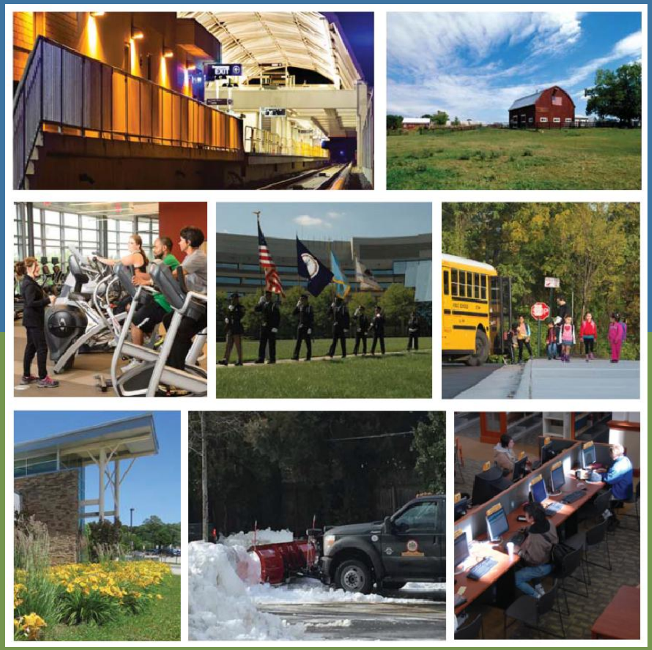


Fairfax County, Virginia

FY 2018

Advertised Budget Plan

(Includes Multi-Year Budget: FY 2018-FY 2019)

County Executive Budget Presentation

February 14, 2017

www.fairfaxcounty.gov/budget

FY 2018 Advertised Budget Highlights

- Budget balanced at current Real Estate tax rate of $1.13 per $100 of assessed value
- An overall increase for both County disbursements and School transfers of 2.41%
  - $51.69 million (2.70%) increase in School Operating Transfer
- Includes more than $13 million in savings/minor revenue enhancements and 13 position eliminations generated from opportunities submitted by County agencies
- Net position increase of 50 County positions
- Lack of funding limited the number of Board priorities that could be addressed
- Available balance of $1.99 million for the Board's consideration

FY 2018 Budget by the Numbers

General Fund

- FY 2018 General Fund Revenues are increased $88.20 million, or 2.2%, over the FY 2017 Adopted Budget Plan
  - $77.2 million, or 1.9%, over the *FY 2017 Revised Budget Plan*
- FY 2018 General Fund Disbursements are increased $90.7 million, or 2.3% over the FY 2017 Adopted Budget Plan
  - $27.2 million, or 0.7%, over the *FY 2017 Revised Budget Plan*

FY 2018 Advertised Budget Summary

- In November, presented forecast to Board of Supervisors and School Board indicating modest revenue growth and a projected budget shortfall – not including funding of many important priorities
- Forecast was based on weak growth in Real Estate values
- Real Estate picture has improved <u>slightly</u>
- However, overall message is the same: <u>County needs are greater than our resources</u>

FY 2018 Advertised Budget Summary
(Continued)

- FY 2018 Budget proposal maintains our commitment to:
  - Meeting the requirements of the County's financial policies
  - Fairly addressing needs for both the County and Schools
  - Providing some pay increases for County employees
  - Managing the impact on County taxpayers
- Focus on meeting Board priorities, particularly related to prior Board actions, and including opportunities for savings and efficiencies

Commitment to Fiscal Responsibility

- FY 2018 proposed budget includes over $13 million in savings and minor revenue enhancements
  - Marks 10th straight year annual budget has included reductions
  - Since FY 2009, we have reduced funding by over $344 million and have eliminated 753 positions
  - Average annual growth over the past decade (2.1% annually, from $3.32 billion in FY 2008 to $4.10 billion in FY 2018) is less than one-third of the growth in the prior decade (6.5% annually, from $1.77 billion in FY 1998 to $3.32 billion in FY 2008)
- Budget recommendation includes funding to address our new pension and reserve policies adopted by the Board in 2015
  - In January, all three rating agencies reaffirmed the County's AAA bond rating

Commitment to our Public Schools

- Advertised budget provides increase of $51.69 million, or 2.70%, over FY 2017 for the County's transfer to the School Operating Fund
  - More than the $40 million projected in November
- Schools represent 52.8% of General Fund Disbursements
  - Up from 52.7% in FY 2017
- An almost $61 million gap remains between the Advertised transfer and the School Board's request
- Of the total projected revenue increase of $88.2 million, $50.95 million – or 58% – is allocated to Schools

Commitment to our Employees

- FY 2018 budget proposal funds performance, merit and longevity increases for all merit employees
  - Average increase of 2.00% for non-uniformed General County employees
  - Average increase of 2.25% for uniformed Public Safety employees
- Also includes some pay adjustments resulting from market reviews
- Based on the cost of the calculated 1.65% Market Rate Adjustment, I was not able to include funding of the MRA
  - In accordance with compensation priorities included with new County pay plan approved in 2014
- For benefits, increased contributions for our pension systems are included as well as a small increase in our Retiree Health Benefits Subsidy

Commitment to our Residents

- The FY 2018 Advertised Budget is balanced at the current Real Estate Tax Rate of $1.13 per $100 of assessed value
  - Last year, the rate was increased 4 cents from $1.09
- The average tax bill will increase $40.69
- The value of 1 cent on the Real Estate tax rate is $23.75 million in FY 2018

Significant Unfunded Priorities in FY 2018

- Some significant County priorities that could not be included in the FY 2018 proposal include:
  - Market Rate Adjustment of 1.65% ($19.8 million)
  - Second year of Diversion First funding ($5.3 million)
  - Police Span of Control Positions per Ad-Hoc Recommendations and Consultant Study ($7.9 million)
  - Public Safety Staffing Plan ($8.5 million)
  - Additional funding for employment and day support for individuals with developmental disabilities (Up to $6.7 million)
  - Next phase of the Ad-Hoc Police Commission recommendations on top of the Span of Control positions noted above (estimated at $7.0 million)

FY 2019 Budget Outlook

- FY 2019 will be another challenging budget year
  - Signs continue to point to modest revenue growth at best
    - High commercial vacancies
    - Looming sequestration impact
    - Job growth occurring in lower wage sectors
  - Significant projected impact for Metro
  - Uncertainty about impact of new administration's policies and programs
  - Many important funding requirements have been deferred
  - State resolution of budget issues could impact County and Schools

Economic Outlook

National Economy

- In 2016, U.S. economy grew at a lackluster rate of 1.6% percent, down from the 2.6% GDP growth experienced in 2015
- The Federal Reserve raised the federal funds rate again in December 2016 for the second time in almost a decade
  - Reflected the "considerable progress the economy has made" toward full employment and inflation target of 2 percent
  - The Fed indicated that rates could continue to increase during 2017 more quickly than previously projected
  - Interest rates impact the Investment Interest revenue that the County earns on its portfolios

National Economy

(Continued)

