County of Fairfax, Virginia

MEMORANDUM

Attachment B

DATE: March 14, 2016

TO: BOARD OF SUPERVISORS

FROM: Edward L. Long Jr.
County Executive

SUBJECT: FY 2016 Third Quarter Review

Attached for your review and consideration is the *FY 2016 Third Quarter Review*, including Supplemental Appropriation Resolution AS 16190 and Amendment to the Fiscal Planning Resolution AS 16901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

Attachment I -	A General Fund Statement reflecting the status of the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.
Attachment II -	A Summary of General Fund Revenue reflecting a decrease in FY 2016 revenue of $0.05 million from the Fall 2015 Revenue estimates.
Attachment III -	A Detail of Major Expenditure Changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools, the General Fund, and the Federal/State Grant Fund, total a net increase of $165.12 million. Expenditures in Non-Appropriated Other Funds increase a total of $0.37 million.
Attachment IV -	Fund 50000, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $21.53 million.
Attachment V -	Supplemental Appropriation Resolution (SAR) AS 16190 and Amendment to the Fiscal Planning Resolution (FPR) AS 16901.
Attachment VI -	FY 2015 Audit Package including final adjustments to FY 2015 and the FY 2016 impact.
Attachment VII -	Fairfax County Public Schools (FCPS) Third Quarter Review

As the Board is aware, the Code of Virginia requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed one percent of total expenditures. In addition, any amendment of one percent of expenditures or more requires that the Board advertise a synopsis of the proposed changes. A public hearing on the proposed changes included in the *FY 2016 Third*

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Quarter Review has been scheduled for April 5, 6, and 7, 2016. On April 19, 2016, the Board will take action on this quarterly review prior to marking up the FY 2017 Advertised Budget Plan.

The following is a summary of General Fund adjustments included in the *FY 2016 Third Quarter Review*.

Summary of Third Quarter Adjustments

(in millions)

Previous Balances		
Reserve for Potential FY 2016 One-Time Requirements (available as part of *FY 2015 Carryover Review*)	$5,961,031	
FY 2015 Audit Adjustments	$2,078,693	
FY 2016 Mid-Year Revenue Adjustments	$12,462,861	
	$20,502,585	
	Net Available:	**$20,502,585**
FY 2016 Third Quarter Adjustments		
Spending Adjustments Due to Operations		
Snow-Related Costs	($5,200,000)	
Accrued Liability Reserve	($2,541,000)	
District-wide Capital Projects	($1,000,000)	
Incentive Reinvestment Initiative	($654,840)	
Economic Success Strategic Plan (ESSP)-Related Services	($450,000)	
Public Assistance Eligibility Workers	$0	
Adoption Subsidy Program	$0	
School Health Position for City of Falls Church	$0	
	($9,845,840)	
Reductions in County Agencies		
Employer Group Waiver Plan Savings	$5,000,000	
Fuel Savings	$4,000,000	
Fringe Benefit Employer Contributions	$570,840	
Program Adjustment for the Juvenile Detention Center (JDC)	$275,000	
	$9,845,840	
Net Third Quarter Adjustments:	*$0*	
	Net Available:	**$20,502,585**
Recommendation to use half of Net Available balance for reserves (spread to Revenue Stabilization Fund and Managed Reserve)	$10,251,293	
Remaining balance for Board for one-time uses or additional reserve contribution		**$10,251,292**

The *FY 2016 Third Quarter Review* reflects a very small number of adjustments necessary to fund FY 2016 spending requirements. These adjustments are completely offset by reductions as the result of the latest analysis of year-to-date spending. As a result, there is no net impact to available balances following these Third Quarter actions. However, prior to the Third Quarter review, a total of $20.50 million in one-time funding had been identified for the Board. First, a balance of $5.96 million was held for one-time requirements as part of the Board approval of the *FY 2015 Carryover Review*. Second, due to the FY 2015 audit an amount of $2.08 million in General Fund adjustments was available. Third, as noted in the FY 2017 Advertised Budget Plan, FY 2016 revenue estimates were increased a net $12.46 million as part of a Fall 2015 revenue review during the development of the FY 2017 budget. These adjustments were based on actual FY 2015 receipts and collections through the first several months of FY 2016.

