County of Fairfax, Virginia

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

February 16, 2016

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia

Chairman and Board Members:

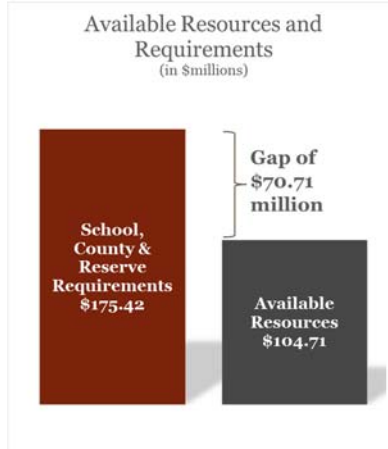
I am pleased to present the FY 2017 and FY 2018 Multi-Year Budget Plan to the Board of Supervisors and the community. During the past year we have accomplished a lot, from improving the County's financial position by eliminating the use of one-time funding for recurring expenses, strengthening the County's pension systems, and doubling our reserves; to adoption of the County's Economic Success Strategic Plan; to beginning the multi-year Lines of Business (LOBs) process which will shape the County's strategic direction and validate our priorities for future years; to putting together a prudent and responsive multi-year budget for FY 2017 and FY 2018. Despite another year of lackluster growth, I am encouraged by the actions we have taken thus far and by the continued willingness of the Board to make the difficult decisions. We continue to face disparate growth between our resources and our requirements and emerging needs, but we are fortunate that the quality of life that so many of our residents and businesses enjoy remains intact. However, we are at a critical juncture. We have endured eight years of significant budget reductions, resulting in the elimination of more than 700 positions and $300 million, and made significant cost avoidance decisions such as no or reduced employee compensation and deferral of facility maintenance. These decisions have pushed us to prioritize what we do, when we do it, and how we do it, but continuing along that same path will adversely impact the community and the quality of life that has made Fairfax County such a wonderful place to live, work and play. Going forward, we must be strategic and consider the array of services provided by the County in the context of constrained resources and community priorities. Difficult choices will have to be made, but I am encouraged that we now have the right tools and are on the right course to keep Fairfax County great.

> *"… Prosperity can only be achieved and sustained when a community's citizens, businesses and government work in concert for everyone's benefit… Our vision is a community where businesses, residents, and employees of a variety of ages, abilities, and experiences want to live, work, play, learn, and thrive..."*
>
> Economic Success Strategic Plan adopted by the Fairfax County Board of Supervisors, March 3, 2015

As you will see when I lay out the details of the budget, I have tried to be prudent and responsive. Our basic needs are met and many of our highest priorities are addressed. In order to get to this point, however, a 4 cent increase in the Real Estate Tax rate is recommended. While I know this is not ideal, it reflects our reality and enables us to focus on longer-term strategies. In the subsequent pages, I will describe the development of the FY 2017 budget in detail and I look forward

See the "Adopted Budget Summary" section for details regarding the final budget as approved by Board of Supervisors.

to discussing the various elements with the Board, with employees and with the community in the coming weeks.



The budget for FY 2017 and FY 2018 is prudent and responsive. At the current Real Estate Tax rate of $1.09 per $100 of assessed value, the FY 2017 revenue growth reflects modest growth of 2.3 percent over the FY 2016 estimate. At the same time, basic requirements are significant and there are growing needs that must be addressed. In preparing this budget, I was confronted with a gap of nearly $71 million. This budget prudently addresses critical requirements, and it responds to priorities including education, County employee compensation, public safety, and human services.

Based on the Board's budget guideline, I have included increases in the transfers to the Fairfax County Public Schools for operations, infrastructure and debt service and County employee compensation. I have based my recommendation on complying with the Multi-year Budget Plan to provide a 3 percent increase in the Operating transfer to Schools. Even with this increase, there is a $68 million gap between the School Board request and the 3 percent increase. There has already been a lot of attention focused on School needs and, while we typically start at different points, the size of this discrepancy is challenging.

The FY 2017 budget being presented today is balanced and includes:

- Funding for the most basic requirements and priorities for both Schools and the County;
- A Real Estate Tax rate increase of 4 cents to $1.13 per $100 of assessed valuation;
- Continuation of excellent fiscal stewardship; and,
- An available balance of $22.53 million for the Board to address some of the remaining critical requirements.

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

Nationally

The U.S. economy grew at an estimated pace of 2.4 percent in 2015, the same rate as FY 2014. Consumer spending registered its largest gain in a decade, partially fueled by plunging oil prices which gave consumers more discretionary spending power. Since the beginning of 2016, the stock market has seen a significant uptick in volatility which impacts the County's long-term investments, such as the retirement funds. Despite the stock market variability, consumer confidence remains strong as the Conference Board indicates "as 2015 draws to a close, consumers' assessment of the current state of the economy remains positive, particularly their assessment of the job market."

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Home prices nationwide posted strong gains once again in 2015. According to the S&P/Case-Shiller home price index, home prices nationwide were up 5.8 percent for the 12 months ending November 2015. Home prices in the Washington Metropolitan area posted a more modest 2.1 percent gain during the same period. Home price appreciation is expected to continue at this pace during 2016.

The Federal Reserve raised interest rates in December 2015 for the first time in almost a decade, citing improved labor market conditions and the solid pace of economic activity. Further, or more significant increases, could hinder economic growth, but economists anticipate the headwind for the national economy in 2016 to be the weakness in global growth and the negative effect from a stronger dollar.

In Fairfax

During the recession, the local economy outperformed the national economy, but underperformed from 2011 – 2014, dampened by the impacts of sequestration and contraction of federal procurement. The County's Gross County Product, adjusted for inflation, increased at a preliminary rate of 2.0 percent in 2015 after decreasing 0.4 percent in 2013 and 1.6 percent in 2014.

While the County's unemployment rate remains well below the state and national level at 3.1 percent as of November 2015 and is down from the 3.6 percent registered in November 2014, the local labor market is exhibiting tepid growth. As shown in the table below, while the County gained almost 5,600 jobs (June 2015 over June 2014), the loss of over 9,000 jobs suffered in 2013 and 2014 have not been recovered. Additionally, the growth is less than half the pace set in 2012.

Job Growth in Fairfax County
(Data as of June)

	Total Non-Farm Employment	Increase/ (Decrease)	% Change
2012	597,394	12,677	2.2%
2013	595,321	(2,073)	(0.3%)
2014	588,265	(7,056)	(1.2%)
2015	593,836	5,571	0.9%

The overall contraction in federal procurement has undoubtedly impacted local labor markets and commercial office space vacancies. For example, Federal procurement contracts in the County increased slightly in FY 2014 (the last year for which data is available), but have not recovered from the significant 13 percent decrease experienced in FY 2013. According to the Fairfax County Economic Development Authority, the direct office vacancy rate was 16.5 percent at mid-year 2015, up from 16.3 percent at year-end 2014. The overall office vacancy rate, which includes empty sublet space, was 17.5 percent at mid-year 2015, which decreased from the 17.7 percent recorded at year-end 2014. The amount of empty office space topped 20 million square feet. Industry experts anticipate vacancy rates to remain high through 2016 due to sluggish economic conditions and concerns about the federal budget as well as the national election, which historically has forestalled site location decisions. A further obstacle to filling office space is that employers today are leasing substantially less space per employee than in the past.

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The Silver Line is spurring new construction. In Tysons, for example, 145 major applications for almost 50 million square feet have been approved since 2010 and almost 3 million square feet are under construction. Similarly, in Reston, 16 cases for 13.5 million square feet are in the pre-application or review status. These projects will impact the tax base positively in the years to come.

The County's Bond Rating

At the December 2, 2015 Board of Supervisors meeting, staff requested Board action to approve a resolution and the necessary documents to proceed with the County's General Obligation Bond Sale Series 2016A. As part of the bond sale process, the County's triple-A bond rating was affirmed by Standard & Poor's, Fitch Ratings, and Moody's Investors Service. Standard & Poor's and Fitch reaffirmed the stable outlook for the County.

> *"The outlook has been revised to stable. The Aaa rating reflects the county's adequate financial position supported by recently strengthened comprehensive fiscal policies, large and diverse tax base with socioeconomic indices that are well above average, and reasonable debt burden with manageable future borrowing plans."*
>
> Moody's Investor Services

As the Board is aware, Moody's revised its outlook on the County from negative to stable. As cited in the report, one of the main reasons behind the return to stable outlook was the Board's "recently strengthened comprehensive fiscal policies," in addition to the County's "large and diverse tax base with socioeconomic indices that are well above average, and reasonable debt burden with manageable future borrowing plans."

As the Board will recall, in January 2014, Moody's maintained the County's Aaa bond rating, but revised the outlook from stable to negative. The reasons cited for this action were concerns over the County's structural imbalance, reserve balances and pension liability funding. During the FY 2016 Advertised Budget Plan, several recommendations were presented and subsequently adopted by the Board to address the issues raised by Moody's.

- The County will maintain a structurally balanced budget. This is incorporated in the development of the County budgets beginning in FY 2015, as one time monies are not being used to balance the budget.

- The County increased its existing reserve level policies. The Managed Reserve target increased from 2 to 4 percent of General Fund Disbursements; the Revenue Stabilization Reserve target increased from 3 to 5 percent of General Fund Disbursements; and a new Economic Opportunity Reserve was established with a target of 1 percent of General Fund Disbursements. As a result, the County's reserve policy will be more in-line with other triple-A jurisdictions. Funding of this increase has already begun, but will take several years to fully fund the new target levels.

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- The County committed to increased pension funding levels, which is reflected through higher employer contribution rates by adjusting the amortization level of the unfunded actuarial accrued liability to 93 percent in FY 2015, 95 percent in FY 2016, and 97 percent included in the FY 2017 budget. 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 in January 2014 discounted 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 in 2014 reflected 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.

The County has held a Aaa rating from Moody's since 1975, a AAA rating from Standard and Poor's since 1978 and a AAA rating from Fitch Ratings since 1997. As of January 2016 only 46 counties, 11 states, and 33 cities nationally have a triple-A bond rating from all three major rating agencies. As a result of the County's excellent triple-A bond rating, the County has saved more than an estimated $735.48 million from County bond and refunding sales. Again, the Board deserves the credit for the return to stable outlook by the unanimous commitment to the revised financial policies. These changes reflect the Board's firm adherence to the County maintaining its triple-A bond rating.

In the context of the current economic outlook I discussed previously, I will now lay out the recommendations I have included in the FY 2017 budget and planned for FY 2018.

