

ATTACHMENT B:

**MEMO AND ATTACHMENTS I – VII
TRANSMITTING THE COUNTY'S
FY 2013 CARRYOVER REVIEW
WITH APPROPRIATE RESOLUTIONS**



County of Fairfax, Virginia

MEMORANDUM

DATE: July 30, 2013

TO: BOARD OF SUPERVISORS

FROM: Edward L. Long Jr.
County Executive

SUBJECT: FY 2013 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2013 Carryover Package, including Supplemental Appropriation Resolution AS 14012 and Amendment to the Fiscal Planning Resolution AS 14900. The document includes the following attachments for your information:

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| Attachment I | A General Fund Statement including revenue and expenditures, as well as a summary reflecting expenditures by fund |
| Attachment II | A summary of General Fund receipt variances by category |
| Attachment III | A summary of significant General Fund expenditure variances by agency |
| Attachment IV | An explanation of General Fund Unencumbered Carryover |
| Attachment V | A detailed description of new and unexpended federal/state grants, as well as anticipated revenues associated with those grants that are recommended for appropriation in FY 2014 |
| Attachment VI | A detailed description of significant changes in Other Funds |
| Attachment VII | Supplemental Appropriation Resolution AS 14012 and Fiscal Planning Resolution AS 14900 for FY 2014 providing for the appropriation of outstanding encumbrances and unspent balances for federal/state grants, as well as prior commitments of the Board of Supervisors, such as unspent capital project balances |

As the Board is aware, the Code of Virginia requires that the Board of Supervisors hold a public hearing prior to the adoption of amendments to the current year budget when potential appropriation increases are greater than 1.0 percent of expenditures. In addition, the Code requires that the Board advertise a synopsis of the proposed changes. Since the *FY 2013 Carryover Review* recommends changes to the FY 2014 Adopted Budget Plan over this limit, Board action on the Carryover Review has been scheduled at the same time as the public hearing on September 10, 2013.

FY 2013 End of Year Summary

A brief summary of the General Fund follows, comparing unaudited actual receipts and disbursements as of June 30, 2013 to the final estimates of the *FY 2013 Revised Budget Plan*.

GENERAL FUND STATEMENT AND BALANCE AVAILABLE

(in millions of dollars)

	FY 2013 Revised Budget Plan	FY 2013 Actual	Variance
Beginning Balance, July 1	\$209.44	\$209.44	\$0.00
Receipts and Transfers In	\$3,472.58	\$3,502.78	\$30.20
Total Available	\$3,682.02	\$3,712.22	\$30.20
Direct Expenditures	\$1,332.07	\$1,268.71	(\$63.36)
Transfers Out	\$2,262.17	\$2,262.17	\$0.00
Total Disbursements	\$3,594.24	\$3,530.88	(\$63.36)
Ending Balance, June 30	\$87.78	\$181.34	\$93.56
Managed Reserve	\$71.88	\$71.88	\$0.00
Balance used in FY 2014 Adopted	\$2.80	\$2.80	\$0.00
Sequestration Reserve *	\$8.10	\$8.10	\$0.00
Litigation Reserve	\$5.00	\$5.00	\$0.00
Balance	\$0.00	\$93.56	\$93.56
FY 2013 Commitments (\$37.57)			
Outstanding Encumbered Obligations			(\$32.72)
Outstanding Unencumbered Commitments			(\$4.12)
Managed Reserve Adjustment			(\$0.73)
Balance after FY 2013 Commitments			\$55.99
FY 2014 Administrative Adjustments (\$28.78)			
Accelerations from FY 2015			(\$12.30)
Investments			(\$14.33)
Other Requirements including Revenue Stabilization			(\$1.57)
Managed Reserve Adjustment			(\$0.58)
Net Balance			\$27.21

* It should be noted that the balance in the Sequestration Reserve is \$7.70 million after allocation of \$401,888 for Head Start as directed by the Board.

NOTE: Carryover is defined as the re-appropriation in FY 2014 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2013 capital project and grant balances.

Year-end Summary

FY 2013 General Fund Revenues and Transfers In were \$3.50 billion, an increase of \$30.20 million or just 0.87 percent, over the FY 2013 Revised Budget Plan estimate. Much of this increase occurred in the latter portion of the fiscal year and is primarily the result of increases in Real and Personal Property Tax receipts, Other Local Taxes, Permit, Fees & Regulatory Licenses and Charges for Services. More detail on FY 2013 Revenue Variances may be found in Attachment II.

In addition, County agencies realized expenditure balances as a result of continuing close management of agency spending. Expenditures were below *FY 2013 Revised Budget Plan* projections by \$63.36 million. More detailed information on FY 2013 General Fund Expenditure Variances is included in Attachment III. Included in this balance are funds required for both encumbered and unencumbered items. Encumbered carryover includes legally obligated funding for items/services for which final financial processing has not been completed. Unencumbered carryover includes funding for items previously approved by the Board but not purchased based on timing or other issues. Netting out outstanding encumbrances and unencumbered commitments, as well as the required Managed Reserve adjustment totaling \$37.57 million, the FY 2013 available disbursement balance is \$25.79 million or 0.72 percent of total disbursements.

As a result, the combined revenue and disbursement balance, after funding obligations and Managed Reserve adjustments, is \$55.99 million. This balance is consistent with prior years. In addition, at the Board's direction, \$401,888 is allocated from the Reserve for State/Federal Reductions and Federal Sequestration Cuts to address reductions in federal funding for Head Start. The Sequestration Reserve is \$7.70 million after this action.

