

**ATTACHMENT B:**

**MEMO AND ATTACHMENTS I – VII  
TRANSMITTING THE COUNTY'S  
FY 2014 CARRYOVER REVIEW  
WITH APPROPRIATE RESOLUTIONS**



## County of Fairfax, Virginia

**MEMORANDUM**

**DATE:** July 29, 2014

**TO:** BOARD OF SUPERVISORS

**FROM:** Edward L. Long Jr.  
County Executive

**SUBJECT:** FY 2014 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2014 Carryover Package, including Supplemental Appropriation Resolution AS 15009 and Amendment to the Fiscal Planning Resolution AS 15900. The document includes the following attachments for your information:

- |                |  |
|----------------|--|
| 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 2015  |
| Attachment VI  | A detailed description of significant changes in Other Funds   |
| Attachment VII | Supplemental Appropriation Resolution AS 15009 and Fiscal Planning Resolution AS 15900 for FY 2015 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 2014 Carryover Review* recommends changes to the FY 2015 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 9, 2014.

**FY 2014 End of Year Summary**

A brief summary of the General Fund follows, comparing unaudited actual receipts and disbursements as of June 30, 2014 to the final estimates of the *FY 2014 Revised Budget Plan*.

**GENERAL FUND STATEMENT AND BALANCE AVAILABLE**

(in millions of dollars)

	<b>FY 2014 Revised Budget Plan</b>	<b>FY 2014 Actual</b>	<b>Variance</b>
Beginning Balance, July 1	\$182.81	\$182.81	\$0.00
Receipts and Transfers In	\$3,597.83	\$3,606.11	\$8.28
<b>Total Available</b>	<b>\$3,780.64</b>	<b>\$3,788.92</b>	<b>\$8.28</b>
Direct Expenditures	\$1,354.98	\$1,291.82	(\$63.16)
Transfers Out	\$2,343.99	\$2,343.99	\$0.00
<b>Total Disbursements</b>	<b>\$3,698.96</b>	<b>\$3,635.81</b>	<b>(\$63.16)</b>
<b>Ending Balance, June 30</b>	<b>\$81.68</b>	<b>\$153.11</b>	<b>\$71.43</b>
Managed Reserve	\$73.98	\$73.98	\$0.00
Sequestration Reserve	\$7.70	\$7.70	\$0.00
<b>Balance</b>	<b>\$0.00</b>	<b>\$71.43</b>	<b>\$71.43</b>
<b>FY 2014 Commitments (\$37.12)</b>			
Outstanding Encumbered Obligations			(\$34.55)
Outstanding Unencumbered Commitments			(\$1.84)
Managed Reserve Adjustment			(\$0.73)
<b>Balance after FY 2014 Commitments</b>			<b>\$34.31</b>
<b>FY 2015 Administrative Adjustments (\$23.09)</b>			
Accelerations from FY 2016			(\$10.25)
Investments			(\$14.79)
Other Adjustments, including Revenue Stabilization			\$2.49
Managed Reserve Adjustment			(\$0.54)
<b>Net Balance</b>			<b>\$11.22</b>

NOTE: Carryover is defined as the re-appropriation in FY 2015 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2014 capital project and grant balances.

### ***Year-end Summary***

FY 2014 General Fund Revenues and Transfers In were \$3.61 billion, an increase of only \$8.28 million or just 0.23 percent, over the FY 2014 Revised Budget Plan estimate. General Fund Revenue growth fluctuated during the year and this increase is the result of small improvements in the fourth quarter of the fiscal year and is primarily the result of increases in Personal Property and Sales Tax receipts. More detail on FY 2014 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 2014 Revised Budget Plan* projections by \$63.16 million or 1.71 percent. More detailed information on FY 2014 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 \$37.12 million, the FY 2014 available disbursement balance is \$26.03 million or 0.70 percent of total disbursements.

As a result, the combined revenue and disbursement balance, after funding obligations and Managed Reserve adjustments, is \$34.31 million or less than 1 percent of the total County General Fund budget. This balance is somewhat lower than prior years due to the extremely low revenue balance. To reiterate, General Fund Revenues were only \$8.28 million or 0.23 percent, over the FY 2014 Revised Budget Plan estimate. This margin is very tight and demonstrates how variable the current recovery is and how carefully we must manage budget decisions.

### ***Carryover Actions***

Allocation of this balance at this time is used *only* to address critical needs, previous commitments or to improve the FY 2016 budget outlook. Of the total available balance of \$34.31 million, \$23.09 million is included for required net administrative and managed reserve adjustments and \$11.22 million is recommended to be held in reserve to address other critical one-time requirements. Recommended spending is divided into the three categories of: **Accelerations of Future Year Requirements, County Investments, and Other Necessary Adjustments.** 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. Consistent with the multi-year budget presentation, the FY 2016 impact of these recommendations are noted in the detailed administrative adjustments below.