FY 2017 Budget Summary and FY 2018 Budget Plan

In November I briefed the Board on the County's Fiscal Forecast for FY 2017 and FY 2018. At that time, I indicated projected shortfalls of $85.04 million for FY 2017 and $78.98 million in FY 2018. Today I am presenting a balanced budget for FY 2017 and a potential structural imbalance of $74.38 million in FY 2018.

In developing the FY 2017 budget, it was apparent that the resources available at the current Real Estate Tax rate ($104.71 million) were not sufficient to address the basic requirements of the Schools and the County ($175.42 million). In fact, the difference ($70.71 million), even with County reductions totaling $13.63 million, is equivalent to 3 cents on the Real Estate Tax rate. Given additional requirements, namely a remaining gap of $68 million for Schools, I am recommending a 4 cent increase in the Real Estate Tax rate. The following table summarizes how the FY 2017 budget was constructed.

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How was the FY 2017 General Fund Budget Built? (in millions)	
Available Revenue Increase in FY 2017 over the FY 2016 Adopted Budget Plan	
Revenue Increase at Current Real Estate Tax Rate	$104.37
Net Impact of Transfers In	$0.34
Total Available	**$104.71**
Critical FY 2017 Requirements	
School Operating, School Construction and Debt Service	**$70.57**
County Requirements	**$89.27**
Employee Pay and Benefits	$43.01
Public Safety	$18.41
Capital and Debt	$15.77
Human Services	$12.01
Cost of County Operations	$9.93
Community Development	$3.77
Reductions/Savings	($13.63)
Reserve Adjustments	**$15.58**
Total Uses	**$175.42**
Gap at Current Real Estate Tax Rate	($70.71)
Additional Revenue from 4 Cents on the Real Estate Tax	**$93.24**
Available for Other Critical Requirements	**$22.53**

As shown in the preceding table, with a 4 cent increase in the Real Estate Tax rate, the FY 2017 budget is balanced and nearly $23 million is available to address remaining critical requirements.

Multi-Year Budget Plan

For FY 2018, I anticipate revenue will increase approximately $99 million, or 2.5 percent. Requirements projected for FY 2018 are an increase of just under $173 million and include 166 new positions and support of our many public safety and human services programs. For Fairfax County Public Schools, the FY 2018 budget proposal includes a 3 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 and maintain a baseline commitment to School construction of $13.1 million. Reflecting the commitment to County employees, a Market Rate Adjustment (MRA) for all employees, coupled with a Performance/Longevity adjustment for General County employees or Merit/Longevity increases for uniformed Public Safety employees are included. I have assumed an MRA of 1.50 percent which equates to approximately $18 million in FY 2018. General County adjustments total $12.0 million, while uniformed Public Safety increases total $8.5 million. Detailed information about the FY 2018 proposal is included in the Multi-Year Budget – FY 2017 and FY 2018 section of the Overview following this letter.

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FY 2017 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 2017 Advertised Budget Plan total $7.96 billion. This County revenue total is an increase of $421.04 million, or 5.6 percent, over the FY 2016 Adopted Budget Plan. On the expenditure side, the FY 2017 Advertised Budget Plan totals $7.45 billion and reflects an increase of $318.94 million, or 4.47 percent, over the FY 2016 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 2017 Budget: General Fund

FY 2017 General Fund Revenue

Without a Real Estate Tax rate increase, FY 2017 General Fund revenues are projected to be $3,914,884,891, an increase of $89,858,373, or 2.3 percent, over the *FY 2016 Revised Budget Plan*, which contains the latest FY 2016 revenue estimates, and an increase of $104,377,236, or 2.74 percent, over the FY 2016 Adopted Budget Plan.

On the County's real estate front, the number of homes sold jumped 9.6 percent to 14,850 homes in 2015, but the average price of homes sold rose only 1.1 percent. Homes for sale were on the market 52 days before they sold, up from 45 days in 2014. As a result, residential equalization reflects a meager 1.64 percent increase in FY 2017, approximately half that of the 3.39 percent increase experienced in FY 2016 and approximately one-quarter of the 6.54 percent registered in FY 2015. By contrast, non-residential values posted an equalization gain of 2.87 percent on the heels of declines in FY 2016 (0.6 percent) and FY 2015 (0.1 percent).

The value of a penny on the Real Estate Tax rate is $23.31 million in FY 2017. Each penny change in the tax rate equals $52.78 on a taxpayer's bill. My budget recommendation proposes that we increase the Real Estate tax rate 4 cents to $1.13 per $100 of assessed value. Given an average value of a residential unit of $527,648, the "typical" taxpayer would owe an additional $303.86 over FY 2016 at the proposed tax rate. With the 4 cent Real Estate Tax rate increase, FY 2017 General Fund revenues are projected to be $4,008,114,187, an increase of $183,087,669, or 4.8 percent, over the *FY 2016 Revised Budget Plan*, which contains the latest FY 2016 revenue estimates, and an increase of $197,606,532, or 5.19 percent, over the FY 2016 Adopted Budget Plan.

The *General Fund Revenue Overview* in the FY 2017 Overview volume has much more detail on General Fund revenues.

FY 2017 General Fund Disbursements

FY 2017 General Fund disbursements are $3,988,246,875, an increase of $168,698,655, or 4.42 percent, over the FY 2016 Adopted Budget Plan and an increase of $93,921,938, or 2.41 percent, over the *FY 2016 Revised Budget Plan*. The increase over the Adopted budget is based on FY 2017 increased funding of $70.57 million for Fairfax County Public Schools for Operating, Debt, and Construction and $89.27 million for County requirements, discussed in more detail below.

I am also recommending 34 net new positions in the FY 2017 Advertised Budget Plan which are detailed below. It should be noted that 17 positions are abolished in the FY 2017 budget, primarily associated with a review of positions vacant for an extended period of time.

Increases in the budget fall into the following main categories:

- Fairfax County Public School (FCPS) Requirements
- County Requirements
- Reserve Requirements

Fairfax County Public School (FCPS) Requirements $70.57 million

The General Fund transfer to the Public School Operating Fund reflects a 3.0 percent increase over the funding level in the FY 2016 Adopted Budget Plan. The County General Fund transfer to Fairfax County Public Schools (FCPS) underscores the paramount importance that education has in our community and this funding is consistent with the percentage allocated to FCPS over the past few years at 52.2 percent. The proposed County General Fund transfer for school operations, infrastructure and debt service totals $2.08 billion in FY 2017, an increase of $70,567,222, or 3.51 percent, over the FY 2016 Adopted Budget Plan. Within this amount, the transfer for School operations is $1.88 billion, an increase of $54.75 million; the transfer in support of School debt service is $189.87 million, an increase of $2.72 million; and there is an increase of $13.1 million in baseline support for School construction.

The County also provides additional support for the Schools in the amount of $84.7 million for programs such as Head Start, School Health, Behavioral Health Services, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others.

On February 4, 2016, the Fairfax County School Board requested an operating transfer of $1.95 billion for FY 2017 that would give school employees raises, decrease class sizes, and necessitates a $122.7 million, or 6.7 percent, increase over the FY 2016 Adopted Budget Plan General Fund transfer to fully fund the Schools' budget request. This request would require an additional $68 million, or almost 3 additional cents on the Real Estate Tax rate.

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County Requirements $89.27 million

The most significant changes for non-School Disbursements include:

Employee Compensation (Pay and Benefits) - $43.01 million

♦ **1.33% Market Rate Adjustment**

Funding of $15.38 million is included for the full-year impact of a 1.33 percent Market Rate Adjustment (MRA) increase effective July 2016 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 and includes 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.

♦ **General County Performance/Longevity Increases**

Funding of $11.73 million is included for the General County employee pay increases included in the budget which reflects the new performance and longevity program for all eligible General County employees approved by the Board of Supervisors in Fall 2014 and implemented in FY 2016. The funding reflects increases effective July 2016 for graduated performance increases, based on where employees are on the pay scale, and the 4 percent longevity increases provided to employees who reach 20 or 25 years of service. In FY 2017, all employees reaching 20 or 25 years of service as of June 30, 2016 will receive a 4 percent increase. Employees receiving a longevity award do not also receive a performance award. The performance increases range from 3 percent for employees within 15 percent of the bottom of the pay scale to 1.25 percent for employees within 25 percent of the top of the pay scale. The average increase in FY 2017 is 2 percent.

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- **Public Safety Merit/Longevity Increases**
  Funding of $8.50 million is included for public safety pay increases which reflect merit and longevity increases for all eligible public safety employees. The funding reflects the full-year impact of merit and longevity increases provided to uniformed employees in FY 2016 and the partial-year costs for merit and longevity increases provided to uniformed employees in FY 2017 since all increases are effective on the employee's anniversary date. Merit increases are awarded to public safety employees as they progress through the pay scale. Public safety employees who have reached a length of service (15 and 20 years) milestone and have reached the top step of their pay scale are eligible for longevities. Merit and longevity increases are each 5 percent for public safety employees. In any given year between 40 and 50 percent of public safety employees are eligible for one or the other.

- **Elimination of Step 8 Hold in Uniformed Public Safety as Directed by the Board**
  Funding of $0.53 million is associated with the elimination of the two-year hold at Step 8 in the Uniformed Public Safety Pay Plans as directed by the Board of Supervisors as part of the *FY 2015 Carryover Review*. Elimination of the Step 8 hold will allow for more consistent merit increment increases during an employee's career and will still maintain the 20-year career progression through the public safety pay scales. Funding included in FY 2017 represents the partial-year impact, as increases are awarded on an employee's anniversary date. The full-year impact is estimated at $1.1 million, and additional funding will be included in FY 2018.

- **Other Salary Adjustments**
  A net increase of $0.39 million is associated with the full-year impact of salary adjustments for the Board of Supervisors, Board of Zoning Appeals, and Planning Commission approved as part of the FY 2016 Adopted Budget Plan; increases for specific job classes identified in the County's benchmark class survey; and increases to pay supplements for Constitutional Officers approved by the Board of Supervisors on January 12, 2016.

- **Retirement Funding**
  The FY 2017 budget includes an increase of $5.62 million in employer contributions to the retirement systems. Of this amount, an increase of $3.58 million is for fiduciary requirements associated with the County's retirement systems and as a modest investment to strengthen our funding ratios. This increase includes a change to the amortization schedule to increase the amortization of the unfunded actuarial accrued liability from 95 percent to 97 percent, funding the next step toward meeting the County's policy to include amortization of 100 percent of the unfunded liability in the actuarially determined contributions for each of the systems by FY 2020. Although each system posted positive investment returns in FY 2015, all three systems were below the 7.5 percent assumed rate of return. The Employees' system returned 0.5 percent, the Uniformed system was up 1.5 percent, and the Police Officers system returned 3.4 percent. The FY 2015 investment results, contribution levels, and liability experience affected the funding ratios as demonstrated in the table below. This table displays plan fiduciary net position as a percentage of the total plan liability as published in the County's Comprehensive Annual Financial Report (CAFR) and as required under new GASB requirements. It should be noted that since these calculations utilize asset figures as of a point

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in time (not smoothed as under previous methodologies), the funding ratios calculated are subject to volatility based on market returns.