Reserve Adjustment

As part of the Third Quarter package I recommend that half of this available balance, or $10.25 million, be used to continue to build the County's reserves. This recommendation is consistent with the guidance noted by the Board when they approved the new reserve policies in April 2015. Included in the list of options were that one-time revenues should be considered for reserves as they materialized. The Board did not commit to fully allocating these revenues nor did they define that a particular percentage be used. I am recommending 50 percent to allow flexibility for the Board as they address other one-time priorities while continuing to demonstrate the Board's strong commitment to funding the increased reserve levels.

Also included in the list of sources for funding reserves are savings resulting from refunding bond sales. Accordingly, an additional deposit to reserves of $4.52 million is included as part of Third Quarter. These savings, from Fund 20000, Consolidated Debt Service, are transferred to Fund 10010, Revenue Stabilization, and reflect the allocation of savings from the County's General Obligation Public Improvement Refunding Bonds Series 2015B, 2015C and 2016A. There is no General Fund impact as a result of this transfer. As a result of these two adjustments a total of $14.77 million is added to reserves as part of Third Quarter.

The remaining balance of $10.25 million is available for the Board to consider allocating to other one-time requirements, which could include additional contributions to reserves, putting funds aside for future development opportunities, continuing to address the backlog of our infrastructure needs or meeting one-time capital requirements at various facilities.

As has been the case the last several years, refining revenue estimates has been challenging due to the impact of federal and state budget issues on the local economy and our lackluster economic performance. In addition, the County continues to work through the refunds resulting from Virginia Supreme Court ruling concerning BPOL (Business, Professional, and Occupational License) last year. No refunds have been paid yet as County staff is working with the firms to ensure that all required documentation is submitted. It is still anticipated that refunds will begin to be paid in FY 2016. Staff will continue to provide updates to the Board as new information is available. At this point the reserves that the Board has set aside are sufficient to address existing requirements.

Capital Sinking Reserve Fund

In response to Board direction, staff has developed recommendations for the allocation of the Capital Sinking Reserve Fund. The Capital Sinking Reserve Fund was established as a direct result of the Infrastructure Financing Committee (IFC) work as a budgetary mechanism for funding Infrastructure Replacement and Upgrades requirements. Infrastructure Replacement and Upgrades refer to the planned replacement of building subsystems that have reached the end of their useful life. These systems, once replaced, will typically endure for more than 20 years. Some examples of Infrastructure Replacement and Upgrades that will be funded from the Capital Sinking Fund are:

- Roof replacement
- Electrical System replacement
- HVAC replacements
- Plumbing systems replacements

- Road, parking lot, trail, walkway resurfacing
- Fire alarm system replacements
- Sprinkler Systems
- Emergency generator replacements
- Elevator replacement

The Capital Sinking Reserve Fund 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*. Total County requirements as presented to the IFC were estimated at $48 million annually, and included infrastructure replacement and upgrades associated with County and Parks facilities, trails, sidewalks, County-owned roads and service drives, and revitalization maintenance efforts. Staff based the recommendations on the percentage of each maintenance program as it relates to the total County annual requirements.

As a result, the first recommendation is to identify the allocation of available funds to each category based on its proportion of the total outstanding need. The recommended percentages are County facilities (55 percent), Parks facilities (20 percent), trails and sidewalks (10 percent), County-owned roads (10 percent), and revitalization maintenance efforts (5 percent). Going forward, balances that are identified at future Carryover Reviews would be allocated immediately based on these percentages to prevent any delays in proceeding with work. Additionally, staff recognizes that there may be some need for flexibility from the established plan in the future. It may be the case that a significant allocation is needed for a single project, for example. Another component of this first recommendation is that staff will return to the Board for approval of an exception from the plan as outlined above.