- Looking ahead, great uncertainty about the effect of the new administration on the economy
  - Tax policy
  - Affordable Care Act
  - Infrastructure spending
  - Interest rates and market reaction
  - Immigration policy
  - Trade policy
  - Sequestration

Local Economy

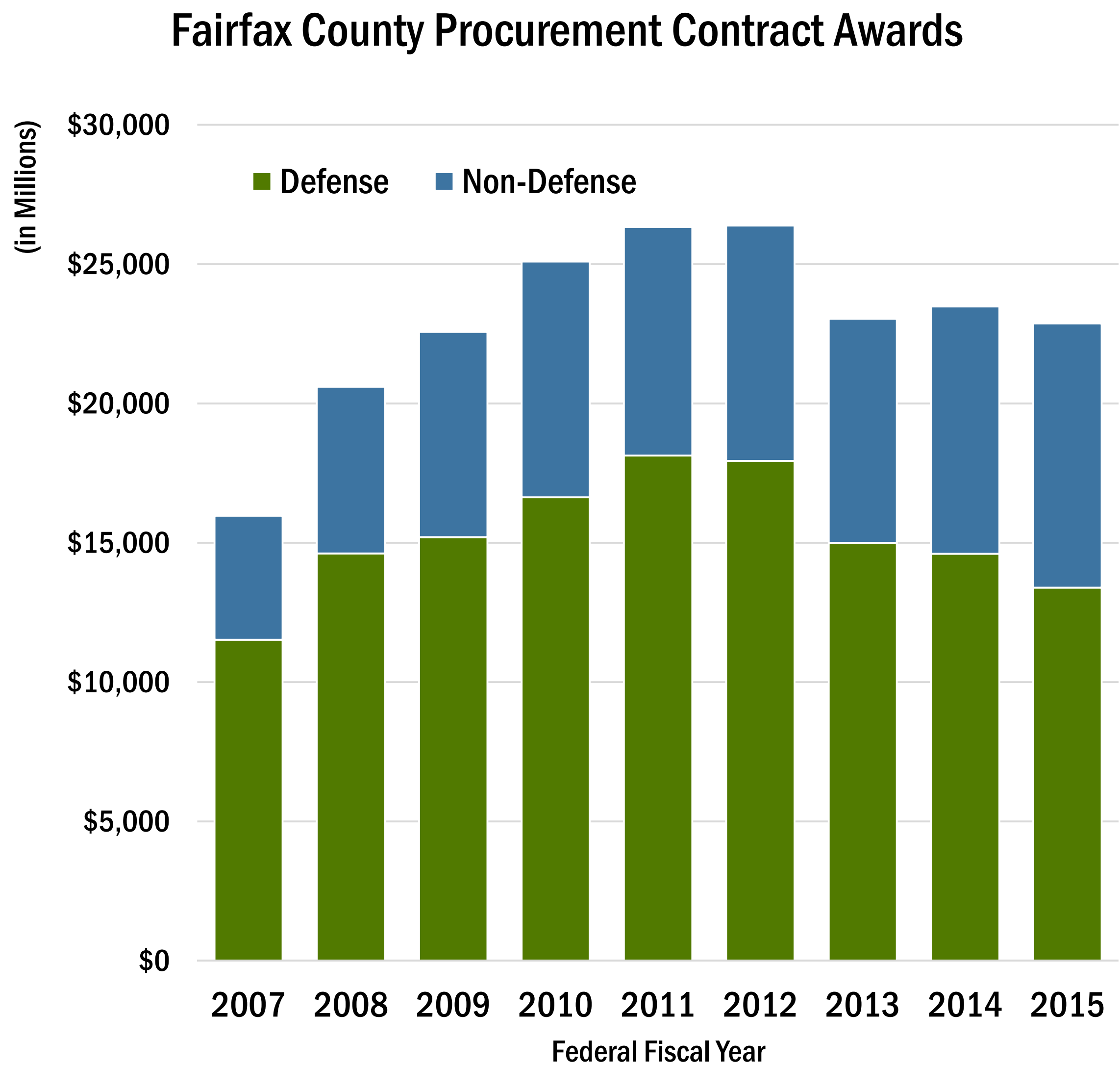
- The County's economy continues to be impacted by the effects of sequestration and defense spending cuts
  - Loss of high paying jobs
  - Recent job gains have been in lower paying sectors
- High office vacancy rate in the County – over 20 million sq. ft. vacant out of 116.4 million sq. ft.
  - As of mid-year 2016, direct office vacancy rate was 16.5%, highest since 1991, when it was 16.8%
- During 2016, the local real estate market underperformed the nation <u>again</u>
  - Based on the S&P/Case-Shiller home price index, home prices were up 5.1% nationally through October 2016, but grew 3.4% in the Washington DC Metro area
- County's FY 2018 real estate equalization growth lower than anticipated – <u>half of what it was in FY 2017</u>

Federal Procurement Spending in Fairfax County

Federal procurement contracts in the County decreased 2.6% in FY 2015 (the last year for which data is available)

Federal procurement spending is 13.3% below its level in FY 2012

- Average growth of 13.3% per year from FY 2007-2011
- Flat in FY 2012
- Dropped almost 13% in FY 2013
- FY 2014 increased 1.9%



Fairfax County's Labor Market: Uneven Job Growth

- County's labor market added jobs in 2015 and growth has continued through mid-2016

Job Growth in Fairfax County
(all data as of June each year)

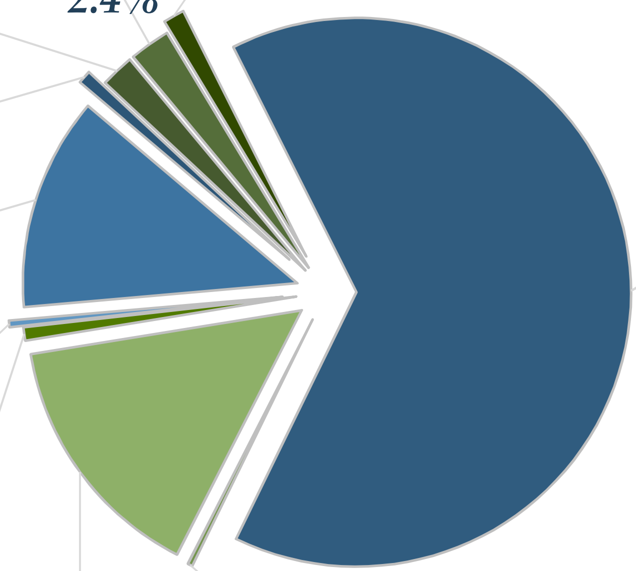
	Total Non-Farm Employment	Increase/ (Decrease)	% Change
2012	597,533	12,352	2.1%
2013	595,638	(1,895)	(0.3%)
2014	588,507	(7,131)	(1.2%)
2015	596,878	8,371	1.4%
2016	603,738	6,860	1.1%