	June 30, 2014	June 30, 2015
Employees'	78.3%	74.2%
Uniformed	85.2%	81.0%
Police Officers	86.8%	84.8%

The remaining increase of $2.04 million is due to a reduction in the Social Security offset for service-connected disability retirees from 15 percent to 10 percent. This is the first year of a 3-year plan to eliminate the offset as directed by the Board of Supervisors. The employer contribution rates for the Employees' and Uniformed systems are required to increase due to this change, resulting in an increase of $0.05 million. In addition, the retirement system funding strategy approved by the Board of Supervisors as part of the adoption of the FY 2016 Adopted Budget Plan requires that the $1.99 million increase in the unfunded liability of the systems as a result of this benefit enhancement be funded in FY 2017 with a one-time increase in General Fund contributions. It should be noted that the total estimated cost to eliminate the Social Security offset over the next three years is $5.97 million in one-time funds and an additional $0.15 million in recurring funds.

♦ **Health Insurance and Other Benefits**

A net increase of $0.86 million is primarily due to the full-year impact of calendar year 2016 premium increases and costs associated with a projected 7 percent premium increase for all health insurance plans, effective January 1, 2017. 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. Increases related to health insurance are partially offset by projected savings in fringe benefits based on year-to-date experience.

Public Safety - $18.41 million and 33 Positions

♦ **Ad-Hoc Police Commission/Diversion First**

Funding of $7.50 million represents the first year of a multi-year strategy requiring increased staffing and funding to implement recommendations from the Ad-Hoc Police Commission, including the Diversion First program. Costs of more than $35 million and 150 positions are currently estimated, including both one-time and recurring costs. The Board's Public Safety Committee will identify priorities for allocating these funds, which are held in reserve in the Advertised Budget.

- Ad-Hoc Police Commission: The commission reviewed the Police Department's use of force, communications, recruitment-diversity-applicant vetting, investigations, and handling of mental health issues. Recommendations, many of which were already being implemented, were presented to the Board on October 27, 2015, and include strategies such as institutionalization of independent oversight and the use of body cameras.

- Diversion First: Through the collaborative work of the Human Services system and the Public Safety agencies, strategies are being developed to decrease the use of arrest and detention of people experiencing mental health and/or substance abuse or other behavioral health crises by improving access to timely treatment. Coordination with the judicial system, including the courts and public defenders, is an essential component of this work.

♦ **New South County Police Station**

An increase of $3.14 million is required for the first year of a multi-year strategy to fully fund the opening of a new police station and animal shelter in South County approved by a Public Safety bond referendum in November of 2015. Initial estimates indicate that 70 additional positions will be required to fully staff this station when it opens in Spring 2021 and the FY 2017 funding supports 15/15.0 FTE positions to begin the process. Based on the large number of staff required, and the significant lead time (18-24 months) associated with hiring and training new recruits, it is important to begin this process now. It is anticipated that funding and staff will be added in each of the next 4-5 years. This phased-in approach will allow the department to most effectively hire and train new recruits, as well as ensure that current staffing estimates are accurate.

♦ **Police Patrol Officers**

An increase of $2.90 million supports 14/14.0 FTE positions to fund additional Patrol Officers and is consistent with the multi-year Public Safety Staffing Plan. Currently, most stations exceed the average Calls for Service (CFS) standard by at least 6,000 calls for service annually.

♦ **Police Polygraph Capacity**

Funding of $0.34 million is added to support 2/2.0 FTE Polygraph positions based on a review of current workload and upcoming requirements. Polygraph positions in the Police Department are tasked with performing polygraph tests for all public safety applicants. Based on the approval of multiple positions within public safety agencies in recent years, current staffing levels are insufficient to meet workload requirements. These positions will allow public safety applications to be vetted within an acceptable timeframe.

♦ **Full-Year Funding for Fire and Rescue Staffing**

An increase of $2.20 million replaces the remaining costs associated with 31/31.0 FTE positions which were initially funded by two Board-approved SAFER (Staffing for Adequate Fire and Emergency Response) grants. The funding for the first SAFER grant, supporting 19/19.0 FTE positions, expired in November 2015, while the second grant, supporting 12/12.0 FTE positions expires in April 2016. Funding of $1.26 million was included in the FY 2016 Adopted Budget Plan to cover the partial-year costs associated with these positions and this FY 2017 adjustment covers the remaining costs. These positions combined with an additional 18 positions added as part of the most recent SAFER award in September 2015 (for a total of 49 additional positions), enable the department to fulfill its goal of having a fourth person on the 14 ladder truck companies. Four-person truck staffing has enhanced the Fire and Rescue

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Department's (FRD) ability to complete time critical tasks thereby reducing life and property losses, as well as risk of firefighter injury or death.

- **Fire and Rescue Apparatus and Ambulance Replacement**
  An increase of $1.00 million is required as part of a multi-year plan begun in FY 2015 to increase annual contributions to the Large Apparatus Replacement Fund and Ambulance Replacement Fund. Additional contributions are required due to increasing vehicle costs, fleet growth, and flat contributions since FY 2007. Without additional funding, the replacement reserves will be depleted in the next few years. This funding is in addition to the dedication of grant funds, baseline funds and one-time contributions allocated to this effort. The entire fleet consists of 63 apparatus and 43 ambulances.

- **Volunteer-Owned Large Apparatus**
  Additional funding of $0.78 million is allocated to replace large apparatus owned by volunteer departments. Currently, out of the 12 volunteer departments in Fairfax County, six are not able to replace their large apparatus. Of the 106 front-line vehicles career FRD staff operates daily for emergency response, 30 are owned by volunteer departments. These vehicles are operated 24-hours a day/7 days a week with career personnel as part of the minimum staffing calculation. Without these vehicles, FRD does not have the apparatus available to provide the current level of emergency response coverage.

- **Fire SCBA Replacement**
  An increase of $0.93 million supports the first year of a seven-year lease purchase agreement associated with replacing 800 pieces of Self-Contained Breathing Apparatus (SCBA) equipment. SCBA is a breathing device worn by firefighters to provide breathable air in a toxic environment. The current equipment was purchased in 2001, and upgraded in 2007, with an expected five-year technical life. The department delayed purchasing replacement equipment in anticipation of the 2013 edition of the National Fire Protection Association (NFPA) Standard 81 on Open-Circuit SCBA for Emergency Services. The current equipment cannot be retrofitted to achieve compliance with the new NFPA standards and, as a result, it needs to be replaced.

- **Human Trafficking Grant**
  Due to expiration of federal funding, 2/2.0 FTE grant positions (one human trafficking detective and one task force crime analyst) are being converted to merit status in the Police Department and funding of $0.33 million is added to continue critical work associated with the Northern Virginia Human Trafficking Task Force.

- **Other Adjustments**
  Other adjustments, including the termination of a Juvenile and Domestic Relations District Court agreement with the District of Columbia, one-time expenses, and changes associated with the *FY 2015 Carryover Review* result in a net funding reduction of $0.71 million.

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Capital Construction and Debt Service - $15.77 million

The FY 2017-FY 2021 Capital Improvement Program (CIP) continues the progress made in recent years and is focusing on a Fall 2016 referendum that includes $85 million for Human Services/Community Development, $107 million for Parks and $120 million for Metro. The total CIP is $9.50 billion. The total bond program within the CIP is $1.86 billion (includes both General Obligation and Economic Development Authority bonds), and the CIP bond program is managed within the County's debt ratios. CIP highlights include developing a 10-year plan for funding turf field replacements; forming a plan for allocating the current balance of the Capital Sinking Reserve Fund; and enhancing communication of the collaborative efforts underway on Public-Private Partnership and Joint Venture Projects.

The increase in funding for Capital Construction and Debt Service is $15.77 million. The FY 2017 funding meets debt service requirements, increases paydown support for critical infrastructure requirements, and continues to respond to recommendations of the Infrastructure Finance Committee (IFC) (a joint committee of the County and School Boards). A strong program is essential to the sustainability of County services and is designed to meet existing and anticipated future needs. Reinvestment in County facilities is critical to avoid deterioration and obsolescence. During the height of the economic crisis, contributions did not keep pace with the County's needs, so it is critical that we make significant strides in funding essential requirements now.

♦ **Capital Construction**

Capital Construction is primarily financed by the General Fund, general obligation bonds, fees, and service district revenues. General Fund support in FY 2017 totals $28,853,427. This represents an increase of $6,811,659 over the FY 2016 Adopted Budget Plan.

Capital Construction/Paydown Summary[1]

	FY 2016	FY 2017	Change
Infrastructure Replacement and Upgrades	$2,700,000	$5,000,000	$2,300,000
ADA Compliance	$4,064,750	$4,370,000	$305,250
Athletic Field Maintenance and Sports Projects	$5,635,338	$6,135,338	$500,000
Park Authority Infrastructure Maintenance	$1,682,076	$1,909,000	$226,924
Master Planning and Redevelopment	$0	$2,700,000	$2,700,000
On-Going Development Efforts, Infrastructure Maintenance and Revitalization	$2,994,735	$3,795,000	$800,265
Obligations and Payments	$4,429,869	$4,409,089	($20,780)
Environmental Initiatives	$535,000	$535,000	$0
Total	**$22,041,768**	**$28,853,427**	**$6,811,659**

[1] Reflects General Fund support. Other funding sources such as dedicated revenue and bond funding is not included in these totals.

- Infrastructure Replacement and Upgrades: Infrastructure Replacement and Upgrades support the long-term needs of the County's capital assets to maximize the life of County facilities, avoid their obsolescence, and provide for planned repairs, improvements and

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restorations. Fairfax County will have a projected FY 2017 facility inventory of over 9.2 million square feet of space (excluding schools, parks, housing and human services residential facilities). With such a large inventory, it is critical that a planned program of repairs and restorations be maintained. In addition, the age of a major portion of this inventory of facilities is reaching a point where major reinvestments are required in the building subsystems. In an effort to move closer to the annual funding goal of $15 million discussed with the IFC, for FY 2017, an amount of $12,417,153 in priority projects is proposed to be funded using multiple funding sources.

