.77%	3.46%	3.20%
Equalization	2.63%	4.84%	2.40%	2.35%
Residential	3.50%	6.54%	3.39%	3.25%
Nonresidential	0.14%	-0.10%	-0.60%	-0.50%
Normal Growth	0.77%	0.93%	1.06%	0.85%
Personal Property Tax - Current ¹	0.32%	0.92%	1.08%	1.25%
Local Sales Tax	-0.86%	3.40%	2.78%	2.80%
Business, Professional and Occupational, License (BPOL) Taxes	-2.69%	-3.39%	0.00%	1.00%
Recordation/Deed of Conveyance	-25.41%	-1.95%	1.00%	1.00%
Interest Rate Earned on Investments	0.45%	0.43%	0.65%	0.85%
Building Plan and Permit Fees	2.44%	-0.14%	17.81%	2.00%
Charges for Services	-1.86%	2.71%	1.77%	0.60%
State/Federal Revenue ¹	4.04%	-1.57%	0.52%	0.32%
TOTAL REVENUE	2.52%	3.20%	2.87%	2.48%

¹ The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category.

Disbursement Assumptions

The disbursement adjustments for FY 2017 reflect a \$187.44 million increase over FY 2016. It is important to note that the assumptions contained below will be revalidated during the FY 2017 and FY 2018 multi-year budget development process and it may be necessary to make changes in order to maintain a balanced budget and address Board priorities.

Fairfax County Public Schools (FCPS)

\$72.85 million

Assuming a 3 percent increase in the transfer to FCPS for operations results in an increase of approximately \$54.75 million. This increase is included for planning purposes recognizing that school enrollment is anticipated to increase and that some level of compensation increase may be considered for FCPS employees, in addition to anticipated increases in benefit costs including for VRS which may also rise in future years.

Consistent with the recommendations of the Infrastructure Financing Committee and the Board action of March 25, 2014, a County transfer of \$13.1 million is included to the School Construction Fund beginning in FY 2017.

In addition, based on the size of bond sales for School facilities (of \$155 million), an increase of \$5 million is anticipated for FY 2017 for debt service.

Employee Compensation (Pay and Benefits) ***\$39.94 million***

For purposes of the FY 2017 plan a \$39.94 million placeholder for employee pay increases is used. It is based on the assumption of a market rate increase of 1.5 percent, full funding of increases for all employees based on the approved compensation systems and a placeholder for compensation adjustments that could result from the annual review of 50 percent of all County job classifications.

Fringe Benefits ***\$14.25 million***

The primary increases for benefits for FY 2017 are for health insurance (\$10.50 million) and retirement (\$3.75 million), for a total of \$14.25 million.

Position Requirements ***\$14.63 million***

In order to reflect anticipated staffing requirements, the FY 2017 plan includes projections of \$14.63 million and 118 positions. These positions are identified based on current and planned conditions and service requirements. The largest single component of these positions is for Public Safety as a result of the Five-Year Public Safety Staffing plan that was developed in FY 2014.

A total of 65 positions are included for Public Safety as part of the plan in FY 2017, with additional positions included in the next four years. Of this total, 10 are in the Office of the Commonwealth's Attorney, 7 are in the Police Department, 22 are in the Office of the Sheriff, 24 are in the Fire and Rescue Department, and 2 are in the Office of Emergency Management. Due to constraints in available funding, a number of positions that were originally planned for FY 2016 have been deferred until FY 2017. As a result implementation of the staffing plan is anticipated to take longer than originally envisioned.

As part of the FY 2017 budget development process, all position requirements will be reviewed thoroughly and workload requirements analyzed prior to inclusion in the FY 2017 budget. As new information becomes available additional positions may be identified.

Capital Construction and Debt Service ***\$16.15 million***

A significant increase in capital construction funding is needed in order to meet the County's backlog of requirements. The last several years have reflected increases to start this process. In FY 2017 an increase of \$2.65 million is identified at this time. As capital requirements are refined over the upcoming year this amount will be revisited and the priority projects will be identified for its use.

In addition, a debt service increase of \$13.50 million is included in FY 2017 to reflect the required costs for County bond projects supporting the County's Capital Improvement program (CIP). The estimate for FY 2017 is consistent with the projects outlined in the CIP and will be refined based on the timing of bond sales and cashflow requirements at the time of the sale. The actual debt service requirement will be based on the size and timing of the sale and the interest rate received by the County.

All other changes

\$29.61 million

The remaining increases reflect planned information technology, transit, and equipment requirements. In addition, Board priorities such as the Consolidated Community Funding Pool, and funding for the June 2016 special education graduates of Fairfax County Public Schools are assumed.

While this comprehensive baseline sets the stage for the FY 2017 budget, there will need to be adjustments made to what is funded or what is available. Some of these changes will occur naturally over the next year before the release of the FY 2017, FY 2018, and FY 2019 Multi-Year Budget. Others will require policy decisions to be made.

More detailed information about the FY 2017 proposal is included in the Multi-Year Budget – FY 2016 and FY 2017 section of the Overview, a copy of which is attached.

cc: David P. Bobzien, County Attorney, Office of the County Attorney
Susan W. Datta, Chief Financial Officer and Director, Department of Management and Budget
Patricia D. Harrison, Deputy County Executive
David J. Molchany, Deputy County Executive
David M. Rohrer, Deputy County Executive
Robert A. Stalzer, Deputy County Executive
Tony Castrilli, Director, Office of Public Affairs
Catherine A. Chianese, Assistant County Executive and Clerk to the Board of Supervisors
Joseph Mondoro, Deputy Director, Department of Management and Budget