ATTACHMENT B:

MEMO AND ATTACHMENTS I – VII TRANSMITTING THE COUNTY'S FY 2017 CARRYOVER REVIEW WITH APPROPRIATE RESOLUTIONS

ATTACHMENT B

County of Fairfax, Virginia

MEMORANDUM

DATE: July 25, 2017

TO: BOARD OF SUPERVISORS

FROM: Edward L. Long Jr.
County Executive

SUBJECT: FY 2017 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2017 Carryover Package, including Supplemental Appropriation Resolution AS 18009 and Amendment to the Fiscal Planning Resolution AS 18900. 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 2018
Attachment VI	A detailed description of significant changes in Other Funds
Attachment VII	Supplemental Appropriation Resolution AS 18009 and Fiscal Planning Resolution AS 18900 for FY 2018 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 2017 Carryover Review* recommends changes to the FY 2018 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 12, 2017.

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FY 2017 Carryover Summary

A brief summary of the General Fund follows, comparing unaudited actual receipts and disbursements as of June 30, 2017, to the final estimates of the *FY 2017 Revised Budget Plan*.

GENERAL FUND STATEMENT AND BALANCE AVAILABLE

(in millions of dollars)

	FY 2017 Revised Budget Plan	FY 2017 Actual	Variance
Beginning Balance, July 1	$166.09	$166.09	$0.00
Receipts and Transfers In	$4,033.04	$4,068.17	$35.13
Total Available	$4,199.12	$4,234.25	$35.13
Direct Expenditures	$1,521.73	$1,451.61	($70.13)
Transfers Out	$2,570.68	$2,570.68	$0.00
Total Disbursements	$4,092.41	$4,022.29	($70.13)
Ending Balance, June 30	$106.71	$211.97	$105.26
Managed Reserve	$106.47	$106.47	$0.00
Balance	$0.24	$105.50	$105.26
FY 2017 Commitments ($45.58)			
Outstanding Encumbered Obligations			($29.69)
Outstanding Unencumbered Commitments			($11.52)
Reserve Adjustments			($4.37)
Balance after FY 2017 Commitments			$59.68
Allocations for Reserves/Capital ($38.48)			
40% of Balance to Reserves - Revenue Stabilization Portion			($13.26)
40% of Balance to Reserves - Managed Reserve Portion			($10.61)
20% of Balance to Infrastructure Sinking Reserve Fund			($11.94)
Reserve Adjustments			($2.67)
Balance after Allocations for Reserves/Capital			$21.20
Other Requirements ($20.35)			
Massey Demolition			($15.40)
PLUS Project			($1.52)
Gang Prevention Reserve			($0.50)
Strike Force Blight Abatement			($0.26)
Parks Equipment/Resident Curator			($0.25)
Special Election			($0.20)
Net-Zero Adjustments: *Public Assistance Caseloads, LDS Positions, Elevator Maintenance, John Hudson Summer Intern Program*			$0.00
Reserve Adjustments			($2.22)
Net Balance			$0.85

NOTE: Carryover is defined as the re-appropriation in FY 2018 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2017 capital project and grant balances.

FY 2017 Year-End Summary

FY 2017 General Fund Revenues and Transfers In were $4.07 billion, an increase of only $35.13 million or just 0.87 percent, over the *FY 2017 Revised Budget Plan* estimate. The size of this margin makes clear how little room there is for projection error or fluctuation in the budget. The increase is the result of increases in Real Estate and Personal Property Tax receipts, Other Local Taxes, Permits, Fees and Regulatory Licenses, Fines and Forfeitures, Revenues from the Use of Money/Property, Charges for Services, and Revenue from the Commonwealth and the Federal Government. More detail on FY 2017 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 2017 Revised Budget Plan* projections by $70.13 million or 1.71 percent. More detailed information on FY 2017 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.

As a result, the combined revenue and disbursement balance, after funding prior year obligations and reserve adjustments, is $59.68 million, or 1.46 percent of the total County General Fund budget.

Carryover Actions

Allocation of this balance is used to meet Board policy for contributions to reserves and capital and fund requirements that have been identified subsequent to the adoption of the FY 2018 budget. Of the total available balance of $59.68 million, $58.83 million is allocated in the Carryover package and $0.85 million is recommended to be held in reserve to address other critical one-time requirements.

Allocations for Reserves/Capital ($38.48 million, including $2.67 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 available balances after outstanding encumbered and unencumbered commitments. Of the $59.68 million balance, 60 percent, or $35.81 million, is allocated for the County's reserves and Capital Sinking Fund.

