



County of Fairfax, Virginia

MEMORANDUM

Attachment B

DATE: March 21, 2023
TO: Board of Supervisors
FROM: Bryan J. Hill *J Hill*
County Executive
SUBJECT: FY 2023 Third Quarter Review

Attached for your review and consideration is the *FY 2023 Third Quarter Review*, including Supplemental Appropriation Resolution AS 23190 and Amendment to the Fiscal Planning Resolution AS 23901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

- Attachment I - A General Fund Statement reflecting adjustments included in the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.
- Attachment II - A Summary of General Fund Revenue reflecting an increase of \$49.22 million over the Fall 2022 revenue estimates.
- Attachment III - A detail of major expenditure changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools, the General Fund, and the Federal/State Grant Fund, total a net increase of \$156.29 million. Expenditures in Non-Appropriated Other Funds decrease a total of \$2.98 million.
- Attachment IV - Fund 50000, Federal/State Grants, detailing grant appropriation adjustments for a total net increase of \$49.09 million.
- Attachment V - Supplemental Appropriation Resolutions (SAR) AS 23190, AS 22305 for FY 2022 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 23901.
- Attachment VI - FY 2022 Audit Package including final adjustments to FY 2022 and the FY 2023 impact.
- Attachment VII - Fairfax County Public Schools (FCPS) Third Quarter Review

As the Board is aware, the [Code of Virginia](#) requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed one percent of total expenditures. In addition, any amendment of one percent of expenditures or more requires that the Board advertise a synopsis of the proposed changes. A public hearing on the proposed changes included in the *FY 2023 Third*

Quarter Review has been scheduled for April 11, 12, and 13, 2023. On May 2, 2023, the Board will take action on this quarterly review prior to marking up the FY 2024 Advertised Budget Plan.

The following is a summary of General Fund adjustments included in the *FY 2023 Third Quarter Review*.

Summary of Third Quarter Adjustments

(in millions)

Previous Balances

FY 2022 Audit Adjustments	\$5,273,238
FY 2023 Mid-Year Revenue Adjustments	\$52,767,825
	\$58,041,063

Net Available: **\$58,041,063**

FY 2023 Third Quarter Adjustments

Net Revenue Adjustments **\$51,233,993**

Spending Adjustments

General Registrar Salary Increase	\$0
Mailers for Polling Place and Name Changes	(78,750)
Elections Non-Merit Staffing Increases	(581,318)
Special Election and June Primary	(474,392)
Homeless Shelter Support	(1,500,000)
Hypothermia Program and Other Operational Needs	(428,968)
Auxiliary Grant Program	0
Children's Services Act	2,500,000
Fringe Benefit Savings	6,000,000
County Security	(504,000)
South County Police Station Equipment and Furniture	(633,000)
Fire and Rescue Department Overtime	(4,100,000)
Benchmark and Pay Compression Adjustments	0
Hiring Incentive Program	0
One-Time Increase for Consolidated Community Funding Pool	0
IT Project Support	(18,962,280)
ADA Compliance	(500,000)
Bamboo Mitigation	(400,000)
Confederate Road Name Change Implementation	(1,750,000)
DPWES Maintenance	(500,000)
Forestry Operations	(500,000)
Park Authority CIP Projects	(5,000,000)
Sully Site Educational Initiatives	(250,000)
Willard Health Center	(10,000,000)
Emergency Systems Failures	(3,800,000)
Infrastructure Replacement and Upgrades at County Facilities	(6,100,000)
Courtroom Renovations	(8,100,000)
Emergency Vehicle Preemption	(2,000,000)
Affordable Housing Initiatives	0
Accrued Liability Adjustment	(9,424,000)
Vehicle Replacement Fund	(10,697,244)
Software Storage System Replacement	(4,500,000)
Original Mount Vernon High School	(6,000,000)
	(\$88,283,952)

Required Reserve Adjustments

Revenue Stabilization Reserve	(\$5,156,898)
Economic Opportunity Reserve	(1,031,380)
Managed Reserve	(4,125,518)
	<u>(\$10,313,796)</u>

Net Third Quarter Adjustments: (\$47,363,755)