Funding of $5,000,000 is supported by the General Fund, which represents an increase of $2,300,000 from the FY 2016 Adopted Budget Plan level of $2,700,000. In addition, $2,810,000 will be supported by existing Public Safety bonds available in completed projects as a result of the favorable bid environment. These projects, all located at Public Safety/Courts facilities are large upgrade projects with life spans in excess of 20 years and appropriately funded by bonds. Finally, staff is proposing that $4,607,153 be utilized from the Capital Sinking Reserve Fund. A Capital Sinking Reserve Fund was established as a direct result of work done by the IFC which identified infrastructure replacement and upgrades associated with County and Parks facilities, trails, sidewalks, County-owned roads, and revitalization maintenance efforts. A balance of $8.4 million has accumulated over the last two years based on the approval of funding at both the *FY 2014 Carryover Review* and the *FY 2015 Carryover Review*. Staff will propose a plan that addresses a portion of the County's backlog of infrastructure renewal and maintenance projects during the *FY 2016 Third Quarter Review.* This funding supplements the funding included in the FY 2017 budget to begin to make progress toward meeting infrastructure funding requirements. FMD (Facilities Management Department) projects requiring funding in FY 2017 can then take advantage of the two prior years of funding in the Capital Sinking Reserve Fund, with an effort to reach close to the $15 million goal in General Fund support in future years.

- Americans with Disabilities Act (ADA): FY 2017 funding in the amount of $4,370,000, an increase of $305,250 over the FY 2016 Adopted Budget Plan funding level, is included for the continuation of ADA improvements required as part of the Department of Justice (DOJ) audit and identified in the settlement agreement signed by the Board of Supervisors on January 28, 2011.

  Funding in the amount of $2,370,000 is included for the continuation of Park Authority ADA improvements. The Park Authority has nearly completed all DOJ identified improvements and has completed 100 percent of the DOJ required building assessments for the remaining facilities that were not part of the audit. Park staff continues to address items identified as part of their self-assessment.

  Funding in the amount of $2,000,000 is included for the continuation of ADA improvements at County owned facilities required as part of the DOJ audit. FMD has nearly completed all DOJ identified improvements. FMD has completed all required self-

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assessments and continues to address compliance improvement items identified as part of their self-assessments.

- Athletic Field Maintenance and Sports Projects: FY 2017 funding in the amount of $7,735,338 is partially supported by a General Fund transfer of $6,135,338 and revenue generated from the Athletic Services Fee in the amount of $1,600,000. General Fund support is increased $500,000 and, when combined with additional revenue of $500,000 associated with an increase in the Athletic Services Fee, the total increase in FY 2017 is $1,000,000. The total annual contribution for turf field replacement will be $2.25 million as a result of this increase. Of this amount $1,450,000 is funded from the General Fund and $800,000 is funded from the Athletic Services fee. The Athletic Services Fee for rectangular field users is recommended to increase from $5.50 to $9.50 per participant per sport and recommended to increase from $15 to $25 per team per tournament. Even with the proposed increase, the fee would remain in-line with other local jurisdictions.

  This funding is necessary to meet the 10-year replacement cycle for the 63 fields in the County's turf field inventory. Synthetic turf fields provide even playing surfaces and increased 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 taken offline to protect or re-sod the grass; and have a significant life cycle with reduced and easier maintenance requirements.

- Park Authority Infrastructure Maintenance: FY 2017 funding in the amount of $1,909,000 has been included for maintenance of both facilities and grounds. This amount includes an increase of $226,924 over the FY 2016 Adopted Budget Plan. The Park facilities maintained with General Fund monies include but are not limited to: rental properties, historic properties, nature centers, maintenance facilities, sheds, shelters, and office buildings. Park priorities are based on the assessment of current repair needs including safety and health issues, facility protection, facility renewal and improved services. In addition, Park maintenance requirements are generated through scheduled preventative maintenance or from user requests for facility alterations. Without significant reinvestment in building and grounds, older facilities can fall into a state of disrepair and reduced functionality, resulting in increased future maintenance and repair costs. Preventative, replacement, and repair work is required for roofs, HVAC, electrical and lighting systems, fire alarm systems, and security systems. Adequate and regular funding is essential to the maintenance and repair of building stabilization, including capital renewal of over 567,053 square feet at non-revenue supported Park Authority structures and buildings.

- Master Planning and Redevelopment: Additional funding of $2,700,000 has been included in FY 2017 for costs related to master planning and redevelopment efforts.

  Massey Building Planning and Demolition: Funding of $700,000 supports the Massey Complex Master Planning Project, as well as the design phase associated with demolition.

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Original Mount Vernon High School: Funding of $350,000 is included for a study and concept planning. The current lease to the Islamic Saudi Academy (ISA) will expire in October 2016 and planning efforts are underway to determine interim occupancy and long term development options for the property.

Burkholder Building Renovations: Funding of $300,000 has been included for the design costs associated with the renovation of the Burkholder Building which will be vacated once the Public Safety Headquarters is ready for occupancy in June 2017.

Other: Funding of $1,350,000 supports facility and space realignments that will maximize owned space, potentially reduce leased space, and facilitate hoteling of office space and concept planning for joint venture development projects.

- On-Going Development, Infrastructure Maintenance and Revitalization - FY 2017 funding of $3,795,000, an increase of $800,265 over the FY 2016 Adopted Budget Plan, has been included for costs related to on-going development, infrastructure maintenance and revitalization throughout the County.

Laurel Hill Property Management: Funding of $1,260,000, an increase of $175,265, is included to address only the most critical aspects of property management at Laurel Hill. Laurel Hill was transferred to the County by the Federal government and includes approximately 2,340 acres of land and 1.48 million square feet of building space.

Commercial Revitalization: Funding of $750,000 reflects no change from the FY 2016 Adopted Budget Plan and is included to continue routine and non-routine maintenance in five major revitalization areas (Annandale, Route 1, Springfield, McLean, and Baileys Crossroads).

Reinvestment, Repair, and Emergency Maintenance of County Roads: Funding of $500,000, an increase of $350,000, supports the 43 miles of roadway service drives not maintained by VDOT. As part of the *FY 2014 Third Quarter Review*, funding was approved to build an accurate inventory and condition assessment of County-owned roads and service drives. The study identified an amount of $4 million in reinvestment funding requirement for the roadways with the most hazardous conditions, as well as $500,000 in FY 2017 for annual emergency repairs. Staff will prioritize funding for projects including emergency safety and road repairs. On-going road maintenance includes, but is not limited to, pothole repair, drive surface overlays, sidewalk and curb repairs, traffic and pedestrian signage, hazardous tree removal, grading, snow and ice control, replacement of substandard materials, patching of existing travelways, minor ditching and stabilization of shoulders, slopes and drainage facilities. It is anticipated that funding for the reinvestment programs for County roads will be funded over a 5 year period, with initial funding from the allocation of the Capital Sinking Fund, anticipated to be approved as part of the *FY 2016 Third Quarter Review.*

Tyson's Corner and Silver Line Projects: Funding of $460,000 reflects no change from the FY 2016 Adopted Budget Plan and supports routine and non-routine maintenance. Routine maintenance services include landscaping, trash removal, snow removal, and stormwater facility maintenance.

County Trails, Sidewalks and Pedestrian Bridges: An amount of $400,000, reflecting an increase of $100,000, is included for emergency and critical maintenance. The Department of Public Works and Environmental Services (DPWES) and the Fairfax County Department of Transportation are responsible for maintaining approximately 664 miles of walkways and 68 pedestrian bridges. On-going critical maintenance includes the correction of safety and hazardous conditions such as the deterioration of trail surfaces, the replacement and/or repair of guardrails and handrails, and the rehabilitation of pedestrian bridges. A recent study built an accurate inventory and condition assessment of County walkways and revealed that there are approximately 10 miles of trails in extremely poor condition requiring $3 million in reinvestment. It is anticipated that funding for the reinvestment programs for County walkways will be funded over a 3 year period, with initial funding from the allocation of the Capital Sinking Fund, anticipated to be approved as part of the *FY 2016 Third Quarter Review.*

Other: Funding of $425,000, an increase of $175,000 over the FY 2016 Adopted Budget Plan, is included for the Developer Default Program, Emergency Directives Program, maintenance of geodetic survey control points, and conservation bond interest payments.

- Obligations and Payments – Funding of $4,409,089 is included for costs related to annual contributions and contractual obligations. This is a small decrease of $20,780 from the FY 2016 Adopted Budget Plan. Specific projects include the County's annual contributions to provide continued construction and maintenance support to various college campuses within the Northern Virginia Community College system; offset school operating and overhead costs associated with the School-Age Child Care (SACC) Centers; and, the annual payment for the Salona Property.

- Environmental Initiatives: Funding of $535,000 has been included for initiatives selected through a process supported by the Environmental Quality Advisory Council.

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 2017 General Fund support of County debt service requirements is $136.75 million, an increase of $8,959,358 over the FY 2016 Adopted Budget Plan. The FY 2017 funding level supports debt service payments associated with existing and anticipated debt service requirements, including the $217.04 million in General Obligation bonds sold in January 2016. In addition and based on the Board's policy concerning reserves, the refunding savings of $13.1 million to be generated in FY 2017 from the Series 2015 B and Series 2015 C General Obligation refunding bond sales will be transferred to the Revenue Stabilization Fund. These savings are one-time and will

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help the County reach its revised reserve goals. During FY 2017 it is anticipated that a General Obligation bond sale of approximately $277.14 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 2017-FY 2021 Advertised Capital Improvement Program (With Future Fiscal Years to 2026).

Human Services - $12.01 million and 4 Positions

- **Contract Rate Increases**
  An increase of $3.41 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 that 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 and pay and benefits, periodic contract rate increases are funded to preserve current service delivery levels. 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 and is based on an assumption of an approximate 2 percent increase, but actual adjustments are negotiated with individual providers. It should be noted that with associated revenues, the net cost of these contract rate adjustments is $2.94 million.

- **Fairfax-Falls Church Community Services Board Intellectual Disability Graduates**
  An increase of $1.50 million in operating expenses supports 68 of the 91 June 2016 special education graduates of the Fairfax County Public Schools turning 22 years of age who are eligible for day support and employment services. These individuals do not currently have a funding source for services. Twenty-three graduates are already addressed. As a result of this funding, any of the 91 graduates seeking services will be served, thereby meeting the Board's commitment that all eligible graduates are served.

- **Health Resources**
  Funding of $1.10 million supports the Community Health Care Network (CHCN) and medically fragile students. CHCN funding of $0.75 million is based on anticipated expenses associated with the new contract to provide essential health care services in collaboration with Inova. Funding of $0.35 million is provided for medically fragile students in Fairfax County Public Schools to support increases in one-on-one nursing services.