- $23.87 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 $33.12 million and results in funded percentages of 2.99 percent (Managed Reserve, 4 percent target) and 4.86 percent (Revenue Stabilization Reserve, 5 percent target), or total reserves of 7.85 percent.

- $11.94 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 the 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: $6,564,291 for FMD, $2,387,015 for Parks, $1,193,507 for County-Owned Roads, $1,193,507 for Walkways, and $596,754 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 ($20.35 million, including $2.22 million in associated reserve adjustments)
Finally, there are a number of other adjustments that are also necessary at this time. Of the $18.13 million in adjustments, excluding the required reserve contributions, $15.40 million is allocated to fully fund the demolition of the Massey Building. All other adjustments net to a total General Fund impact of $2.73 million. These include support for the Planning and Land Use System (PLUS) Project ($1.52 million); an appropriated reserve to combat gangs ($0.50 million); the allocation of zoning violation fines to the Strike Force Blight Abatement Project ($0.26 million); funding for Parks equipment replacement and to support the Resident Curator Program ($0.25 million); and costs associated with the upcoming special election in August to fill the Fairfax County School Board vacancy ($0.20 million). A number of adjustments, offset by revenue and with no net impact to the General Fund, are also included. These include 11 positions to address Public Assistance caseloads; 10 positions to continue the ongoing investment to improve the County's land development process; 1 position, billed to Fairfax County Public Schools (FCPS), to support workload requirements for maintaining FCPS vehicles, and support for the John Hudson Internship Program. In total, 22 new positions are proposed as part of the *FY 2017 Carryover Review*.

As a result of these adjustments, a Carryover balance of $0.85 million is available. When combined with the $0.24 million held in reserve as part of the FY 2018 Adopted Budget Plan, a total of $1.09 million is available for Board consideration.

Details of the adjustments included in the *FY 2017 Carryover Review* which have a General Fund impact are noted below in the Carryover Administrative Adjustments section of this letter. Consistent with the multi-year budget presentation, the FY 2019 impact of these recommendations is also noted in the detailed adjustments below.

Metro Update

There are a variety of efforts underway from various groups to address the funding and governance of Metro, and several of our Board members are participating in these groups. County transportation staff summarized and discussed each of these efforts at the Board Transportation Committee on July 18, 2017. Most notably, former United States Department of Transportation Secretary Ray LaHood is expected to release a report in fall 2017 to identify possible improvements to the Metro compact agreement with respect to governance, financing, and the overall operation of Metro. As more information is provided from these groups on proposed funding solutions and governance, County staff will continue to brief the Board of Supervisors at future Transportation and Budget Committee meetings as it relates to FY 2019 and beyond.

Opioid Prevention Update

As directed by the Board of Supervisors as part of the FY 2018-19 Budget Guidance, funding has been included in the *FY 2017 Carryover Review* to begin to address the growing opioid epidemic. Utilizing balances available in Fund 40040, Fairfax-Falls Church Community Services Board, $1.1 million is included to combat the epidemic by increasing the use of Medication Assisted Treatment, as well as increasing the contractual purchase of residential treatment and medical detoxification beds. In addition, $2.5 million is set aside in an Opioid Use Epidemic Reserve to provide flexibility as the County continues to work with national, state, and regional partners on strategies to combat the opioid epidemic. Staff will return to the Board of Supervisors at a later date with recommendations on potential uses of the funds, with final decisions on the allocation of funding to be made by the Board.

FY 2019 Budget Development

The forecast for the FY 2019 budget included in the FY 2018-FY 2019 Multi-Year Budget reflected a continuation of the modest revenue growth that has prevailed in recent years outpaced by increasing disbursement requirements driven by population growth, employee compensation, and community priorities such as reduced class sizes and the Diversion First program. Additionally, as noted above, staff continues to monitor the potential impact of increased Metro funding requirements on the FY 2019 budget. We will have the opportunity to discuss the FY 2019 forecast in greater detail later in the fall as our projections are refined.

FY 2017 Audit Adjustments

As the Board is aware, the financial audit of FY 2017 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2017 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2018 Third Quarter Review*.

Other Funds Adjustments

Attachment VI of the *FY 2017 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 2017 fund expenditure and revenue variances and notes changes in FY 2018 expenditures

Carryover Administrative Adjustments

The *FY 2017 Carryover Review* includes net General Fund administrative adjustments and associated managed reserve adjustments totaling $58.83 million. These adjustments are divided into two categories – Allocations for Reserves/Capital and All Other Requirements – and include the following:

ALLOCATIONS FOR RESERVES/CAPITAL

$38.48 million, including $35.81 million in reserve/capital contributions and $2.67 million in associated reserve adjustments

Reserve Adjustments		**NON-RECURRING**
Fund 10010, Revenue Stabilization	FY 2018 General Fund Transfer	$18,394,858
	Net Cost	**$0**

An increase of $18,394,858 is transferred from the General Fund to Fund 10010, Revenue Stabilization, consistent with the County's reserve policy. 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.