Net Available: \$10,677,308

The *FY 2023 Third Quarter Review* reflects a series of adjustments necessary to fund FY 2023 spending and reserve requirements, supported primarily by increased revenues identified as part of the fall 2022 revenue review and additional increases in several revenue categories that are trending above the fall estimate. Interest on Investments is estimated to total \$102.06 million in FY 2023, reflecting the impact of the higher interest rate environment and aligning with the estimates included in the FY 2024 Advertised Budget Plan. This category accounts for \$55.16 million of the total funding available in this package as the current projection is \$37.59 million higher than the Mid-Year estimate, which had already recognized growth of \$17.58 million. Other categories that are projected to exceed the prior estimate include Personal Property Taxes and Transient Occupancy Taxes. Personal Property Taxes are projected to be \$11.23 million, or 1.6 percent, above the prior estimate due to a higher than projected vehicle and business personal property levy, offset slightly by a vehicle volume that is lower than initially projected. Transient Occupancy Taxes are projected to be \$2.4 million, or 13.0 percent, higher as hotel occupancy and average daily room rates in Fairfax are significantly higher compared to last year.

Disbursement adjustments that are recommended in the *FY 2023 Third Quarter Review* include one-time funding requirements, primarily for IT and capital projects, and the FY 2023 impact of several adjustments that are included in the FY 2024 Advertised Budget Plan. The package includes no new positions and no new recurring General Fund disbursement requirements. Some of the more significant adjustments in this package include the following:

- Funding of \$36.00 million is included to support capital paydown projects, specifically those related to infrastructure replacement and upgrades at various County facilities, the next phase of courtroom renovations, and funds to supplement bond proceeds at the Willard Health Center and Original Mount Vernon High School.
- Increased information technology funding includes \$19.00 million to support IT projects and \$4.50 million for the purchase of a new software storage system. The two largest investments in IT projects are for the replacement of voting equipment and the modernization of tax payment systems. The need to modernize the County's tax administration infrastructure was highlighted in a November 1, 2022, Board Matter, and staff from the Department of Tax Administration and the Department of Information Technology are working together to develop a timeline for the project. The project is anticipated to be discussed at future Information Technology Committee meetings and additional investments may be required as its scope and cost are refined.
- Vehicle replacement funding totaling \$10.70 million will support costs related to the transition to hybrid and electric vehicles, the change in the police vehicle platform from sedan to utility, and the rising cost of fire and rescue apparatus.
- Support for the creation, rehabilitation, and preservation of affordable housing is recommended to increase by \$10.00 million through the allocation of approximately half of the current funding available in the General Fund Pandemic Reserve.

- Several adjustments are included in continued support for the Parks system. Consistent with action taken as part of the *FY 2022 Carryover Review*, an increase of \$5.00 million is included to bolster Parks capital construction and maintenance. As noted in the FY 2024 Budget Guidance from the Board of Supervisors, it was anticipated that the Park Authority would require County support outside of the bond program to bridge funding gaps prior to the next referendum. In addition, funding of \$0.50 million is included to support the Parks forestry operations as it manages tree health, \$0.40 million is included as initial funding to begin to address bamboo mitigation on park property, \$0.35 million is included to support the cost to replace signage at park facilities impacted by the renaming of Route 29 and Route 50, and \$0.25 million is included to develop an accurate historical narrative and interpretation that would highlight and bring to the forefront the lives of the enslaved people who cared for and cultivated the 120+ acres at the Sully Historic Site/Sully Plantation.
- In addition to IT project support for the replacement of elections equipment noted above, increased support for the Office of Elections in this package totals \$1.19 million. This increase includes the impact of mailers for polling place and name changes, non-merit staffing increases, the Special Election for the 35th District in the House of Delegates and the June 2023 primary.
- As noted in the FY 2024 Advertised Budget Plan, the changes resulting from the FY 2024 Benchmark Compensation Study are recommended to be accelerated to be effective beginning with pay dates in May 2023. This and other adjustments to support retention and recruitment efforts, such as the hiring incentive program, are fully offset by agency savings, fringe benefit savings, and utilization of a portion of the Hiring Incentive Bonus Program Reserve for no net General Fund impact.

These and other adjustments are discussed in detail later in this memo and, as noted above, include no new positions and have no new recurring disbursement impact in FY 2024. The FY 2024 impact of revenue adjustments, including the positive trend observed in Transient Occupancy Taxes, will be presented to the Board as part of the Add-On package in April. **As a result of these adjustments, an available balance of \$10.68 million has been identified as part of the FY 2023 Third Quarter Review.** This balance is available for the Board's consideration to address one-time priorities or consideration items.

