

## **Budget Guidance for FY 2018 and FY 2019**

**April 25, 2017**

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, April 25, 2017, the Board approved the following Budget Guidance for FY 2018 and FY 2019:

### **Schools Operating Support and Board of Supervisors/School Board Collaboration**

With limited projected revenue growth and an estimated budgetary shortfall of over \$95 million in FY 2019, next year is shaping up to be another difficult budget year. The approach taken in the development of the FY 2018 budget was to focus on the needs of both the County and the Schools through continued collaboration between the two Boards and to provide equitable increases consistent with available resources. This approach should be continued in the formation of the FY 2019 budget. As in FY 2018, it is likely that many important priorities on both sides will not be able to be funded next year. However, it is important that work continue through the Joint Budget Development Workgroup and the Boards continue to hold more frequent discussions on budget issues, utilizing the joint budget development timeline presented to the Boards in February. For example, at the upcoming Public Safety Committee meeting in June, the Boards will have an opportunity to discuss the impact of gang violence in our community. As part of this discussion, the Board of Supervisors should consider funding a reserve for gang prevention using balances available at the *FY 2017 Carryover Review*. The Boards, as well as staff from both the County and Schools, should also continue collaborative work regarding shared services, joint capital initiatives (and their impact on the Capital Improvement Program), early childhood development, the opioid use epidemic, and possible additional cost saving and space efficiency opportunities in the School-Age Child Care (SACC) program. This work includes the efforts of SCYPT (Successful Children and Youth Policy Team). These discussions, as well as the presentation of updated revenue projections and forecasts in the fall, should help shape the joint list of County priorities and provide for a more well-informed backdrop as FY 2019 budget decisions are made.

## **Employee Pay**

Based on funding for performance, merit, and longevity increases included in the FY 2018 budget, almost 80 percent of employees will receive a pay adjustment in the coming fiscal year. Due to constrained resources, however, the Market Rate Adjustment (MRA) could not be funded. The Board appreciates the hard work and dedication of all of our County employees and is concerned about the competitiveness of the County's pay scales, which the MRA is designed to maintain. As part of the development of the FY 2019 Advertised budget, the County Executive is directed to prioritize employee pay in the context of impacts on employees and the market position of County pay scales.

## **Employee Pensions**

In FY 2012, the County conducted a comprehensive study of the County's three retirement systems and implemented benefit changes for new employees hired on or after January 1, 2013. As part of the FY 2016 Adopted Budget Plan, the Board of Supervisors adopted a multi-year strategy to increase contributions to the systems and to manage liability growth. Although these steps have been vital in strengthening the financial position of the retirement plans, it is important that we continue to examine our plans in light of changes in the Virginia Retirement System (VRS) and other local plans, a challenging investment environment, and evolving employee and retiree demographics.

As part of the Lines of Business (LOBs) exercise, the Board received a presentation on employee pay and benefits, including retirement. Subsequent to that presentation, a thorough reexamination of the County's systems was requested as a LOBs Phase 2 project, directing staff to return to the Board with detailed information on hiring and retirement trends, the VRS mandate, and benefit levels. As part of this review, the Board will examine plan provisions and benefits such as the minimum retirement age, Rule of 85, and pre-Social Security supplement. A review of the County's DROP (Deferred Retirement Option Plan) will also be included in the analysis, including such items as the program's utilization and effect on succession planning and the guaranteed interest rate given recent market conditions. The Board commits that any adjustments will apply only to new hires, except in the case of possible adjustments related to DROP.

The first discussion is expected to take place at an upcoming Personnel Committee meeting in June. Additional discussions should take place so that the Board's review can be completed in time to make recommendations for inclusion in the FY 2019 Advertised Budget. Feedback from staff, employee groups, and residents will be considered as part of the Board's deliberations.

### **Length of Service Award Program for Volunteer Firefighters**

The Board of Supervisors is grateful for the support that the County receives from its volunteer firefighters, both in terms of funding and, most especially, the commitment of time from residents in our community. Ensuring that we maintain an appropriate volunteer force to augment our career firefighters is important to providing adequate coverage across the County. Through the use of grant funding, the Fairfax County Volunteer Fire and Rescue Association began funding a Length of Service Award Program (LOSAP) in 2014, providing a defined benefit pension plan to eligible volunteer firefighters. As part of the FY 2019 budget development, staff is directed to work with the Fire and Rescue Department and the Volunteer Association to determine how the County can assist in continuing the LOSAP program to help recruit and retain qualified volunteer firefighters. This work should include an analysis of the funding needs of the LOSAP program, investment options, and oversight structure, especially if County funds are required.