- **Mobile Crisis Unit**
  Baseline funding of $0.80 million supports a second Mobile Crisis Unit providing crisis intervention and assessment services to individuals in psychiatric crisis. The second unit was added as part of the *FY 2015 Carryover Review*.

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- **Consolidated Community Funding Pool**
  An increase of $0.53 million is included to support the community organizations providing Human Services in the County. FY 2017 is the first year of a new two-year funding cycle. The Consolidated Community Funding Advisory Committee (CCFAC) has organized the FY 2017/FY 2018 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 June 23, 2015.

- **Opportunity Neighborhoods - Regions 1 & 3**
  Funding of $0.44 million for Opportunity Neighborhoods (ON) to coordinate the efforts of community organizations, private providers, government agencies, schools and families to better ensure that children are physically, emotionally and socially prepared to learn and succeed in life. A key goal of ON is to align programming with the identified needs, interests, and gaps in services of a particular community by facilitating collective planning and action among community partners. Funding supports the continuation activities in Region 1, Mount Vernon, as well as the first phase expansion into Region 3, Reston. Since 2011, ON in Region 1 has been funded largely through grants from private organizations, the federal government, and the state. This funding has been exhausted, so additional funding is needed to sustain current activities in Region 1.

  One-time funding was included in the *FY 2015 Carryover Review* to support an assessment and thorough analysis of trends and needs in the Reston community. This assessment will inform the community as to which specific ON strategies and programming are needed in the neighborhood, as well as the expected programmatic goals and outcomes. FY 2017 funding will support the first phase of ON activities; however, it is anticipated that additional funding may be required to implement the full array of ON strategies and programming requirements that are identified once the assessment is complete.

- **Fairfax-Falls Church Community Services Board Support Coordinators**
  Funding of $0.43 million and 4/4.0 FTE positions supports individuals with intellectual and developmental disabilities. The addition of this funding and staff addresses compliance with current federal and state requirements, primarily those pursuant to the Department of Justice Settlement Agreement and implementation of Virginia's Medicaid Waiver reforms.

- **Other Adjustments**
  Other Human Services adjustments, totaling a net $3.80 million, are primarily associated with the recurring impacts associated with changes made during the *FY 2015 Carryover Review*. It should be noted that a number of these adjustments had offsetting revenues.

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Cost of County Operations - $9.93 million and 14 Positions

♦ **Information Technology Projects**
In FY 2017, funding of $6.81 million, which includes a General Fund transfer of $4.77 million, a transfer of $2.00 million from Fund 40030, Cable Communications, and interest income of $0.04 million, is provided for initiatives that meet one or multiple priorities established by the County's Senior Information Technology Steering Committee. The General Fund support reflects an increase of $2.07 million supporting projects that provide benefits for both citizens and employees and adequately balances new and continuing initiatives with the need for securing and strengthening the County's technology infrastructure. Funded projects will support initiatives in general County services, public safety, human services and enterprise technology security and infrastructure. Current priorities include completion of prior investments; enhanced county security; improved services and efficiency; and maintenance of a current and supportable technology infrastructure.

♦ **Information Security**
Funding of $0.35 million and 2/2.0 FTE positions to protect the County against evolving cyber security challenges and to address electronic data requests initiated through Freedom of Information Act (FOIA), litigation, law enforcement, internal audit, and personnel investigations. The goal of the County's IT security program is to ensure:

- Confidentiality of information;
- Integrity of data, systems and operations;
- Technical compliance with legal mandates;
- Privacy; and,
- Availability of information processing resources.

♦ **Presidential Election Costs and New Positions**
One-time funding of $1.0 million supports additional election officers, staff overtime and limited-term personnel, as well as miscellaneous requirements associated with the 2016 Presidential election workload. Baseline funding of $0.17 million and 2/2.0 FTE positions provide support for absentee voting, as well as technical requirements related to additional electronic poll books, the acceptance of online voter registrations, efforts associated with an online ballot delivery system and the purchase of new voting equipment.

♦ **Original Mount Vernon High School Maintenance**
Funding of $1.10 million includes $0.26 million for 3/3.0 FTE maintenance positions to address general maintenance requirements and $0.84 million for utilities, custodial contracts, security, repair/maintenance, and grounds maintenance costs. Staff and the community will develop both short and long-term use plans.

♦ **Streetlight Utilities, Snow Removal and Landscaping**
Funding of $0.76 million is required for the following:

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- Streetlight Utilities: Funding of $0.22 million is required for utility costs associated with anticipated streetlight installations by Virginia Dominion Power and Northern Virginia Electric Cooperative (NOVEC) in FY 2017.

- Landscaping: Funding of $0.27 million enables more proactive landscaping and grounds maintenance services for approximately 150 County-owned facilities and properties.

- Snow Removal: Funding of $0.27 million supports snow removal services at the Merrifield Center, a 200,000 square foot facility open 24/7 with an Emergency Room and a parking garage. The parking garage requires special chemicals and special equipment for snow removal due to the garage's concrete base and weight limitations. The garage, ambulance lanes and the pedestrian walkways must remain clear of all ice and snow on a continual basis. Funding will also provide for replacement snow removal equipment.

♦ **New Facility Maintenance**
Includes funding of $0.62 million and 3/3.0 FTE maintenance positions at the new Public Safety Headquarters, as well as partial-year funding for utilities, custodial contracts, and security at new or expanded facilities including the Herndon Fire Station, Lorton VRE Parking Lot Expansion, Huntington Bus Operations Facility, and West Ox Bus Facility (Phase II).

♦ **Lease Costs**
A net increase of $0.72 million is required for annual rent-based adjustments for the County's lease contracts, as well as requirements associated with the Sully Community Center.

♦ **Other Adjustments**
A net increase of $3.14 million includes adjustments for Workers Compensation, infrastructure technology, and elimination of the assumption that savings of $1.2 million will be generated in FY 2017 from the Incentive Reinvestment Initiative program. It should also be noted that an increase of 4/4.0 FTE positions supported by other funding sources, with no net cost to the General Fund, are included to support Wastewater and Stormwater operations.

Community Development - $3.77 million

♦ **Washington Metropolitan Area Transit Authority (WMATA) and CONNECTOR Support**
General Fund support is increased $3.64 million to offset the loss of state aid and provide for WMATA operating subsidy and CONNECTOR requirements. It should be noted that the fuel savings discussed in the Reductions and Savings section that follows reflects CONNECTOR savings of $1 million, so net General Fund support is increased $2.64 million.

The FY 2017 General Fund transfer to CONNECTOR of $34.9 million is increased $1.38 million, or a net of $0.38 million accounting for the fuel savings mentioned above. This is the first increase since FY 2013.

The FY 2017 General Fund transfer to WMATA of $13.6 million, an increase of $2.26 million, is needed due to a reduction in the County portion of state aid balances at the Northern Virginia Transportation Commission (NVTC). This is the first increase since FY 2012.

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- **Resident Curator Program**
  Full-year funding of $0.13 million is required to continue the Resident Curator Program, originally funded at the *FY 2015 Third Quarter Review*. A resident curator is defined as an individual working with a locality to preserve and maintain a publicly-owned or publicly-leased historic property in exchange for gaining use of the property.

Reductions and Savings – ($13.63) million and (17) Positions

- **OPEB Savings**
  Savings of $10 million primarily due to the implementation of an Employer Group Waiver Plan (EGWP) for Medicare retiree prescription drug coverage. The EGWP is a standard Medicare Part D plan with enhanced coverage. By implementing an EGWP, the County is able to maximize prescription drug subsidies from the federal government and pharmaceutical manufacturers. This change has had a significant impact on the County's GASB 45 liability, as GASB accounting rules allow EGWP revenue to directly offset plan costs in the GASB valuation, impacting the actuarial accrued liability, whereas the previous model could not be reflected in the liability calculations. The funded ratio for the OPEB plan has increased from 39.7 percent to 70.0 percent as a result of this change.

- **Fuel Savings**
  Savings of $3.00 million in fuel is realized based on ongoing analysis of current costs and usage. In FY 2016, the budget was developed using an unleaded price of $2.62 per gallon and a diesel price of $2.67 per gallon. The FY 2017 budget estimates $1.94 per gallon for unleaded and $2.00 per gallon for diesel. These rates reflect an average decrease of $0.67 from the FY 2016 level and are based on the price of fuel in recent months.

- **Telecommunications Billing Process**
  Department of Information Technology savings of $0.20 million based on efficiencies generated through the telecommunication billing process. This is the second phase of a multi-year process partially identified last year by employees in the Mission $avings initiative.

- **Redesign of Support in Financial Agencies**
  Savings of 2/2.0 FTE positions and $0.15 million associated with efficiencies realized through the sharing of existing positions providing support services in the Departments of Finance, Management and Budget and Procurement and Material Management.

- **Mailroom and Archives Realignment**
  Savings of $0.15 million associated with efficiencies realized through the use of shared resources in Document Services by shifting responsibilities for the functions of the mailroom and archives from the Department of Cable and Consumer Services and Fairfax County Public Library respectively, to the Department of Information Technology. Production and distribution coordination between the print shop and mailroom which are physically adjacent to each other and more focus on electronic data retention opportunities for the Archives by IT staff are anticipated outcomes of these realignments.

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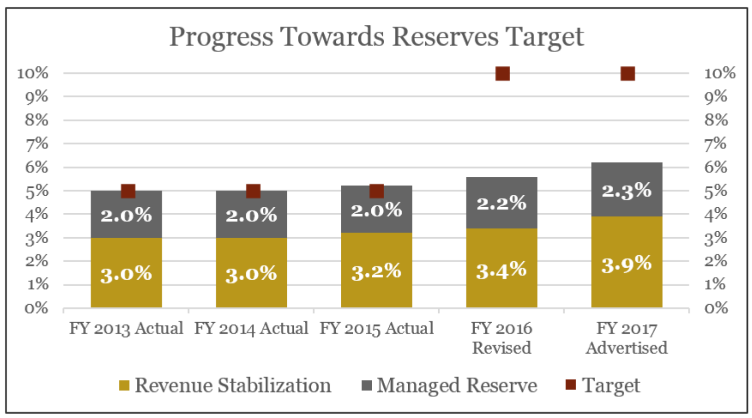
- **Reduction in Personnel Services**
  Annual review of flexibility in General Fund agencies as a result of existing staffing and salary levels generated savings of $0.15 million.

- **Abolishment of Long-Term Vacancies**
  Analysis of long-term vacancies requested by the Audit Committee resulted in the abolishment of 15/15.0 FTE positions. There are no savings associated with these position eliminations as these positions were held vacant due to insufficient funding in the agencies.

