

Response to Questions on the FY 2013 Budget

Request By: Supervisor Gross

Question: Regarding the EQAC report recommendation – how would an EIP Fund be structured and funded?

Response: At a regular Board meeting on Tuesday, December 6, 2011, the County's Environmental Quality Advisory Council (EQAC) presented the 2011 Annual Report on the Environment to the Board of Supervisors (Board). One of the recommendations centered on the need to establish a funding mechanism to support the Board-adopted Environmental Agenda (Environmental Excellence for Fairfax County: *A 20-year Vision*). Specifically, EQAC recommended that Fairfax County establish an Environmental Improvement Program (EIP) projects Fund and suggested that the EIP Fund could be established and structured in a similar manner to the Information Technology Fund.

The following briefly explains the EIP, summarizes the current process for funding EIP projects, and identifies an alternative approach that will provide some additional rigor into the process and address the EQAC recommendation.

Current EIP Project Funding Process

The EIP was first developed in 2005 by the County's Environmental Coordinating Committee (ECC) in response to direction by the Board following the adoption of its Environmental Agenda on June 21, 2004. Specifically, the EIP is the tactical implementation plan to provide the County Executive and Board with environmental and energy project investment opportunities to support the Board-adopted Environmental Agenda vision and goals. The EIP is updated annually through a coordinated and collaborative process. Please see <http://www.fairfaxcounty.gov/living/environment/eip/> for further information regarding the EIP.

EIP projects were first funded as part of the *FY 2004 Carryover Review* (September 2004). The total EIP project funding including the current FY 2012 Adopted Budget Plan is roughly \$5.8 million. EIP project funds have been funded by the General Fund as part of Fund 303, County Construction under a series of Environmental Agenda Initiatives projects. The new funding structure within the FOCUS system allows for greater flexibility in the application of funds within the environmental projects. As projects are completed, any remaining balances can be redirected to other on-going environmental initiatives.

EIP project investment prioritization, execution and tracking are an integral part of the funding process. Based on the vision and goals in the Board-adopted Environmental Agenda, as well as changes in social, economic and environmental paradigms, and state or federal mandates that must be fulfilled, the following priorities (not listed in any particular order of importance) are used as guidelines for project funding decisions:

- The project(s) can be implemented in the fiscal year in which funding is being requested
- The project(s) accomplish more than one objective or theme in the Environmental Agenda
- The project is ideally something you can see ‘in the ground’
- There is a quick impact or effect, which could include a quick return on investment
- The scope of the benefits is quantifiable and/or qualifiable
- The project is not in the CIP, Four Year Transportation Plan or Stormwater Spending Plan nor likely to be funded through other sources of dedicated funding
- The project is a part of a bigger initiative (for instance a regional effort such as the Chesapeake Bay)
- The project will have positive results in multiple magisterial districts
- The project is critical to a service/program function in the county and without funding will cease to exist

For each fiscal planning year, county agencies that participate in the development of the EIP submit top priority projects to the County’s Environmental Coordinator for initial review and consideration. A technical analysis including cost/benefit information is included as part of the budget submission. Projects are then prioritized based on the criteria shown above, and a final matrix of prioritized projects is submitted to the Department of Management and Budget (DMB) for consideration in the County Executive’s Advertised Budget.

DMB with input from the County Executive and the Deputies determines the appropriate level of funding that will be available for EIP projects in any given budget year. Since the EIP project funding is supported by the General Fund, the amount of funding available varies from year to year. A final list of EIP projects that are approved for inclusion in the County Executive’s Advertised Budget is provided to the County’s Environmental Coordinator.

Recommendation to Strengthen the EIP Project Funding Process

Although the EIP project selection and funding process as outlined above has provided a mechanism for the County Executive to fund environmental and energy investment opportunities in support of the Board-adopted Environmental Agenda, staff has reviewed the EQAC recommendation, and suggests the following to provide an additional level of rigor to the process.

First, a Deputy County Executive will be responsible for the overall EIP project funding and selection process. This process will be under the direction of the County’s Environmental Coordinating Committee. The following approach summarizes the proposed evaluation and selection process:

1. The ECC will charter an interagency Steering Committee to review and score EIP projects for funding consideration during each fiscal year planning cycle.
2. The first task of the steering committee will be to develop the EIP project evaluation and selection scoring template. This template will include criteria that will be carefully selected to score and prioritize projects for funding consideration. Criteria will be shared with EQAC for further review and revision.

3. Initial project recommendations will be submitted by County departments as part of the annual budget process.
4. Early in the process, agencies will be requested to submit both a business and technical viability analysis for each proposed project.
5. Both the business and technical analyses will be reviewed by staff from the Department of Management and Budget (DMB) and the interagency Steering Committee.
6. The business analysis will include such factors as return on investment to include quantified cost savings, cost avoidance, enhanced revenue, non-quantifiable service benefits, staff savings, staffing efficiencies, indicators to measure success, estimated project costs and duration and project risks.
7. The technical analysis will include such factors as to determine project concept feasibility from the standpoint of implementation and may include the overall strategy and approach as well as an analysis to determine compatibility and alignment with county Board-adopted goals and policies.
8. DMB and Steering Committee staff will review the initial submissions and make recommendations for improvement of the proposals.
9. The final proposals will be presented in an oral interview setting conducted by Steering Committee and DMB staff, which will score the proposals and make funding recommendations for consideration by the Deputy County Executive.

The ECC is committed to working closely with EQAC to develop and finalize the project selection criteria that will be used in the template to score and prioritize the projects.

As in previous years, the EIP projects will continue to be supported by the General Fund and will be subject to availability of General Fund monies; however, through the proposed selection process, it is anticipated that Steering Committee will determine an appropriate level of annual funding.