Carryover Actions

Allocation of this balance is important given a number of critical FY 2014 funding requirements. Of the total available balance of \$55.99 million, \$28.78 million is included for required net administrative and managed reserve adjustments and \$27.21 million is recommended to be held in reserve to address FY 2015 requirements. Recommended spending falls into three categories: accelerations of future year requirements, County investments, and other necessary adjustments. In addition to these administrative adjustments, Carryover includes the allocation of the \$0.40 million from the Sequestration Reserve for Head Start. As I have discussed with the Board, the balances that are available at Carryover and Third Quarter are primarily one-time in nature. As a result, I have identified a number of priorities for use of these one-time funds to meet our needs while minimizing the long-term impact on the budget. The items that are funded also represent specific priorities previously discussed such as the opening of the Wolf Trap Fire Station, capital renewal, turf fields and our response to emergency after-action report recommendations. Consistent with the multi-year budget presentation, the FY 2015 impact of my recommendations are noted in the detailed administrative adjustments below. As you can see, the vast majority of my recommendations do not have an impact on the FY 2015 plan or, in fact, reduce the projected shortfall in FY 2015.

Accelerations (\$12.30 million)

I have taken advantage of the multi-year budget process to identify four items for acceleration from FY 2015 given the one-time balances that are available at Carryover. Several of the expenditures included in the FY 2015 budget plan are one-time and can be appropriately funded with one-time funding available at Carryover which in turn will reduce FY 2015 requirements. Therefore, I have recommended that we fund the first half of the replacement of voting machines (\$6.00 million), one-time costs associated with the opening of the Mid-County Human Services Center (\$2.20 million) and the first of our short-term requirement to make payments to the Federal Government for the Transitional Reinsurance Program (\$1.60 million) which is a part of Health Care Reform. These non-recurring costs were all identified in the FY 2015 budget. Providing funding for these costs now will reduce the projected shortfall for FY 2015 by \$9.8 million without impacting the County's recurring budget needs. In addition, I have also accelerated the opening of the Wolf Trap Fire Station from January 2015 to July

FY 2013 Carryover Review

2014 with a two-part strategy which will allow for the location of a tanker truck at the station by October 2013 and the full operation of the station by July 2014. This station opening recommendation is driven by a review of fire and rescue response times. Because the station was assumed to be operational in the FY 2015 budget for a full year, this acceleration does not negatively impact the FY 2015 budget but does provide some much needed coverage in the operational area on a more timely basis.

Investments (\$14.33 million)

As I discussed in my budget letter transmitting the FY 2014 budget, we must continue to make investments and take advantage of opportunities even during this challenging fiscal climate. In many cases these investments may be one-time or short-term and therefore are very appropriate for Carryover or Third Quarter balances. Therefore, in the category of investments, the *FY 2014 Carryover Review* includes:

- \$5.00 million for emergency system failures in County infrastructure to address our aging infrastructure needs after years of limited funding;
- \$2.69 million to make capital improvements and continue to move forward in completing Americans with Disabilities Act (ADA) requirements in accordance with Federal Government mandates and consistent with the discussion of the Board when marking-up the FY 2014 budget that Carryover funding should be identified;
- A reserve of \$1.50 million to be used for installing turf on high school rectangular fields with the stipulation that the funding be matched by the Fairfax County Public Schools consistent with recommendations from the County/Schools Turf Field Task Force;
- Implementation of Emergency After-action recommendations and required disaster recovery improvements to better position ourselves for future weather and emergency events (\$1.34 million);
- A County contribution to the World Police and Fire Games (\$1.00 million) to allow the plans for the Games to proceed as we quickly approach the 2015 event;
- Support of technology projects for both talent management and social media efforts totaling \$0.85 million to take advantage of opportunities as we address changing technology;
- Replenishment of the Prevention Fund in the amount of \$0.75 million using balances saved from within the Human Services system in FY 2013;
- Employee development initiatives and funds to support a complete market study of benchmark classes (\$0.75 million);
- \$0.45 million for the North County Study to identify the best solution for County facility location and development in the context of the Reston master planning effort and the expansion of the Silver line to Reston; and
- An additional position for the Economic Development Authority for marketing the County as an attractive location for companies working in the areas of cyber security, with no additional funding required.

Other Requirements (\$1.87 million with net General Fund impact of \$1.57 million and use of \$0.40 from the Sequestration Reserve)

Finally, there are a small number of other adjustments that are also necessary at this time. In some cases these adjustments are necessary to appropriate additional resources for existing programs such as the Virginia Initiative for Employment Not Welfare and the Supplemental Nutrition Assistance Program, with no net cost to the General Fund. In other cases, funding is included to implement Board decisions such as the adjustment to Police Captain pay and funding the gap in Head Start funding as a result of Federal Budget reductions using the Sequestration Reserve approved by the Board last year. It should also be noted that because of very low investment earnings and the projected FY 2014 disbursements, an increase in the Revenue Stabilization Reserve is also required. As the Board is aware, the Revenue Stabilization Reserve is set at 3 percent of General Fund disbursements. Based on the current investment market, these investment proceeds are not anticipated to be large enough to fund the increased reserve and as such, an increase of \$1.25 million is necessary to fully fund the reserve to the required level.

