

**FAIRFAX COUNTY
BOARD OF SUPERVISORS
April 22, 2014**

AGENDA

- 10:00 Board Decision on the County's and School's FY2014 Third Quarter Review
- 10:00 Board Markup of the County Executive's FY 2015 Advertised Budget Plan and the FY 2015 Add-On Package
- 10:00 Board Decision on the Fairfax County Capital Improvement Program (CIP) for Fiscal Years 2015 - 2019 (With Future Fiscal Years to 2024)

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Board Agenda Item
April 22, 2014

10:00 a.m.

Board Decision on the County's and Schools' FY 2014 Third Quarter Review

ISSUE:

Board decision on the County's and Schools' *FY 2014 Third Quarter Review* to include Supplemental Appropriation Resolution (SAR) AS 14171, SAR AS 13346 for FY 2013 adjustments to reflect the final audit and Amendment to the Fiscal Planning Resolution (FPR) AS 14901.

RECOMMENDATION:

The County Executive recommends that the Board approve staff recommendations including the County's and Schools' *FY 2014 Third Quarter Review*.

TIMING:

The public hearings on the *FY 2014 Third Quarter Review* were held April 8, 9, and 10, 2014. Action should be taken on the *FY 2014 Third Quarter Review* prior to the mark-up of the FY 2015 Advertised Budget Plan so that a revised FY 2014 General Fund ending balance will be known.

ENCLOSED DOCUMENTS:

Board members are requested to bring the Memorandum to the Board of Supervisors dated March 4, 2014 from Edward L. Long Jr., County Executive, with attachments, transmitting the County's *FY 2014 Third Quarter Review* with appropriate resolutions.

FY 2014 Third Quarter Review available at:

http://www.fairfaxcounty.gov/dmb/third_quarter/fy2014/third_quarter.htm

STAFF:

Edward L. Long Jr., County Executive
Susan W. Datta, Chief Financial Officer

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Board Agenda Item
April 22, 2014

10:00 a.m.

Board Markup of the County Executive's FY 2015 Advertised Budget Plan and the FY 2015 Add-On Package

ISSUE:

Board markup of the County Executive's FY 2015 Advertised Budget Plan and the FY 2015 Add-On Package.

RECOMMENDATION:

The County Executive recommends that the Board approve staff recommendations in the FY 2015 Advertised Budget Plan and the FY 2015 Add-On Package.

TIMING:

The public hearings on the FY 2015 Advertised Budget Plan were held on April 8, April 9, and April 10, 2014 and the markup is scheduled for today, April 22, 2014.

ENCLOSED DOCUMENTS:

Attachment 1: April 10, 2014 Memorandum to the Board of Supervisors from Edward L. Long Jr., County Executive, with attachments transmitting the FY 2015 Add-On Package. The FY 2015 Add-On Package is also available at:
http://www.fairfaxcounty.gov/dmb/final_fy_2015_add-on_package.pdf.

Board Members are requested to bring the FY 2015 Advertised Budget Plan. Budget documents are available at: <http://www.fairfaxcounty.gov/dmb/>.

STAFF:

Edward L. Long Jr., County Executive
Susan W. Datta, Chief Financial Officer

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County of Fairfax, Virginia

MEMORANDUM

DATE: April 10, 2014

TO: Board of Supervisors

FROM: Edward L. Long Jr.
County Executive

SUBJECT: Adjustments to FY 2015 Advertised Budget Plan (Add-On Package) and Impacts on the FY 2016 Budget

This package has been prepared to present the revenue and expenditure adjustments that have been identified since the preparation of the FY 2015 Advertised Budget Plan and the FY 2016 Budget Proposal. Based on the adjustments detailed in the FY 2015 Add-On package, there is no available FY 2015 General Fund balance and a \$10.24 million shortfall in FY 2016 based on the assumptions included in the multi-year budget plan.

Staff has reviewed General Fund revenue estimates based on the most up-to-date information and now recommends a decrease in FY 2014, FY 2015 and FY 2016 General Fund revenue estimates. Based on the *FY 2014 Third Quarter Review* presented to the Board on March 4, a net balance of \$3.80 million was available. However, as presented during the Board of Supervisors' Budget Committee meeting on April 1 and updated based on year-to-date receipts, FY 2014 revenues are projected to be down a total of \$3.80 million, leaving no available FY 2014 balance.

