



County of Fairfax, Virginia

MEMORANDUM

DATE: July 26, 2016

TO: BOARD OF SUPERVISORS

FROM: Edward L. Long Jr.
County Executive

SUBJECT: FY 2016 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2016 Carryover Package, including Supplemental Appropriation Resolutions AS 16290 and AS 17009 and Amendment to the Fiscal Planning Resolution AS 17900. 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 2017 |
| Attachment VI | A detailed description of significant changes in Other Funds |
| Attachment VII | Supplemental Appropriation Resolutions AS 16290 and AS 17009 and Fiscal Planning Resolution AS 17900 for FY 2017 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 2016 Carryover Review* recommends changes to the FY 2017 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 20, 2016.

FY 2016 End of Year Summary

A brief summary of the General Fund follows, comparing unaudited actual receipts and disbursements as of June 30, 2016 to the final estimates of the *FY 2016 Revised Budget Plan*.

GENERAL FUND STATEMENT AND BALANCE AVAILABLE

(in millions of dollars)

	FY 2016 Revised Budget Plan	FY 2016 Actual	Variance
Beginning Balance, July 1	\$164.92	\$164.92	\$0.00
Receipts and Transfers In	\$3,834.81	\$3,858.99	\$24.18
Total Available	\$3,999.72	\$4,023.91	\$24.18
Direct Expenditures	\$1,454.19	\$1,401.55	(\$52.64)
Transfers Out	\$2,456.95	\$2,456.95	\$0.00
Total Disbursements	\$3,911.13	\$3,858.49	(\$52.64)
Ending Balance, June 30	\$88.59	\$165.41	\$76.82
Managed Reserve	\$88.59	\$88.59	\$0.00
Balance	\$0.00	\$76.82	\$76.82
FY 2016 Commitments (\$39.25)			
Outstanding Encumbered Obligations			(\$31.40)
Outstanding Unencumbered Commitments			(\$4.10)
Reserve Adjustments			(\$3.75)
Balance after FY 2016 Commitments			\$37.57
Board Directives (\$5.29)			
Baileys Shelter Land Acquisition			(\$1.50)
Laurel Hill Adaptive Reuse Project			(\$1.23)
CSB Support Coordination Services			(\$1.20)
FOIA Staffing			(\$0.61)
Living Wage			(\$0.14)
Informational Pamphlet on Meals Tax Referendum			(\$0.11)
Reserve Adjustments			(\$0.50)
Balance after Critical Requirements			\$32.28
Allocations for Reserves/Capital (\$20.81)			
40% of Balance to Reserves - Revenue Stabilization Portion			(\$7.17)
40% of Balance to Reserves - Managed Reserve Portion			(\$5.74)
20% of Balance to Infrastructure Sinking Reserve Fund			(\$6.46)
Reserve Adjustments			(\$1.44)
Balance after Allocations for Reserves/Capital			\$11.47
Other Requirements (\$0.48)			
Prevention Fund			(\$0.23)
Northern Virginia Emergency Response System (NVERS)			(\$0.14)
Net-Zero Adjustments: <i>Healthy Families Fairfax Program, John Hudson Summer Intern Program</i>			\$0.00
Reserve Adjustments			(\$0.11)
Net Balance			\$10.99

NOTE: Carryover is defined as the re-appropriation in FY 2017 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2016 capital project and grant balances.

Year-end Summary

FY 2016 General Fund Revenues and Transfers In were \$3.86 billion, an increase of only \$24.18 million or just 0.63 percent, over the FY 2016 Revised Budget Plan estimate. The size of this margin makes clear how little room there is for projection error or fluctuation in the budget. This increase is primarily due to increases in Real Estate and Personal Property Tax receipts, Other Local Taxes, Permits, Fees and Regulatory Licenses, Charges for Services and Revenue from the Commonwealth and Federal Government. More detail on FY 2016 Revenue Variances may be found in Attachment II.