Audit Adjustments

As a result of the FY 2022 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Revenue and expenditure adjustments result in the net increase of \$5.27 million to the FY 2023 beginning General Fund balance mentioned above.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds, Fairfax County Park Authority funds, and Fairfax County Redevelopment Housing Authority Funds. All of these audit adjustments were reflected in the FY 2022 Annual Comprehensive Financial Report (ACFR). Details of these audit adjustments are included in Attachment VI.

It should be noted that two County funds, Fund 73000, Employees' Retirement Trust, and Fund 73020, Police Retirement Trust, require a supplemental appropriation based on audit adjustments to reflect proper accounting treatments. Expenditures in both retirement trust funds were increased in order to accurately record investment management fees. An appropriation resolution is required to account for adjustments in the correct fiscal period, consistent with GAAP requirements. Supplemental Appropriation Resolution AS 22305 is included in Attachment V of the *FY 2023 Third Quarter Review*.

Summary of Administrative Adjustments

The following General Fund adjustments are made as part of the *FY 2023 Third Quarter Review*. It should be noted that the revenue adjustments included in the *FY 2023 Third Quarter Review* are described in detail in the Summary of General Fund Revenue, Attachment II.

In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported by both non-General Fund revenue and the use of fund balance. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

SPENDING ADJUSTMENTS

\$88.28 MILLION

General Registrar Salary Increase

Agency 15, Office of Elections

NON-RECURRING

FY 2023 Revenue	\$55,055
FY 2023 Expenditure	<u>\$55,055</u>
Net Cost	\$0

Funding of \$55,055 is included for the state-mandated increase in salary for the General Registrar. The state mandated salary for the General Registrar increased from \$110,351 to \$165,406 for FY 2023. Funding in the amount of \$63,325 has been included in the FY 2024 Advertised Budget Plan for the FY 2024 General Registrar salary increase. This additional funding is completely offset by revenue received from the Virginia Department of Elections for no net impact to the General Fund.

Mailers for Polling Place and Name Changes

Agency 15, Office of Elections

NON-RECURRING

FY 2023 Expenditure	<u>\$78,750</u>
Net Cost	\$78,750

One-time funding of \$78,750 is included for mailers to voters to inform them of district, polling place, or location of polling place changes. This includes a mailer to impacted voters to inform them of the Lee District to Franconia District name change, and the split of the Tysons precinct into two polling places.

Elections Non-Merit Staffing Increases

Agency 15, Office of Elections

NON-RECURRING

FY 2023 Expenditure	<u>\$581,318</u>
Net Cost	\$581,318

Funding of \$581,318 is included for Non-Merit staffing to support tasks necessary due to new legislative requirements and additional polling places added during the redistricting process in early 2022. Funding in the amount of \$91,600 is included for Election Officers at the 17 new polling places added. A total of \$227,500 supports absentee ballot staff needed for the increased volume of absentee mail ballots that resulted from same day registration legislation and absentee applications and returned ballots to meet the requirements of new legislation associated with the “curing” process. Funding in the amount of \$78,800 is needed for voting equipment staff to test and prepare voting equipment for the 17 new polling places and the increased number of satellite voting locations. The remaining \$183,418 is included to clear backlogs in processing, including staff required to process same day registration applications and an increased number of ballots for the November 2022 General Election. Funding to support these requirements are also included in the FY 2024 Advertised Budget Plan.

Special Election and June Primary

Agency 15, Office of Elections

	NON-RECURRING
FY 2023 Expenditure	<u>\$474,392</u>
Net Cost	\$474,392

Funding of \$474,392 is included to support costs associated with the January 10, 2023, Special Election for the 35th District in the Housing of Delegates and the upcoming primary election in June 2023. Expenditures for these elections include stipends for election officers for in-person absentee satellite locations and election day, part-time staffing costs, ballots, and other non-personnel costs. Also included is \$60,000 for the lease and usage of Poll Pads at election sites and \$24,000 for charges from Fairfax County Public Schools to open election sites on the Juneteenth holiday.