The second recommendation is that, based on these percentages, the current $8,376,639 balance in the Capital Sinking Reserve Fund be allocated as part of the *FY 2016 Third Quarter Review*. The allocation would be:

County facilities	$4,607,153
Parks facilities	$1,675,328
Trails and sidewalks	$837,663
County-owned roads	$837,663
Revitalization	$418,832
	$8,376,639

These funds would be used to fund the backlog of projects in these areas.

The third recommendation is that the multi-year requirements for these categories of expenditures be coupled with increases in the baseline paydown funding. As a result, the FY 2017 Advertised Budget Plan includes the following increases to baseline funding:

County facilities	$2,300,000
Parks facilities	$226,924
Trails and sidewalks	$100,000
County-owned roads	$350,000
Revitalization	$0*
	$2,976,924

*Was increased by $150,000 in FY 2016

It is anticipated that future paydown increases will also be recommended to continue to move toward full funding of annual infrastructure needs. Including the increased funding recommended for FY 2017, the General Fund annual funding level for these projects is approximately $9 million.

On a related issue, I have included $1.00 million, or $100,000 per Board office, in Third Quarter for the Board's consideration. This funding is provided in response to the input from the Board that unfunded capital needs, including minor repairs, streetlights, and/or walkways, were a significant issue. Using these resources, Board members can fund or leverage grant funding to support capital projects within each district. It is anticipated that this funding mechanism for capital projects will be considered annually. More detail about options for using this $1.00 million as well as an update on the current funding that is available to Board members is being prepared by staff but I wanted to put this funding placeholder in Third Quarter to begin the conversation.

Audit Adjustments

As a result of the FY 2015 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Revenue and expenditure adjustments result in the net increase of $2.08 million to the FY 2016 beginning General Fund balance mentioned above.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. All of these audit adjustments were reflected in the FY 2015 Comprehensive Annual Financial Report (CAFR). Details of these audit adjustments are included in Attachment VI.

It should be noted that two County funds, Fund 69020, Sewer Bond Parity Debt Service, and Fund 69040, Sewer Bond Subordinate Debt Service, require a supplemental appropriation based on audit adjustments to reflect proper accounting treatments. Expenditures were increased in both funds in order to accurately record bond interest payment accruals in the appropriate fiscal period. An appropriation resolution is required to account for adjustments in the correct fiscal period, consistent with GAAP requirements. Supplemental Appropriation Resolution AS 15311 is included in Attachment V of the *FY 2016 Third Quarter Review*.

Summary of Administrative Adjustments

The following adjustments are made as part of the *FY 2016 Third Quarter Review*. It should be noted that the revenue adjustments included in the *FY 2016 Third Quarter Review* are described in detail in the Summary of General Fund Revenue, Attachment II.

In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported by both non-General Fund revenue and the use of fund balance. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

SPENDING ADJUSTMENTS DUE TO OPERATIONS $9.85 MILLION

Disbursement increases related to the following adjustments total $9.80 million. It should be noted that associated revenue reductions of $0.05 million results in a total net impact to the General Fund of $9.85 million.

Snow-Related Costs		**NON-RECURRING**
Agency 81, Juvenile and Domestic Relations District Court	Expenditure	$100,000
Agency 87, Unclassified Administrative Expenses-DPWES Stormwater	Expenditure	$1,600,000
Agency 90, Police Department	Expenditure	$1,600,000
Agency 92, Fire and Rescue Department	Expenditure	$1,900,000
	Net Cost	**$5,200,000**

Funding of $5.20 million is required to provide additional funding for General Fund agencies that were impacted by the January 2016 snow event. The Police Department and Fire and Rescue Department incurred significant costs as both of these agencies operate 24-hours a day/7 days a week to ensure that Fairfax County residents have access to emergency services. The Juvenile and Domestic Relations District Court experienced additional overtime costs to meet mandatory staffing requirements at its 24/7 residential facilities. Finally, the Transportation Operations Division within Stormwater incurred significant costs as this division is responsible for maintaining 146 building sites and 86 road segments throughout the County, including the removal of snow from parking lots and sidewalks around the building sites.