In addition, County agencies realized disbursement balances as a result of continuing close management of agency spending. Disbursements were below *FY 2016 Revised Budget Plan* projections by \$52.64 million or 1.35 percent. More detailed information on FY 2016 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 reserve adjustments, totaling \$39.25 million, the FY 2016 available disbursement balance is \$13.39 million or 0.34 percent of total disbursements.

As a result, the combined revenue and disbursement balance, after funding prior year obligations and reserve adjustments, is \$37.57 million, or 0.96 percent of the total County General Fund budget.

Carryover Actions

Allocation of this balance is used to address Board directives, meet Board policy for contributions to reserves and capital, and fund a small number of requirements that have been identified subsequent to the adoption of the FY 2017 budget. Of the total available balance of \$37.57 million, \$26.58 million is allocated in the Carryover package and \$10.99 million is recommended to be held in reserve to address other critical one-time requirements, deal with recently identified state revenue shortfall in FY 2016, or be applied to the FY 2018 budget. Recommended spending is divided into three categories including: **Board Directives**, **Allocations for Reserves/Capital** and **Other Adjustments**. Consistent with the multi-year budget presentation, the FY 2018 impact of these recommendations is noted in the detailed administrative adjustments below.

Board Directives (\$5.29 million, including \$0.50 million for associated reserve adjustments)

The Board Directives recommended for funding as part of the *FY 2016 Carryover Review* are all items that are based on previous direction of the Board of Supervisors. The items in this category are:

- \$1.50 million for land acquisition for the relocation of the Baileys Shelter. The building subsystems are well beyond their intended life-cycle, the facility is highly utilized and experiences 24/7 wear and tear. Funding for design and construction of the Baileys Shelter has been included in the 2016 Human Services Bond Referendum; however, additional funding will allow for the acquisition of land and the necessary appraisal and closing costs.
- \$1.23 million increase in the General Fund Transfer to Fund 30010, General Construction and Contributions to complete Fairfax County's General Fund contribution associated with support for the Laurel Hill Adaptive Reuse project. The Board of Supervisors approved the Adaptive Reuse Agreement on July 29, 2014.
- \$1.20 million increase in the General Fund transfer to Fund 40040, Fairfax-Falls Church Community Services Board (CSB), to support 10/10.0 FTE new merit positions to provide eligibility assessments and case management services to individuals with Developmental Disabilities (DD). This increase, along with \$1,600,000 appropriated from the CSB's Intellectual

Disability (ID) Employment & Day Reserve, is designed to serve as “bridge” funding, providing case management and employment and day services to individuals with DD until an equitable and sustainable system may be developed and implemented for FY 2018. As the Board was informed at the June 28, 2016, Human Services Committee meeting, this bridge funding will allow the County to serve individuals newly eligible for services, satisfy new state requirements, and develop long-term strategies to serve individuals equitably and in compliance with the Department of Justice Settlement Agreement.

- \$0.61 million in partial year funding (October through June) to meet the requirements of the amended and unfunded Freedom of Information Act (FOIA)-related law and allow for compliance, including 6/6.0 FTE positions. These funds include \$170,400 in the Office of Public Affairs (OPA), \$167,894 in the Office of the County Attorney, \$85,763 in the Department of Information Technology, and \$183,473 in associated Fringe Benefits. Staff will return to the Board with additional information prior to Board action on Carryover.
- \$0.14 million is required to increase the County’s living wage from \$13.13 per hour to \$14.50 per hour and reflects the partial-year cost of the living wage increase to the General Fund based on implementation in October 2016. The County’s policy is to set the living wage at the greater of the living wages of Arlington County and the City of Alexandria.
- \$0.11 million was approved by the Board of Supervisors on June 7, 2016, to cover costs associated with the preparation and distribution of an informational pamphlet regarding the Meals Tax Referendum that will appear on the November 2016 ballot. This pamphlet will include factual information related to the meals tax and will not advocate either for or against passage. The pamphlet is being provided to the Board in the July 26, 2016 Board Package for their approval.
- A net zero adjustment reflecting the realignment of the Animal Shelter as a separate agency effective January 1, 2017, as identified in a consultant study and by the Animal Services Organizational Structure Review team, is also included as part of Carryover.