The total increase in the Revenue Stabilization Reserve includes $13,259,867 as a result of the allocation of 40 percent of available balances after funding critical requirements being directed to the reserves as well as $5,134,991 based on increased disbursements included at Carryover.

As a result of this adjustment, the $5,221,570 General Fund transfer included in the FY 2018 Adopted Budget Plan, and a transfer of $804,000 from Fund 20000, Debt Service, the projected FY 2018 balance in the Revenue Stabilization Fund is 4.86 percent of General Fund disbursements.

Capital Sinking Fund		**NON-RECURRING**
Fund 30010, General Construction and Contributions	FY 2018 General Fund Transfer	$4,177,276
Fund 30020, Infrastructure Replacement and Upgrades	FY 2018 General Fund Transfer	$6,564,291
Fund 30060, Pedestrian Walkway Improvements	FY 2018 General Fund Transfer	$1,193,507
	Net Cost	**$11,935,074**

The General Fund Transfer to various capital funds is increased by a total of $11,935,074 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 $11,935,074 represents 20 percent and is allocated to separate Capital Sinking Fund projects. The Board of Supervisors previously 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: $6,564,291 for FMD, $2,387,015 for Parks, $1,193,507 for County-Owned Roads, $1,193,507 for Walkways, and $596,754 for Revitalization.

OTHER REQUIREMENTS

$20.35 million, including $18.13 million in adjustments and $2.22 million in associated reserve adjustments

Massey Building Demolition		**NON-RECURRING**
Fund 30010, General Construction and Contributions	FY 2018 General Fund Transfer	$15,400,000
	Net Cost	**$15,400,000**

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by $15,400,000 to fully fund the demolition of the Massey Building. Total funding of $20,000,000 is estimated to be required for the demolition of the Massey Building, the Cooperative Computer Center (CCC) and the Massey Annex, including asbestos removal, demolition, and restoration of the site. To date, funding in the amount of $4,600,000 has been approved. Design work associated with the demolition and site restoration is approximately 65 percent complete. It is anticipated that the Massey Building will be vacated by the end of 2017, at which time asbestos/hazmat testing of the full building can begin and the demolition and site restoration plans can be finalized for bid. The asbestos/hazmat removal, demolition, and site restoration has a construction duration of 18 months primarily due to the extended time required for asbestos/hazmat removal. Concurrently, the Burkholder Building will be renovated and agencies currently located in the Massey Building, CCC and Annex will be relocated to the Public Safety Headquarters or the Burkholder Building. It is anticipated that demolition will take place in spring/summer 2019 after all asbestos/hazmat removal work is complete. Site restoration work is expected to be complete in early 2020.

Agency 31, Land Development Services		**RECURRING**
Fairfax First, Elevator Inspections and PLUS Project	FY 2018 Revenue	$1,731,826
Agency 31, Land Development Services	FY 2018 Expenditure	$1,363,660
Agency 89, Fringe Benefits	FY 2018 Expenditure	$368,166
Fund 10040, Information Technology	FY 2018 Transfer	$1,515,377
	Net Cost	**$1,515,377**
	FY 2019 Revenue	$1,731,826
Agency 31, Land Development Services	FY 2019 Expenditure	$1,363,660
Agency 89, Fringe Benefits	FY 2019 Expenditure	$368,166
	Net Cost	**$0**

Total funding of $3,247,203 is required for Fairfax First initiatives, elevator and escalator contract rate increases and a transfer to support the Planning and Land Use System (PLUS) project. Of this amount, $1,731,826 is completely offset by recurring revenues for no net funding impact to the General Fund. The $1,515,377 shown to support the Plus Project is the result of permit fee revenues received in FY 2017 in excess of the budget.

Consistent with the Fairfax First Initiative and the Board of Supervisors' Economic Strategic Success Plan, $1,481,826, including $1,113,660 in Agency 31, Land Development Services (LDS), $368,166 in Agency 89, Fringe Benefits, and 10/10.0 FTE new positions are included to address increased demand for residential inspections, to improve digital communication and customer service, to provide timelier site reviews, and to support the Joint Training Academy. As discussed at the May 9, 2017, Board of Supervisors Development Process Committee, these investments will build on the ongoing efforts to improve the speed, transparency, and consistency of the land development process. These costs will be completely offset by $1,481,826 in fee revenue generated by development activity for no net impact on the General Fund.