Where possible and appropriate, Fairfax County will seek federal reimbursement for storm-related costs; however, it is anticipated that if any cost recovery is accomplished, funds will not be received until FY 2017 at the earliest, and therefore are not reflected at this time. Further, it should be noted that several other agencies and funds incurred storm-related costs but have the ability to absorb the cost impact within their current appropriations. These agencies include the Facilities Management Department, the Department of Housing and Community Development, the Department of Public Works and Environmental Services, the Office of Emergency Management, the Reston Community Center, the Fairfax-Falls Church Community Services Board, the Office of the Sheriff, the Department of Information Technology, the Department of Public Safety Communications, the Department of Vehicle Services, the Department of Transportation, the Health Department, the Office of Public Affairs, Risk Management, the Park Authority, and the Department of Procurement and Material Management. In total, County agencies and funds were able to absorb costs of approximately $1.93 million.

Accrued Liability Reserve and General Insurance Costs			**NON-RECURRING**
Fund 60000, County Insurance		General Fund Transfer	$2,541,000
		Net Cost	**$2,541,000**

The General Fund transfer to Fund 60000, County Insurance, is increased by $2,541,000 for accrued liability adjustments. An actuarial analysis was performed after the close of the fiscal year by an outside actuary to estimate the ultimate value of losses for which the County is liable. It is the County's policy to fully fund the Accrued Liability Reserve each year based on the actuarial valuation, in order to ensure adequate funding for those risks that are self-insured. The actuarial analysis estimates the ultimate value both for those cases where claims have already been reported as well as for those claims and future loss payments that could occur, or that have been incurred but not reported yet.

District-wide Capital Projects - Neighborhood Improvement Fund			**NON-RECURRING**
Fund 30010, General Construction and Contributions		General Fund Transfer	$1,000,000
		Net Cost	**$1,000,000**

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by $1,000,000 to allocate funds to address unfunded capital needs, including minor repairs, streetlights, and/or walkways. Funding of $100,000 is provided for each District and the Chairman. Board members can fund or leverage grant funding to support capital projects within their District. It is anticipated that this funding mechanism for capital projects will be considered annually. More detail about this Neighborhood Improvement Fund is being provided to the Board in a separate memo.

Incentive Reinvestment Initiative			**NON-RECURRING**
Multiple Agencies		Expenditure	($545,160)
Agency 87, Unclassified Administrative Expenses		Expenditure	$1,200,000
		Net Cost	**$654,840**

A net increase of $654,840 reflects $545,160 in savings generated by agencies as the result of careful management of their expenditures during the fiscal year, offset by an increase of $1,200,000 to expenditures in Agency 87, Unclassified Administrative Expenses. The Incentive Reinvestment Initiative was established to encourage staff to identify additional savings and efficiencies by allowing County departments to retain a portion of the savings generated to reinvest in employees. General Fund agencies were challenged to save an amount equal to 1 percent of their personnel budget. It is important to note that agencies were allowed to identify savings less than, but not more than, 1 percent of their FY 2016 Adopted personnel budget. Of the total amount identified, 50 percent will be returned to the General Fund as part of Third Quarter. The remaining 50 percent of the savings is retained by agencies and will be reinvested in employee training, conferences and other employee development and succession planning opportunities. In order to accommodate these savings which are being generated late in the fiscal year, the balance will be treated as unencumbered carryover for one year.

Savings of $1.2 million were anticipated to be returned to the General Fund as a result of the initiative, and as part of the FY 2016 Adopted Budget Plan these anticipated savings were included in Agency 87 to be spread to participating agencies as part of the *FY 2016 Third Quarter Review*. General Fund agencies identified a total of $1.1 million in savings through this effort, with $545,160 being returned to the General Fund. As the amount returned to the General Fund is less than the $1.2 million in anticipated savings budgeted in Agency 87, this adjustment results in a net increase of $654,840.