Allocations for Reserves/Capital (\$20.81 million, including \$1.44 million in associated reserve adj.)

Consistent with the Board’s policies on funding reserves and the County’s Infrastructure Sinking Reserve Fund, Carryover contributions have been calculated based on the balances after the critical requirements discussed above. As a result:

- \$12.91 million or 40 percent of the balance is allocated to the County’s reserves consistent with the County’s reserve policy updated by the Board of Supervisors on April 21, 2015 to reach a total of 10 percent. As a result, the allocations to the Managed and Revenue Stabilization Reserves have been made in proportion to their ultimate sizes. It is important to note that in addition to this allocation, all other Carryover adjustments have been accompanied with contributions to the two reserves as well, consistent with the Board policy of allocating 10 percent to reserves. As a result the total contribution to the reserves at Carryover is \$18.73 million and results in funded percentages of 2.59 percent (Managed Reserve) and 4.34 percent (Revenue Stabilization Reserve), or total reserves of 6.93 percent.
- \$6.46 million or 20 percent of the balance is transferred to the Capital Sinking Fund projects consistent with the recommendations of the Infrastructure Financing Committee. As part of the *FY 2016 Third Quarter Review*, the Board of Supervisors approved the allocation formula associated with capital sinking funds as follows: 55 percent for Facilities Management Department (FMD), 20 percent for parks, 10 percent for walkways, 10 percent for County maintained roads and service drives, and 5 percent for revitalization maintenance. Specific funding levels include: \$3,550,642 for FMD, \$1,291,142 for Parks, \$645,571 for County Owned Roads, \$645,571 for

walkways, and \$322,786 for revitalization. Funding will provide for infrastructure replacement and upgrades such as the replacement of roofs, electrical systems, and HVAC units at both County and Park Authority facilities, repairs to County-owned roads and walkways, and revitalization area infrastructure repairs.

Other Adjustments (\$0.48 million, including \$0.11 million in associated reserve adjustments)

Finally, there are a small number of other adjustments that are also necessary at this time. In some cases these adjustments appropriate additional resources for existing programs such as the Healthy Families and the John Hudson Internship Program, with no net cost to the General Fund. Additional funding to meet Board priorities such as supporting prevention efforts in the community (\$0.23 million) and a contribution to the Northern Virginia Emergency Response System (\$0.14 million) composed of a one-time equity contribution of \$125,000 as well as annual membership dues of \$15,000, are all also included as a result of additional work that staff has undertaken since the adoption of the FY 2017 budget.

Remaining Balance

As a result of administrative adjustments and the associated managed reserve adjustment totaling \$26.58 million, a Carryover balance of \$10.99 million is available. This balance is reserved for future one-time needs or to address FY 2018 requirements.

Details of the adjustments included in the *FY 2016 Carryover Review* which have a General Fund impact are noted below in the Carryover Adjustments section of this letter.

FY 2018 Budget Development

The forecast for the FY 2018 budget included in the FY 2017 – FY 2018 Multi-Year Budget reflected a continuation of the modest revenue growth that has prevailed in recent years outpaced by increasing disbursement requirements. Additionally, some areas of possible concern, such as the State budget, Sales Tax revenues, and the narrowness of budget margins have emerged since the adoption of the FY 2017 budget. Staff will continue to monitor these factors and we will have the opportunity to discuss the FY 2018 forecasts and beyond in greater detail later in the fall as our projections are refined.

FY 2016 Audit Adjustments

As the Board is aware, the financial audit of FY 2016 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2016 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2017 Third Quarter Review*.

Other Funds Adjustments

Attachment VI of the *FY 2016 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 2016 fund expenditure and revenue variances and notes changes in FY 2017 expenditures.