### ***Accelerations of Future Year Requirements improving the FY 2016 Budget Outlook (\$10.25 million)***

Once again I have taken advantage of the multi-year budget process to identify items for acceleration from FY 2016 given the one-time balances that are available at Carryover. These expenditures included in the FY 2016 budget plan are one-time and can be appropriately funded with one-time funding available at Carryover which in turn will reduce FY 2016 requirements. Therefore, I have recommended that we fund the final portion of the replacement of voting machines (\$3.50 million), one-time costs associated with the opening of the Public Safety Headquarters (\$5.75 million) and the second of our short-term requirement to make payments to the Federal Government for the Transitional Reinsurance Program (\$1.00 million) which is a part of Health Care Reform. As a result of these accelerations and due to final voting machine costs being \$2.5 million less than the estimate in the FY 2016 budget and the latest estimate for the Transitional Reinsurance Program being \$0.1 million less, providing funding for these costs now will reduce the projected shortfall for FY 2016 by \$12.85 million, from almost \$38 million to approximately \$25 million without impacting the County's recurring budget needs.

**County Investments (\$14.79 million)**

The County 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:

- \$4.01 million for Information Technology projects including the \$3.61 million that the Board directed be funded at Carryover as part of the budget balancing decisions in May and additional support of information technology requirements in the Office of the Commonwealth's Attorney as a result of technology opportunities to support significant workload growth in recent years and consistent with the multi-year Public Safety staffing plan presented to the Board in April;
- \$3.00 million for completion of the Events Center at the Workhouse Arts Center to stimulate economic activity at the site and provide a venue for large scale functions in this part of the County. The County has committed to the success of this important investment and ensuring the long-term viability of the facility on County owned property. The total cost of the Events Center is estimated at \$5.00 million, with an amount of up to \$2.0 million anticipated to be recouped in the form of Virginia Income tax credits that can be sold to interested third-parties seeking to offset their own tax liabilities. It is anticipated that the remaining net expenditure will further be recouped over time through profit sharing agreements with WAF (Workhouse Arts Foundation) on the operation of these County assets. This funding will be held in a capital project pending further economic development analysis and a presentation to the Board of Supervisors on Economic Development opportunities in the fall of 2014;
- \$2.85 million for the first contribution to the Infrastructure Sinking Reserve Fund to address outstanding capital infrastructure requirements, consistent with the recommendations of the Infrastructure Financing Committee. Based on available balances and the fact that there was a significant reduction in capital renewal funding taken in order to balance the FY 2015 budget, I am recommending we reserve the full 20 percent of available balances after my other recommendations;
- \$2.60 million for the first year of General Fund contributions for the Laurel Hill Adaptive Reuse project as identified in the July 29, 2014 Board Action item. The total cost to the County of not proceeding with this development is estimated to be a total of \$11.4 million over a ten-year period, and;
- \$1.50 million for the second year of County contributions 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.

**Other Necessary Adjustments and Managed Reserve (\$1.51 million plus a one-time transfer in of \$4.00 million)**

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 Public Assistance case management and the Supplemental Nutrition Assistance Program, with no net cost to the General Fund. The County requirement for School Health Services associated with the FCPS decision to implement Full Day Mondays of \$0.37 million is included. An increase in the Revenue Stabilization Reserve is required to maintain it at 3 percent of General Fund disbursements. Based on the recommended disbursement changes an increase of \$1.14 million is necessary to fully fund the reserve to the required level. Finally, as the result of careful management of expenditures for the Fairfax-Falls Church Community Services Board this past year, a total of \$4.0 million is available for a one-time transfer back to the General Fund.

**Remaining Balance**

As a result of administrative adjustments and the associated managed reserve adjustment of \$23.09 million, a Carryover balance of \$11.22 million is available. Consistent with Board Budget Guidelines, this balance is reserved for future one-time needs.

**FY 2014 Carryover Review**

Details of the adjustments included in the *FY 2014 Carryover Review* which have a General Fund impact are noted below in the Administrative Adjustments section of this letter.

**FY 2016 Budget Development**

The FY 2016 projected budget shortfall was approximately \$38 million when the FY 2015 Budget was adopted. Adjustments included in the *FY 2014 Carryover Review* reduce the projected deficit to less than \$25 million as the result of accelerating funding of one-time items. These changes are positive, however are in the context of revenue growth that continues to fluctuate and expenditure requirements that will continue to challenge our limited resources. I recently outlined a number of steps that the County would take over the next several years to County staff.

I would like to reiterate a number of the points I made in this memorandum as the Board considers actions on the Carryover Review. The economic recovery continues to be fairly sluggish, as our extremely tight FY 2014 revenues attest, both the County and Schools have increasing needs in many services and programs, and most recently the State is experiencing revenue shortfalls. All of these combine to limit flexibility to provide required resources. In addition, both the County and Schools have experienced many consecutive years of slow revenue growth, and program reductions and further cutbacks without significant programmatic impact are unlikely. In moving forward:

- We Must React to the Reductions at the State level in the Short-Term  
A State budget has been adopted and a shutdown has been avoided; however, there are significant short term issues posed by the projected revenue deficit at the state. Little information is available about the specifics of any reductions approved to address lower state revenue but clearly these reductions will have some impact on both the County and the School system.
- We Must Budget Within Modest County Revenue Growth  
At the current tax rates, General Fund revenues are expected to grow only moderately over the next several years. Investments made in economic development will hopefully shore up some portions of the County economy yet even with this market growth, total County revenue will grow only between 3-4% annually in the near term. Variations will occur from year to year but clearly our current revenue mix will not provide the resources necessary to address all of our spending requirements. As part of our regular budget development process, staff will be working to analyze and evaluate revenue trends to hone our revenue estimates and provide more predictive information on changing revenue trends. We will also be looking at our current fee rates to determine if increases are warranted.
- We Must Continue Important Investments  
During the FY 2015 budget process, the County/Schools Infrastructure Financing Committee presented a series of recommendations about the condition and needs of our public buildings and capital improvements. The Committee validated funding requirements for a wide array of neglected infrastructure funding and recommended the establishment of ongoing funding sources, including year-end balances and new annual funding to address the backlog of renovations and repair work in County and School facilities. We are able to make progress with this initiative as part of Carryover with the \$2.85 million contribution noted above. Also as part of the FY 2015 process, the Board of Supervisors endorsed the 5-Year Public Safety Staffing Plan which identified required new resources in our police, fire, and other public safety departments and began the multi-year investment in meeting our stormwater requirements. In addition, the FY 2015 budget commits to a multi-year approach to focus our benefit-related resources on adjusting our current corridor methodology to funding retirement costs to ensure adequate funding of County pension funds.

The Board currently has an Employee Compensation Work Group comprised of Board of Supervisors, staff and employee representatives which is reviewing the compensation pay plans

for our non-public safety staff and will likely be recommending compensation adjustments broader than those currently included in our FY 2016 forecast.

In addition to these identified investment requirements, we will be reviewing opportunities and needs in other areas of our organization such as human services and Information Technology. These investment challenges must be adequately resourced to support the County's ability to continue high quality service provision. The budget preparation, discussion, and evaluation must include options to fund investments supported by the Board and the community. The work of the joint County and School Budget Committee which begins on July 30, 2014 will also inform this process.

- We Must Focus on Strengthening Reserves

In addition to resourcing essential investments in County and School services, programs, infrastructure and staff, the work ahead will also require tackling some fundamentals of sound financial management, specifically the identification and adequacy of reserves, and the use of one-time money included in the FCPS budget. Work over the next several months will focus on analysis of appropriate reserve and replacement fund requirements noted as a necessity during recent meetings with the bond rating agencies.

One way of strengthening reserves is to use one-time funds available at year end to fund increased reserves rather than using that funding to support ongoing requirements. Identifying the \$2.85 million for capital requirements and \$11.22 million for future one-time needs as I have done in this package is also a step in the right direction. Although the FY 2015 Fairfax County General Fund budget does not rely on one-time resources, the FCPS budget still includes a large one-time funding component which will complicate their decisions on FY 2016 budget development. A significant portion of any new funding available to the Schools will need to be used to replace the one-time funding used in the FY 2015 budget to support ongoing requirements. More importantly, the use of one-time funds to support recurring expenses must be curtailed and eliminated.

- We Must Review County and School Services and Programs and Prioritize Any Reductions in County and School Services and Programs.

It has been a number of years since we completed a programmatic review of County costs and resources. A comprehensive Lines of Business review of all County services provides the Board and community with valuable information regarding our services including information on costs, customers, constraints, outcomes, and performance measures. Information and analysis from a programmatic approach to the budget will assist in the prioritization of County services and provide a framework for the development of longer term budgeting decisions. The work of analyzing and evaluating service quality, outcomes, and effectiveness must also engage our residents, customers, and workforce.

As the next budget process begins, staff is working now on refining the FY 2016 plan and revalidating the need for spending increases or new requirements. Given the current projected smaller but still substantial FY 2016 shortfall, it is clear that difficult choices will need to be made. As we discuss and make decisions about investments in County and School services we will need to also discuss what service delivery reductions need to occur since we do not have a sufficient revenue stream to fund them. I look forward to talking to the Board of Supervisors 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 2014 Audit Adjustments***

As the Board is aware, the financial audit of FY 2014 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2014 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2015 Third Quarter Review*.

***Other Funds Adjustments***

Attachment VI of the *FY 2014 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 2014 fund expenditure and revenue variances and notes changes in FY 2015 expenditures.

## **Administrative Adjustments**

The *FY 2014 Carryover Review* includes net General Fund administrative adjustments and associated managed reserve adjustments totaling \$23.09 million. These adjustments are divided into three categories: Accelerations Improving the FY 2016 Budget Outlook, Investments, and Other Requirements and include the following:

### **ACCELERATIONS OF FUTURE YEAR BUDGET REQUIREMENTS - FY 2016**

	<b>NON-RECURRING</b>
<b>Fund 10040, Information Technology Replacement Voting System</b>	FY 2015 General Fund Transfer <u>\$3,500,000</u> <b>Net Cost \$3,500,000</b>
	FY 2016 General Fund Transfer <u>(\$6,000,000)</u> <b>Net Cost (\$6,000,000)</b>

The General Fund transfer to Fund 10040, Information Technology, is increased by \$3,500,000 to fund the remaining costs associated with 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.