Funding of $250,000 in Agency 31, LDS, is required for contracted elevator and escalator inspection services. Under the Code of Virginia, commercial buildings are required to have elevators and escalators inspected twice a year and LDS uses contracted services to complete these inspections. The cost of elevator and escalator inspections is fully offset by license fees, thus there is no net impact to the General Fund.

The General Fund Transfer to Fund 10040, Information Technology, is increased by $1,515,377 to support the Planning and Land Use System (PLUS) project. This funding reflects the additional revenue received in FY 2017 due to increased development activity. Consistent with the Economic Strategic Success Plan, PLUS will serve as a consolidated, integrated enterprise solution to enable seamless customer and staff interactions as well as land development operations.

Gang Prevention Reserve		**NON-RECURRING**
Agency 87, Unclassified Admin. Expenses (Nondepartmental)	FY 2018 Expenditure	$500,000
	Net Cost	**$500,000**

Funding of $500,000 is identified for a collaborative, multi-agency effort to respond to and prevent gangs in Fairfax County. As presented to the Board of Supervisors at the June 13, 2017, Public Safety Committee meeting, this funding is designed to help the County better provide education, prevention, enforcement, and coordination in responding to gangs. This initial funding will be held in the Gang Prevention Reserve in Agency 87, Unclassified Administrative Expenses, and reallocated to agencies based on priorities identified by the Board of Supervisors after further briefing at a later date. It is anticipated that additional funding will be required in future years to fully implement the recommendations of this multi-agency effort.

Appropriation of Zoning Violation Revenue		**NON-RECURRING**
Fund 30010, General Construction and Contributions	FY 2018 General Fund Transfer	$262,849
	Net Cost	**$262,849**

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by $262,849 to allocate revenue collected from court ordered fines for zoning violations associated with the Strike Force Blight Abatement project. As part of the FY 2009 Adopted Budget Plan budget guidelines, the Board of Supervisors directed that any revenue generated from zoning violation fines in excess of the baseline total of $122,215 be made available to support the activities of the Department of Code Compliance. Zoning violation revenues have exceeded the base revenue amount by $262,849. This total adjustment amount is associated with FY 2017 actual revenues received as well as a reconciliation of revenue received in previous years. As a result, this amount is being allocated to the Strike Force Blight Abatement project for use in support of code compliance-related activities.

Resident Curator Program and Capital Equipment Replacement		**RECURRING**
Agency 51, Park Authority	FY 2018 Expenditure	$250,000
	Net Cost	**$250,000**

Funding of $250,000 is required including $50,000 for the Resident Curator Program and $200,000 to replace outdated critical capital equipment. The Resident Curator Program has moved from the development phase to the implementation phase leading to increased personnel and operating costs. As part of the implementation process, advertisements, program signage, and open houses have been underway at the first three selected pilot properties: Ellmore Farmhouse at Frying Pan Park in Herndon, Turner Farm in Great Falls, and the Stempson House in Lorton. Applications were received for all three properties and all are currently under review. Historic Structures Reports are being completed for Lahey Lost Valley in Vienna, Ash Grove in Tysons, Clark/Enyedi House in Colchester, and John and Margaret White Gardens in Annandale. These sites will be advertised for curatorship in the upcoming fiscal year. Each property requires a property appraisal, potential hazmat testing, baseline cleaning, marketing/advertising, an open house, site survey work and office/operating supplies. In addition, funding of $200,000 has been set aside as a reserve to replace outdated critical capital equipment. It is anticipated that the reserve will begin to address a backlog of equipment beyond its useful life expectancy. Approximately 12 percent of all grounds equipment is rated in poor condition, while the number of parks and acres has increased. Re-establishing dedicated funding for capital equipment will allow the Park Authority to start reducing the backlog of old equipment and improve the appearance of the parks.

School Board Special Election		**NON-RECURRING**
Agency 15, Office of Elections	FY 2018 Expenditures	$200,000
	Net Cost	**$200,000**

Funding of $200,000 is required for costs associated with a special election in August to replace a vacancy on the Fairfax County School Board. The election will be held on Tuesday, August 29, 2017, and polls will be open at all of Fairfax County's precincts as the office being sought is countywide. To be eligible, candidates had until June 30, 2017 to submit paperwork for the election, must have resided in Virginia for at least one year immediately preceding the election, and must be able to vote for and hold the office being sought. Funds will primarily be used to support personnel-related costs for election officers and well as miscellaneous operational and support expenses.