Economic Success Strategic Plan (ESSP)-Related Services		**NON-RECURRING**
Agency 26, Capital Facilities	Expenditures	$100,000
Agency 31, Land Development Services	Expenditures	$100,000
Agency 35, Department of Planning and Zoning	Expenditures	$250,000
	Net Cost	**$450,000**

An increase of $250,000 in the Department of Planning and Zoning (DPZ) is required to allow the agency to hire an outside consultant to complete a diagnostic assessment of the County's zoning ordinance to determine what, if any, modifications are needed. The consultant will review the current structure of the County's zoning ordinance as compared to other ordinances and determine best practices and options for either modifying the ordinance or making wholesale revisions. Once those determinations are made, a work program will be developed that identifies the scope, schedule, resources and cost to complete the work. It is important to note that this work has been identified as part of the County's Economic Success Strategic Plan (ESSP) Goal 3 which is to improve the speed, consistency and predictability of the development review process. The recommendations made as part of this review will help to ensure that the County's review process is timely and predictable and agile enough to respond to market demand.

An increase of $100,000 in Land Development Services (LDS) is required to support a review of the Public Facilities Manual (PFM), the County's engineering equivalent to the Zoning Ordinance as part of the implementation of the ESSP. It offers technical guidance on the design specifications for public infrastructure. Unlike the Zoning Ordinance, the PFM is predominantly a guide for appropriate design, and offers flexibility for the Director of the Department of Public Works and Environmental Services (DPWES) to permit modifications except in the instances where the regulations include the word "shall," which has been interpreted as mandating the specific text. There are three specific categories of amendments to the PFM which will be reviewed as part of this process:

- A review of the specific provisions which are considered inflexible (i.e., which include the word "shall");
- A review of Urban Design Guidelines, as the current PFM only allows for flexibility in specific areas of the County, despite a desire for more County-wide creative design options and opportunities; and
- As County priorities evolve, a broad review of the PFM is required to ensure the document is fully up-to-date and relevant. For example, current applicants may be required to pay for and process waivers that should not be required by an out-of-date PFM.

An increase of $100,000 in Capital Facilities is required to support real estate development advisory services on an as needed basis as part of the implementation of the ESSP, specifically focusing on high-level policy recommendations to help the County to expand and diversify the economy. Fairfax County continues to be the recipient of, and solicitor for, numerous public private partnership proposals to provide public facilities, infrastructure or opportunities for joint development projects with private partners that contribute to the County's economic development. Many such proposals involve the development, redevelopment, and exchange (or long-term lease) of County owned real estate as a means of providing financing for the public improvements. Accordingly, as the complexity and intensity of such activities expands, the County will utilize experts in the field of real estate development to augment its professional staff to assist in the research, analysis and negotiation of transactions, and other related services involving the joint development projects.

Public Assistance Eligibility Workers **RECURRING**

	Revenue	$292,721
Agency 67, Department of Family Services	Expenditure	$200,549
Agency 89, Fringe Benefits	Expenditure	$92,172
	Net Cost	**$0**

Funding of $292,721 is required to appropriate additional FY 2016 revenue from the state to support 16/16.0 FTE new positions. These positions will continue to address the increase in public assistance caseloads in the Self-Sufficiency Division. It should be noted than an increase of $92,172 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is fully offset by an increase in federal and state funding for no net impact to the General Fund.

In accordance with federal and state policy, the County is required to determine eligibility for public assistance and enroll clients in benefits programs within a certain timeframe. Current monthly caseloads are more than 95,000, which is an 84 percent increase from 2008. Federal and state policies require that 100 percent of cases for each program are processed within the mandated timeframes with 100 percent accuracy. The County is not currently meeting these mandates. This leaves the County vulnerable to both internal and external audit findings. In fact, the KPMG audit for the year ending June 30, 2015 found noncompliance in both the TANF and Medicaid programs for the second consecutive year. KPMG also cited the County for having weaknesses in internal controls over eligibility determination and redetermination.