Available Resources

FY 2018 Advertised Budget: Where It Comes From

FY 2018 General Fund Revenues

$4.10 billion



Real Estate Taxes
$2,648,855,844
64.6%

Current	$2,639.9
Delinquent	$9.0

Personal Property Taxes*
$611,766,244
14.9%

Current	$598.0
Delinquent	$13.8

Local Taxes
$515,390,893
12.6%

Local Sales Tax	$183.3
B.P.O.L.	$161.0
Consumer Utility Taxes	$44.9
Other	$126.2

Revenue from the Commonwealth*
$98,616,374
2.4%

VA Public Assistance	$38.8
Law Enforcement	$24.5
Other	$35.3

Charges for Services
$81,020,947
2.0%

SACC Fees	$41.7
EMS Transport Fees	$20.2
Clerk Fees	$4.9
Other	$14.2

Permits, Fees and Regulatory Licenses
$50,891,047
1.2%

Building Permits/ Inspection Fees	$38.6
Other	$12.3

Revenue from the Federal Government
$32,175,146
0.8%

Social Services Aid	$31.6
Other	$0.6

Revenue from the Use of Money and Property
$32,280,345
0.8%

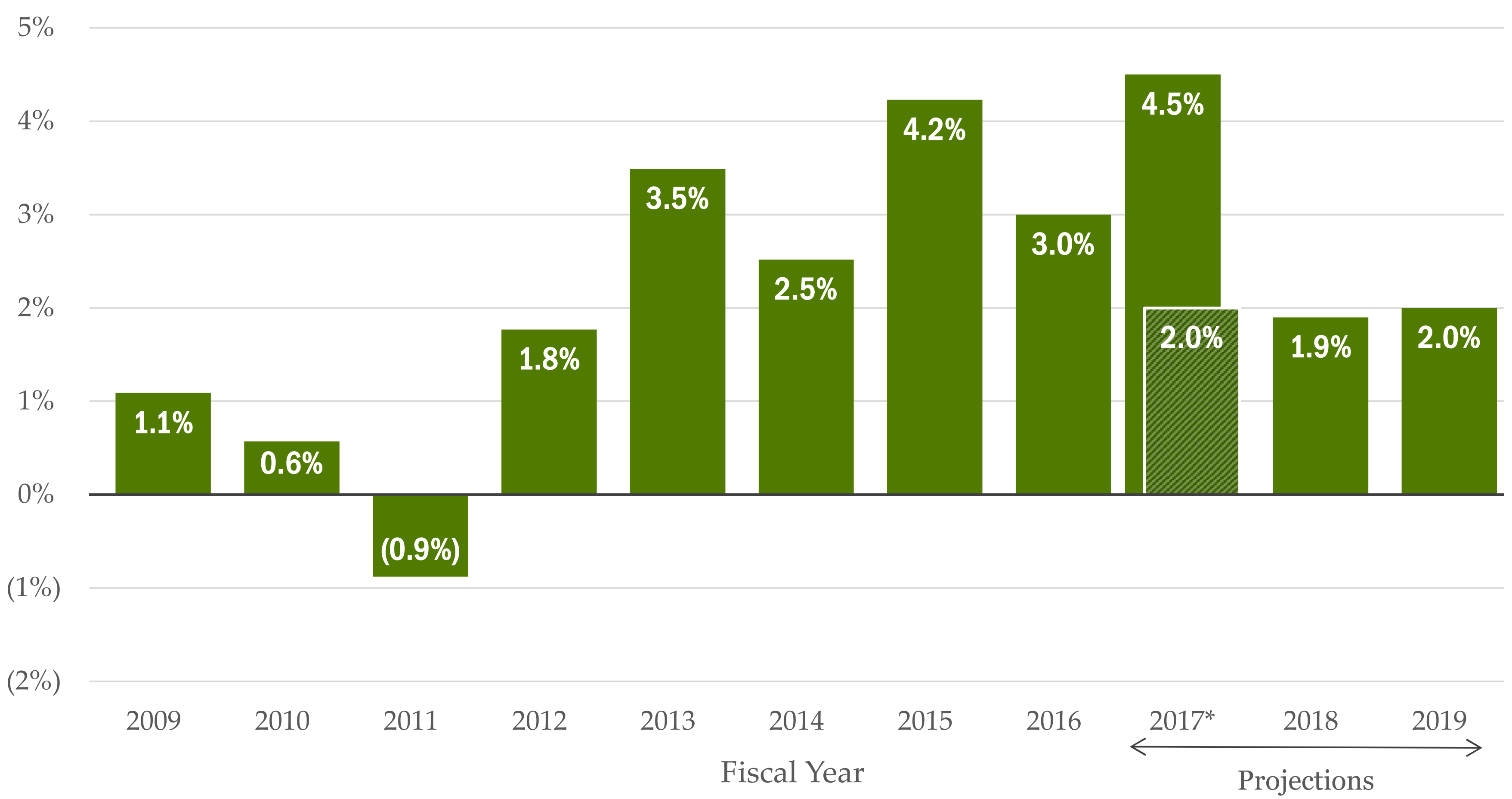
Recovered Costs/Other Revenue
$16,480,180
0.4%

Fines and Forfeitures
$11,684,270
0.3%

District Court Fines	$6.5
Parking Violations	$2.2
Other	$3.0

* For presentation purposes, Personal Property Taxes 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.

Annual Change in General Fund Revenue FY 2009 – FY 2019



* Without the 4 cent Real Estate tax rate increase, revenue would be up 2.0%

Annual Growth in Major Revenue Categories

(Dollars in millions)	FY 2013	FY 2014	FY 2015	FY 2016	Projections		
					FY 2017	FY 2018	FY 2019
Real Estate - Current	$2,114.4	$2,208.0	$2,347.1	$2,428.8	$2,591.4	$2,639.9	
Percent Change	3.7%	4.4%	6.3%	3.5%	6.9%	1.9%	1.9%
Personal Property - Current	$555.3	$556.5	$568.2	$579.6	$586.3	$598.0	
Percent Change	7.9%	0.2%	2.0.%	2.0%	1.2%	2.0%	2.0%
Sales Tax	$166.9	$165.5	$176.4	$178.8	$178.8	$183.3	
Percent Change	2.5%	(0.9)%	6.6%	1.4%	0.0%	2.5%	2.5%
BPOL - Current	$156.2	$152.0	$152.5	$153.5	$155.1	$157.4	
Percent Change	4.3%	(2.7)%	0.4%	0.0%	1.0%	1.5%	1.5%
Total General Fund	**3.5%**	**2.5%**	**4.2%**	**3.0%**	**4.5%***	**1.9%**	**2.0%**

* Without the 4 cent Real Estate tax rate increase, revenue would be up 2.0%

Real Estate Tax Base

	2006	2007	2008	2009	2010	2011	2012
Equalization	20.80%	19.76%	2.47%	(1.02)%	(10.52)%	(8.98)%	2.67%
- Residential	23.09	20.57	(0.33)	(3.38)	(12.55)	(5.56)	2.34
- Nonresidential	12.74	16.64	13.57	7.00	(4.51)	(18.29)	3.73
Growth	2.69	2.94	1.68	1.53	0.57	(0.22)	0.60
TOTAL	**23.49%**	**22.70%**	**4.15%**	**0.51%**	**(9.95)%**	**(9.20)%**	**3.27%**