This funding will cover the remaining costs associated with purchasing the voting equipment, implementing the new technology, training/outreach, and maintenance of the system for a period of six years. The equipment will be in place during the non-presidential elections in FY 2015 and FY 2016 which will provide voters with multiple opportunities to use the new equipment prior to the 2016 presidential election (FY 2017). It is important to note that this funding is in addition to funding of \$6,000,000 that was included as part of the *FY 2013 Carryover Review*. As a result, total funding of \$9,500,000 is being provided for the replacement of voting equipment based on final vendor costs, which is less than original estimates of \$10-\$12 million. It should be noted that the FY 2016 multi-year budget plan included a place holder of \$6 million for voting equipment, which will no longer be required if this \$3.5 million in funding is approved as part of the *FY 2014 Carryover Review*.



	<b>NON-RECURRING</b>
<b>Fund 30070, Public Safety Construction</b>	FY 2015 General Fund Transfer <u>\$5,750,000</u>
<b>Public Safety Headquarters Equipment Support</b>	<b>Net Cost \$5,750,000</b>
	FY 2016 General Fund Transfer <u>(\$5,750,000)</u>
	<b>Net Cost (\$5,750,000)</b>

The General Fund Transfer to Fund 30070, Public Safety Construction, is increased by \$5,750,000 to support costs associated with the completion of the new Public Safety Headquarters facility anticipated to reach substantial completion in December 2016. Occupancy of the building is scheduled to be phased in through June 2017. The Public Safety Headquarters is currently in the design phase and will support the relocation of the headquarters of the Police Department and the Fire and Rescue Department, currently located in the Massey Building which was constructed in 1967. The new facility will contain approximately 274,000 square feet of space, and include secure, adjacent, structured parking. Construction funding was provided through the sale of Economic Development Authority (EDA) bonds approved by the Board of Supervisors on May 13, 2014. Funding of \$5,750,000 will provide for building and moving preparation in advance of the facility completion. Funding will support moving costs, audio visual equipment, and loose furniture including conference tables and chairs, lateral locking file cabinets, shelving, and other office furniture. This funding was included in the FY 2015/FY 2016 multi-year budget and can be supported by one time balances in the *FY 2014 Carryover Review*.

	<b>NON-RECURRING</b>
<b>Fund 60040, Health Benefits Fund</b>	FY 2015 General Fund Transfer <u>\$1,000,000</u>
<b>Transitional Reinsurance Program Reserve</b>	<b>Net Cost \$1,000,000</b>
	FY 2016 General Fund Transfer <u>(\$1,100,000)</u>
	<b>Net Cost (\$1,100,000)</b>

The General Fund transfer to Fund 60040, Health Benefits Fund, is increased by \$1,000,000 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 is 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) are required to submit contributions to support reinsurance payments to issuers that cover high-cost individuals in non-grandfathered individual market plans. As part of the *FY 2013 Carryover Review*, \$1.6 million was transferred from the General Fund to the Health Benefits Fund to fund FY 2015 program fees. The fee is projected to decrease to approximately \$1.0 million in FY 2016 and \$0.6 million in FY 2017, for a total three-year estimated impact of \$3.2 million. The General Fund transfer of \$1,000,000 will be held in reserve in Fund 60040 to fund FY 2016 program fees.

**INVESTMENTS**

		<b>NON-RECURRING</b>
<b>Fund 10030, Contributory Fund</b>	FY 2015 General Fund Transfer	<u>\$300,000</u>
	<b>Fairfax County Convention and Visitors Corporation</b>	<b>Net Cost \$300,000</b>
	FY 2016 General Fund Transfer	<u>\$0</u>
	<b>Net Cost</b>	<b>\$0</b>

The General Fund transfer to Fund 10030, Contributory Fund, is increased by \$300,000 to provide one-time funding to the Fairfax County Convention and Visitors Corporation (Visit Fairfax), for economic development related activities. The mission of the organization is to enhance economic and social growth in Fairfax County by marketing, promoting, developing and coordinating tourism, conventions, sports and hospitality opportunities in the area. This funding will allow Visit Fairfax to enhance efforts associated with the promotion and marketing of the Silver Metro Line; international outreach with a focus on China and Brazil based on their rapidly expanding travel markets; marketing of Fairfax County in the sports markets which have demonstrated consistent growth in recent years; and continued outreach and marketing of the World Police and Fire Games which will be held from June 26 to July 5, 2015.

		<b>NON-RECURRING</b>
<b>Fund 10040, Information Technology</b>	FY 2015 General Fund Transfer	<u>\$4,007,500</u>
	<b>Multiple Projects</b>	<b>Net Cost \$4,007,500</b>
	FY 2016 General Fund Transfer	<u>\$0</u>
	<b>Net Cost</b>	<b>\$0</b>

The General Fund transfer to Fund 10040, Information Technology, is increased by \$4,007,500 to support various IT requirements. Of this amount, \$3,607,500 is included to fund various projects in the Department of Family Services, Police Department, and Land Development Services. Funding of \$2,107,500 is included to fund three projects (Document Management and Imaging-Office for Children, Children, Youth and Families-Imaging and Workflow, and Child Welfare Integration System) in the Department of Family Services; \$1,000,000 is included to start the replacement of the Police Department's Records Management System ILEADS which is no longer supported by the current vendor and is technologically obsolete; and \$500,000 is included to support the implementation of an Electronic Plan Submission and Review project in Land Development Services.