Not included in the Reductions/Savings total are revenues of $0.77 million attributed to the second-year phase-in of School-Age Child Care (SACC) fee increases. This increase is based on the staff work as part of the FY 2016 budget development process.

Reserve Requirements $15.58 million

Reserves require an additional $15.58 million and, as mentioned earlier, strengthening our reserves is a fiscally responsible strategy and an important component of our Aaa bond rating. As directed by the Board, 10 percent of FY 2017 Disbursement increases are to be held in reserve and there is an overall target set by the Board in FY 2016 of 10 percent. Totals in the Revenue Stabilization Reserve and Managed Reserve (MR) have increased from 5 percent in FY 2013 to 6.2 percent in FY 2017. These reserves are calculated against County requirements and transfers to Schools. It should be noted that the Economic Opportunity Reserve with a target of 1 percent of General Fund Disbursements will not be funded until the other two reserves reach their respective targets.



- **Revenue Stabilization Reserve**
  Contributions are increased $8.86 million and are made as a transfer from the General Fund. Per Reserve policy, refunding savings of $13.1 million are transferred to the Revenue Stabilization Reserve from the Debt Service Fund in FY 2017. The Revenue Stabilization Reserve is targeted to be 5 percent of General Fund Disbursements.

- **Managed Reserve**
  The Managed Reserve is increased $6.72 million in FY 2017 and is reflected in the General Fund. Targeted to be 4 percent of General Fund Disbursements.

The aforementioned School, County, and Reserve requirements total $175.42 million and require a 3 cent increase in the Real Estate tax rate.

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Remaining Unmet Requirements

While I was able to address the many critical requirements mentioned above, there are still important items that are outstanding:

- Funding for Schools. Difference between the School Board's request and the FY 2017 proposal is almost $68 million.
- County infrastructure (facilities and technology).
- Economic development opportunities.
- Other unmet County needs, such as additional public safety staffing and investments in various human services.

As a result, I have included a total increase of 4 cents in the Real Estate Tax rate to $1.13 per $100 of assessed valuation which provides the Board with approximately $23 million to address other requirements.

Looking Forward

FY 2018

Currently, FY 2018 is projected to have a $74 million structural deficit due once again to the differential growth between our resources and our requirements. While a lot will change in the next 12 months, it is helpful for planning purposes to take this multi-year approach. In FY 2018, I have included a 3 percent increase in the Operating transfer to FCPS, fully funded compensation for County employees, continued to fund School Infrastructure, and made important investments in our infrastructure and in technology. Currently, there are 166 new positions added in FY 2018, half of which are in Public Safety. We may need to defer some of these priorities, but as we delve deeper into planning for FY 2018 and Phase 2 of the LOBs process, we will be able to think more strategically and collaboratively about what is needed to keep Fairfax County on the path to success.

Lines of Business

As the Board is aware, the 2016 Lines of Business (LOBs) exercise is the first step of a multi-year process to shape the County's strategic direction and validate County priorities. We are currently in the midst of Phase 1 which focuses on the provision of information on the array of services provided by Fairfax County and discussions with the Board and the community regarding which programs/services should be more closely evaluated. Phase 2 will focus on programs/services to be reviewed for improved efficiency and effectiveness and direction of staff to create project plans around implementation of recommendations from the Board.

In summary the timeline for the LOBs process is as follows:

Phase 1:	Presentation and discussion of LOBs (January – April 2016)
Phase 2:	Next steps identified by the Board (January – April 2016)
	Project plans/timelines developed by staff (April – June 2016)
	Reports to the Board on projects (Fall 2016 – July 2017)

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The $7 billion budget of the County includes a vast array of programs and services to support the diverse population of more than one million people. Essentially, LOBs is one way in which to inventory, catalog and examine all these programs and services. The County offers a full range of municipal services in exchange for taxes or other fees paid. These services include, but are not limited to, public education; public safety such as police, fire, emergency medical services, 9-1-1, and correctional facilities; human services such as public assistance, child and adult protective services, childcare, health, etc.; public works; transportation; planning and zoning; parks and libraries; and stormwater and sanitary sewer, among other functions deemed necessary by the government. Many of the programs and services are primarily funded from revenue collected from residential real estate taxes and personal property revenues.

The County's 390 Lines of Business cover all funding sources, and the discussions are focused on the approximately 47 percent of the General Fund that is non-school, as well as all other non-General Fund services. The other 53 percent of the General Fund is directly utilized in support of the Fairfax County Public Schools (FCPS). The intersection of the County LOB process with FCPS is joint work on several cross-cutting areas to identify opportunities including transportation services, school health services, and behavioral health services. This joint work with FCPS is also anticipated to cross multiple years. Staff will present first phase recommendations at a joint meeting of the respective Boards in March 2016.

As a result of the LOBs process, the community and the Board will be fully informed regarding the impacts associated with specific decisions and better positioned to approve a sustainable financial plan to invest in the County's future success.

Budget Drivers

The $4 billion General Fund budget is extremely complex and I cannot underscore enough the importance of our revenue and expenditure mix in terms of our decision-making. Our reliance on the Real Estate Tax is indicated by the fact that it constitutes 64.9 percent of General Fund receipts in FY 2017. The change in values of existing properties, or equalization, is clearly an important driver in the development of annual budgets. Fortunately, both residential and commercial equalization are both positive for the first time since FY 2014 and the Board's support of the Economic Success Strategic Plan will ensure that the community continues to be 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, growth in student enrollment has slowed but continues, and complex challenges associated with specific special education services that are pushing costs upward.

As the County has been saying for many years, the State is not meeting its share of funding for K-12 education in Fairfax County. Since FY 2009 the State has reduced its share of funding for public education by more than $1 billion annually and state funding on a per pupil inflation adjusted basis has decreased from $4,275 per pupil in FY 2009 to $3,655 per pupil in FY 2015. Virginia is in the top 10 in both per capita and median household income but in the bottom 10 for public education funding. It is imperative that we continue to partner with the Schools to advocate at the State level for more funding for our schools.

As you review budget information in detail, do so in the context of the Countywide dashboard for FY 2017 and FY 2018 presented below. These high level data were added for every agency in the FY 2014 Advertised Budget Plan to provide a snapshot of key drivers. The figures cited in the agency dashboards are a combination of key outputs, indicators or statistics. 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 community 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 2016	FY 2017	FY 2018
1.	Residential Real Estate Equalization	3.39 percent	1.64 percent	1.80 percent
2.	Commercial Real Estate Equalization	(0.60) percent	2.87 percent	3.00 percent
3.	Office Vacancy Rates- Direct/with Sublets	16.3%/17.7%	16.5%/17.5%	16.5%/17.5%
4.	Projections for School Enrollment Growth/ cost of growth and demographic changes	1,760/ $22.1 million	(1,334)/ ($2.0) million	470/ $4.0 million
5.	Increases in Employee Pay	$34.99 million	$36.53 million	$41.57 million

Cautious Optimism

Significant improvements are not expected and our resources are projected to continue to be constrained by continued slow economic growth, uneven job gains, high commercial vacancy rates, and meager residential value growth. Additionally, as issues are sorted out on the state and Federal levels there will continue to be uncertainty. There are some signs that we can be cautiously optimistic, though. Sequestration has faded into the background, at least for the time being, commercial development is positive, and there is the potential for increased State funding for Schools in the second year of the biennium. We are well equipped to face these challenges. We have tools like the LOBs, the multi-year focus, and outstanding County staff. We have been, and will continue to, demonstrate stellar fiscal responsibility, and I applaud the Board for the strong leadership it has shown in this regard. The strength and resiliency of the community is undeniable. Partnership opportunities abound that will enable us to leverage resources and expertise of our non-government partners.

See the "Adopted Budget Summary" section for details regarding the final budget as approved by Board of Supervisors.

County Executive Summary

I am pleased to present a balanced budget for FY 2017 and I believe the inclusion of a 4 cent Real Estate Tax rate increase to $1.13 per $100 of assessed value is the responsible course of action given the critical requirements that needed to be addressed for both Schools and the County. I respectfully submit the FY 2017 Advertised Budget Plan, which includes the plan for FY 2018, for your consideration, and I look forward to the collaboration that characterizes the work of the next several weeks as we discuss the budget and work through various alternatives. The Board's steadfast commitment to fiscal and corporate stewardship have built a solid foundation for us to protect the superior quality of life that we all enjoy in Fairfax County.

Respectfully submitted,

Edward L. Long Jr.

Edward L. Long Jr.
County Executive

See the "Adopted Budget Summary" section for details regarding the final budget as approved by Board of Supervisors.

FY 2017 Advertised Summary General Fund Statement
(in millions)

	FY 2015 Actual	FY 2016 Adopted Budget Plan	FY 2016 Revised Budget Plan [1]	FY 2017 Advertised Budget Plan	Inc/(Dec) Over Adopted	% Inc/(Dec) Over Adopted
Beginning Balance	$156.39	$75.92	$164.92	$84.94	$9.02	11.88%
Revenue [2]	$3,737.86	$3,810.51	$3,824.98	$4,008.11	$197.61	5.19%
Transfers In	$12.15	$9.83	$9.83	$10.17	$0.34	3.46%
Total Available	$3,906.40	$3,896.25	$3,999.72	$4,103.22	$206.97	5.31%
Direct Expenditures [2]	$1,339.99	$1,409.98	$1,454.19	$1,477.87	$67.89	4.81%
Transfers Out						
School Operating [3]	$1,768.50	$1,825.15	$1,825.15	$1,879.91	$54.76	3.00%
School Construction	$0.00	$0.00	$13.10	$13.10	$13.10	--
School Debt Service	177.14	187.16	187.16	189.87	2.71	1.45%
Subtotal Schools	$1,945.64	$2,012.31	$2,025.41	$2,082.88	$70.57	3.51%
Revenue Stabilization [4]	$10.35	$0.54	$15.38	$9.39	$8.85	1638.89%
Contributory Fund	15.02	12.89	14.89	13.16	0.27	2.09%
Information Technology	11.25	2.70	2.70	4.77	2.07	76.67%
County Debt Service	133.74	127.79	127.79	136.75	8.96	7.01%
County Transit	34.55	34.55	33.41	34.93	0.38	1.10%
Community Services Board	112.19	115.49	116.24	122.89	7.40	6.41%
County Insurance	40.27	23.28	25.82	24.16	0.88	3.78%
Capital Program	37.68	22.04	42.32	28.85	6.81	30.90%
Other Post-Employment Benefits	28.00	26.00	21.00	16.00	(10.00)	(38.46%)
Other Transfers	32.81	31.98	31.98	36.59	4.61	14.42%
Subtotal County	$455.86	$397.26	$431.54	$427.49	$30.23	7.61%
Total Transfers Out	$2,401.50	$2,409.57	$2,456.95	$2,510.37	$100.80	4.18%
Total Disbursements	$3,741.49	$3,819.55	$3,911.13	$3,988.25	$168.70	4.42%
Total Ending Balance	$164.92	$76.70	$88.59	$114.98	$38.28	49.91%
Less:						
Managed Reserve [5]	$75.92	$76.70	$88.59	$92.45	$15.75	20.53%
Reserve for Potential FY 2016 One-Time Requirements [6]			0.00			--
FY 2015 Audit Adjustments [2]			0.00			--
FY 2016 Mid-Year Revenue Adjustments [1]			0.00			--
Reserve for Board Adjustments [7]				22.53	22.53	--
Total Available	$89.00	$0.00	$0.00	$0.00	$0.00	--

[1] *FY 2016 Revised Budget Plan* revenues reflect a net increase of $12,462,861 based on revised revenue estimates as of fall 2015. The *FY 2016 Third Quarter Review* will contain a detailed explanation of these changes. This amount has been held in reserve for one-time FY 2016 requirements and is not carried forward into FY 2017.