The Department of Family Services has taken many steps to narrow performance gaps, including adding positions to address backlogs and overly burdensome caseloads; establishing a more robust management structure to focus on case review and increased monitoring; providing intensive staff training to strengthen knowledge of policies and procedures and reduce casework errors; and implementing new work-management processes to improve efficiency. Although there is an improvement over the previous year's audit findings, even with the additional resources added to address the rising caseloads, based on the current status of the program, it is anticipated that there will be additional audit findings for FY 2016.

In addition to the processing of new applications and ongoing cases, staff workloads include assessment of client status changes to determine continued eligibility for benefits; handling of administrative appeals; responding to Quality Control reviews; auditing cases for timeliness/quality; and performing fraud investigations. Additionally, implementation of the Patient Protection and Affordable Care Act (PPACA) has increased the amount of time each application takes to process. The application form, which was originally two pages, has increased to 18 pages but may be as long as 27 pages depending on family size. The issue is compounded by a backlog of applications that have been received, but staff has not yet been able to process. Additionally, technology changes made by the state that include monthly updates require continuous retraining of staff and adaption to new system requirements. With more than 95,000 monthly ongoing cases, there is no capacity to adequately address existing workloads and absorb additional cases. These positions are necessary in order to continue improving the County's response times. A funding adjustment reflecting the full-year impact of the positions will be made for FY 2017.

Adoption Subsidy Program **NON-RECURRING**

	Revenue	($350,000)
Agency 67, Department of Family Services	Expenditure	($350,000)
	Net Cost	**$0**

A decrease of $350,000 to both revenues and expenditures for the Adoption Subsidy Program is included to more accurately align the program's budget with actual spending. Program spending has declined significantly due to the maximization of Medicaid as an alternative funding source for these subsidies. This adjustment is consistent with adjustments made at previous Third Quarter reviews and is needed in order to reconcile program year funding to actual experience. The expenditure decrease is fully offset by a decrease in federal and state revenues for no net impact to the County.

School Health Position for City of Falls Church **RECURRING**

	Revenue	$8,794
Agency 71, Health Department	Expenditure	$3,616
Agency 89, Fringe Benefits	Expenditure	$5,178
	Net Cost	**$0**

Funding of $8,794 is required to appropriate additional FY 2016 revenue from the City of Falls Church to support 1/1.0 FTE new Public Health Nurse II position. The County provides School Health services to the City of Falls Church via a contract and the County is reimbursed for the costs associated with these services. The County has previously provided these services using a benefits eligible position, but increased workload complexity and volume now require a merit position. This funding reflects only the increased costs associated with the conversion of the benefits eligible position to a merit position. It should be noted than an increase of $5,178 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is completely offset by an increase in revenue for no net impact to the General Fund. A funding adjustment reflecting the full-year impact of the position will be made for FY 2017.

REDUCTIONS IN COUNTY AGENCIES ($9.85 MILLION)

Employer Group Waiver Plan Savings **NON-RECURRING**

Fund 73030, OPEB Trust	General Fund Transfer	($5,000,000)
	Net Cost	**($5,000,000)**

The General Fund transfer to Fund 73030, OPEB Trust, is decreased by $5,000,000 based on a net decrease in the Annual Required Contribution (ARC) that is primarily the result of 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. It is anticipated that this reduced transfer level, when combined with contributions from other funds and the implicit subsidy contribution, will fully fund the FY 2016 ARC.