	2013	2014	2015	2016	2017	2018	2019 Prelim
Equalization	2.53%	2.63%	4.84%	2.40%	1.94%	0.97%	1.00%
- Residential	0.71	3.50	6.54	3.39	1.64	0.68	1.00
- Nonresidential	8.21	0.14	(0.10)	(0.60)	2.87	1.85	1.00
Growth	0.74	0.77	0.93	1.06	1.04	0.92	0.90
TOTAL	**3.27%**	**3.40%**	**5.77%**	**3.46%**	**2.98%**	**1.89%**	**1.90%**

Projected Value of "One Penny" in FY 2018 = $23.75 million in Revenue

Residential Equalization Trends

- Residential equalization increases have continued to decline at an alarming trend

	2015	2016	2017	2018	2019 Prelim
Equalization	4.84%	2.40%	1.94%	0.97%	1.00%
- Residential	6.54	3.39	1.64	0.68	1.00
- Nonresidential	(0.10)	(0.60)	2.87	1.85	1.00
Growth	0.93	1.06	1.04	0.92	0.90
TOTAL	5.77%	3.46%	2.98%	1.89%	1.90%

- It takes approximately $2.1 billion in additional assessed value to equal 1 cent on the Real Estate tax rate ($23.75 million)

Residential Market

- Total increase of 0.68% in residential equalization
  - Average price of homes sold in CY 2016 was essentially flat
  - January 2017 assessed values grew at less than 50% of the January 2016 rate (1.64%)
  - The number of home sales rose 6.1%, from 14,850 homes in 2015 to 15,755 in 2016
  - Homes that sold in 2016 stayed on the market for an average of 52 days, the same as in 2015
  - There are more than 342,000 residential properties in Fairfax County
    - Over half had no change or saw a decrease in assessed value

Residential Equalization

- Residential properties comprise approximately 74.4% of total base

Residential Equalization Percent Changes

Housing Type (Percent of Base)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Single Family (71.7%)	0.70	3.13	5.82	3.27	1.69	0.62	
Townhouse/Duplex (19.7%)	1.20	4.50	8.39	3.81	2.05	1.37	
Condominiums (8.0%)	(0.06)	5.42	10.51	4.48	0.73	(0.32)	
Vacant Land (0.5%)	(1.66)	2.89	3.38	3.03	0.92	0.03	
Other (0.1%)	2.56	4.74	3.42	2.56	6.42	9.52	
Total Residential Equalization (100%)	**0.71**	**3.50**	**6.54**	**3.39**	**1.64**	**0.68**	**1.00**

Nonresidential Real Estate

- High office vacancy rate in the County – over 20 million sq. ft. vacant out of 116.4 million sq. ft.
  - According to the Economic Development Authority, approximately 73% of the County's office space is obsolete
- Office vacancy rates as of mid-year 2016
  - 16.5% direct, up from 16.2% as of year-end 2015, highest level since 1991 when it was 16.8%
  - 17.4% with sublets, up from 17.2% at year-end 2015
- Office real estate values down after increasing last year
- However, overall non-residential real estate values improved for a second consecutive year
- Currently, over 2.4 million sq. ft. office under construction
  - Nearly 85% is already pre-leased
- Metrorail's new Silver Line spurring new construction, including residential
  - In Tysons, 27 major applications with almost 50 million sq. ft. approved since 2010
    - Six major buildings were delivered between October 2015-September 2016
    - Almost 2 million sq. ft. in 3 buildings currently under construction
    - Nine major applications under review, proposing almost 9 million sq. ft.
  - The pace of actual construction will determine the impact to the tax base

Nonresidential Equalization

Nonresidential Equalization Percent Changes

Category (Percent of Base)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 Prelim
Apartments (25.9%)	12.60	4.90	3.59	1.20	2.92	3.37	
Office Condominiums (3.9%)	(0.31)	(0.66)	(0.07)	0.58	1.86	0.49	
Industrial (6.6%)	6.75	0.69	1.77	5.83	7.43	(0.26)	
Retail (17.1%)	7.16	1.18	1.52	2.46	1.60	7.39	
Office Elevator (31.4%)	11.34	(2.41)	(2.93)	(4.67)	3.42	(1.39)	
Office – Low Rise (3.0%)	7.18	(1.72)	(2.41)	(5.00)	1.73	1.39	
Vacant Land (3.0%)	2.01	(0.74)	(1.19)	(4.62)	1.50	(1.17)	
Hotels (3.3%)	3.87	(3.94)	(4.82)	0.26	3.61	(0.12)	
Other (5.8%)	3.27	1.17	2.37	5.26	3.70	6.73	
Total Nonresidential Equalization (100%)	8.21	0.14	(0.10)	(0.60)	2.87	1.85	1.00

Nonresidential Real Estate Revenue

- Commercial/Industrial percentage of total real estate assessment base:
  - FY 2018 = 19.12%
  - FY 2017 = 18.89%
  - FY 2016 = 18.67%
  - FY 2015 = 19.01%
  - FY 2014 = 19.96%
  - FY 2013 = 20.77%
  - FY 2012 = 19.64%
  - FY 2011 = 19.70%
  - FY 2010 = 22.67%
  - FY 2009 = 21.06%

FY 1990 – Highest rate recorded of 26.76%
FY 1983 – Lowest rate recorded of 16.12%

How Resources are Allocated

FY 2018 Budget Summary

- Total available resources total $88.10 million
- Schools support and County requirements are both increased 2.41% over FY 2017
- Of the total projected revenue increase, approximately 58% is allocated to Schools
- Reserve requirements are decreased based on slower growth, however still meet Board policy guidelines
- **A balance of $1.99 million is available for the Board's consideration in the adoption of the FY 2018 budget**

	Amount (millions)
Available Resources	**$88.10**
Increased Revenues	$88.20
Transfer In Adjustment	($0.10)
Total Uses	**$86.11**
Disbursements	$90.66
Schools Support	$50.95
County Requirements	$45.39
Revenue Stabilization	($5.68)
Managed Reserve	($4.55)
Available Balance	**$1.99**

Fairfax County Public Schools Summary

$50.95 million

- Proposed County General Fund transfers total $2.17 billion
- Overall Schools support is increased $50.95 million, or 2.41%, over FY 2017
  - School operating transfer of $1.97 billion reflects an increase of 2.70%, or $51.69 million
  - Support for School Capital Construction remains at $13.1 million.
  - School debt service transfer of $189.13 million supports $155 million in annual bond sales
- The County also provides additional support to the Schools in the amount of $83.4 million for programs such as Head Start, School Health, Behavioral Health Services, School Resource Officers, School Crossing guards, after-school programming, field maintenance and recreation programs, among others