Homeless Shelter Support

Agency 38, Housing and Community Development

	NON-RECURRING
FY 2023 Expenditure	<u>\$1,500,000</u>
Net Cost	\$1,500,000

Funding of \$1,500,000 is required in Agency 38, Housing and Community Development, to provide emergency financial and rental assistance to people experiencing, or at risk of, homelessness. The funding will also allow County contracted nonprofits to continue extended shelter capacity for a limited amount of time and reduce the number of families in hotels.

This funding is necessary as federal and state pandemic-era funding programs are expiring, leaving shelter providers without the resources needed to sustain shelter operations or provide financial or rental assistance to prevent homelessness or rehouse people already experiencing homelessness.

Hypothermia Program and Other Operational Needs

Agency 38, Housing and Community Development

	NON-RECURRING
FY 2023 Expenditure	<u>\$428,968</u>
Net Cost	\$428,968

Funding of \$428,968 is required to support the Hypothermia Program and other operational needs in Agency 38, Housing and Community Development. Of this amount, \$100,000 is included to maintain the Hypothermia Program in FY 2023. The remaining \$328,968 comprises \$235,000 to help support increases in Real Estate taxes for non-tax-exempt partnership properties resulting from increased assessments and \$93,968 to support maintenance and operations costs for the senior center at Little River Glen. Baseline funding for both Real Estate taxes and the Little River Glen senior center was added as part of the FY 2024 Advertised Budget Plan.

Auxiliary Grant Program

Agency 67, Family Services

	NON-RECURRING
FY 2023 Revenue	\$400,000
FY 2023 Expenditure	<u>\$400,000</u>
Net Cost	\$0

An increase of \$400,000 is required to offset actual spending for increased financial assistance being provided to low-income individuals who are aged, blind, disabled, and reside in supportive housing. Assistance helps ensure that adults are able to maintain a standard of living. Funding will also offset a 4.54 percent cost of living increase implemented in January 2023. The expenditure increase is fully offset by an increase in state revenue for no net impact to the General Fund.

Children's Services Act
Agency 67, Family Services

NON-RECURRING	
FY 2023 Revenue	(\$2,500,000)
FY 2023 Expenditure	<u>(\$5,000,000)</u>
Net Cost	(\$2,500,000)

A decrease of \$5,000,000 to expenditures is associated with mandated funding requirements in the Children's Services Act (CSA) based on lower than anticipated expenditures in FY 2023. Actual costs for the CSA program are dependent on the number of youths served and the complexity of services provided. COVID-19 staffing shortages have resulted in fewer referrals; thus, the number of youths being served remains down relative to prior years. Increased referrals are expected due to rising referrals from Juvenile and Domestic Relations District Court, new processes to expedite access to care for youth who have been hospitalized or evaluated for hospitalization, and recently added service providers for substance use disorder. The expenditure decrease is partially offset by a decrease in state funding of \$2,500,000 for a net savings to the General Fund of \$2,500,000.

Fringe Benefit Savings
Agency 89, Employee Benefits

NON-RECURRING	
FY 2023 Expenditure	<u>(\$6,000,000)</u>
Net Cost	(\$6,000,000)

A decrease of \$6,000,000 is included to reflect fringe benefit savings, including savings based on year-to-date experience primarily due to position vacancies. This adjustment is consistent with the adjustment made as part of the FY 2024 Advertised Budget Plan.

County Security
Agency 90, Police Department
Agency 93, Department of Emergency Management and Security

NON-RECURRING	
FY 2023 Expenditure	\$418,000
FY 2023 Expenditure	<u>\$86,000</u>
Net Cost	\$504,000

Funding of \$504,000 is required for security enhancements at County facilities. Funding of \$418,000 is required to replace the security equipment at various police stations to align with the comprehensive assessment of the department's video system, its associated equipment, and infrastructure. Funding of \$86,000 is also required to support emergency work on the courthouse INET access control system.

South County Police Station Equipment and Furniture
Agency 90, Police Department

NON-RECURRING	
FY 2023 Expenditure	<u>\$633,000</u>
Net Cost	\$633,000

Funding of \$633,000 is required to purchase equipment and furniture prior to the completion of the South County Police Station, which is scheduled for substantial completion in early July 2023. Due to nationwide supply chain challenges, one-time funding in FY 2023 will be required to allow the department to purchase the necessary items for timely delivery.