Carryover Adjustments

The *FY 2016 Carryover Review* includes net General Fund administrative adjustments and associated managed reserve adjustments totaling \$26.58 million. These adjustments are divided into three categories: Board Directives, Allocations for Reserves/Capital and All Other Requirements and include the following:

BOARD DIRECTIVES **(\$5.29 million, including \$0.50 million in associated reserve adjustments)**

		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2017 General Fund Transfer	<u>\$1,500,000</u>
Baileys Shelter Land Acquisition	Net Cost	\$1,500,000
	FY 2018 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$1,500,000 to support the acquisition of land in the Baileys Crossroads area for the relocation of the Baileys Shelter. The Baileys Shelter provides temporary emergency shelter to up to 50 homeless men and women. The Shelter also serves as a day time drop-in center and main operations center for the region's cold weather (hypothermia prevention) program. This facility is over 27 years old and has had no major renovations since it was constructed. The building subsystems are well beyond their intended life-cycle, the facility is highly utilized and it experiences 24/7 wear and tear. Funding for design and construction of the Baileys Shelter has been included in the 2016 Human Services Bond Referendum; however, additional funding will allow for the acquisition of land and the necessary appraisal and closing costs.

		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2017 General Fund Transfer	<u>\$1,225,000</u>
Laurel Hill Adaptive Reuse Project	Net Cost	\$1,225,000
	FY 2018 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$1,225,000 to complete Fairfax County's General Fund contribution associated with support for the Laurel Hill Adaptive Reuse project. The Board of Supervisors approved the Adaptive Reuse Agreement on July 29, 2014. To date, funding of \$3,250,000 from the General Fund and \$4,400,000 from other sources has been dedicated to the project as part of the *FY 2014 Carryover Review* and *FY 2015 Carryover Review*. 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. 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.

	RECURRING	
Fund 40040, Fairfax-Falls Church Community Services Board Support Coordination Services	FY 2017 General Fund Transfer	<u>\$1,200,000</u>
	Net Cost	\$1,200,000
	FY 2018 General Fund Transfer	<u>\$1,200,000</u>
	Net Cost	\$1,200,000

The General Fund transfer to Fund 40040, Fairfax-Falls Church Community Services Board, is increased by \$1,200,000 to support 10/10.0 FTE new merit positions to provide eligibility assessments and case management services to individuals with Developmental Disabilities (DD). In accordance with the Department of Justice (DOJ) Settlement Agreement, the Commonwealth of Virginia is implementing a comprehensive redesign of the Medicaid Waiver service system for individuals with DD, transitioning individuals from institutional care, such as state training centers, nursing homes, and out-of-state placements, into the local community. As part of Medicaid Waiver Redesign, effective July 1, 2016, the CSB will serve as the single point of entry for eligibility determination and case management for individuals with both intellectual and developmental disabilities. The new positions will provide additional service capacity to meet the increased demand and new service requirements associated with Medicaid Waiver Redesign, primarily frequency of face-to-face contact and service intensity.

The increase of \$1.2 million and these 10 positions, along with \$1,600,000 appropriated from the CSB's Intellectual Disability (ID) Employment & Day Reserve, is designed to serve as "bridge" funding, providing case management and employment and day services to individuals with DD until an equitable and sustainable system may be developed and implemented for FY 2018. As the Board was informed at the June 28, 2016, Human Services Committee meeting, this bridge funding will allow the County to serve individuals newly eligible for services, satisfy new state requirements, and develop long-term strategies to serve individuals equitably and in compliance with the DOJ Settlement Agreement.