It is important to note that these projects were originally funding as part of the FY 2015 Advertised Budget Plan but were included as reductions in the Board-approved FY 2015 Adopted Budget Plan based on the assumption that each agency could generate sufficient savings in FY 2014 to fund the FY 2015 portion of project costs. Each agency was able to generate sufficient savings and, as a result, the cost of these projects is fully offset by savings in FY 2014. Future year project costs will be considered as part of the annual IT Project Review that is conducted as part of the annual budget process.

In addition, an amount of \$600,000 is included to fund software application costs and end-user hardware requirements necessary to address multiple IT business requirements within the Office of the Commonwealth's Attorney (OCA). The agency's current software product is obsolete and does not meet their business needs. The agency has an extremely challenging workload, serving a total of over 5,700 defendants per year with a current authorized staff size of 40 (including 32 prosecutors and eight support staff). Consistent with the Public Safety Staffing Plan review that occurred last year to identify requirements to meet workload trends, staff from OCA and the Department of Information Technology (DIT) are reviewing software applications from multiple vendors to determine which solution best fits the organization's needs. Of the total funding amount, \$400,000 is supported by an additional General Fund

transfer with the remaining \$200,000 reallocated from an existing project in Fund 10040 that no longer requires the funding.

		<b>RECURRING</b>	
<b>Fund 30010, General Construction and Contributions</b>	FY 2015 General Fund Transfer		<u>\$535,000</u>
	<b>Environmental Initiatives</b>	<b>Net Cost</b>	<b>\$535,000</b>
		FY 2016 General Fund Transfer	<u>\$535,000</u>
		<b>Net Cost</b>	<b>\$535,000</b>

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$535,000 to support the Environmental Initiatives program. During their deliberations on the FY 2015 Adopted Budget Plan, the Board of Supervisors eliminated the FY 2015 funding for all environmental initiatives. This reduction was used to help offset other FY 2015 requirements. The Board asked that restoration of this funding be considered as part of the *FY 2014 Carryover Review*.

An amount of \$140,000 will be used to support the Green Purchasing Program and the Watershed Protection and Energy Conservation Matching Grant Program. In addition, this funding will be utilized to install Water Smart web-based irrigation controllers utilizing ET (Evapotranspiration) weather technology at 20 Park facilities that have existing irrigation systems and to install a Weather Station for efficient water usage at Greendale Golf Course.

An amount of \$245,000 will be used for lighting retrofits and upgrades at Fairfax County Park Authority facilities for energy efficiency and conservation, and for Energy Education and Outreach initiatives. Lighting will be upgraded to LED fixtures and lighting controls will be installed to manage operating hours more efficiently. These energy saving retrofit replacements will reduce approximately 80 percent of energy usage, improve lighting, reduce the Greenhouse gas inventory and contribute to the dark skies initiative. In addition, the Energy Education and Outreach Program is intended to increase the awareness of Fairfax County residents and businesses regarding their energy consumption and to encourage them to reduce consumption.

Lastly, an amount of \$150,000 will be used to continue the Invasive Plant Removal Program. The Park Authority manages this volunteer program, as well as other invasive removal initiatives. These programs restore hundreds of acres of important natural areas, protect tree canopy, and reach thousands of volunteers. Currently, more than 10,000 trained volunteers have contributed 32,000 hours of service since the program's inception in 2005, improving over 2,500 acres of parkland, planting 5,000 native plants, and removing 6,600 bags of invasive plants.

		<b>NON-RECURRING</b>	
<b>Fund 30010, General Construction and Contributions</b>	FY 2015 General Fund Transfer		<u>\$3,000,000</u>
	<b>Events Center</b>	<b>Net Cost</b>	<b>\$3,000,000</b>
		FY 2016 General Fund Transfer	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$3,000,000 to support potential renovations for the Events Center at the Workhouse Arts Center. The Workhouse campus is a 56-acre, historically important County landmark, situated on the site of the former Lorton prison. Originally constructed in the early 1900's, the former workhouse and reformatory is on the National Park Service's Register of Historic Places, and included the imprisonment of early suffragettes. A planned Event Center is at the heart of the educational, visual and performing arts campus run by the Workhouse Arts Foundation (WAF).

The County is interested in the possibility of bringing this Events Center on-line as a means of preserving a key County asset and encouraging additional visitors and economic activity at the Workhouse Arts Center. The County has engaged professional consultants to study the feasibility of constructing and operating the Event Center, as well as exploring other renovation opportunities at the campus. The expenditure of these funds will only occur if, as a result of the study, the County Executive recommends that the construction of the Event Center and/or renovation of other site assets is economically viable and prudent. Board action will be required to release the funds.