Public Assistance Eligibility Workers		**RECURRING**
	FY 2018 Revenue	$1,104,767
Agency 67, Department of Family Services	FY 2018 Expenditure	$754,983
Agency 89, Fringe Benefits	FY 2018 Expenditure	$349,784
	Net Cost	**$0**
	FY 2019 Revenue	$1,104,767
	FY 2019 Expenditure	$754,983
	FY 2019 Expenditure	$349,784
	Net Cost	**$0**

Funding of $1,104,767 is required to appropriate additional FY 2018 revenue from the state to support 11/11.0 FTE new positions. These positions will continue to address the increase in public assistance caseloads in the Self-Sufficiency Division and provide additional quality assurance support in order to meet state and federal guidelines for both timeliness and accuracy. It should be noted that an increase of $349,784 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.

In accordance with federal and state policy, the County is required to determine eligibility for public assistance and enroll clients in benefits programs within a certain timeframe. In May 2017, the ongoing monthly caseload was more than 96,000 cases, which is an 85 percent increase since FY 2008. Federal and state policies require that 100 percent of cases for each program are processed within the mandated timeframes with 100 percent accuracy. The County is not currently meeting these mandates. This leaves the County vulnerable to both internal and external audit findings. For the fourth consecutive year, the external auditor for the year ending June 30, 2016, found material noncompliance in the Medicaid program and cited the County for having material weaknesses in internal controls over eligibility determination. The audit included specific language to address the staff shortage.

DFS has taken many steps to narrow performance gaps, including adding positions to address backlogs and overly burdensome caseloads; establishing a more robust management structure to focus on case review and increased monitoring; providing intensive staff training to strengthen knowledge of policies and procedures and reduce casework errors; and implementing new work-management processes and specialized subject matter teams to improve efficiency. These steps have led to improvements over previous years' audit findings and staff have continued to increase the percentage of applications processed timely and accurately. For example, after three consecutive years of noncompliance in the TANF program, there were no audit findings in TANF in FY 2016. However, based on the current status, the County is still not meeting requirements in several areas and it is anticipated that there will be additional audit findings in the Public Assistance program for FY 2017. DFS continues to explore ways to streamline processes and utilize resources more efficiently; however, with the continuous rise in caseloads there is no capacity to adequately address existing workloads and performance shortfalls while continuing to absorb additional cases. Additionally, given the current eligibility requirements for Medicaid in Virginia, it is not anticipated that any potential rollback of Medicaid at the federal level will result in a decrease in the number of Medicaid applications or cases processed by the County.

John Hudson Summer Intern Program		**NON-RECURRING**
	FY 2018 Revenue	$10,000
Agency 67, Department of Family Services	FY 2018 Expenditure	$10,000
	Net Cost	**$0**

Funding of $10,000 is required to appropriate FY 2018 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.

Department of Public Works and Environmental Services Reorganization		**RECURRING**
Agency 25, Business Planning and Support	FY 2018 Expenditures	($135,492)
Agency 31, Land Development Services	FY 2018 Expenditures	$135,492
	Net Cost	**$0**
Agency 25, Business Planning and Support	FY 2019 Expenditures	($135,492)
Agency 31, Land Development Services	FY 2019 Expenditures	$135,492
	Net Cost	**$0**

Funding of $135,492 is transferred from Agency 25, Business Planning and Support (BPS), to Agency 31, Land Development Services (LDS), to support 1/1.0 FTE position transferred in conjunction with the establishment of LDS as an independent agency. It should also be noted that additional adjustments with no net funding impact have been made to support the transfer of 19/19.0 FTE positions to BPS from other divisions within the Department of Public Works and Environmental Services (DPWES) to better support the core business areas and to enhance department-wide initiatives.

Consideration Items

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

Additional Adjustments in Other Funds

Total FY 2018 expenditures in Appropriated Other Funds, excluding School funds, are requested to increase $1.805 billion over the FY 2018 Adopted Budget Plan. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $24.84 million in Non-Appropriated Other Funds. Details of Fund 50000, Federal/State Grant Fund, are discussed in Attachment V, while details of FY 2018 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VI. School Board adjustments total $355.23 million, excluding debt service, over the FY 2018 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 18009 as well as Fiscal Planning Resolution AS 18900 to provide expenditure authorization for FY 2017 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve, including the following:

- Board appropriation of $29.69 million in General Fund encumbrances related to Direct Expenditures from FY 2017 as noted in the General Fund Statement and in Attachment III.

- Board appropriation of General Fund unencumbered commitments totaling $11.52 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 $252.12 million, or an increase of $138.38 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 2017 Final Budget Review and Appropriation Resolutions.

- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.