- On February 9, the Fairfax County School Board requested an FY 2018 operating transfer of $2.03 billion
  - Requires a $112.54 million increase or 5.9% over the FY 2017 Adopted Budget Plan General Fund transfer to fully fund the School's budget request
  - The difference between the Advertised budget and the request is almost $61 million, equating to approximately 2.5 cents on the Real Estate tax rate
  - The School request exceeds total County available revenues of $88.2 million by over $24 million

Fairfax County Public Schools

(Continued)

- K-12 funding has decreased from 35% of the state's General Fund in FY 2009 to less than 29% in FY 2017
- Between FY 2010 and FY 2016, Virginia implemented sizable structural budget cuts to K-12, costing localities a cumulative $6 billion
- Burden has increasingly shifted to localities
- Approximately 72% of the FCPS budget is funded by the County
  - The average district receives about 41% from its local government
    - If County only funded 41% of FCPS budget, would save approximately $817 million

County Employee Compensation Summary

$32.58 million

- Board adopted a new pay plan for General County employees in 2014 that was implemented in the FY 2016 budget
- Based on limited resources – and consistent with the November forecast – funding of $19.8 million for the calculated 1.65% Market Rate Adjustment could not be included
  - New pay plan allowed for deferral of Market Rate Adjustment in years of budgetary constraint
- Funding of performance, merit, and longevity increases are included
  - Pay increases related to General County market reviews for specific job classes
  - Pay scale adjustments for uniformed Police and Sheriff based on consultant review *(more details in Public Safety section)*
  - Funding for review of uniformed Fire and Rescue pay scale will be recommended as part of *FY 2017 Third Quarter Review*
- In addition, required benefit adjustments are funded

County Employee Compensation

(Continued)

- **Employee Pay** **$23.51m**
  - General County Employee Pay Increases $12.27m
    - Includes performance increases ranging from 3% to 1.25%
    - Includes 20 and 25-year longevities of 4%
    - Average increase of 2.00%
  - Uniformed Public Safety Pay Increases $9.82m
    - Includes merit and 15 and 20-year longevity increases of 5%
    - Average increase of 2.25%
    - Includes full-year impact of elimination of Step 8 Hold in Uniformed Public Safety Pay Plans
  - General County Market Studies $1.23m
    - Impacts specific job classes
    - Approximately $4.5 million for 2.0% adjustment for uniformed Fire and Rescue personnel based on a market review is not funded, pending a comprehensive review of compensation. As part of the *FY 2017 Third Quarter Review*, $200,000 will be recommended to secure an outside consultant for this study.
  - Living Wage $0.19m
    - Baseline adjustment for increase to $14.50 per hour approved at *FY 2016 Carryover Review*

County Employee Compensation
(Continued)

- **Employee Benefits** **$9.07m**
  - Retirement Funding $4.72m
    - Based on valuation and experience study results and an increase in amortization from 97% to 98% per funding policy adopted as part of FY 2016 budget
      - On track to amortize 100% of unfunded liability by FY 2020
    - One-time cost of $1.4 million to fund second year of 3-year plan to eliminate remaining 10% Social Security Offset for Service-Connected Disability Retirees as directed by the Board at the *FY 2015 Carryover Review* will be funded at *FY 2017 Third Quarter Review.*
  - Net Health Insurance and Other Adjustments $3.86m
    - Assumes estimated 7% premium adjustment in January 2018
    - Includes fringe benefit support for Community Services Board and net fringe benefit savings based on year-to-date experience
  - Retiree Health $0.49m
    - Proposes a $10 per month increase in the Retiree Health Benefit Subsidy to offset the cost of health insurance for retirees. Funded using a small portion of significant Employer Group Waiver Plan (EGWP) savings. Subsidy last increased in FY 2006.

Capital and Debt Service Summary

$9.28 million

- Meets debt service requirements
  - Per Reserve policy, refunding savings of $0.8 million available in FY 2018 will be transferred to Revenue Stabilization from Debt Service Fund
- FY 2018 General Fund support for the County's capital program totals $19.44 million
- No increases for paydown support have been included
  - Recommendations for one-time projects will be made as part of the *FY 2017 Third Quarter Review*
  - Significant capital investment requirements continue to be deferred, such as:
    - County & Parks facility infrastructure replacement and upgrades
    - Revitalization maintenance
    - Sidewalks and Trails
  - Will continue to partially address some capital and maintenance requirements depending on availability of Carryover balances

Capital Improvement Program (CIP)

- The FY 2018-FY 2022 CIP totals $10.0 billion
  - The total bond program within the CIP is $1.9 billion (includes both General Obligation and Economic Development Authority bonds)
  - The CIP bond program is managed within the County's debt ratios
- The CIP will be discussed in detail at a Budget Committee meeting in March
  - Significant issues that will be addressed include increased capital requirements
- CIP highlights include:
  - Review and analysis associated with the long-range Bond Referendum Plan and the County's debt capacity

Capital and Debt Service

Debt Service

- County Debt Service $9.28m
  - In FY 2018, debt service requirements fund existing and projected new County debt.
  - In addition and based on the Board's policy concerning reserves, the FY 2018 refunding savings from the Series 2015 B, Series 2015 C, and Series 2016 A bond sales will be transferred to the Revenue Stabilization Fund.
    - These savings are one-time and will help the County reach its revised reserve goals
  - As directed by the Board, staff reviewed debt capacity as it relates to an increase of FCPS bond sales.
    - Given lack of funding to support the debt service associated with a sales limit change and projected debt ratio impact, no adjustment in $275 million annual sales limit is recommended.
    - Staff will continue to analyze and will review again next year.

Capital and Debt Service

Capital Paydown

- In FY 2018, an amount of $19.44 million in General Fund support has been included for the Capital Construction/Paydown program.
  - $12.92 million included for Commitments, Contributions and Facility Maintenance
  - $6.52 million included for Paydown

Public Safety Summary

$9.26 million and 26 Positions

- Priorities:
  - Recommendations from Consultant Study, consistent with those of the Ad-Hoc Commission, regarding Police organizational structure and Police/Sheriff Pay Plans
    - Consultant study recommendations totaled $22.9 million and 96 positions
  - Staffing for South County Police Station (multi-year requirement for a total of 70 new positions)
  - Replacement of expiring SAFER grant funds in the Fire and Rescue Department
  - Funding for Fire Captain overtime based on FLSA Ruling
  - Per prior Board actions, includes baseline funding for the new Department of Animal Sheltering and Office of the Independent Police Auditor

- Not Funded:
  - Second tranche of funding for Diversion First - $5.3 million
  - Recommendations from consultant study regarding Police Span of Control positions, consistent with Ad-Hoc Commission - $7.9 million
  - Public Safety Staffing Plan - $8.5 million
  - Fire & Rescue Large Apparatus Replacement - $1.0 million

Public Safety
(Continued)