	RECURRING	
Agency 13, Office of Public Affairs	FY 2017 Expenditure	\$170,400
Agency 17, County Attorney	FY 2017 Expenditure	\$167,894
Agency 70, Department of Information Technology	FY 2017 Expenditure	\$85,763
Agency 89, Fringe Benefits	FY 2017 Expenditure	<u>\$183,473</u>
FOIA-Related Staffing	Net Cost	\$607,530
	FY 2018 Expenditure	\$270,600
	FY 2018 Expenditure	\$261,844
	FY 2018 Expenditure	\$88,646
	FY 2018 Expenditure	<u>\$275,212</u>
	Net Cost	\$896,302

Earlier this year, the Virginia General Assembly passed, and the Governor signed, House Bill 817, which amended Sections 2.2-3704.1 and enacted a new Section 2.2-3704.2 of the Virginia Freedom of Information Act (VFOIA). This bill is effective July 1, 2016. Among other things, this bill requires that the Board of Supervisors, as a public body under the Act and as the County's governing body, designate one or more FOIA Officers, who will be responsible to act as a point of contact for members of the public requesting public records and to coordinate the public body's compliance with the provisions of the Act. No state funding was provided to support this new mandate.

Currently, the County's responses to VFOIA requests are decentralized, with individual agencies responding to requests that they receive or that are directed to them. This bill and other changes in the VFOIA will require more centralized County oversight over its VFOIA response process to ensure that all

responses are complete and timely, as well as determine accurate information concerning the volume, impact, and costs of VFOIA requests on the County.

Therefore the Board directed that staff conduct an analysis and return with recommendations on how to construct a program that would meet the amended FOIA-related law. To this end, partial year FY 2017 funding of \$607,530, including 6/6.0 FTE positions, is recommended for the period of October 2016 through June 2017 to allow for minimum compliance. These funds include \$170,400 in the Office of Public Affairs (OPA), \$167,894 in the Office of the County Attorney, \$85,763 in the Department of Information Technology, and \$183,473 in associated Fringe Benefits. Recurring full-year costs (starting in FY 2018) are estimated at \$896,302.

Staff is drafting a detailed explanation of how these positions and funding will be utilized. This information will be provided to the Board in advance of the September 13, 2016, Budget Committee meeting and staff will be present at that time to answer any questions about this funding adjustment.

	RECURRING
Multiple Agencies	FY 2017 Expenditure <u>\$144,661</u>
Living Wage	Net Cost \$144,661
	FY 2018 Expenditure <u>\$193,623</u>
	Net Cost \$193,623

Funding of \$144,661 is required to increase the County’s living wage from \$13.13 per hour to \$14.50 per hour. The Living Wage Policy implemented effective September 15, 2007, established a living wage for merit employees equal to the greater of the living wages of Arlington County and the City of Alexandria. As part of the approval of the *FY 2008 Carryover Review*, the living wage was extended to limited-term employees scheduled to work 1,039 hours or more per year. Effective July 1, 2016, Arlington County has adopted a living wage of \$14.50 per hour and the City of Alexandria has adopted a living wage of \$14.13 per hour. Therefore, the County’s living wage will be increased to match the rate adopted by Arlington County. FY 2017 funding of \$144,661 reflects the partial-year cost to the General Fund of the living wage increase based on implementation in October 2016. The full-year impact of this change on the General Fund is \$193,623, and the full-year cost to all County funds is approximately \$280,000.

	NON-RECURRING
Agency 13, Office of Public Affairs	FY 2017 Expenditure <u>\$105,000</u>
Informational Pamphlet on Meals Tax Referendum	Net Cost \$105,000
	FY 2018 Expenditure <u>\$0</u>
	Net Cost \$0

As approved by the Board of Supervisors on June 7, 2016, an increase of \$105,000 is required to cover costs associated with the preparation and distribution of an informational pamphlet regarding the Meals Tax Referendum that will appear on the November 2016 ballot. This pamphlet will include factual information related to the meals tax and will not advocate either for or against passage. The pamphlet is being provided to the Board in the July 26, 2016, Board Package for their approval.