### **Uniformed Police Pay and Staffing**

Based on Board guidance for FY 2016 and FY 2017, a comprehensive consultant analysis of the rank, organizational, and pay structure for the Police Department and Office of the Sheriff was completed last fall. Based on the scale of the overall study and estimated costs, recommendations resulting from the study were expected to be implemented in stages over multiple years. In line with study recommendations, additional Police positions were included in the FY 2018 budget, with more expected to be included in future budgets, to decrease the span of control for supervisory positions. For recommendations involving Police employee pay, the FY 2018 budget includes funding to standardize the uniformed Police (O-Scale) pay plan but defers funding related to increasing pay grades of specific job classes based on budgetary limitations. It is important that we continue to implement the recommendations resulting

from the analysis, particularly in regards to employee pay, to ensure that pay remains competitive in the region and the County continues to be able to recruit and retain highly skilled Police Officers. As part of the FY 2019 Advertised Budget Plan, the County Executive is directed to utilize updated market data to determine the appropriate pay grades for Police positions and to include the necessary funding to continue implementation of the study's recommendations.

### **Recommendations of the Ad-Hoc Commission on Police Use of Force**

The recommendations of the Ad-Hoc Commission on Police Use of Force recommended a number of items with significant financial costs, which have been endorsed by the Board of Supervisors. The Board was unable to fund most of the costs of these recommendations in the FY 2018 budget and, under current budget projections, will have significant difficulty funding all of these recommendations in the near future. Therefore, staff is directed to develop for the Board a five-year, fiscally-constrained plan for the implementation of the most important and beneficial recommendations of the Ad-Hoc Commission and to brief the Board on this revised plan by the end of the calendar year.

### **Fire and Rescue Compensation and Organization Study**

Consistent with the comprehensive study recently conducted to review the rank, organizational, and pay structure of the Police Department and Office of the Sheriff, funding is included in the *FY 2017 Third Quarter Review* to conduct a similar study for the Fire and Rescue Department. This analysis should be completed by the fall to allow recommendations to be included in the County Executive's FY 2019 Advertised Budget Plan.

### **Public Safety Staffing Plan**

In 2014, County staff developed the Five-Year Public Safety Staffing Plan. Since its adoption by the Board of Supervisors, limited funding has been available to meet the priorities as originally identified. Since 2014 staff has had the opportunity to review the plan in light of evolving circumstances, and is better able to prioritize programs and estimate costs. Therefore, staff is directed to develop a revised five-year, fiscally-constrained public safety staffing plan that is realistic in light of current budget projections and meets the most pressing

public safety needs of the County, including a plan to fully staff the new South County Police Station by 2021.

### **Pre-Notification 9-1-1**

The procurement and implementation of a pre-notification 9-1-1 data repository would allow residents to voluntarily log personal details into the 9-1-1 system prior to an emergency incident. These details would then be immediately available to first responders if and when a call is received from a registered phone number. Data such as any mental or physical limitations, required medications, and/or identifying characteristics of family members are among the numerous types of information that could be registered through a system of this nature. Staff is directed to continue to explore options related to this functionality as it relates to the next generation 9-1-1 system and opportunities for regional cooperation in procuring and implementing such a system. Staff should report back to the Board of Supervisors at a future Public Safety Committee meeting as new information becomes available.

### **Diversion First**

Diversion First is a key priority of the Board of Supervisors. However, given current revenue projections and competing priorities, it may be difficult for the Board to fund this program at the pace originally envisioned. As the program has developed staff is learning more about costs and priorities and is better able to estimate costs now than when the program originated. Therefore, staff is directed to develop a five-year, fiscally-constrained implementation plan for Diversion First that continues significant forward progress, while operating within realistic fiscal goals. Staff is directed to present this revised implementation plan to the Board of Supervisors by the end of this calendar year, so it may be included in the FY 2019 budget.

### **Employment and Day Services for Individuals with Developmental Disabilities**

During FY 2017, the Board directed the Fairfax-Falls Church Community Services Board (CSB) to analyze the resource and service impacts of the various Employment and Day Services options for individuals with Intellectual and Developmental Disabilities and return to the Health, Housing, and Human

Services (HS) Committee with a recommendation creating an equitable and sustainable service model. Staff continues to evaluate the model presented at the February 21, 2017 HS Committee meeting in the context of experience to date and is directed to return to the Board with an update by the end of September 2017 so that the Board can provide direction on how to proceed with service delivery in FY 2019 to accommodate advance planning for June 2018 graduates and others in the community who come forward for service. The evaluation and implementation process should include continued collaboration and consultation with service providers, advocacy groups, and impacted residents. Additionally, the County Executive is directed to fully fund Employment and Day Services in the FY 2019 Advertised Budget consistent with the direction to be provided by the Board in the fall.