- **Public Safety Compensation/Organization Study** **$3.50m**
  - Based on recommendations from the Board-directed consultant analysis of the organizational structure of the Police Department and the pay plans for uniformed Police and Sheriff employees, the following items are included:
    - $0.79 million and 18 positions for relief Police Sergeant positions
      - Due to operational requirements, including the significant lead time to hire new staff, approximately two-thirds of the full-year funding amount for the 18 positions is not required in FY 2018. Additional funding – currently estimated at $1.6 million – will be required in FY 2019.
    - $2.71 million for pay scale leveling for uniformed Police and Sheriff pay scales
- **Fair Labor Standards Act (FLSA) Ruling** **$2.30m**
  - Required to cover costs associated with a US Court of Appeals ruling
  - Ruling stated uniformed employees in the Fire and Rescue Department at the rank of Captain I and Captain II do not fall within the executive or administrative exemptions for the FLSA overtime requirement because management is not their primary duty

Public Safety

(Continued)

- **Partial-Year Funding for Fire and Rescue staffing $2.06m**
  - Costs associated with 18 positions which were initially funded by a SAFER (Staffing for Adequate Fire and Emergency Response) grant previously approved by the Board, but expiring in FY 2018
  - These positions, combined with an additional 31 positions added as part of previous SAFER awards (for a total of 49 additional positions), allowed the department to complete the initiative of having a fourth person on the County's 14 ladder truck companies, which was the department's top priority in the Public Safety Staffing Plan
  - Four-person truck staffing has enhanced FRD's ability to establish on-scene firefighting, rescue and medical emergency services in a more timely and efficient manner, with the right amount of personnel, thus reducing property loss and risk of firefighter injury or death

Public Safety
(Continued)

- **New South County Police Station** **$0.93m**
  - Supports 5 positions for second-year of multi-year strategy
    - 15 positions added in FY 2017
  - Staffing plan has been slightly modified to reflect projected opening date in spring/summer 2021
  - Initial estimates indicate that 70 uniformed positions will be required to fully staff this station
    - Anticipated that additional 50 uniformed positions will be added over next three fiscal years
  - 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 continue this process
  - This phased-in approach will allow the department to gradually hire and train new recruits

Public Safety
(Continued)

- **Internal Affairs Bureau Staffing** **$0.38m**
  - Supports 2 positions in the Police Internal Affairs Bureau based on increased workload associated with the establishment of an Office of the Independent Police Auditor as directed by the Board
  - Will result in increased investigative workload as detective supervisors will be tasked with ensuring timely completion of administrative investigations, increased public reporting requirements, supporting the Office of the Independent Police Auditor by gathering and reviewing documentation, conducting redactions, providing data, and supporting the Civilian Review Panel with similar workload requests
- **Illegal Signs in the Right-of-Way Inspector** **$0.09m**
  - Supports 1 position in the Department of Code Compliance (DCC) to support the growing workload of the Illegal Signs and Advertising in the Right-of-Way Program
  - Cost of position will be offset by revenue collected for no net impact to the General Fund

Human Services Summary

$3.10 million and 13 Positions

- Priorities:
  - Issues related to previous actions taken by the Board, including:
    - Community Services Board support coordination for individuals with developmental disabilities
    - Healthy Families Fairfax
    - Human Trafficking position
- Not Funded:
  - Additional funding for employment and day services for individuals with intellectual and developmental disabilities (ID/DD) pending Board policy discussions in Spring – Up to $6.7 million
  - Contract rate increases - $2.9 million

Human Services
(Continued)

- **Community Services Board Support Coordination** **$2.30m**
  - Primarily funds mandated services
  - Supports 12 new positions to support individuals with developmental disabilities (DD) in the community and comply with current state and federal requirements
  - Includes baseline funding of $1.2 million to reflect funding approved to support 10 new positions added as part of the *FY 2016 Carryover Review*
- **Expand Healthy Families Fairfax Program** **$0.67m**
  - Completely offset by federal revenue for no net impact to the General Fund
  - Per adjustment approved as part of the *FY 2016 Carryover Review* to utilize additional federal revenue to increase the number of families being served in the Healthy Families Fairfax (HFF) program. HFF is an accredited home visiting program offering families at risk of maltreating their child an opportunity to learn parenting skills and receive emotional support and case management services.

Human Services

(Continued)

- **Human Trafficking Prevention** **$0.13m**
  - Supports 1 new position for a Human Trafficking Policy and Prevention Specialist
  - In response to recommendations from the Board-initiated Sexual Violence Task Force and testimony at public hearings that highlighted the impact of human trafficking on victims and families
  - Position will serve as the primary point of contact on sexual violence and human trafficking in the County and will work to engage the community to ensure that victims have access to advocacy and support services, perpetrators are held accountable for their actions, and that prevention and educational programs are offered throughout the community

Services for Individuals with Intellectual and Developmental Disabilities (ID/DD)

- In prior years, County included funding in the Community Services Board to support ID special education graduates of FCPS turning 22 years of age eligible for day support and employment services
  - In FY 2017, funding of $1.50 million was included to support June 2016 graduates
- As a result of Medicaid Waiver redesign effective July 1, 2016, CSB is now the single point of entry for eligibility determination and case management services for ID and DD individuals
- Funding of up to $6.7 million could be required in FY 2018:
  - $1.81 million for June 2017 ID special education graduates
    - This funding would be consistent with that in prior years
  - $1.57 million for June 2017 DD special education graduates
  - $1.39 million for DD adults requesting assessments from CSB in FY 2017
  - $1.90 million for estimated DD adults requesting assessments from CSB in FY 2018
- This level of funding is unsustainable, as has been previously discussed with the Board
- CSB will be presenting a recommendation to the Board at the Human Services and Housing Committee meeting on February 21

Cost of County Operations Summary

$3.03 million and 17 Positions

- Priorities:
  - Basic requirements for facility costs
  - Positions supporting Transportation, Stormwater, and Wastewater with no General Fund impact
- Not Funded:
  - Additional Information Technology investments - $2.9 million

Cost of County Operations
(Continued)

- **Operations/Maintenance at Public Safety Headquarters $0.71m**
  - The Public Safety Headquarters is a new 274,000 square foot facility, scheduled to be substantially complete in late winter/early spring 2017. The building will serve as the new headquarters for the Police and Fire and Rescue Departments
  - Funding will support 3 new maintenance positions
- **Original Mount Vernon High School Security $0.08m**
  - Included for security requirements at the Original Mount Vernon High School
  - Increase will support one additional full-time contracted security officer, for a total of two full-time security officers at the site

Community Development Summary

$0.41 million and 7 positions

- Priorities:
  - Support for Zoning Ordinance review
  - Support for Infill Development Sign Program
  - Transportation positions to support increased project workload related to HB 2313 revenues (no General Fund impact)
- Not Funded:
  - No increase in General Fund or General Obligation Bond support for Metro as FY 2018 requirements can be funded by existing support and state aid balances
    - <u>Expected to be challenge for FY 2019 and beyond</u>

Community Development

(Continued)

- **Zoning Ordinance Review and Update** **$0.26m**
  - Funding for 2 new positions to support the start of a comprehensive review of the Zoning Ordinance needed to respond to emerging trends like peer-to-peer home stay networks and building repurposing
  - Staff will work with the Board to establish a value-added, targeted work plan to update portions of the Zoning Ordinance
- **Infill Tree Sign Program** **$0.14m**
  - Supports 1 new position for a new sign program for infill development. Virginia Code, as discussed with the Board on October 11, 2016, permits localities to post signs when infill grading plans are filed
  - Position will answer inquiries generated by signs and contracted services to install approximately 1,000 signs annually