**Agency 90, Police Department
 Agency 96, Animal Services
 Animal Services Realignment**

	RECURRING
FY 2017 Expenditure	(\$1,128,275)
FY 2017 Expenditure	<u>\$1,128,275</u>
Net Cost	\$0
FY 2018 Expenditure	(\$TBD)
FY 2018 Expenditure	<u>\$TBD</u>
Net Cost	\$TBD

Funding of \$1,128,275 and 31/31.0 FTE positions are transferred from Agency 90, Police Department, to Agency 96, Animal Services, based on the establishment of an independent Animal Services agency. This funding represents half of the Animal Services budgeted total as the planned implementation date for this adjustment is January 1, 2017. During its April 28, 2015, meeting, the Board of Supervisors directed that an independent organizational review be conducted of the Police Department’s Animal Services Division. The Division is composed of the Animal Shelter, Animal Control, and Wildlife Biologist. The review was intended to assess the training and authority of animal control officers and the potential re-creation of an independent animal services agency. The County awarded the contract to perform the review to Public Financial Management, Inc. (PFM). In addition, the Animal Services Organizational Structure Review team was established to ensure that multiple perspectives were collected and considered related to potential changes.

During the review, the Virginia General Assembly amended the section of the Code of Virginia relating to special conservators of the peace, a classification held by most Animal Control Officers (ACOs). These amendments prohibited ACOs from being reappointed as special conservators once their current term expired. To address this issue, action had to be taken prior to the completion of the study. It was determined that the authority afforded under the county manager form of government to appoint Animal Protection Police Officers (APPOs), with the authority of both animal control officers and law enforcement officers, was an appropriate solution to pursue, but similar enabling legislation had to first be adopted for the County’s urban county executive form of government. As a result, the Board supported enabling legislation which was adopted by the Commonwealth with an effective date of July 1, 2016. Following approval of this legislation, the Police Department worked with the Department of Criminal Justice Services (DCJS) to ensure that all ACO’s would meet the training requirements to be certified as APPOs. On July 1, 2016, ACOs were sworn in as APPOs, with a primary mission of enforcing the animal and wildlife laws defined in the Code of Virginia and the Fairfax County Code.

Based on these changes, the Animal Protection Police division is required to remain in the Police Department. As a result, and based on recommendations made by PFM and the Animal Services Organizational Structure Review team, a revised command structure will be established that provides expertise and succession planning at the Animal Protection Police division command level. It was also recommended that the Wildlife Biologist division remain in the Police Department as one of its primary functions has become the deer management program and close collaboration with the Animal Protection Police and other Police Department resources is essential.

Finally, it has been determined that the Animal Shelter will best perform its mission as an independent agency reporting to the Deputy County Executive for Public Safety. This adjustment has a planned implementation date of January 1, 2017. As a result, partial year funding is being transferred from Agency 90, Police Department, to the newly established Agency 96, Animal Services, as part of the *FY 2016 Carryover Review*. An additional adjustment will be included as part of the FY 2018 Advertised Budget Plan to transfer the remaining budget from the Police Department to Animal Services. During FY 2017, the Police Department will continue to provide support for administrative functions of the Shelter such as hiring and procurement, but DMB and the Police Department will be conducting an assessment of past

Shelter-related expenditures to determine if further adjustments should be included in the FY 2018 Advertised Budget Plan.

ALLOCATIONS FOR RESERVES/CAPITAL (**\$20.81 million, including \$1.44 million in associated reserve adjustments**)

	NON-RECURRING	
Fund 10010, Revenue Stabilization Reserve Adjustments	FY 2017 General Fund Transfer	<u>\$10,401,581</u>
	Net Cost	\$10,401,581
	FY 2018 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

An increase of \$10,401,581 is transferred from the General Fund to Fund 10010, Revenue Stabilization, consistent with the County's reserve policy. The total increase includes \$7,172,296 as a result of the allocation of 40 percent of available balances after funding critical requirements being directed to the reserves as well as \$3,229,285 based on increased disbursements included at Carryover.