The 2015 Public Safety Bond Referendum was approved for the new South County Police Station and Animal Shelter. While costs for the design and construction of the facilities were included in the Capital Improvement Project Plan, funding for necessary equipment ahead of full operational status was not included.

Fire and Rescue Department Overtime

Agency 92, Fire and Rescue Department

NON-RECURRING

FY 2023 Expenditure \$4,100,000

Net Cost \$4,100,000

Funding of \$4,100,000 is required for the Fire and Rescue Department to cover a projected shortfall in Personnel Services primarily due to an increase in overtime costs. There is limited ability to absorb these significant expenses and support critical operational needs.

Benchmark and Pay Compression Adjustments

General Fund Agencies

Agency 89, Employee Benefits

Fund 60010, Department of Vehicle Services

Fund 60020, Document Services

Fund 60030, Technology Infrastructure Services

Fund 83000, Alcohol Safety Action Program

NON-RECURRING

FY 2023 Expenditure \$936,911

FY 2023 Expenditure (\$1,767,213)

FY 2023 General Fund Transfer \$608,586

FY 2023 General Fund Transfer \$11,388

FY 2023 General Fund Transfer \$191,593

FY 2023 General Fund Transfer \$18,735**Net Cost \$0**

Funding of \$1,767,213 is required to support employee retention efforts that will reduce pay compression and align the County's pay structures with the market based on benchmark data. This adjustment includes the acceleration of the changes resulting from the FY 2024 Benchmark Compensation Study to be effective beginning with pay dates in May 2023, as well as the FY 2023 impact of an ongoing review of pay compression in the salaries of current employees. It should be noted that the full cost of these adjustments is offset by the utilization of one-time savings available in several agencies and by anticipated savings in Agency 89, Employee Benefits, resulting in no net impact to the General Fund. It should also be noted that baseline funding associated with this adjustment was included in the FY 2024 Advertised Budget Plan.

Hiring Incentive Program

Agency 51, Fairfax County Park Authority

Agency 87, Unclassified Administrative Expenses

Agency 90, Police Department

Fund 60010, Department of Vehicle Services

Fund 80000, Park Revenue and Operating

NON-RECURRING

FY 2023 Expenditure \$59,199

FY 2023 Expenditure (\$2,027,679)

FY 2023 Expenditure \$1,515,000

FY 2023 General Fund Transfer \$198,480

FY 2023 General Fund Transfer \$255,000**Net Cost \$0**

At the October 18, 2022, meeting of the Personnel and Reorganization Committee, the Board of Supervisors was briefed on recommendations for a Hiring Incentive Program. The program included immediate implementation of hiring bonuses in several critical classifications that are experiencing recruitment challenges, including police officers, deputy sheriffs, nursing positions, heavy equipment operators, behavioral health positions, and crisis intervention specialists. Year to date, more than 1,600 employees have received hiring and retention bonuses, including 41 police officers. The cost of these bonuses has been offset in several agencies with one-time savings available due to position vacancies, and the remaining cost of \$2,027,679 is funded through the utilization of a portion of the Hiring Incentive Bonus Program Reserve, resulting in no net impact to the General Fund. The Hiring Incentive Bonus Program Reserve was established by the Board of Supervisors as part of the *FY 2022 Carryover Review* in Agency 87, Unclassified Administrative Expenses, to support recruitment and retention efforts.

One-Time Increase for Consolidated Community Funding Pool		NON-RECURRING
Fund 10020, Consolidated Community Funding Pool	FY 2023 Revenue	\$30,350
	FY 2023 General Fund Transfer	<u>\$30,350</u>
	Net Cost	\$0

The General Fund transfer to Fund 10020, Consolidated Community Funding Pool, is increased by \$30,350 due to additional Temporary Assistance for Needy Families (TANF) funding received from the state in FY 2023 to supplement an existing Consolidated Community Funding Pool project, Cornerstones Kids and Parents Engage, resulting in a net cost of \$0.