The FY 2015 Advertised Budget Plan identified an available General Fund balance of \$10.64 million in FY 2015. As a result of a number of revenue adjustments based on information received subsequent to the development of the budget, the FY 2015 General Fund available balance is eliminated. The FY 2015 adjustments include a \$6.0 million revenue reduction in Personal Property Tax based on lower than anticipated vehicle levy. In addition, a decrease of \$2.1 million in Sales Tax and \$2.6 million in Business, Professional, and Occupational License (BPOL) Taxes is consistent with adjustments made to the FY 2014 estimates to reflect lower than anticipated FY 2014 receipts. The FY 2015 revenue decrease in Sales and BPOL taxes is associated with the adjusted lower FY 2014 base. Details regarding these adjustments can be found in Attachment I.

In addition, the FY 2015 Advertised Budget Plan included an available FY 2016 General Fund balance of \$13.73 million. Given the current revenue status, no other administrative expenditure adjustments are included in the package except for the new capital funding of \$13.10 million

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beginning in FY 2016 for the Fairfax County Public Schools (FCPS), which is based on the Joint School Board/County Board Infrastructure Financing Committee (IFC) Report approved by the Board of Supervisors on March 25 (Attachment II). The recurring funding will be provided by the County to offset expenses associated with FCPS facility Infrastructure Replacement and Upgrades program. As a result of the FY 2015 revenue adjustments, and the impact of the additional adjustment that is anticipated for FY 2016, there is a projected shortfall of \$10.24 million in FY 2016.

Multi-Year Budget: FY 2015 and FY 2016

Summary of Add-On	FY 2015	FY 2016
Balance from Advertised Budget	\$10.64 million	\$13.73 million
Revenue Reductions	(\$10.64) million	(\$10.87) million
<u>Funding to support Paydown Capital for FCPS</u>	<u>\$0</u>	<u>(\$13.10) million</u>
Net Available / (Shortfall)	\$0	(\$10.24) million

A summary of Consideration Items as of April 8, 2014, which totals (\$34,035,000) and (39)/(39.0) FTE positions, is included in Attachment III. The FY 2016 impact of these Consideration Items is (\$32,135,000).

Additional information regarding Add-On adjustments is included in the following attachments:

- Attachment I – Summary of General Fund Receipts
- Attachment II – Administrative Adjustments
- Attachment III – Consideration Items

**ATTACHMENT I
SUMMARY OF GENERAL FUND RECEIPTS**

FY 2014 Revenue Adjustments

Based on the *FY 2014 Third Quarter Review* presented to the Board on March 4, a net balance of \$3.80 million was available. However, as presented during the Board of Supervisors' Budget Committee meeting on April 1 and updated based on year-to-date receipts, FY 2014 revenues are projected to be down a total of \$3.80 million, leaving no available FY 2014 balance.

FY 2015 Revenue Adjustments

Revenue adjustments for FY 2015 are recommended in the categories discussed below. These adjustments represent a decrease of \$10.6 million and reflect information received subsequent to the development of the FY 2015 Advertised Budget Plan. The revenue adjustments include the \$6.0 million revenue reduction in Personal Property Tax noted during the County Executive's presentation of the FY 2015 budget on February 25, 2014 and the \$4.6 million revenue loss identified during the April 1, 2014 Budget Committee meeting. As a result, the General Fund available balance of \$10.6 million identified as part of the FY 2015 Advertised Budget Plan is eliminated. Revenue categories that are sensitive to economic change may require further adjustments during FY 2015. Economic conditions and the impact on these and all other revenue categories will be closely monitored throughout FY 2015.

PERSONAL PROPERTY TAX				
FY 2014 Revised	FY 2015 Advertised	FY 2015 Revised	FY 2015 Increase/ (Decrease)	Percent Change
\$555,361,644	\$569,886,876	\$563,918,957	(\$5,967,919)	(1.05%)

The FY 2015 revised estimate for Personal Property Tax receipts is \$563,918,957, a decrease of \$6.0 million from the FY 2015 Advertised Budget Plan estimate. This decrease is based on lower than anticipated vehicle levy. As part of the FY 2015 Advertised Budget Plan, the vehicle component, which comprises over 73 percent of the Personal Property levy, was expected to increase 3.2 percent based on preliminary analysis of vehicles in the County valued with information from the National Automobile Dealers Association (NADA). Based on final valuation of vehicles in the County as of January 1, 2014, the vehicle levy is expected to increase 1.8 percent, resulting in a revenue loss of \$6.0 million compared to the FY 2015 Advertised Budget Plan estimate.