On April 21, 2015, the Board of Supervisors approved revisions to the County's *Ten Principles of Sound Financial Management* to update the County's target reserve level from 5 percent to 10 percent of General Fund disbursements. Of the 10 percent target, 5 percent is allocated to the Revenue Stabilization Fund (previously a 3 percent target), 4 percent is allocated to the Managed Reserve in the General Fund (previously a 2 percent target), and the remaining 1 percent will be allocated to a new Economic Opportunity Reserve. As this new reserve is not to be funded until the Revenue Stabilization and Managed Reserves are fully funded at their new target levels, the 1 percent allocated for the new reserve is split proportionally between the Revenue Stabilization and Managed Reserves until the new reserve is established.

As a result of these adjustments and the \$10,711,034 transfer included in the FY 2017 Adopted Budget Plan, the projected FY 2017 balance in the Revenue Stabilization Fund is 4.34 percent of General Fund disbursements.

	NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2017 General Fund Transfer	\$2,259,499
Fund 30020, Infrastructure Replacement and Upgrades	FY 2017 General Fund Transfer	\$3,550,642
Fund 30060, Pedestrian Walkway Improvements	FY 2017 General Fund Transfer	<u>\$645,571</u>
Capital Sinking Fund	Net Cost	\$6,455,712
	FY 2018 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

The General Fund Transfer to various capital funds is increased by a total of \$6,455,712 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 a Capital Sinking Fund as a new budgetary mechanism for funding Infrastructure Replacement and Upgrade requirements. Principal funding for the Sinking Fund was to come from a joint commitment to devote a goal of 20 percent of carryover funds. Based on the County's unencumbered carryover balance after funding critical requirements, an amount of \$6,455,712 represents

20 percent and is allocated to separate Capital Sinking Fund projects. As part of the *FY 2016 Third Quarter Review*, the Board of Supervisors approved the allocation formula associated with capital sinking funds as follows: 55 percent for FMD, 20 percent for Parks, 10 percent for walkways, 10 percent for County maintained roads and service drives, and 5 percent for revitalization. This allocation is based on the percent of each program area as it relates to the total annual requirements presented to the IFC. Specific funding levels include: \$3,550,642 for FMD, \$1,291,142 for Parks, \$645,571 for County Owned Roads, \$645,571 for walkways, and \$322,786 for revitalization. Funding will provide for infrastructure replacement and upgrades such as the replacement of roofs, electrical systems, and HVAC units at both County and Park facilities, repairs to County-owned roads and walkways, and revitalization area infrastructure repairs.

OTHER REQUIREMENTS (\$0.48 million, including \$0.11 million in associated reserve adjustments)

	NON-RECURRING	
Fund 30010, General Construction and Contributions	FY 2017 General Fund Transfer	<u>\$225,000</u>
Prevention Incentive Fund	Net Cost	\$225,000
	FY 2018 General Fund Transfer	<u>\$0</u>
	Net Cost	\$0

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by \$225,000 to replenish the Prevention Incentive Fund created in FY 2007 to provide incentive funding for the development of programs and initiatives to prevent youth violence, gang involvement, and other negative outcomes and problem behaviors. The Prevention Incentive Fund includes a funding pool from which competitive awards are made to community-based organizations to implement evidence-based prevention programs that have demonstrated effectiveness in achieving outcomes identified by the Successful Children and Youth Policy Team. Funding for the Prevention Incentive Fund has been made available through FY 2016 balances from Human Services agencies.

	NON-RECURRING/RECURRING	
Fund 10030, Contributory Fund	FY 2017 General Fund Transfer	<u>\$140,000</u>
Northern Virginia Emergency Response System (NVERS)	Net Cost	\$140,000
	RECURRING	
	FY 2018 General Fund Transfer	<u>\$15,000</u>
	Net Cost	\$15,000

The General Fund transfer to Fund 10030, Contributory Fund, is increased by \$140,000 for the Northern Virginia Emergency Response System (NVERS). The contribution consists of a one-time \$125,000 equity contribution and annual membership dues of \$15,000.

The Northern Virginia Emergency Response System (NVERS) is an organization which serves as a collaborative partnership between local governments, the Commonwealth of Virginia, and the private sector to build emergency management and homeland security capacity through the regional integration of policies, training, resources, information sharing and program management for the health and welfare of Northern Virginia residents. Active participants in NVERS include representatives from fire and rescue, emergency medical services (EMS), hazardous materials, law enforcement, emergency management, hospitals, public health, public information, and information technology.