Remaining Balance

As a result of administrative adjustments and the associated managed reserve adjustment of \$0.58 million, a Carryover balance of \$27.21 million is available. Consistent with Board Budget Guidelines, this balance is reserved for one-time needs or to address FY 2015 requirements.

Details of the adjustments included in the *FY 2013 Carryover Review* which have a General Fund impact are noted below in the Administrative Adjustments section of this letter.

Fairfax-Falls Church Community Services Board (CSB) Status

I would also note that after the challenges of the last several years, the CSB ended the year with a positive available balance of \$1.97 million, after encumbrances. As the Board is aware the CSB is fully funded for FY 2014 including anticipated increases in the Infant Toddler Connection program and for the 2013 Intellectual Disability graduates of the Fairfax County Public Schools. That said, revenue collection continues to lag the budgeted levels and the focus of the next year will be to continue to maximize available funding sources and utilization of positions that are potentially fully offset with revenue. To that end staff has been working on technology tools to support billing opportunities. Funding adjustments in Fund 40040, Community Services Board, include \$0.80 million of the available CSB balance which is appropriated at Carryover to improve the Credible Electronic Health Record system's implementation through a partnership with the Department of Information Technology.

FY 2015 Budget Development

As a result of Board actions in adopting the FY 2014 budget, the FY 2015 projected budget shortfall decreased from a projected \$40 million level to a shortfall of approximately \$32 million. Adjustments included in the *FY 2013 Carryover Review* reduce the projected deficit by another \$10 million as the result of accelerating funding of one-time items. In addition the residential real estate market continues to strengthen. This improvement offers us the potential of improved revenues and a discussion of how to manage the impact of increasing assessments on the residential homeowner while meeting expanding needs such as school enrollment growth, public safety requirements and maintaining pay competitiveness for our employees. Commercial real estate values, however, are not improving with a current vacancy rate at approximately 17 percent and the impact of sequestration on other revenue categories such as personal property, sales, and BPOL taxes is unknown. As a result, I continue to stress that we are still in the midst of a challenging budget environment and we need to remain committed to being restrained in funding new recurring items, including stepping in to fill the gaps left by sequestration or other State and Federal budget cuts.

As the next budget process begins, staff is working now on refining the FY 2015 plan and revalidating the need for spending increases or new requirements. Given the current projected smaller but still substantial FY 2015 shortfall, it is clear that difficult choices will need to be made and spending and staffing plans curtailed. Staff is also developing the FY 2016 plan as well as expanding the multi-year Financial Forecast to 3 years (FY 2017-FY 2019) of higher level budget forecasting. I anticipate that this will improve our ability to look ahead as we discuss the decisions of the current budget year under development. Our focus this year will be on continued efficiencies within the organization and not on across the board cuts. I look forward to talking to the Board of Supervisor and the School Board in the fall when we review the latest revenue forecast and I can share in more detail anticipated changes to the projected shortfall as well as hear more from the Schools about their projections.

FY 2013 Audit Adjustments

As the Board is aware, the financial audit of FY 2013 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2013 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2014 Third Quarter Review*.

FY 2013 Carryover Review

Other Funds Adjustments

Attachment VI of the *FY 2013 Carryover Review* details changes in other funds including those which do not have a General Fund impact. This attachment includes a review of the FY 2013 fund expenditure and revenue variances and notes changes in FY 2014 expenditures.

Administrative Adjustments

The *FY 2013 Carryover Review* includes net General Fund administrative adjustments and associated managed reserve adjustments totaling \$28.78 million as well as \$0.40 allocating from the Sequestration Reserve for a total of \$29.18 million. These adjustments are divided into three categories: Accelerations, Investments and Other Requirements and include the following:

ACCELERATIONS

		NON-RECURRING
Fund 10040, Information Technology Replacement Voting System	FY 2014 General Fund Transfer	<u>\$6,000,000</u>
	Net Cost	\$6,000,000
	FY 2015 General Fund Transfer	<u>(\$6,000,000)</u>
	Net Cost	(\$6,000,000)

The General Fund transfer to Fund 10040, Information Technology, is increased by \$6,000,000 to begin to fund election equipment replacement. Fairfax County's current voting system, a hybrid system consisting of an optical scan unit combined with two or more accessible direct recording electronic voting machines (DREs), has reached the end of its lifecycle. Under state law changes in 2007, the new system cannot include any new direct record electronic (touchscreen) equipment. As a result, the industry is currently moving towards solutions that have an electronic screen on which a voter makes their choices. Then a "marking device" will produce a paper ballot from the choices made on the electronic screen that will then be fed into an optical scan machine to be counted.

With the availability of funding as part of the *FY 2013 Carryover Review*, the first portion of the equipment can be in place for the non-presidential elections in FY 2015 and FY 2016 and the remainder will be purchased for the 2016 presidential election (FY 2017). An exact amount is not yet known for the additional part(s) of this purchase, but is likely to be in the \$4-6 million range total. These funds will be required at a future time but no later than FY 2016.

In addition, as part of the FY 2014 Adopted Budget Plan, an amount of \$720,000 was included in the budget of the Office of Elections for the implementation of recommendations made by the Bi-Partisan Election Process Improvement Commission with the understanding that the funding would be allocated as part of the *FY 2013 Carryover Review*. The Office of Elections, after consultation with the Electoral Board proposes that the funds be utilized for increased Election Officer pay; increased voter education regarding the new voting system and the process and requirements for voting absentee; increased absentee in-person voting and to provide all voters at satellite locations with both the ADA and the electronically scanned ballot; the purchase of 150 electronic poll books (EPB) which will ensure that each precinct has at least two EPBs for use during the November 2013 election; and continuing the multi-year process of scanning/imaging voter registration applications into an electronic retrieval system.

		NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer		<u>\$2,200,000</u>
	Mid-County Human Services Center	Net Cost	\$2,200,000
		FY 2015 General Fund Transfer	(<u>\$2,200,000</u>)
		Net Cost	(\$2,200,000)

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$2,200,000 for one-time start-up costs associated with the opening of the new Mid-County Human Services Center in September 2014. This 200,000 square foot facility will replace the Woodburn Center and include programs such as: 24/7 Emergency Services, mental health, substance use disorder, intellectual disability, emergency, health and wellness, youth and administrative services. In addition, the center will house Inova services through a 10-year lease agreement of 40,000 square feet in the facility. The Mid-County facility will also consolidate Community Services Board (CSB) services from various other County sites and annual lease savings of approximately \$1 million will be realized by the CSB. In FY 2014, start-up costs of \$2.5 million for furniture and equipment will be offset by partial year lease savings of \$300,000.

		NON-RECURRING	
Fund 60040, Health Benefits Fund	FY 2014 General Fund Transfer		<u>\$1,600,000</u>
	Transitional Reinsurance Program Reserve	Net Cost	\$1,600,000
		FY 2015 General Fund Transfer	(<u>\$1,600,000</u>)
		Net Cost	(\$1,600,000)

The General Fund transfer to Fund 60040, Health Benefits Fund, is increased by \$1,600,000 to fund a reserve for fees that will be charged to the County under the Patient Protection and Affordable Care Act. Beginning in calendar year 2014, and with the fiscal impact beginning in FY 2015, the County will be required to participate in the Transitional Reinsurance Program for three years. The Transitional Reinsurance Program is intended to stabilize premiums for coverage in the individual market during the first three years health insurance exchanges are available. All health insurance issuers and self-insured group health plans (such as Fairfax County) will be required to submit contributions to support reinsurance payments to issuers that cover high-cost individuals in non-grandfathered individual market plans. Based on preliminary guidance of a \$63 per covered life (including employees and their dependents) per year fee, it is estimated that the cost of this program will be approximately \$1.6 million in FY 2015. The fee is projected to decrease to approximately \$1.1 million in FY 2016 and \$0.7 million in FY 2017, for a total three-year estimated impact of \$3.4 million. It should be noted that Medicare participants are excluded for purposes of calculating the head count in determining the County's contribution. The General Fund transfer of \$1,600,000 will be held in reserve in Fund 60040 to fund FY 2015 program fees.

	NON-RECURRING	
Agency 92, Fire and Rescue Department (FRD)	FY 2014 Expenditure	\$2,000,000
Agency 89, Fringe Benefits	FY 2014 Expenditure	<u>\$500,000</u>
Wolf Trap Fire Station	Net Cost	\$2,500,000
	FY 2015 Expenditure	\$0
	FY 2015 Expenditure	<u>\$0</u>
	Net Cost	\$0

An increase in funding of \$2,500,000, including 29/29.0 FTE is required for a proposed accelerated opening of the Wolf Trap Fire Station (Station 42). Although the station construction is completed, the opening of Station 42 was deferred to January 2015 due to budget constraints. However recent response time analysis indicates an earlier opening would be beneficial to the response area. Options for accelerating the opening of Station 42 have been evaluated. The recommended acceleration of fire and rescue capacity in the area includes 2 phases: the operation of a single engine unit out of Station 42 beginning in October 2013 and the full opening of the station beginning in July 2014 rather than January 2015 as currently planned. In order to accommodate this acceleration, one-time funding will be required to cover the overtime to staff the engine company during FY 2014 and to support the costs of a recruit school during FY 2014 to ensure staffing of the fully operational station for the full year in FY 2015. It should also be noted that this item includes the creation of 29/29.0 FTE positions in FY 2014 (accelerating them from FY 2015) to facilitate the earlier opening.

INVESTMENTS

	NON-RECURRING	
Fund 30020, Capital Renewal Construction	FY 2014 General Fund Transfer	<u>\$5,000,000</u>
Emergency System Failure Fund	Net Cost	\$5,000,000
	FY 2015 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

The General Fund Transfer to Fund 30020, Capital Renewal Construction, is increased \$5,000,000 to support emergency system failures that occur at aging County facilities throughout the year, as well as capital renewal projects categorized as “F” – urgent/safety related, or endangering life and/or property. Funding will provide for emergency repairs at County facilities in the event of a major systems failure such as a large HVAC system, or other unforeseen event. This increase will provide a source of funding for these types of unforeseen emergency repairs and will allow the Facilities Management Department (FMD) to address projects not currently funded for which repairs are becoming more imminent. Included in this amount is funding of \$1.8 million to replace the terrace roofs at the Government Center. A comprehensive assessment of the Government Center roof was conducted by an outside consultant at the request of FMD based on an increase in the amount of water leaks throughout the building. The assessment indicated that the main roof of the Government Center is in good condition, as it was replaced in August 2008. The main roof is under warranty for a period of 20 years and is inspected and repaired annually. The terrace roofs have not been replaced since the opening of the building and are now experiencing complete failure of the roof membranes. Numerous freeze and thaw cycles have caused water to infiltrate the membranes resulting in reoccurring and growing leaks throughout the building. Replacement of the terrace roofs is recommended to occur as soon as possible. It is anticipated that the terrace roofs will be under warranty for 30 years and will include a similar maintenance program as the main roof, with inspections and repairs annually.

		NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer		<u>\$2,693,295</u>
	Americans with Disabilities Act (ADA) Compliance	Net Cost	\$2,693,295
		FY 2015 General Fund Transfer	<u>\$0</u>
		Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$2,693,295 to continue to address ADA requirements as noted by the Department of Justice (DOJ). On January 28, 2011 the Board of Supervisors signed a settlement agreement with the Department of Justice related to requirements identified throughout the County including approximately 2,100 violations and ten program areas which needed improvement in order to comply with the ADA. These violations ranged from updating emergency management procedures, web-based services, and general communication procedures, to improving access to buildings, parking garages, restrooms and elevators. As required in the settlement agreement, the Facilities Management Department (FMD) is making improvements identified by the DOJ and assessing the remaining County-owned buildings not included in the DOJ's audit for additional required improvements. An amount of \$1,900,000 was included in the FY 2014 Advertised Budget Plan; however, during their deliberations, the Board of Supervisors deferred funding for this initiative and directed staff to utilize one-time carryover balances to fund FMD's continued improvements. This funding is now included to continue to address ADA building requirements. The Park Authority has completed many of the DOJ noted improvements and is currently working to address improvements resulting from the completion of their required assessment study. Funding in the amount of \$453,295 is included for the Park Authority to continue to address these improvements including \$300,000 for athletic field retrofits for the most heavily used fields which will address parking lots, curb cuts, restroom compliance, athletic field seating and picnic shelter access, as well as \$153,295 for ADA access to the main floor of the Great Falls Grange. In addition, an amount of \$340,000 is included for the Department of Housing and Community Development to support contracted services to assess and evaluate 19 Housing-owned properties and begin to address any deficiencies that may be required to ensure compliance with ADA. Of this amount, approximately \$115,000 will support the assessment and \$225,000 will support required building retrofits.

		RECURRING	
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer		<u>\$1,500,000</u>
	Joint County/School Turf Field Program	Net Cost	\$1,500,000
		FY 2015 General Fund Transfer	<u>\$1,500,000</u>
		Net Cost	\$1,500,000

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$1,500,000 to support a Joint County School initiative to develop new synthetic turf fields throughout the County. It is estimated that \$12.0 million will be required to fund synthetic turf fields at the 8 remaining high schools in the County that do not currently have turf fields. Several community funding options exist to reduce that amount to approximately \$9.0 million. Assuming the adoption of those options, an implementation period of 3 years, and joint support of this project by both the County and the Fairfax County Public Schools (FCPS), an amount of \$1.5 million is included to fund the County's FY 2014 contribution. This funding will be held in reserve pending the identification by FCPS of a matching amount in FY 2014. Synthetic turf fields enhance the capacity and availability of existing athletic fields and address the identified rectangular field shortage within the County. Synthetic turf fields offer a cost effective way of increasing field use opportunities at existing parks and schools. This recommendation is based on the findings of the Synthetic Turf Field Task Force in its July 2013 report. It should be noted there is no inclusion of funding support for synthetic turf field replacement needs that were identified in

that report, which concluded the need for an additional annual funding contribution of approximately \$2.2 million. This funding requirement is necessary to support the investments already made in the synthetic turf field effort, and should be considered in future budget processes.

	PARTIALLY RECURRING	
Agency 70, Department of Information Technology	FY 2014 Expenditure	\$650,000
Agency 90, Police Department	FY 2014 Expenditure	\$145,000
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer	\$500,000
Fund 40090, E-911	FY 2014 General Fund Transfer	<u>\$40,000</u>
Emergency Incidents: After Action Report Requirements	Net Cost	\$1,335,000
	FY 2015 Expenditure	\$650,000
	FY 2015 Expenditure	\$25,000
	FY 2015 General Fund Transfer	\$0
	FY 2015 General Fund Transfer	<u>\$19,000</u>
	Net Cost	\$691,000

Funding of \$1,335,000 is required to address outstanding corrective actions noted in after action reports on recent weather events and to ensure adequate disaster recovery capacity for County information technology systems.

Department of Information Technology

Of this total and as part of the Department of Information Technology's multi-year disaster recovery (DR) plan, \$650,000 is included to provide DR capability for over thirty enterprise applications and tools, such as the County's e-mail and antivirus tool and over fifty agency applications such as the courts scheduling system and the HIPAA system used by the Health Department. Having and exercising an off-site system recovery capability is an industry best practice, and internal and external audit requirement. This funding will allow a transition from the current mainframe DR process to a solution and remote site that has the required experience and knowledge. The annual cost for DR for this portion of the program is estimated \$650,000 annually, which includes:

- Hot-site replicated system including all hardware, software builds, network, facilities, monitoring and administration;
- Dedicated commercial teleco high-speed network connection to the remote site DR data center facility; and
- Application and system recovery within 24 hours – Recovery Time Objective (RTO) and Recovery Point Objective (RPO) both 24 hours.