LOCAL SALES TAX				
FY 2014 Revised	FY 2015 Advertised	FY 2015 Revised	FY 2015 Increase/ (Decrease)	Percent Change
\$163,622,176	\$169,451,850	\$167,358,651	(\$2,093,199)	(1.24%)

The FY 2015 revised estimate for Sales Tax receipts is \$167,358,651, a decrease of \$2.1 million from the FY 2015 Advertised Budget Plan estimate. This decrease is consistent with an adjustment made subsequent to the *FY 2014 Third Quarter Review* to reflect lower than anticipated FY 2014 Sales Tax receipts. As part of the *FY 2014 Third Quarter Review*, the Sales Tax estimate was lowered \$2.7 million based on receipts through February, reflecting a decrease of 1.1 percent from the FY 2013 level. Sales Tax receipts in March for retail purchases made in January were down 4.1 percent. Because of the March decline and the continued inclement weather in February and March, projected FY 2014 Sales Tax receipts are expected to be down \$1.4 million compared to the *FY 2014 Third Quarter Review* estimate, reflecting a 2.0 percent decrease from FY 2013. The projected 1.0 percent growth included in the FY 2015 Advertised Budget Plan for FY 2015 Sales Tax receipts has not been revised, but the \$2.1 million decrease in FY 2015 Sales Tax revenue is associated with the adjusted lower FY 2014 base.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX				
FY 2014 Revised	FY 2015 Advertised	FY 2015 Revised	FY 2015 Increase/ (Decrease)	Percent Change
\$152,687,577	\$157,732,010	\$155,152,381	(\$2,579,629)	(1.64%)

The FY 2015 revised estimate for Business, Professional, and Occupational License (BPOL) Taxes is \$155,152,381, a decrease of \$2.6 million from the FY 2015 Advertised Budget Plan estimate. This decrease is consistent with an adjustment made subsequent to the *FY 2014 Third Quarter Review* to reflect lower than anticipated FY 2014 BPOL tax receipts. As noted in the *FY 2014 Third Quarter Review*, little information was available concerning BPOL Taxes, since filings and payments were not due until March 1, with additional time required to process returns. Consequently, the FY 2014 BPOL estimate was not adjusted during the Third Quarter review. Based on the BPOL receipts currently processed, FY 2014 BPOL taxes are projected to be down \$3.5 million compared to the *FY 2014 Third Quarter Review* estimate, reflecting a decrease of 2.2 percent from the FY 2013 level. The \$2.6 million decrease in FY 2015 BPOL Tax revenue assumes that receipts will be up 1.6 percent in FY 2015 over the adjusted lower FY 2014 base.

FY 2016 Adjustments

The County Executive's Budget proposal included an available FY 2016 General Fund balance of \$13.73 million. The FY 2016 Forecast assumed a General Fund revenue growth rate of 3.7 percent. This rate of increase was based on a projected 2 percent growth in Personal Property Tax, a projected 2.5 percent growth in Sales and BPOL taxes, and moderate growth in other revenue categories. These FY 2016 revenue growth rates have not been revised, but because of the adjusted lower FY 2015 base, FY 2016 General Fund revenues are projected to be down \$10.87 million compared to the estimates included in the FY 2015 Advertised Budget Plan. As a result of the projected FY 2016 revenue loss, and the impact of additional adjustments of \$13.10 million detailed in Attachment II that are anticipated for FY 2016, there is a projected General Fund shortfall of \$10.24 million in FY 2016.