In accordance with County proffers, the completion of the Event Center is expected to also entail additional transportation costs associated with the extension of an existing campus roadway connecting Ox Road and the Lorton Road (soon to be renamed Workhouse Road). The FY 2015 transfer only represents building construction costs. Future transportation costs will be required and will be prioritized for funding from Commercial and Industrial tax funds. The total cost of the Events Center is estimated at \$5,000,000, with an amount of up to \$2,000,000 anticipated to be recouped in the form of Virginia Income tax credits that can be sold to interested third-parties seeking to offset their own tax liabilities. It is anticipated that the remaining net expenditure will further be recouped over time through profit sharing agreements with WAF on the operation of these County assets. This funding will be held in a capital project pending further economic development analysis and a presentation to the Board of Supervisors on Economic Development opportunities in the fall of 2014.

	<b>NON-RECURRING</b>
<b>Fund 30010, General Construction and Contributions</b>	FY 2015 General Fund Transfer <u>\$2,600,000</u>
<b>Laurel Hill Adaptive Reuse Project</b>	<b>Net Cost \$2,600,000</b>
	FY 2016 General Fund Transfer <u>\$650,000</u>
	<b>Net Cost \$650,000</b>

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$2,600,000 to support Fairfax County’s FY 2015 General Fund contribution associated with the first phase of the Laurel Hill Adaptive Reuse project. The Board of Supervisors conducted a public hearing on the Laurel Hill Adaptive Reuse Property Conveyance and Comprehensive Agreement on June 3, 2014 with anticipated approval of the Agreement scheduled for July 29, 2014. Based on specific required infrastructure improvements, \$2,400,000 in County contributions will be supported by a number of additional funding sources, including Transportation, Wastewater, and Stormwater funds, resulting in a total FY 2015 County contribution of \$5,000,000. The total County contribution for infrastructure improvements over a four year period is capped at \$12,765,000 per the Master Development Agreement, of which \$4,475,000 is estimated to be supported by the General Fund and \$8,290,000 will be supported by other funds.

On July 11, 2002, Fairfax County acquired approximately 2,323 acres of land from the federal government. The development of the Laurel Hill property is governed by *inter alia* covenants requiring the County to adaptively reuse certain prison structures as part of any County development of the Laurel Hill Adaptive Reuse Area. In 2007, the County recognized the need to partner with an expert in historic preservation and adaptive reuse to develop a plan for this unique site. Pursuant to a solicitation under the provisions of the Public-Private Education Facilities and Infrastructure Act of 2002, the Alexander Company, Inc., a Madison, Wisconsin developer with extensive experience in historic preservation and adaptive reuse, was selected as the preferred developer. Subsequently, the Laurel Hill Adaptive Reuse Area Master Plan was adopted by the Board of Supervisors on May 11, 2010. The Reuse area once developed will include mixed-use residential, retail and recreational space as well as the rehabilitation and refurbishment of many of the existing historic structures associated with the old Lorton Correctional Complex.

In 2012, the Board approved a Comprehensive Plan amendment that reflected the recommendations of the Master Plan. The first phase is scheduled to commence in October 2014. Future funding in the amount of \$7,765,000 will be required including \$1,875,000 from the General Fund and \$5,890,000 from Transportation, Stormwater and Wastewater funds. The cost to the County of not proceeding with this development is estimated to be a total of \$11.4 million over a ten-year period.

		<b>NON-RECURRING</b>	
<b>Fund 30010, General Construction and Contributions</b>	FY 2015 General Fund Transfer		<u>\$1,500,000</u>
	<b>Joint County/School Turf Field Program</b>	<b>Net Cost</b>	<b>\$1,500,000</b>
		FY 2016 General Fund Transfer	<u>\$250,000</u>
		<b>Net Cost</b>	<b>\$250,000</b>

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$1,500,000 to support the second phase of the Joint County School initiative to develop new synthetic turf fields throughout the County. This funding will be held in reserve pending the identification by Fairfax County Public Schools (FCPS) of a matching amount in FY 2015.

This recommendation is based on the findings of the Synthetic Turf Field Task Force in its July 2013 report at which time it was estimated that \$12.0 million would be required to fund synthetic turf fields at the 8 remaining high schools in the County that did not currently have turf fields. The first phase of funding was included at the *FY 2013 Carryover Review* with the County and FCPS each contributing \$1.5 million. As a result of the funding last year and the application of proffer funding and funding raised by the community, it is anticipated that three of the 8 schools will be completed by the end of summer 2014. Approximately \$1.5 million in proffer funding specifically for Mt. Vernon and West Potomac High Schools will also be appropriated at Carryover to accommodate construction this summer, minimizing the allocation of County and FCPS funding required for these schools.

The initial plan included several community funding options designed to reduce the total amount required from \$12 million to approximately \$9.0 million that would be required from the County and FCPS over a three-year period. Since that time a large number of proffer funding, primarily in the Lee and Mt Vernon districts, have been identified to further reduce the contributions requested from the County and FCPS. As a result, the current estimate is that the total necessary to complete the funding plan is now less than \$6.5 million. Given the \$3.0 million included last year, and assuming the \$3.0 million anticipated at the *FY 2014 Carryover Review*, the unfunded gap to be considered at the Carryover Review next year is less than \$500,000, rather than the \$3.0 million original planned.