Metro Funding Overview

- WMATA General Manager's FY 2018 Advertised Budget contains significant increases in both operating and capital spending to address aging infrastructure beginning in FY 2018
  - Costs would be spread among the regional jurisdictions
- County is able to manage increases in FY 2018 with no additional General Fund impact
- The County's share of WMATA expenses have historically been funded through modest General Fund support, state aid and gas tax receipts, and General Obligation bonds
  - State aid and gas tax represent the County's share of these revenues held on behalf of the County by the Northern Virginia Transportation Commission (NVTC)
  - Accumulated state aid balances are declining, which will present a challenge in future years
- <u>FY 2019 and future years will require significant increases in County contributions which are not sustainable within existing revenue resources</u>
- The Board will be briefed as part of Budget and Transportation Committee meetings in the coming months on the options available for future year funding decisions

FY 2018 Metro Funding

- No increase in General Fund or General Obligation Bond support is included in FY 2018 for Metro.
  - In order to meet operating requirements, $25 million more in state aid is utilized, partially offset by reduced gas tax, in order to maintain the General Fund transfer at the FY 2017 level.
  - Increased capital requirements are anticipated to be met through the use of WMATA financing, with associated debt service due beginning in FY 2019.

FY 2017-18 Operating Budget
(in millions)

	FY 2017	FY 2018	Chg.
Operating Requirement	**$121.5**	**$141.4**	***+$19.9***
State Aid	$84.8	$110.2	*+$25.4*
Gas Tax	$22.8	$17.3	*-$5.5*
General Fund	**$13.6**	**$13.6**	**--**
Interest Income/ Other Fund Transfers	$0.3	$0.3	--
	$121.5	**$141.4**	

FY 2017-18 Capital Budget
(in millions)

	FY 2017	FY 2018	Chg.
Capital Requirement	**$36.7**	**$101.0**	***+$64.3***
Financed by WMATA	$0.0	($61.0)	
Debt Service Owed	$0.0	$0.0	
County Contribution Required	**$36.7**	**$40.0**	***+$3.3***
General Obligation Bonds	**$30.0**	**$30.0**	**--**
State Aid	$6.7	$10.0	*+$3.3*
	$36.7	**$40.0**	

Reductions & Savings Summary

($12.27) million and (13) Positions

- In total, reductions and savings included in the FY 2018 Advertised Budget total over $13 million ($12.27 million in disbursement savings and $1.15 million in revenue enhancements)
- Savings generated through:
  - Agency-identified opportunities
  - Other Post-Employment Benefits (OPEB)
  - Fuel
  - DPWES Cost Realignment

Reductions & Savings
(Continued)

- **Agency Opportunity and Efficiency Savings ($4.78m)**
  - As part of the FY 2018 budget development, agencies were challenged to identify savings opportunities. Including increased revenues, savings total $5.93 million.
  - Examples include:
    - Reducing personnel services budgets based on historical spending patterns and savings resulting from position vacancies and turnover
    - Scrutinizing operating expense budgets to identify areas where costs can be reduced by taking advantage of process or technological efficiencies, by recognizing recurring savings based on spending trends, or reducing printed materials in favor of online resources
    - Reviewing areas where fees can be implemented or increased based on County resources used to perform the work and examination of charges in neighboring jurisdictions
    - Reviewing areas where dedication of additional staff time can result in increased revenue generation.
    - Focusing on areas identified by the Board through the Lines of Business process to identify areas for efficiency and savings
      - Privatization of services
      - Opportunities for revenue enhancements

Reductions & Savings
(Continued)

- **OPEB Savings** **($6.00m)**
  - Continued savings due to the implementation of an Employer Group Waiver Plan (EGWP) for Medicare retiree prescription drug coverage. In past two years, combined savings of $16 million.
  - 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.
- **Fuel Savings** **($0.85m)**
  - Based on ongoing analysis of current fuel costs and usage
  - Budgeted totals for FY 2018 reflect an average decrease of $0.21 per gallon from the FY 2017 budgeted level
- **DPWES Cost Realignment** **($0.64m)**
  - Based on analysis of recovered costs from DPWES enterprise funds

Reserves
($10.23 million)

- 10% of FY 2018 Disbursement Increases held in Reserve
  - Overall Disbursement Growth in FY 2018 = $90.66 million
    - Total General Fund reserve contributions – including Revenue Stabilization and Managed Reserve – total $9.07 million
- Because FY 2018 Disbursement growth (2.26%) is less than growth in FY 2017 (5.05%), required contributions to reserves are lower
  - This results in $10.23 million in available funding for FY 2018

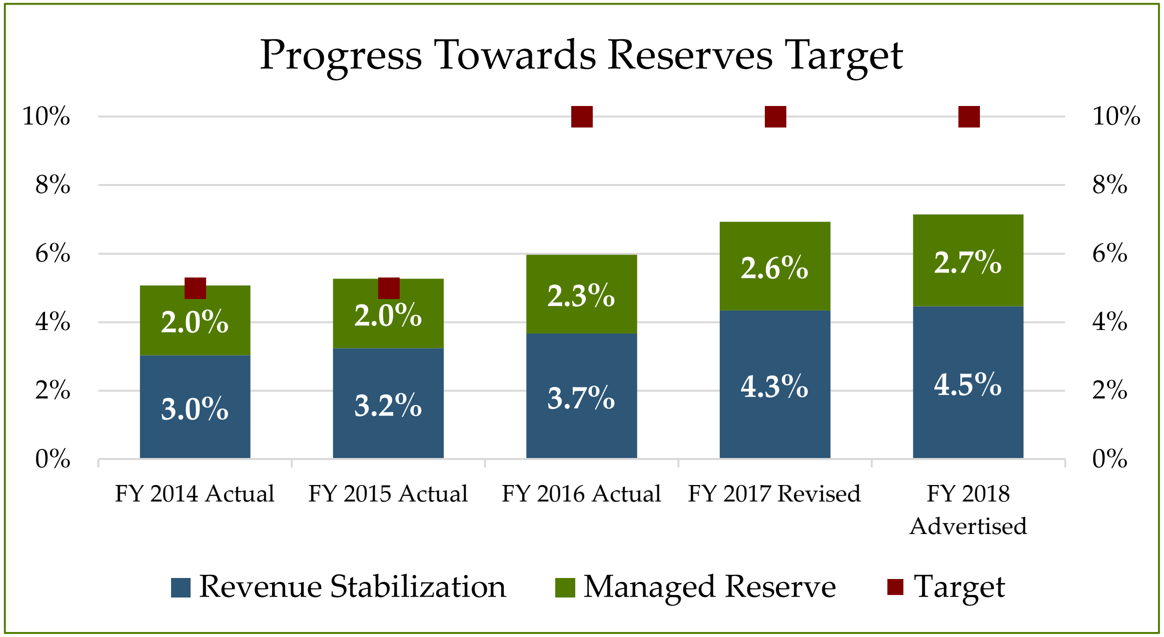
Reserve Targets as % of General Fund Disbursements