Police Department

An amount of \$145,000 is required for the Police Department to provide for a more robust operation of traffic lights at major intersections during power outages. Funds will be used to procure an additional 15 portable generators to increase the department's cache from 37 to 52. The department reports that this number of generators would have been sufficient to cover the remaining amount of major intersections where power was out during the height of the Derecho. They also note that 52 is an ideal cache size as logistics problems with storage, maintenance, and exceeding the capability of what the two trucks can deploy in a timely manner would result if the cache was any larger. Further, it should be noted that a cache of 52 will allow the department to address nearly 25 percent of the County's 223 major intersections in the event the entire County were impacted by an event. The remaining funds will be used for the replacement of one of the department's two aging traffic response vehicles to allow for the safe and effective deployment of the generators to intersections during power failures.

FY 2013 Carryover Review

Countywide

An amount of \$500,000 is recommended to be funded through a General Fund Transfer to Fund 30010, General Construction and Contributions, to address the lack of availability of locations with generator power in the immediate aftermath of storms. Additional work is still required; however, it is apparent that a major issue is identifying and retrofitting suitable buildings that can be quickly made available with large generators so that basic HVAC, lights, showers, plug-in capability etc. would be available in a subset of an existing building. Once additional background work is completed, a proposal will be forwarded to the Board with specific recommendations for the use of these funds.

Department of Public Safety Communications (DPSC)

An additional \$40,000, funded through a General Fund Transfer to Fund 40090, E-911, is required for installation, maintenance and line costs of satellite based phone lines that provide an alternate method to contact the County's 9-1-1 center in the event the Verizon network is compromised as it was during the June 2012 Derecho event. After the Derecho, the primary and backup capabilities designed for incoming calls were not available due to outages in the Verizon network. This funding will allow for the installation of a satellite dish on the McConnell Public Safety and Transportation Operations Center (MPSTOC) facility providing the ability for DPSC call takers to receive calls that do not rely on the Verizon Network. Outbound calls can be made as well. The "satellite lines" will always be on 24/7/365, providing a basic capacity for incoming calls that is not reliant on Verizon. If a citizen has a dial tone to make an outbound call, they will have the ability to reach DPSC without relying on the Verizon network.

		NON-RECURRING	
Fund 10030, Contributory	FY 2014 General Fund Transfer		<u>\$1,000,000</u>
	World Police and Fire Games	Net Cost	\$1,000,000
		FY 2015 General Fund Transfer	<u>\$0</u>
		Net Cost	\$0

The General Fund Transfer to Fund 10030, Contributory Fund, is increased by \$1,000,000 to provide support for the 2015 World Police and Fire Games in Fairfax County. The games are an Olympic-style event held biennially throughout the world to promote friendly competition, camaraderie, and international relationships among the participants. This event is anticipated to generate considerable revenue through the thousands of visitors that will come to Fairfax County for the Games and will stay in local hotels, eat, and shop at County establishments. The 10-day event is projected to bring as many as 10,000 participants and 15,000 visitors to Fairfax County. Additional corporate and private support is also being generated for this effort.

		NON-RECURRING	
Fund 10040, Information Technology	FY 2014 General Fund Transfer		<u>\$850,000</u>
	Various Projects	Net Cost	\$850,000
		FY 2015 General Fund Transfer	<u>\$0</u>
		Net Cost	\$0

The General Fund transfer to Fund 10040, Information Technology Projects, is increased by \$850,000 including \$350,000 in Project IT-000001, Legacy System Replacement for the Fairfax County Unified System (FOCUS) to complete the Talent Management implementation in the Human Capital Management functionality. This will include applicant tracking, performance measurement and learning management. Funding of \$500,000 in Project 2G70-052-000, IT Security-Social Media, is required to support increased security for County systems resulting from the progressing use of social media in business operations and to enhance customer service. Much of the inherent harm in social media sites is not from accessing the site, but from the information that flows back into the County's system once the

site is accessed. Managing the threats and vulnerabilities from the expansion of business operations via social media has become imperative to enhancing the ability to safely use these communication mediums. This funding will be available to support the recommendations of the Fairfax County Customer Service – Engagement Initiative Group consistent with the requirements identified as part of their work.

		NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer		<u>\$750,000</u>
	Prevention Fund	Net Cost	\$750,000
		FY 2015 General Fund Transfer	<u>\$0</u>
		Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$750,000 to replenish the Prevention Fund created in FY 2007 to provide incentive funding for the development of programs to prevent youth violence and gang involvement. The Prevention Fund is a funding pool from which competitive awards are made to community-based organizations to implement evidence-based prevention programs that have demonstrated effectiveness in reducing gang involvement. The County's community partners are supported by a multi-agency Implementation Support Team that works in partnership with them to deliver the programs reliably and to support the programs' evaluation. Evaluation of the programs, processes, and outcomes will be conducted in partnership with the Center for Advancement of Public Health at George Mason University. Funding for the Prevention Fund has been made available through FY 2013 balances from all Human Services agencies.

		NON-RECURRING	
Agency 11, Department of Human Resources	FY 2014 Expenditure		\$250,000
Agency 89, Employee Benefits	FY 2014 Expenditure		<u>500,000</u>
Employee Development Initiatives and Market Study Funding	Net Cost		\$750,000
		FY 2015 Expenditure	\$0
		FY 2015 Expenditure	<u>\$0</u>
		Net Cost	\$0

Funding of \$750,000 is required for employee development initiatives and market study funding. Of this amount, \$500,000 is included for the STRIVE program in Agency 89, Employees Benefits, to enhance succession planning and management by developing current high-performing employees. This program will create leadership bench strength, cultivate robust recruitment pipelines for key positions, and promote a stable and sustainable talent base. The remaining increase of \$250,000 is included in Agency 11, Department of Human Resources, to support a complete market study of all County benchmark classes and to assist in reviewing current pay structure and job class alignment.

		NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2014 General Fund Transfer		<u>\$450,000</u>
	North County Study	Net Cost	\$450,000
		FY 2015 General Fund Transfer	<u>\$0</u>
		Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$450,000 for the continuation of the North County Study. Funding will provide for continued planning and determine options for County facilities located in the northern portion of the County.

Additional funding is required based on the complexity of the study that is underway, and costs associated with the land use approval process. The Reston Town Center North Block is an area comprised of various Fairfax County facilities including North County Human Services, Reston Regional Library, Reston Police Station and Governmental Center, Embry Rucker Homeless Shelter and undeveloped Park Authority property. This area is part of a larger Reston Master planning effort which will be transformed when the Dulles Rail opens in 2018, so planning efforts must continue to move quickly.

	RECURRING
Agency 16, Economic Development Authority	FY 2014 and FY 2015 Expenditure <u>\$0</u>
Cyber Security Marketing Manager	Net Cost <u>\$0</u>

In order to respond to market conditions, 1/1.0 FTE position is required to attract companies working in the areas of cyber security, and retain such companies in Fairfax County. Through careful management of existing resources, the Economic Development Authority (EDA) will absorb the cost associated with this position within their existing budget. The current vacancy rate in office space County-wide remains high and it is anticipated that lower federal contract spending associated with sequestration will challenge EDA's ability to attract businesses and reduce the office vacancy rate. One area of federal contracting which all indications suggest that funding will increase is in the area of cyber security. Fairfax County has numerous assets attractive to cyber security businesses; however, the process of attracting and retaining these businesses will be competitive and adding a dedicated position will greatly assist in this process.

OTHER REQUIREMENTS

	RECURRING
Agency 40, Department of Transportation	FY 2014 and FY 2015 Expenditure (\$124,788)
Agency 02, Office of the County Executive	FY 2014 and FY 2015 Expenditure <u>\$124,788</u>
Legislative Contract	Net Cost <u>\$0</u>

Funding of \$124,788 is reallocated from Agency 40, Department of Transportation, to Agency 02, Office of the County Executive, to better align costs related to the legislative contract within the Office of the Legislative Liaison. The legislative contract provides for consultant and government relations services at the federal level. The current firm advocates for the County's legislative agenda with members of Congress and the Administration, including pursuing appropriations and grant requests. Areas of County interest encompassed by the contract include transportation, Base Realignment and Closure mitigation, public safety, local taxation, homeland security and land use.

	RECURRING
	FY 2014 and FY 2015 Revenue \$269,640
Agency 67, Department of Family Services	FY 2014 and FY 2015 Expenditure <u>\$269,640</u>
Virginia Initiative for Employment, not Welfare (VIEW)	Net Cost <u>\$0</u>

Funding of \$269,640 is required to appropriate additional FY 2014 state revenue for the Virginia Initiative for Employment, not Welfare (VIEW) program. The VIEW program provides employment and training services to Temporary Assistance for Needy Families (TANF) recipients who are required to participate in the program as a condition of eligibility, and to TANF recipients who volunteer to participate. Funding is provided to localities in support of proven service approaches and strategies that help current and former TANF clients prepare to enter, succeed, and advance in the workplace. This expenditure is fully offset by an increase in state funding with no net impact to the General Fund.

		NON-RECURRING	
		FY 2014 Revenue	\$19,435
		FY 2014 Expenditure	<u>\$19,435</u>
Agency 67, Department of Family Services		Net Cost	\$0
Supplemental Nutrition Assistance Program – Employment & Training			
		FY 2015 Revenue	\$0
		FY 2015 Expenditure	<u>\$0</u>
		Net Cost	\$0

Funding of \$19,435 is required to appropriate additional FY 2014 state revenue for the Supplemental Nutrition Assistance Program – Employment and Training (SNAPET). Virginia SNAPET is a multi-component employment and training program for food stamp recipients who do not receive public cash assistance to gain employment and become self-sufficient. This expenditure is fully offset by an increase in state funding with no net impact to the General Fund.

		NON-RECURRING	
		FY 2014 Revenue	\$10,000
		FY 2015 Expenditure	<u>\$10,000</u>
Agency 67, Department of Family Services		Net Cost	\$0
John Hudson Summer Intern Program			
		FY 2015 Revenue	\$0
		FY 2015 Expenditure	<u>\$0</u>
		Net Cost	\$0

Funding of \$10,000 is required to appropriate FY 2014 state revenue for the John Hudson Internship Program. The overall objective of the program is to address unemployment and underemployment of people with disabilities in the Fairfax area by providing work experience and training opportunities which will enhance participants' competitiveness in the job market. This expenditure is fully offset by an increase in state funding with no net impact to the General Fund.

		RECURRING	
Agency 90, Police Department		FY 2014 and FY 2015 Expenditure	\$237,332
Agency 89, Fringe Benefits		FY 2014 and FY 2015 Expenditure	<u>\$84,894</u>
Police Captain Pay		Net Cost	\$322,226

Consistent with Board direction from the Budget Guidelines, funding of \$322,226 is included to regrade the Police Captain job class from O-28 to O-29, to provide better alignment between classes within the management structure. Of the total funding, \$237,332 is included in the Police Department budget, with the remaining \$84,894 included in Agency 89, Fringe Benefits.