Fuel Savings **NON-RECURRING**

Agency 08, Facilities Management Department	Expenditure	($45,000)
Agency 31, Land Development Services	Expenditure	($45,000)
Agency 51, Park Authority	Expenditure	($106,000)
Agency 67, Department of Family Services	Expenditure	($45,000)
Agency 90, Police Department	Expenditure	($1,300,000)
Agency 91, Office of the Sheriff	Expenditure	($90,000)
Agency 92, Fire and Rescue Department	Expenditure	($1,184,000)
Fund 40000, County Transit Systems	General Fund Transfer	($1,140,000)
Fund 40040, Fairfax-Falls Church Community Services Board	General Fund Transfer	($45,000)
	Net Savings	**($4,000,000)**

A decrease of $4,000,000 reflects savings based on lower than anticipated fuel prices in FY 2016. Though prices fluctuate significantly from month to month, the average cost of fuel remains significantly lower than the budgeted price. 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. Based on a review of year to date and projected prices, these estimates have been reduced to $1.73 per gallon for unleaded and $1.77 per gallon for diesel. It should be noted that recurring fuel savings were included as part of the FY 2017 Advertised Budget Plan.

Fringe Benefit Employer Contributions **NON-RECURRING**

Agency 89, Employee Benefits	Expenditure	($570,840)
	Net Cost	**($570,840)**

A decrease of $570,840 to expenditures is included based on anticipated savings in Agency 89, Employee Benefits. These savings are primarily attributable to employer FICA contributions that are projected to be lower than previously anticipated based on year-to-date FY 2016 experience.

Program Adjustment for the Juvenile Detention Center (JDC) **RECURRING**

	Revenue	$0
Agency 81, Juvenile and Domestic Relations District Court	Expenditure	($275,000)
	Net Cost	**($275,000)**

A decrease of $275,000 is included based on a decision by the District of Columbia (DC) to terminate a program to utilize 11 beds of available space at the JDC for DC youth awaiting placement in a treatment facility or group home. The funding was originally approved to support recurring programmatic costs including filling previously vacant positions, provide funds for operating expenses such as food and supplies, and for the provision of education-related services. FY 2016 revenue projections were adjusted to reflect this action as part of the fall revenue update, so no further revenue adjustments are required at this time. It should be noted that all necessary recurring adjustments associated with this program termination were included as part of the FY 2017 Advertised Budget Plan.

INCREASE TO RESERVES $10.25 MILLION

Reserve Adjustments		**NON-RECURRING**
Fund 10010, Revenue Stabilization	General Fund Transfer	$5,694,308
	Net Cost	**$5,694,308**

Funding of $5,694,308 is transferred from the General Fund to Fund 10010, Revenue Stabilization, to increase its funding level. Of this amount, $313,336 is a result of the County's policy that any budgeted increase in General Fund disbursements is accompanied by a 10 percent commitment to reserves, with the increase divided between the Managed Reserve and the Revenue Stabilization Reserve. An additional increase of $5,380,972 is included to make further progress toward increasing the level of the Revenue Stabilization Reserve to its new target level of 5 percent of General Fund disbursements. As a result of these adjustments, the $10,826,968 General Fund transfer included in the *FY 2016 Revised Budget Plan*, and a transfer of $4,524,735 from Fund 20000, Debt Service, the projected FY 2016 balance of the Revenue Stabilization Reserve is 3.66 percent of General Fund disbursements.

It should be noted that an additional $4,556,985 is allocated to the Managed Reserve as part of the *FY 2016 Third Quarter Review*, for a total General Fund increase to reserves of $10,251,293.

Summary

In summary, I am recommending that the following actions be taken:

- Board approval of the funding and audit adjustments contained in this package which result in a General Fund Available Balance of $10.25 million, an increase of $165.12 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds. Details regarding adjustments for School funds as requested by the School Board are provided in the Schools' Recommended *FY 2016 Third Quarter Review* package (Attachment VII).
    - Supplemental Appropriation Resolution AS 16190
    - Amendment to Fiscal Planning Resolution AS 16901
- Board appropriation of Federal/State grant adjustments in Fund 50000, Federal/State Grant Fund, totaling an increase of $21.53 million.
- Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2016 Third Quarter Review.*