### **Tax Relief for Surviving Spouses of First Responders Killed in the Line of Duty**

In November, Virginia voters approved a constitutional amendment which allows localities the option to grant real estate tax relief for surviving spouses of first responders killed in the line of duty. While it is difficult to estimate the potential revenue loss from implementing this change, it is important that we recognize the potential financial difficulties suffered by those who lose a loved one in the course of protecting the community overall. Therefore, staff is directed to pursue implementation, developing a proposal for the Board's approval, making the necessary system changes, and working to identify qualified residents in time for an effective implementation date of January 1, 2018. The estimated revenue impact should be included in the FY 2019 Advertised Budget Plan.

### **Inova Translational Medicine Institute**

In FY 2015, the County entered into a partnership with Inova to support the Inova Translational Medicine Institute, providing \$500,000 annually to advance research in the application of genomics in personalized health care. The Board believes that this investment will generate significant returns on investment both in terms of economic development in the County and improved health outcomes for our residents and others. In order to ensure accountability and transparency of the use of County funding, staff is directed to continue to work

with Inova to schedule an annual presentation before the Economic Advisory Commission to update the Board on the work being supported by County dollars, progress made in the Institute's research programs, and the economic benefit of that work.

### **Visit Fairfax**

The Board will be meeting with the Board of Visit Fairfax this fall. The tourism industry presents a significant opportunity for expanding a sector of the Fairfax County economy that is not dependent on the federal government. Tourism growth is an important component of the County's Economic Success Plan. Opportunities for enhancing our tourism industry may require changes in state legislation and additional local funding, perhaps through means other than the General Fund. Staff is directed to work with the staff of Visit Fairfax to present the Board of Supervisors with options for growing our tourism industry.

### **Opioid Use Epidemic**

As staff has reported previously to the Board, there are several efforts underway to combat the opioid epidemic including national, state, regional, and local initiatives. The summary included in the recent Budget Q&A indicated that due to the dynamic nature of the situation and ongoing efforts, these efforts would be subject to change. The Board directs that staff continue to provide ongoing updates of the work being done and any changes in the impact that the epidemic is having on the community. Staff is also directed, consistent with the recommendation of the Human Services Council, to continue to work with our national, state, and regional partners on strategies to combat the epidemic and to identify funding needs that the Board should consider during FY 2018 as these updates and recommendations are provided. The Board will also consider a reserve at the *FY 2017 Carryover Review* to provide flexibility for these potential requirements.

### **Human Service System Resources**

The needs assessment developed for the Human Service System last year is a roadmap for the system in the coming years. Using this roadmap the Board directs that staff and the Human Services Council identify priority funding

needs over the next five years. The plan should recognize that the County will be fiscally constrained during this period. The plan should also take into account the priorities already established by the Board and the Human Service System. At the same time the plan should be flexible enough to respond to changing priorities, the impact of changes in programming and County demographics, and shifts in federal funding.

## **Metro**

The level of ongoing commitment to funding Metro will be a significant policy discussion in future years. Historically, the County has relied on modest General Fund support, state aid and gas tax receipts, and General Obligation bonds to meet our share of operating and capital expenses for WMATA (Washington Metropolitan Area Transit Authority). State aid and gas tax represent the County's share of these revenues held on behalf of the County by the Northern Virginia Transportation Commission (NVTC). It is anticipated that FY 2019 and future years will require significant increases in County contributions which are not sustainable within existing revenue resources. The County's growing and future transportation needs to support our economic growth will only be met by a safe and reliable Metro system. Given the urgency of Metro funding and need for reforms, staff is directed to continue to monitor this situation, participate in regional discussions on funding options to include federal and state commitments to Metro funding, and brief the Board as necessary at upcoming Budget Committee and Transportation Committee meetings on the options available for future year funding decisions.

## **Federal Budget Issues**

The potential impact of the federal budget on the County is significant both in terms of the next round of sequestration that is looming in the fall and on long term changes proposed to programs ranging from the environment to human services. The local economy is also going to be affected as federal employees are eliminated and funding for federal contractors is reduced. The County does not have the ability to replace federal funding given the size and scope of the impacts. Staff is therefore directed to monitor the federal budget as it progresses through the process to ensure that the Board has a complete understanding of the impacts. The County strategy as it relates to lobbying

Congress as well as to developing contingency plans for the reductions of the highest priority to the County can then be discussed by the Board. The Department of Housing and Community Development has already begun providing updates and other departments are directed to do the same as appropriate. Staff should recommend putting in place reserves as part of the *FY 2017 Carryover Review* based on the information available at that time and based on the successful use of reserves when we were last faced with sequestration.

**I now move the Budget Guidance that I just reviewed which will help direct the FY 2019 Budget process.**