

September 13, 2011
COMMENTS OF THE BUDGET CHAIRMAN
AND BOARD MOTIONS
FY 2011 CARRYOVER REVIEW

Subsequent to the preparation of the Carryover Review updated information became available concerning several items.

First, the Federal Government made changes to the unfunded mandate for enlarged and brighter street signs which had been estimated to cost the County \$1.75 million over the next 7 years. The change eliminated the timing requirement associated with the replacement of all County street signs and instead mandated that upgrades be made on a normal replacement cycle. Funding of \$250,000 was included in the Carryover package for the first year of these replacements. As a result of the change I propose that the \$250,000 included in the Carryover package for street sign replacement be redirected to traffic calming to provide staff with the ability to address the traffic calming measure that we rely on to mitigate the impact of cut through traffic and keep residents safe in their own neighborhoods. The traffic calming measure had previously been funded by the State, however, as part of State reductions, no longer receives State funding. This funding was previously requested by Supervisors Foust, Frey and McKay as possible Consideration Items.

Second, potential litigation concerning personal property refunds has been resolved favorably for the County and other jurisdictions statewide. Property owned by Public Service Corporations (PSC) is assessed by the State for all localities. The PSC litigation involved a major utility company in Virginia, potentially impacted many jurisdictions, over multiple years, for many millions of dollars. On August 23, 2011, the Virginia State Corporation Commission entered the final Orders of Dismissal with Prejudice for the 2009 and 2010 tax appeals. From a legal standpoint, now that the Commission has entered the final Orders of Dismissal, these cases are now deemed concluded with no refund owed by the County. As part of the *FY 2011 Carryover Review*, a Litigation Reserve was included to cover the potential lost revenue and ancillary costs in the Office of the County Attorney totaling \$8,025,000.

This funding is now available to the Board and I propose it be used to both reward employees for their hard work and dedication during these difficult times and to provide some extra flexibility in the development of the FY 2013 budget, which we know is going to be challenging.

As part of this Carryover package, I am proposing the use of approximately half of the litigation reserve to fund an increase in the Market Rate Adjustment for County employees from 1.52% to 2%. This increase will cost \$3.7 million for a total MRA cost in FY 2012 of \$15.0 million. The pay increase will be effective with the pay period beginning September 24, 2011. As the Board is aware this will be the first pay increase for employees since FY 2009. It should be noted that the FY 2011 Carryover Review also includes the changes to the County's compensation policies as discussed during Personnel Committee this spring (single anniversary date, new MRA formula, and changes to the pay for performance range for non-public safety employees pending funding availability in future years).

The balance of the Litigation Reserve after the adjustment for the MRA and associated Managed Reserve requirement is \$4.25 million and this amount would be added to the reserve of \$24.44 million identified by the County Executive in the Carryover Package. As a result of these actions, \$28.69 million is set aside in reserve to address the projected budget shortfall in FY 2013 or for critical requirements in FY 2012 in light of the significant flooding event of September 8, 2011.

Therefore, I move Board approval of the Carryover package including Supplemental Appropriation Resolution AS 12010 and Amendment to the Fiscal Planning Resolution AS 12900, including the *FY 2011 Carryover Review* package as presented on July 26, 2011, with updated items as a result of School Board action taken on July 28, 2011, and with the changes to redirect \$250,000 to traffic calming, to eliminate the Litigation Reserve, to increase the MRA to 2% at a cost of \$3.7 million, to increase the reserve set aside for FY 2013 by \$4.25 million and to make all required Managed Reserve adjustments.