The organization relies upon grants to fund specific projects. Fairfax County’s one-time refundable equity contribution of \$125,000 will help to create a cash flow reserve to cover three months of grant reimbursable operating expenses, due to lags in receiving reimbursements. The one-time equity contributions are to be

collected from the largest jurisdictions in the area including the City of Alexandria and Arlington, Fairfax, Loudoun, Prince William, and Stafford counties. If NVERS ceases operations, the equity contributions will be returned. The County’s annual membership dues of \$15,000 are designated to cover non-reimbursed business expenses.

	RECURRING	
	FY 2017 Revenue	\$673,490
	FY 2017 Expenditure	\$538,848
	FY 2017 Expenditure	<u>\$134,642</u>
	Net Cost	\$0
	FY 2018 Revenue	\$673,490
	FY 2018 Expenditure	\$538,848
	FY 2018 Expenditure	<u>\$134,642</u>
	Net Cost	\$0

Funding of \$673,490 is required to appropriate additional revenue from the state to expand the Healthy Families Fairfax (HFF) program, including 5/5.0 FTE new positions. It should be noted that an increase of \$134,642 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is completely offset by revenue for no net cost to the County.

The HFF program is a non-mandated collaborative partnership between the Department of Family Services, the Health Department, and three non-profit organizations. It is an accredited home-visiting program offering families at risk of maltreating their child an opportunity to learn parenting skills and receive emotional support and case management services. The state has increased funding for the Healthy Families program in Fairfax County in order to increase the number of families being served. The funding cannot be used to supplant existing County support for the program and no additional County funding is required, as the current County funding for HFF already exceeds the match requirement. It is estimated that the additional state funding will increase the number of families served from approximately 530 in FY 2015 to 700 families in FY 2017. 5/5.0 FTE new County positions will be used to conduct individual assessments in order to bring more families into the program. Additionally, the contract with Northern Virginia Family Services (NVFS) will be expanded to provide services to the additional families after they enter the program. Funding will also be used to enhance the role of Health Department nurses to provide additional clinical consultation to families, and complete staff training in order to meet certification requirements.

	NON-RECURRING	
	FY 2017 Revenue	\$10,000
	FY 2017 Expenditure	<u>\$10,000</u>
	Net Cost	\$0
	FY 2018 Revenue	\$0
	FY 2018 Expenditure	<u>\$0</u>
	Net Cost	\$0

Funding of \$10,000 is required to appropriate FY 2017 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.

Consideration Items

At this time there are no consideration items from the Board of Supervisors.

Additional Adjustments in Other Funds

Total FY 2017 expenditures in Appropriated Other Funds, excluding School funds, are requested to increase \$1.609 billion over the FY 2017 Adopted Budget Plan. In addition to the adjustments in Appropriated Funds, there are adjustments totaling \$29.47 million in Non-Appropriated Other Funds. Details of Fund 50000, Federal/State Grant Fund, are discussed in Attachment V, while details of FY 2017 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VI. School Board adjustments total \$422.86 million, excluding debt service, over the FY 2017 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 Resolutions AS 16290 and AS 17009 as well as Fiscal Planning Resolution AS 17900 to provide expenditure authorization for FY 2016 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve, including the following:

- Board appropriation of \$31.40 million in General Fund encumbrances related to Direct Expenditures from FY 2016 as noted in the General Fund Statement and in Attachment III.
- Board appropriation of General Fund unencumbered commitments totaling \$4.10 million as detailed in Attachment IV.
- Board appropriation of General Fund administrative adjustments as detailed earlier in this memorandum.
- Board appropriation of Federal/State grants in Fund 50000, Federal/State Grant Fund, totaling \$246.34 million, or an increase of \$137.03 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 2016 Final Budget Review and Appropriation Resolutions.
- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.