IT Project Support		NON-RECURRING
Fund 10040, Information Technology Projects	FY 2023 Expenditure	<u>\$18,962,280</u>
	Net Cost	\$18,962,280

The General Fund transfer to Fund 10040, IT Projects, is increased by \$18,962,280 to support the funding of continued IT projects. As indicated in the FY 2024 Advertised Budget Plan, projects were anticipated to be funded with one-time balances as part of the *FY 2023 Third Quarter Review*. While increased baseline funding to support these investments is highly recommended, the County has successfully used one-time funds at Third Quarter and Carryover reviews to support technology initiatives due to limited funding. Among the projects included in this increase are \$5.00 million to support the second phase of a three-phase plan to replace elections equipment and \$4.00 million to support the modernization of tax payment systems. More details regarding the projects funded as part of this adjustment are included in the Other Funds Detail write-up for Fund 10040, IT Projects, on page 36 of this package.

ADA Compliance		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$500,000</u>
	Net Cost	\$500,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$500,000 to support the continuation of Americans with Disabilities Act (ADA) compliance and improvements by the Facilities Management Department (FMD) at County facilities. ADA improvements are required annually as facilities age. For example, sidewalks or pavers may settle over time changing the slope or creating gaps and obstructions to walkways, program usage changes can result in new physical barriers, or ADA entrance ramps for pedestrians can fail due to increased usage.

Bamboo Mitigation		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$400,000</u>
	Net Cost	\$400,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$400,000 to begin to address bamboo mitigation at Park Authority properties. This mitigation program is in response to a new Fairfax County Code, which was passed in March 2022. The Park Authority expects that bamboo will be a persistent problem on approximately 200 acres of park property for the foreseeable future. This initial funding is expected to treat the first 20 acres. Future funding will be required to continue these mitigation efforts and to ensure successful removal of running bamboo on multiple Park properties.

Confederate Road Name Change Implementation		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$1,750,000</u>
	Net Cost	\$1,750,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$1,750,000 for sign replacement in response to the Board of Supervisors approval of name changes associated with Route 29 and Route 50 in Fairfax County. The Board requested that the Commonwealth Transportation Board change the road names and committed that the County would pay for the cost of replacing the road signs. Of this total, \$1,400,000 is allocated for the Virginia Department of Transportation (VDOT) to replace 228 signs and \$350,000 is allocated for the Park Authority to replace signage at their facilities. The goal is for VDOT to complete the replacement quickly to avoid any issues with addresses and mailings for the 2023 elections.

DPWES Maintenance		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$500,000</u>
	Net Cost	\$500,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$500,000 to support maintenance that was previously provided by the Office of Sheriff's Community Labor Force (CLF). The CLF program provided offender work teams to support landscaping, litter removal, construction, painting, snow removal, graffiti abatement, and trash removal at County bus shelters and park-and-ride facilities. Effective September 2022, the CLF program was suspended due to low staffing in the Sheriff's Office. The DPWES Stormwater Maintenance Division must now fund this impact through increased maintenance contracts. It should be noted that an amount of \$500,000 was included in the FY 2024 Advertised Budget Plan to partially support this program.

Forestry Operations		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$500,000</u>
	Net Cost	\$500,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$500,000 to support forestry operations within the Park Authority. The Forestry Division is tasked with managing the tree health on park property, of which 77 percent is forested. The Forestry Division is currently only able to address high priority and at-risk trees; and there is currently a backlog of medium and low-risk tree work and required prevention work. In addition, there has been a 245 percent increase in required oak tree removal since FY 2013 due to oak decline. Oak decline is often associated with the mature oak trees, extended periods without rain, or late spring frosts. Based on the mature stock of deciduous trees in the County, oak decline is expected to continue to be prevalent and additional funding is required to address the removal of oaks and other hazardous trees.

Park Authority CIP Projects		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$5,000,000</u>
	Net Cost	\$5,000,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$5,000,000 to support Park Authority capital projects. As in all areas of the Capital Program, the Park Authority has experienced market escalation in project construction. This has most recently been experienced with the construction contract for the Mount Vernon Rec Center renovation project. As noted in the FY 2024 Budget Guidance from the Board of Supervisors, it was anticipated that the Park Authority

would require County support outside of the Bond Program to bridge funding gaps prior to the next referendum. This additional funding will help with escalating costs and alleviate some pressure on the Bond Program particularly in light of the upcoming renovation project at the Audrey Moore Rec Center.

Sully Site Educational Initiatives		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$250,000</u>
	Net Cost	\$250,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$250,000 to support the hiring of expert consultants to develop an accurate historical narrative and interpretation that would highlight and bring to the forefront the lives of the enslaved people who cared for and cultivated the 120+ acres at the Sully Historic Site/Sully Plantation. It is anticipated that the educational opportunities around this site can be creatively enhanced to provide a meaningful experience for all visitors to learn about the history of slavery at the site through immersive educational, experiential, and reflective programming and interpretation.