		RECURRING
Fairfax County Public Schools Capital Sinking Fund for Infrastructure Replacements and Upgrades	FY 2015 Transfer	<u>\$0</u>
	Net Cost	<u>\$0</u>
	FY 2016 Transfer	<u>\$13,100,000</u>
	Net Cost	<u>\$13,100,000</u>

As a result of the Joint School Board/County Board Infrastructure Financing Committee (IFC) Report approved by the Board of Supervisors on March 25, 2014, an amount of \$13,100,000 is included for transfer to the Fairfax County Public Schools (FCPS) beginning in FY 2016 to offset expenses currently supported by school bonds for facility Infrastructure Replacement and Upgrades. FCPS has used an average of \$13.1 million in bond funding each year for the past five years to meet what is now termed Infrastructure Replacement and Upgrades. The Committee has recommended that both the County and Schools limit the practice of funding Infrastructure Replacement and Upgrades through bond or proffer funding. To transition to this new system of funding, the County will transfer \$13.1 million to the School Construction Fund annually, beginning in FY 2016. This transfer will fund, through paydown funding, capital replacement and upgrade requirements and will free up general obligation bond funding for large replacement or new capacity requirements. In addition, the Report recommends that both the County and Schools establish an Infrastructure Replacement and Upgrades Capital Sinking Fund as a new budgetary mechanism for funding these requirements. Principal funding for these projects would come from a joint commitment to devote a designated amount or percentage of carryover funds to the Capital Sinking Fund. This commitment would begin with the FY 2014 Carryover, and the Committee suggests “ramping up” over three to five years until the Boards reach a funding level of 20 percent of the unencumbered Carryover balance of both the County and Schools budget not needed for critical requirements. Both Boards agree that the School Board may need additional time to reach this goal based on the need to address the School system’s current structural budget imbalance.

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)		
				Recurring	Non-Recurring	
1.	Reduce ACE Catalog mailings.	Herrity	0 / 0.0	(\$300,000)	\$0	
2.	Reduce positions associated with FOCUS implementation over two years by 25%.	Herrity	(7) / (7.0)	(\$1,000,000)	\$0	
3.	Eliminate the \$500,000 funding within the Environmental Improvement Program.	Herrity	0 / 0.0	\$0	(\$500,000)	
4.	Reduce communication positions over two years by 25%.	Herrity	(14) / (14.0)	(\$1,400,000)	\$0	
5.	Reduce administrative support.	Herrity	0 / 0.0 *	(\$12,000,000)	\$0	
6.	Reallocate revenues from the Wedgewood property.	Herrity	0 / 0.0	(\$4,000,000)	\$0	
7.	Privatize refuse collection.	Herrity	0 / 0.0	(\$1,000,000)	\$0	
8.	Reduce deputies in civil proceedings.	Herrity	(10) / (10.0)	(\$850,000)	\$0	
9.	Reduce the Contributory Fund by \$750,000.	Herrity	0 / 0.0	(\$750,000)	\$0	
10.	Eliminate the Consumer Affairs Branch.	Herrity	(7) / (7.0)	(\$635,000)	\$0	
11.	Realign the SACC program to attain budget neutrality.	Herrity	0 / 0.0	(\$9,000,000)	\$0	
12.	Delay the full staffing of the Providence Community Center.	Herrity	0 / 0.0	\$0	(\$1,400,000)	
13.	Eliminate the Environmental Coordinator position.	Herrity	(1) / (1.0)	(\$200,000)	\$0	
14.	Reduce ParkTakes mailings.	Herrity	0 / 0.0	(\$500,000)	\$0	
15.	Eliminate the \$500,000 funding for Energy Education and outreach parties.	Herrity	0 / 0.0	(\$500,000)	\$0	
16.	Begin to address the recruitment and retention issues within the Police Department as part of a comprehensive review due December 2014.	Herrity/ Hyland	0 / 0.0	\$0	\$0	
Subtotal FY 2015 Consideration Items as of April 8, 2014:				(39) / (39.0)	(\$32,135,000)	(\$1,900,000)

* The number of required position eliminations not clarified in the consideration item.

Total Consideration Items: (39)/(39.0) FTE Positions and Total Funding of (\$34,035,000)

The FY 2016 Impact of the Consideration Item list as of April 8, 2014 is (\$32,135,000)

Board Agenda Item
April 22, 2014

10:00 AM

Board Decision on the Fairfax County Capital Improvement Program (CIP) for Fiscal Years 2015 - 2019 (With Future Fiscal Years to 2024)

ISSUE:

Board decision on the Fairfax County Capital Improvement Program (CIP) for Fiscal Years 2015 - 2019 (with future fiscal years to 2024).