		<b>NON-RECURRING</b>	
<b>Fund 30020, Infrastructure Replacement and Upgrades Fund</b>	FY 2015 General Fund Transfer		<u>\$2,850,000</u>
	<b>Infrastructure Sinking Reserve Fund</b>	<b>Net Cost</b>	<b>\$2,850,000</b>
		FY 2016 General Fund Transfer	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

The General Fund Transfer to Fund 30020, Infrastructure Replacement and Upgrades Fund, is increased by \$2,850,000 in accordance with recommendations of the Infrastructure Financing Committee (IFC). On March 25, 2014, the Board of Supervisors approved the recommendations contained in the IFC Report. Subsequently, the School Board approved the IFC Report on April 10, 2014. The Infrastructure Financing Committee was a joint School Board/County Board working group formed to collaborate and review both the County and School's Capital Improvement Program (CIP) and capital requirements. The final report of the committee included a recommendation to establish an Infrastructure Sinking Reserve Fund as a new budgetary mechanism for funding Infrastructure Replacement and Upgrade requirements. Principal funding for the Sinking Fund would come from a joint commitment to devote a designated

amount or percentage of carryover funds. This commitment was to begin with the *FY 2014 Carryover Review*, and the Committee suggested “ramping up” this commitment over three to five years until reaching a funding level of 20 percent of the unencumbered Carryover balances of both the County and Schools budget not needed for critical requirements. Both Boards agreed that the School Board may need additional time to reach this goal based on the need to address the School system’s current structural budget imbalance.

Based on the County’s balance after funding critical requirements, an amount of \$2,850,000 represents 20 percent and is set aside in a separate Infrastructure Sinking Reserve Fund. This funding will be available for prioritized critical infrastructure replacement and upgrades. Staff will develop a plan for the use of these sinking funds over the next several months.

### OTHER REQUIREMENTS

		<b>RECURRING</b>
	FY 2015 Revenue	\$648,842
	FY 2015 Expenditure	\$456,288
<b>Agency 67, Department of Family Services</b>	FY 2015 Expenditure	<u>\$192,554</u>
<b>Agency 89, Fringe Benefits</b>	<b>Net Cost</b>	<b>\$0</b>
<b>Public Assistance Eligibility Workers</b>		
	FY 2016 Revenue	\$648,842
	FY 2016 Expenditure	\$456,288
	FY 2016 Expenditure	<u>\$192,554</u>
	<b>Net Cost</b>	<b>\$0</b>

Funding of \$648,842 is required to appropriate additional FY 2015 revenue from the state to support 8/8.0 FTE positions that were approved by the Board of Supervisors as part of the *FY 2014 Third Quarter Review*. These positions will address the 9,000 FAMIS cases that were transferred to the County from the state, effective March 1, 2014. Eligibility for the FAMIS program was previously determined by a state contractor; however, with the implementation of the Patient Protection and Affordability Care Act (PPACA), eligibility will now be determined by each locality. The state has provided additional funding to address the new caseloads. It should be noted that an increase of \$192,554 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is fully offset by an increase in federal and state funding for no net impact to the General Fund.

Public assistance caseloads have increased more than 74 percent since FY 2008. Additionally, implementation of the PPACA has increased the amount of time each application takes to process. The application form, which was originally two pages, has increased to 18 pages but may be as long as 27 pages depending on family size. The issue is compounded by an ever increasing backlog of applications that have been received, but staff has not yet been able to process. In accordance with federal and state policy, the County is required to determine eligibility and deliver benefits within a certain timeframe and is not currently meeting these timeframes. It is hoped that the department can continue to utilize benefits-eligible positions to address the backlog but additional merit positions may be needed if the average monthly on-going public assistance caseload does not level off.

		<b>NON-RECURRING</b>	
		FY 2015 Revenue	\$19,435
		FY 2015 Expenditure	<u>\$19,435</u>
<b>Agency 67, Department of Family Services</b>		<b>Net Cost</b>	<b>\$0</b>
<b>Supplemental Nutrition Assistance Program – Employment &amp; Training</b>			
		FY 2016 Revenue	\$0
		FY 2016 Expenditure	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

Funding of \$19,435 is required to appropriate additional FY 2015 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.

		<b>NON-RECURRING</b>	
		FY 2015 Revenue	\$10,000
		FY 2015 Expenditure	<u>\$10,000</u>
<b>Agency 67, Department of Family Services</b>		<b>Net Cost</b>	<b>\$0</b>
<b>John Hudson Summer Intern Program</b>			
		FY 2016 Revenue	\$0
		FY 2016 Expenditure	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

Funding of \$10,000 is required to appropriate FY 2015 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.