Willard Health Center		NON-RECURRING
Fund 30010, General Construction and Contributions	FY 2023 General Fund Transfer	<u>\$10,000,000</u>
	Net Cost	\$10,000,000

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$10,000,000 to support the construction phase of the Willard Health Center and Sherwood Community Center project. This project is a joint redevelopment project with the City of Fairfax to include the replacement of the Joseph Willard Health Center and provide for the City’s expanding recreational programming needs at the Sherwood Community Center. The County facility is a licensed medical, nursing, dental, pharmacy, speech and hearing, and X-ray service facility. It also houses the Health Department Vital Records division, the Infant & Toddler Connection program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program. The facility is centrally located and used as the agency Continuity of Operations (COOP) site for clinical services. Building systems replacement as well as significant space modification and expansion is needed to meet current and future service demands. The facility will also include a new childcare center for 124 children, ages birth to five years, whose families have low-to-moderate incomes.

This project was approved as part of the 2020 Community Health and Human Services Bond Referendum in the amount of \$58 million for the County’s share. Phase II of design work was approved by the Board of Supervisors on December 6, 2022. During this phase, the Total Project Estimate was estimated to be in the range of \$116 million to \$124 million. While some costs will be borne solely by one party, the majority of costs will be divided based on pro rata use of program space, currently estimated at 58 percent County and 42 percent City. Staff is estimating that this project will require an additional \$10 to \$15 million in County shares based on market escalation, prevailing wage rates, updated sustainability goals, relocation of existing utilities and structured parking. This funding will contribute towards providing the additional requirements as design is completed and construction begins.

Emergency Systems Failures		NON-RECURRING
Fund 30020, Infrastructure Replacement and Upgrades	FY 2023 General Fund Transfer	<u>\$3,800,000</u>
	Net Cost	\$3,800,000

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$3,800,000 to support emergency systems failures that occur at aging County facilities throughout the year.

Funding provides for emergency repairs in the event of a major systems failure such as a large HVAC system or roof. The County has very limited capacity to deal with potential system failures. Although preventative maintenance is preferred, as the inventory of County facilities age, emergency repairs and maintenance requirements continue to grow. This increase will provide a source of funding for identified and required emergency repairs. In addition, this increase addresses current experience with construction project cost escalation. Project costs have been increasing due to disruptions to global supply chains for most basic raw materials. These increased material costs and delays in receiving supplies have also resulted in contractor backlogs.

Infrastructure Replacement and Upgrades at County Facilities		NON-RECURRING
Fund 30020, Infrastructure Replacement and Upgrades	FY 2023 General Fund Transfer	<u>\$6,100,000</u>
	Net Cost	\$6,100,000

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$6,100,000 for infrastructure replacement and upgrades at County facilities. Additional funding of \$1,500,000 is recommended in the [FY 2024 Advertised Budget Plan](#) to address the FY 2024 infrastructure replacement and upgrades project requirements. Funding of one-time capital improvements as part of a quarterly review is consistent with actions taken by the Board of Supervisors in previous years. These projects, all Category F which is defined as urgent/safety related, or endangering life and/or property, will address emergency building repairs, fire alarm system replacement, HVAC system upgrades, parking lot and garage improvements, and roof repairs and waterproofing.

Courtroom Renovations		NON-RECURRING
Fund 30070, Public Safety Construction	FY 2023 General Fund Transfer	<u>\$8,100,000</u>
	Net Cost	\$8,100,000

The General Fund transfer to Fund 30070, Public Safety Construction, is increased by \$8,100,000 to support the next phase of courtroom renovations at the Jennings Judicial Center. A total of 26 courtrooms were originally identified as requiring renovation, of which four were renovated prior to 2012. The remaining 22 courtrooms were planned to be funded as part of the 2012 and 2018 Public Safety Bond Referendum. At that time, it was anticipated that additional funding would most likely be required to complete all remaining courtroom renovations due to the required phasing of the project. There are six remaining courtrooms requiring renovation and the design phase for these courtrooms has been completed. The current phase of courtroom renovations is nearly complete, followed by three months of technology integration. This additional funding will enable construction of the last six courtrooms to begin at the completion of the previous phase.