RECOMMENDATION:

The County Executive recommends that the Board of Supervisors approve the Advertised Capital Improvement Program for Fiscal Years 2015 - 2019 (with future fiscal years to 2024), as presented at the March 18, 2014 Budget Committee meeting. Recommended actions are:

- Make all necessary adjustments to reflect actions taken during the Board's decision on the FY 2015 Adopted Budget Plan that impact the CIP.

TIMING:

The Advertised Capital Improvement Program was discussed at the Board's budget workshops and final adoption of the CIP is scheduled for April 22, 2014.

BACKGROUND:

The Board of Supervisors considered the Advertised Capital Improvement Program for Fiscal Years 2015 - 2019 (with future fiscal years to 2024) at budget committee meetings. The Planning Commission conducted its mark up (Attachment I) of the CIP on April 3, 2014 and the Commission voted unanimously (Commissioners Hall and Litzenberger were absent from the meeting) to recommend that the Board of Supervisors approve the FY 2015 – FY 2019 Capital Improvement Program (with Future Fiscal Years to 2014) as proposed.

FISCAL IMPACT:

As shown on page 19 of the Advertised FY 2015 – FY 2019 Capital Improvement Program (with Future Fiscal Years to 2024), the total CIP cost including all program elements, is \$8.889 billion (including \$1.003 billion for Non-County Managed Programs such as the Northern Virginia Regional Park Authority and the Water Supply), \$2.107 billion authorized or expended through FY 2014, \$4.717 billion scheduled over the FY 2015 – FY 2019 period, and \$2.065 billion for projects initiated in the five-year period for

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April 22, 2014

which expenditures are projected to occur in the FY 2020 – FY 2024 period. These estimates will be adjusted slightly to accommodate actions taken during the Board's decision on the FY 2015 Adopted Budget Plan that impact the CIP.

ENCLOSED DOCUMENTS:

Attachment I – Planning Commission Verbatim

Fairfax County Capital Improvement Program (CIP) for Fiscal Years 2015 - 2019 (With Future Fiscal Years to 2024) is available online at:

<http://www.fairfaxcounty.gov/dmb/fy2015/advertised/cip.htm>.

STAFF:

Robert A. Stalzer, Deputy County Executive

Susan W. Datta, Chief Financial Officer and Director, Department of Management and Budget

Martha N. Reed, Department of Management and Budget

Joseph LaHait, Department of Management and Budget

Theresa Lepe, Department of Public Works and Environmental Services

Fred Seldon, Director, Department of Planning and Zoning

FAIRFAX COUNTY ADVERTISED CAPITAL IMPROVEMENT PROGRAM (CIP)

Decision Only During Commission Matters
(Public Hearing held on March 20, 2014)

Commissioner Sargeant: Mr. Chairman, thank you very much. We have had diligent discussions with regard to this year's CIP. And I want to begin by thanking the many department and agency officials who presented an overview of their CIP budgets. We had a late night for some and we appreciated their patience and their diligence in the process. I would also like to thank the CIP team who brought everything together for us – in particular, Martha Reed, the County's Capital Programs Coordinator. She brought all the data together us and provided guidance throughout the numerous CIP reviews. I would also like to thank Joe LaHait, the County's debt manager, for his insight during the process, as well as Teresa Lepe and – with the Department of Public Works and Building Design Branch – and Dennis Holder as well. And with that, Mr. Chairman, I MOVE THAT THE PLANNING COMMISSION RECOMMEND APPROVAL OF THE FY 2015 THROUGH 2019 ADVERTISED CIP, AS PROPOSED.

Commissioner Hart: Second.

Chairman Murphy: Seconded by Mr. Hart. Is there a discussion of the motion? All those in favor of the motion, say aye.

Commissioners: Aye.

Chairman Murphy: Opposed? Motion carries. And I would like to echo Mr. Sargeant's thanks to Martha and her crew and all those from the staff and the workshop who took part in this process.

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(The motion carried by a vote of 10-0. Commissioners Hall and Litzenberger were absent from the meeting.)

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