		<b>RECURRING</b>	
		FY 2015 Revenue	\$0
		FY 2015 Expenditure	<u>\$370,224</u>
<b>Agency 71, Health Department</b>		<b>Net Cost</b>	<b>\$370,224</b>
<b>Impact of Full Day Mondays on School Health Aides</b>			
		FY 2016 Revenue	\$0
		FY 2016 Expenditure	<u>\$370,224</u>
		<b>Net Cost</b>	<b>\$370,224</b>

An increase of \$370,224 is required to support the implementation of full-day Mondays at Fairfax County elementary schools beginning in September 2014. The Fairfax County School Board voted in June 2014 to eliminate the early release Mondays in all elementary schools. School Health Aides provide health services to students in 139 Fairfax County elementary schools. Services include care of the sick and injured, administration of authorized medications, monitoring of compliance with immunization requirements and communication with parents and health professionals if further care and treatment is needed. In addition, contract Registered Nurses provide one-on-one care for medically fragile students who require continuous nursing assistance while they attend school. With the change implemented by the Fairfax County School Board, School Health Aides and Registered Nurses will be required to work additional hours on Monday. This funding adjustment is necessary to support the increased hours.

Staff has also reviewed the impact to the School-Age Child Care (SACC) program in the Department of Family Services. In addition to the elimination of the early release Monday, the Fairfax County School Board also increased the number of teacher planning and staff development days and added four 2-hour

early release days. SACC is open on all of these days. Therefore, the savings that will be generated from the elimination of early release Monday will be partially offset by the additional costs associated with operating SACC for the additional teacher planning/staff development days and 2-hour early release days (pending final Fairfax County School Board approval of the 2014-2015 school calendar on July 24, 2014). However, it is still anticipated that staff will overall work 1.5 hours less each week. The staffing schedule changes will be implemented through natural attrition as positions become vacant and corresponding budget adjustments will be made as part of future annual budget processes.

		<b>NON-RECURRING</b>	
<b>Fund 10010, Revenue Stabilization Fund</b>	FY 2015 General Fund Transfer		<u>\$1,143,243</u>
	<b>Maintaining Reserve of 3.0 percent of General Fund Disbursements</b>	<b>Net Cost</b>	<b>\$1,143,243</b>
		FY 2016 General Fund Transfer	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

Funding of \$1,143,243 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 2015 Revised Budget Plan* disbursement level as well as the projected low interest earnings for FY 2015, a transfer from the General Fund is required to maintain the 3.0 percent of disbursements fully funded target level.

		<b>NON-RECURRING</b>	
<b>Fund 40040, Fairfax-Falls Church Community Services Board</b>	FY 2015 Transfer to General Fund		<u>\$4,000,000</u>
	<b>Personnel Services Savings</b>	<b>Net Cost</b>	<b>(\$4,000,000)</b>
		FY 2016 Transfer to General Fund	<u>\$0</u>
		<b>Net Cost</b>	<b>\$0</b>

A Transfer Out to the General Fund of \$4,000,000 from Fund 40040, Fairfax-Falls Church Community Services Board (CSB), is included in FY 2015 due to a higher than anticipated number of position vacancies and corresponding savings in compensation and fringe benefits during FY 2014. The CSB had an average of 123 vacant positions each month, a rate of 12.6 percent, compared to the approximately 90 vacant positions or 9.2 percent rate necessary to remain within appropriations. As a result, one-time savings in the amount of \$4 million will be returned back to the General Fund in FY 2015. The \$1.0 million unreserved balance remaining in the CSB is sufficient to address unforeseen issues in the coming year.

### ***Consideration Items***

At this time the only consideration item that has been received is for the Board of Supervisors to consider providing funding the Fairfax County Public Schools (FCPS) in support of the recent decision on Full-Day Mondays. It should be noted that County funding increases for Clinic Room Aides and School Health Nurses supporting this decision are included in the *FY 2014 Carryover Review*. The Board of Supervisors will review additional information from the FCPS at a Budget Committee meeting on September 2, 2014 before making final decisions on additional funding for this initiative. As part of the Schools Carryover Review, funding from FY 2014 balances was identified for the FY 2015 cost of the Full Day Monday decision. After all Carryover actions, FCPS has a balance of \$22.8 million, compared to the County balance of \$11.2 million.

### ***FY 2014 Carryover Review***



### ***Additional Adjustments in Other Funds***

Total FY 2015 expenditures in Appropriated Other Funds, excluding School funds, are requested to increase \$1.215 billion over the FY 2015 Adopted Budget Plan. In addition to the adjustments in Appropriated Funds, there are adjustments totaling \$31.50 million in Non-Appropriated Other Funds. Details of Fund 50000, Federal/State Grant Fund, are discussed in Attachment V, while details of FY 2015 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VI. School Board adjustments total \$462.83 million, excluding debt service, over the FY 2015 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 15009 as well as Fiscal Planning Resolution AS 15900 to provide expenditure authorization for FY 2014 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve, including the following:

- Board appropriation of \$34.55 million in General Fund encumbrances related to Direct Expenditures from FY 2014 as noted in the General Fund Statement and in Attachment III.
- Board appropriation of General Fund unencumbered Board commitments totaling \$1.84 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 \$228.25 million, or an increase of \$127.85 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 2014 Final Budget Review and Appropriation Resolutions.
- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.