		RECURRING	
Agency 91, Office of the Sheriff		FY 2014 and FY 2015 Expenditure	<u>\$0</u>
Reinstatement of Deputy Position Supporting JDRC Status Hearings		Net Cost	\$0

The FY 2014 Adopted Budget Plan included the elimination of 1/1.0 FTE position and \$85,000 from the Office of the Sheriff budget resulting in the elimination the deputy presence from Juvenile and Domestic Relations District Court (JDRC) status hearings. This reduction was part of a larger proposed reduction of security at the courthouse which was not taken as part of the final FY 2014 budget. It was anticipated that this reduction would have a limited impact.

Subsequent to the adoption of the budget, more current information became available regarding the status hearings which has clarified the need for court security. Specifically, it was noted that a status hearing is the first opportunity for parties on a new custody, visitation or support case to meet with a judge and that these cases are often stressful, tension-filled situations for the litigants involved. In addition, litigants often attend these status hearings without representation or other court personnel other than the judge. For these reasons the presence and assistance of a deputy sheriff at JDRC status hearings is required and recommended for restoration. As a result, one (1/1.0 FTE) deputy position is restored. The funding reduction of \$85,000 is unchanged as the judges of three courts will work with the Office of the Sheriff to identify enhanced efficiencies in Court Security and to identify savings opportunities.

	NON-RECURRING	
Fund 10010, Revenue Stabilization Fund	FY 2014 General Fund Transfer	<u>\$1,250,797</u>
Maintaining Reserve of 3.0 percent of General Fund Disbursements	Net Cost	\$1,250,797
	FY 2015 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

Funding of \$1,250,797 is transferred from the General Fund to Fund 10010, Revenue Stabilization Fund, to maintain the reserve at 3.0 percent of General Fund disbursements. On September 13, 1999, the Board of Supervisors established a Revenue Stabilization Fund to provide a mechanism for maintaining a balanced budget without resorting to tax increases and expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy. The Revenue Stabilization Fund is based on a balance of 3.0 percent of General Fund disbursements. Based on the projected earnings on the balance in the fund and depending on the average yield for the portfolio, it is anticipated that each year the fund will remain fully funded by retaining its interest earnings as General Fund disbursements grow. However, based on the *FY 2014 Revised Budget Plan* disbursement level as well as the projected low interest earnings for FY 2014, a transfer from the General Fund is required to maintain the 3.0 percent of disbursements fully funded target level.

	NON-RECURRING	
Sequestration Reserve	FY 2014 Use of Reserve	(\$401,888)
Fund 50000, Federal-State Grant Fund	FY 2014 General Fund Transfer	<u>\$401,888</u>
Head Start/Early Head Start Grant Reductions due to Sequestration	Net Cost	\$0
	FY 2015 Use of Reserve	\$0
	FY 2015 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

Allocation of \$401,888 from the Sequestration Reserve results in an increase in the General Fund transfer to Fund 50000, Federal-State Grant Fund, needed to address federal sequestration reductions for the Head Start and Early Head Start grant programs. As described in the June 14th NIP item to the Board, the federal Office of Head Start announced that grant funding for the Head Start and Early Head Start programs will be reduced by 5.27 percent or \$401,888 for the new program year which begins August 1, 2013. In order to accommodate this decrease, staff proposed a combination of reductions to both enrollment and transportation services. However, after discussion at the June 25, 2013 Board of Supervisors Human Services Committee meeting, staff was directed to address this shortfall utilizing one-time funding from the Sequestration Reserve. As a result of this adjustment, the remaining balance in the sequestration reserve is \$7,697,880.

Consideration Items

At this time no consideration items are included as part of the *FY 2013 Carryover Review*.

FY 2013 Carryover Review

Additional Adjustments in Other Funds

Total FY 2014 expenditures in Appropriated Other Funds are requested to increase \$1.571 billion over the FY 2014 Adopted Budget Plan. In addition to the adjustments in Appropriated Funds, there are adjustments totaling \$33.32 million in Non-Appropriated Other Funds. Details of Fund 50000, Federal/State Grant Fund, are discussed in Attachment V, while details of FY 2014 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VI. School Board adjustments total \$378.75 million, excluding debt service, over the FY 2014 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

Summary of Recommended Actions

In summary, I am recommending that the Board take the following actions:

Approve Supplemental Appropriation Resolution AS 14012 as well as Fiscal Planning Resolution AS 14900 to provide expenditure authorization for FY 2013 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve, including the following:

- Board appropriation of \$32.72 million in General Fund encumbrances related to Direct Expenditures from FY 2013 as noted in the General Fund Statement and in Attachment III.
- Board appropriation of General Fund unencumbered Board commitments totaling \$4.12 million as detailed in Attachment IV.
- Board appropriation of General Fund Board and administrative adjustments as detailed earlier in this memorandum.
- Board appropriation of Federal/State grants in Fund 50000, Federal/State Grant Fund, totaling \$242.33 million or an increase of \$151.35 million as detailed in Attachment V.
- Board appropriation of remaining Other Funds Carryover. Details are available in Attachment I, Carryover Expenditures by Fund; in Attachment VI, Other Funds Detail; and in Attachment C, Fairfax County School Board's FY 2013 Final Budget Review and Appropriation Resolutions.
- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.