Revenue Stabilization Fund
5%

Managed Reserve
4%

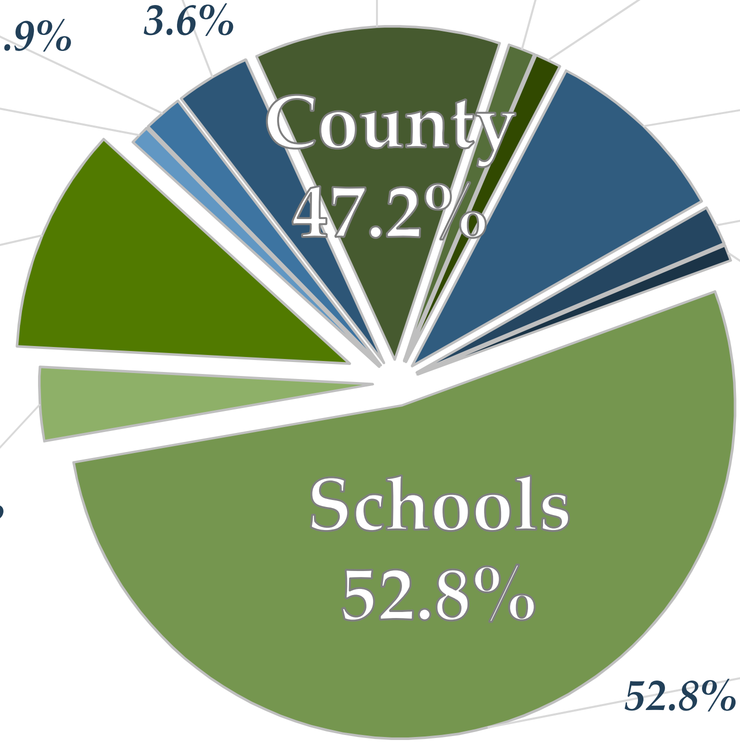
Economic Opportunity Reserve
1%

- Total Reserve funding has increased from 5% in FY 2014 to over 7% in FY 2018



- Based on General Fund contributions and bond refunding savings, total reserves as of the FY 2018 Advertised Budget Plan are estimated at 7.16%.

FY 2018 Advertised Budget: Where it Goes



FY 2018 General Fund Disbursements

$4.10 billion

FY 2018 Budget by the Numbers

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.
- FY 2018 All Fund Revenues total $7.99 billion
  - An increase of $30.96 million, or 0.39 percent, over the FY 2017 Adopted Budget Plan
- FY 2018 All Funds Expenditures total $7.59 billion
  - An increase of $118.72 million, or 1.59 percent, over the FY 2017 Adopted Budget Plan

Summary of County Taxes and Fees

Type	Unit	FY 2016 Actual Rate	FY 2017 Actual Rate	FY 2018 Recommended Rate	FY 2019 Planned Rate
GENERAL FUND TAX RATES					
Real Estate	$100/Assessed Value	$1.09	$1.13	$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*	*$64*	*$66*
Leaf Collection	*$100/Assessed Value*	*$0.015*	*$0.015*	*$0.013*	*$0.012*
SEWER CHARGES					
Sewer Base Charge	*Quarterly*	*$20.15*	*$24.68*	*$27.62*	*$30.38*
Sewer Availability Charge	*Residential*	*$7,750*	*$7,750*	*$8,100*	*$8,100*
Sewer Service Charge	*Per 1,000 Gallons*	*$6.65*	*$6.68*	*$6.75*	*$7.00*

Summary of County Taxes and Fees
(Continued)

Type	Unit	FY 2016 Actual Rate	FY 2017 Actual Rate	FY 2018 Recommended Rate	FY 2019 Planned Rate
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	***$100/Assessed Value***	***$0.0250***	***$0.0275***	***$0.0300***	***$0.0325***
Route 28 Corridor	$100/Assessed Value	$0.18	$0.18	$0.18	$0.18
Dulles Rail Phase I	$100/Assessed Value	$0.19	$0.17	$0.17	$0.17
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***	***$0.05***	***$0.05***	***$0.06***	***$0.06***
Reston Service District	***$100/Assessed Value***	--	--	***$0.021***	***$0.021***

Lines of Business (LOBs)

- LOBs Phase 2 projects are well underway
- First presentations to Board made at January 31 Budget Committee Meeting
- Additional project updates expected at Board committee meetings throughout the year
- Future projects include:
  - Continued review of use of County space
  - Possible consolidation of design/build functions
  - Coordination between County and Schools for early childhood services and transportation services
  - Review of County Metrics program
  - Review of County compensation and pension plans

FY 2019 Multi-Year Plan

- FY 2019 County budgetary shortfall is estimated at $96 million
- Based on projected revenue growth of 1.98%
- Assumes:
  - Equal growth between County disbursements and School transfers
    - $36 million would be available for School Operating requirements
  - Fully funds compensation for County employees
  - 156 new positions
  - Funding to continue implementation of Public Safety Staffing Plan, School Readiness initiative, South County Police positions, 2nd full year of Diversion First/Ad-Hoc Recommendations
  - If the current economic environment continues we will need to defer some of these priorities
- <u>Projected shortfall does not include potential significant impact of Metro increases</u>

Looking Forward

- Slow economic growth expected for foreseeable future
- Continued uncertainty regarding impact of new administration
  - Potential for sequestration cuts in fall 2017 unless action is taken by Congress
  - Repeal of the Affordable Care Act
  - Market reactions
  - Many other factors
- Will continue to monitor state budget actions
- Regional response to address ongoing Metro funding requirements

How to Become Involved

- The entire FY 2018 Advertised Budget Plan and the FY 2018-FY 2022 Capital Improvement Program (CIP) are available online at:

  http://www.fairfaxcounty.gov/budget

- Share feedback on the budget at:

  http://www.fairfaxcounty.gov/dmb/fy18advertisedbudgetinput.htm

FY 2018 Budget Schedule

February 14, 2017	County Executive presents FY 2018 Advertised Budget Plan
February 28, 2017	Advertisement of FY 2018 tax rates
March 14, 2017	Advertisement of *FY 2017 Third Quarter Review*
April 4-6, 2017	Public Hearings on FY 2018 Budget, *FY 2017 Third Quarter Review*, and FY 2018-FY 2022 Capital Improvement Program
April 25, 2017	Budget Mark-Up
May 2, 2017	Budget Adoption

- To sign up to speak at one of the public hearings, call the Clerk to the Board's Office at (703) 324-3151 or (703) 324-2391 (TTY 711) or to access the form to sign up to speak, go to https://www.fairfaxcounty.gov/bosclerk/speaker_bos.htm
- The public can send written testimony or communicate with the Clerk's Office by email at: clerktothebos@fairfaxcounty.gov