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[2] In order to appropriately reflect actual revenues and expenditures in the proper fiscal year, FY 2015 revenues are increased $2,457,317 and FY 2015 expenditures are increased $378,624 to reflect audit adjustments as included in the FY 2015 Comprehensive Annual Financial Report (CAFR). As a result, the *FY 2016 Revised Budget Plan* Beginning Balance reflects a net increase of $2,078,693. Details of the FY 2015 audit adjustments will be included in the FY 2016 Third Quarter package. This one-time funding is expected to be utilized as part of the *FY 2016 Third Quarter Review* and, as a result, is not carried forward into FY 2017.

[3] The proposed County General Fund transfer for school operations in FY 2017 totals $1,879,907,945, an increase of $54,754,600, or 3.0 percent, over the FY 2016 Adopted Budget Plan. It should be noted that the Fairfax County Public Schools Superintendent's Proposed budget reflects a General Fund transfer increase of $122,670,463, or 6.7 percent, over the FY 2016 Adopted Budget Plan. In their action on the Superintendent's Proposed budget on February 4, 2016, the School Board maintained the Superintendent's revised request for a $122.7 million increase in the transfer.

[4] Target funding for the Revenue Stabilization Fund is 5.00 percent of total General Fund disbursements, consistent with the County's *Ten Principles of Sound Financial Management* as updated by the Board of Supervisors on April 21, 2015. As a result of reserve adjustments included in the FY 2017 Advertised Budget Plan, the FY 2017 projected balance in the Revenue Stabilization Fund is $156.09 million, or 3.91 percent of total General Fund disbursements.

[5] Target funding for the Managed Reserve is 4.00 percent of total General Fund disbursements, consistent with the County's *Ten Principles of Sound Financial Management* as updated by the Board of Supervisors on April 21, 2015. As a result of reserve adjustments included in the FY 2017 Advertised Budget Plan, the FY 2017 projected balance in the Managed Reserve is $92.45 million, or 2.32 percent of total General Fund disbursements.

[6] As part of the *FY 2015 Carryover Review*, an amount of $5,961,031 was set aside in reserve to address potential FY 2016 one-time requirements. This one-time funding is expected to be utilized as part of the *FY 2016 Third Quarter Review* and, as a result, is not carried forward into FY 2017.

[7] As part of the FY 2017 Advertised Budget Plan, an amount of $22,526,094 is available for the consideration of the Board of Supervisors during their deliberations or the FY 2017 budget.

See the "Adopted Budget Summary" section for details regarding the final budget as approved by Board of Supervisors.

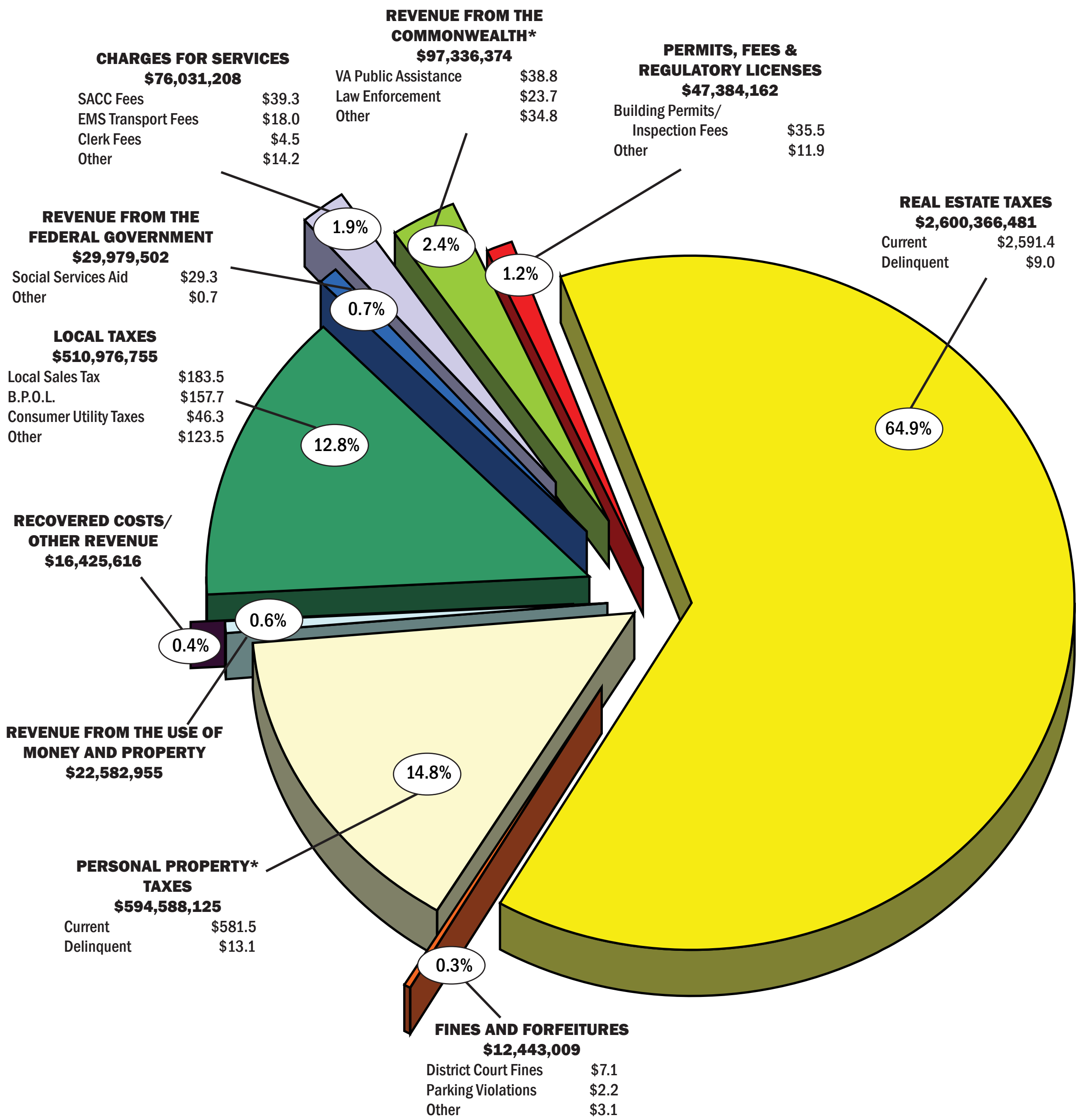
FY 2017 and FY 2018 MULTI-YEAR BUDGET PLAN: TAX AND FEE FACTS					
Type	Unit	FY 2015 Actual Rate	FY 2016 Actual Rate	FY 2017 Recommended Rate	FY 2018 Planned Rate
GENERAL FUND TAX RATES					
Real Estate	$100/Assessed Value	$1.09	$1.09	$1.13	$1.13
Personal Property	$100/Assessed Value	$4.57	$4.57	$4.57	$4.57
NON-GENERAL FUND TAX RATES					
REFUSE RATES					
Refuse Collection (per unit)	Household	$345	$345	$345	$345
Refuse Disposal (per ton)	Ton	$62	$62	$62	$62
Leaf Collection	$100/Assessed Value	$0.015	$0.015	$0.015	$0.015
SEWER CHARGES					
Sewer Base Charge	Quarterly	$15.86	$20.15	$24.68	$27.62
Sewer Availability Charge	Residential	$7,750	$7,750	$7,750	$7,750
Sewer Service Charge	Per 1,000 Gallons	$6.62	$6.65	$6.68	$6.75
COMMUNITY CENTERS					
McLean Community Center	$100/Assessed Value	$0.023	$0.023	$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	$0.0225	$0.0250	$0.0275	$0.0300
Route 28 Corridor	$100/Assessed Value	$0.18	$0.18	$0.18	$0.18
Dulles Rail Phase I	$100/Assessed Value	$0.21	$0.19	$0.19	$0.19
Dulles Rail Phase II	$100/Assessed Value	$0.20	$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	$0.125	$0.125	$0.125	$0.125
Tysons Service District	$100 / Assessed Value	$0.04	$0.05	$0.06	$0.06

See the "Adopted Budget Summary" section for details regarding the final budget as approved by Board of Supervisors.

FY 2017 ADVERTISED GENERAL FUND RECEIPTS

Where it comes from . . .

(subcategories in millions)



FY 2017 GENERAL FUND RECEIPTS = $4,008,114,187 **

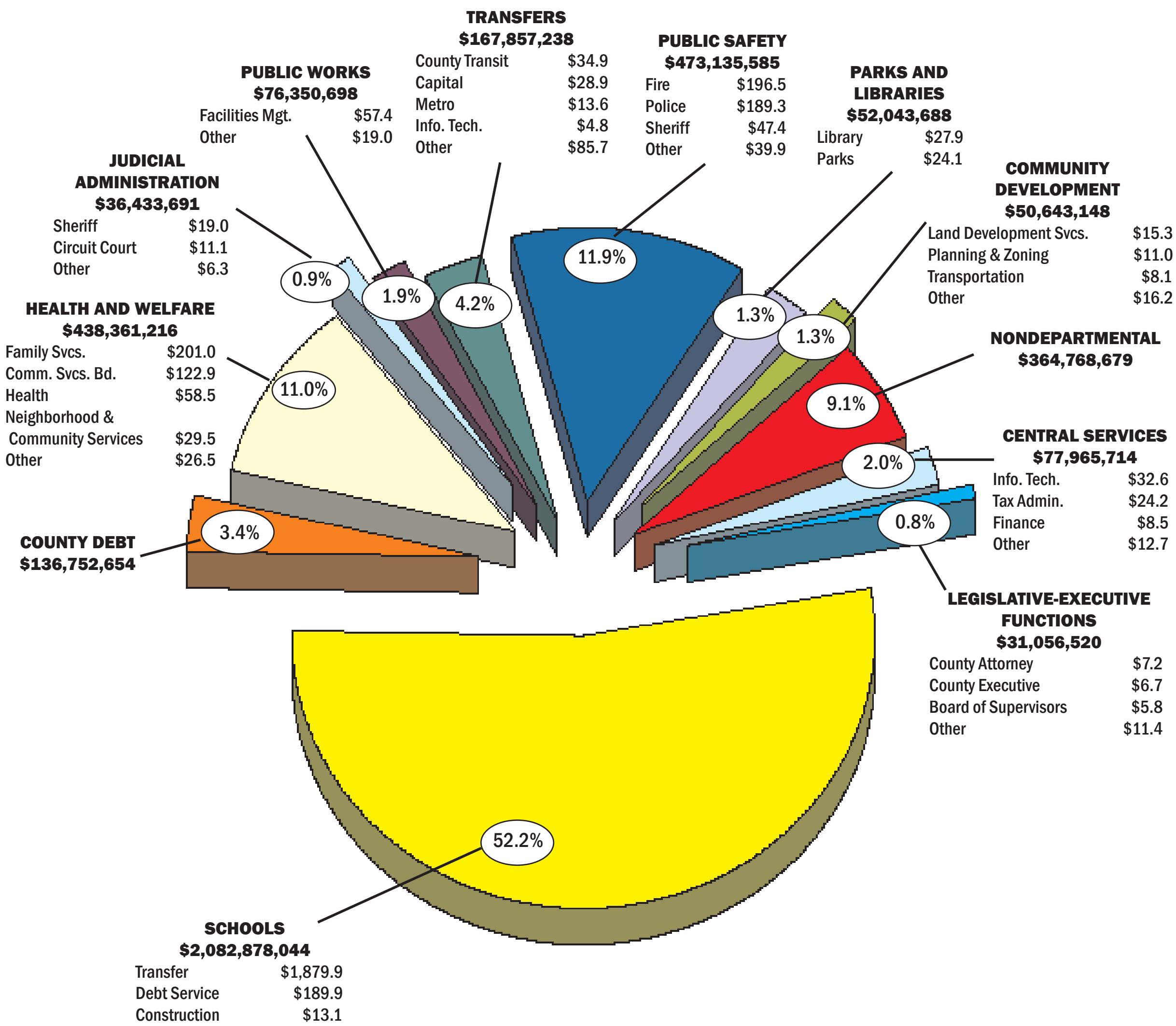
* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

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

FY 2017 ADVERTISED GENERAL FUND DISBURSEMENTS

Where it goes . . .

(subcategories in millions)

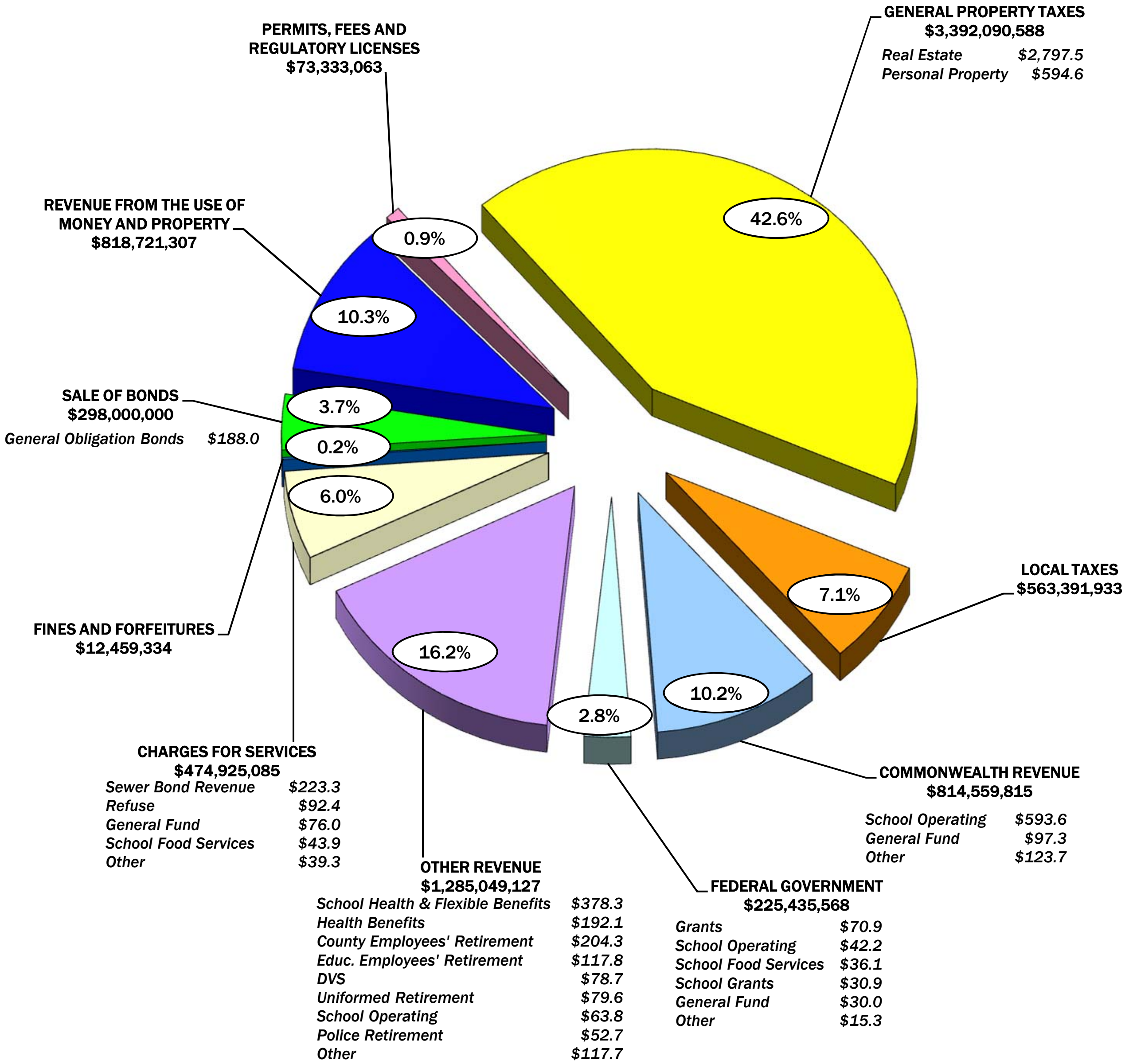


FY 2017 GENERAL FUND RECEIPTS = $3,988,246,875

In addition to FY 2017 revenues, available balances and transfers in are also utilized to support disbursement requirements.

FY 2017 ADVERTISED BUDGET PLAN
REVENUE ALL FUNDS

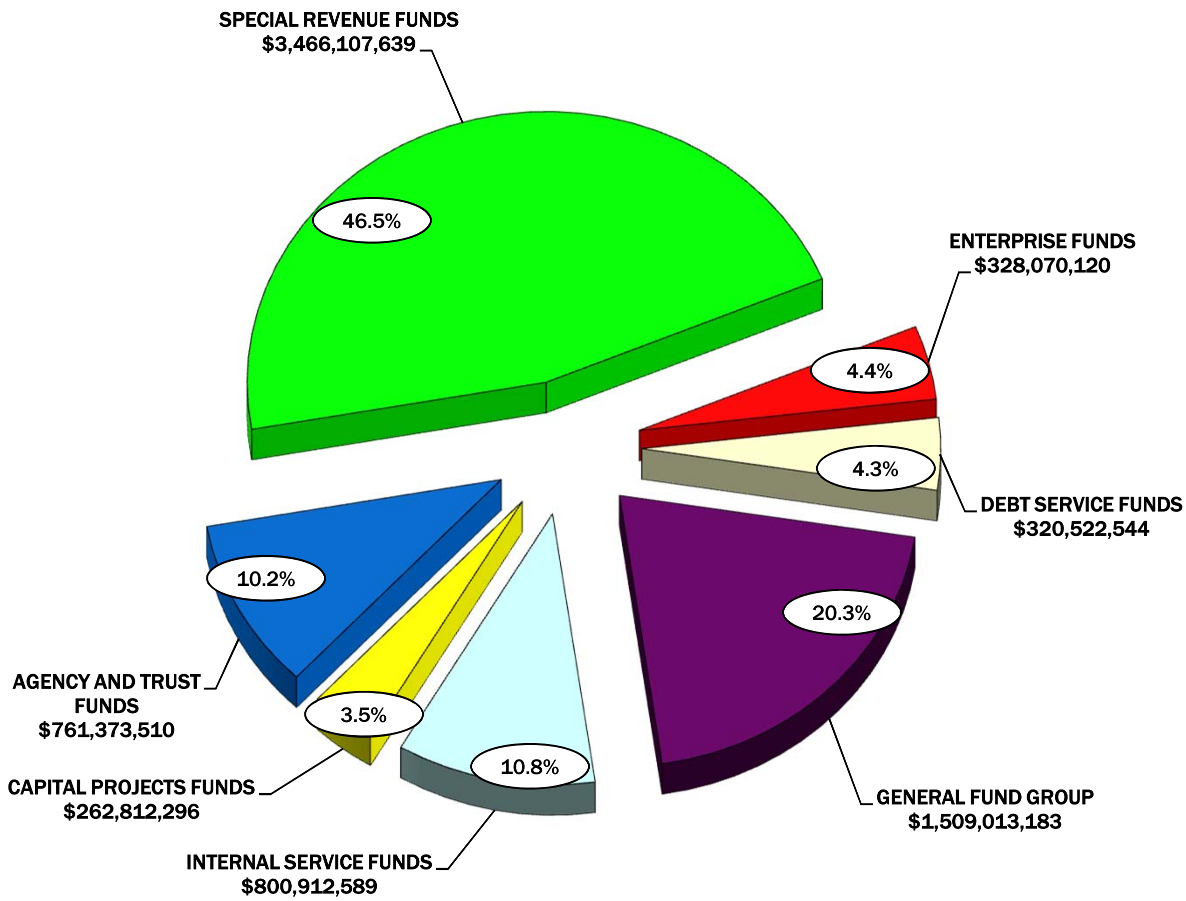
(subcategories in millions)



TOTAL REVENUE = $7,957,965,820

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 2017 ADVERTISED BUDGET PLAN
EXPENDITURES ALL FUNDS



TOTAL EXPENDITURES = $7,448,811,881