Emergency Vehicle Preemption		NON-RECURRING
Fund 30070, Public Safety Construction	FY 2023 General Fund Transfer	<u>\$2,000,000</u>
	Net Cost	\$2,000,000

The General Fund Transfer to Fund 30070, Public Safety Construction, is increased by \$2,000,000 to support costs associated with a multi-tiered approach to expand the Emergency Vehicle Preemption (EVP) program. The EVP Program provides for the installation of vehicle preemption equipment on designated traffic signals along primary travel routes from the closest fire stations. The goal of the EVP Program is to improve response times to emergency incidents as well as safety for firefighters, residents, and visitors in Fairfax County. The first phase prioritizes the installation of EVP systems along major corridors that have the highest traffic volumes beginning with the Tysons area and then the Route 50 and Route 29 corridors. Due to major developments in the Tysons area, there is increased foot traffic and roadway congestion during

peak daytime hours and on weekends. Routes 50 and 29 are also highly congested as an alternative to I-66. The Fire and Rescue Department experiences some of the lowest emergency response times in these three target areas as a result of heavy congestion and population growth in commuters, residents, and visitors. Future funding will be required to install EVP systems in other high traffic areas to help the department meet response time goals.

Affordable Housing Initiatives

		NON-RECURRING
Fund 30300, Affordable Housing Dev. and Investment	FY 2023 General Fund Transfer	\$10,000,000
Agency 87, Unclassified Administrative Expenses	FY 2023 Expenditures	(<u>\$10,000,000</u>)
	Net Cost	\$0

The General Fund transfer to Fund 30300, Affordable Housing Development and Investment, is increased by \$10,000,000 to support the creation, rehabilitation, and preservation of affordable housing throughout Fairfax County. This adjustment is fully offset by a decrease to the General Fund Pandemic Reserve in Agency 87, Unclassified Administrative Expenses, resulting in no net increase to the General Fund. After this adjustment as well as anticipated expenses this fiscal year, the balance of the General Fund Pandemic Reserve is approximately \$10.0 million. It is anticipated that staff will make a recommendation as part of the *FY 2023 Carryover Review* on maintaining this reserve for additional needs in Health and Human services in areas such as food access, emergency rental assistance, and homeless services.

Accrued Liability Adjustment

		NON-RECURRING
Fund 60000, County Insurance	FY 2023 General Fund Transfer	<u>\$9,424,000</u>
	Net Cost	\$9,424,000

The General Fund transfer to Fund 60000, County Insurance, is increased by \$9,424,000 for accrued liability adjustments. An actuarial analysis was performed after the close of the fiscal year by an outside actuary to estimate the ultimate value of losses for which the County is liable. It is the County’s policy to fully fund the Accrued Liability Reserve each year based on the actuarial valuation, in order to ensure adequate funding for those risks that are self-insured. The actuarial analysis estimates the ultimate value both for those cases where claims have already been reported as well as for those claims and future loss payments that could occur, or that have been incurred but not yet reported.

Vehicle Replacement Fund

		NON-RECURRING
Fund 60010, Department of Vehicle Services	FY 2023 General Fund Transfer	<u>\$10,697,244</u>
	Net Cost	\$10,697,244

The General Fund transfer to Fund 60010, Department of Vehicle Services, is increased by \$10,697,244. Of this total, \$5,697,244 is to support the Countywide Vehicle Replacement Program and additional costs related to the transition to hybrid and electric vehicles in line with the County’s Community-wide Energy and Climate Action Plan (CECAP) and the change in the police vehicle platform from sedan to utility, as well as to address inflationary increases. Additionally, \$5,000,000 is included to address inflationary increases for Fire and Rescue apparatus which has increased 25 to 30 percent in cost. Traditionally, the Fire and Rescue Department has made additional contributions to the Vehicle Replacement Funds in order to keep the fund solvent, but as a result of increased vacancies and the rising cost of overtime, they are unable to make an additional contribution as part of FY 2023.

Software Storage System Replacement
Fund 60030, Technology Infrastructure

	NON-RECURRING
FY 2023 Expenditure	<u>\$4,500,000</u>
Net Cost	\$4,500,000

Funding of \$4,500,000 is required for the purchase of a new, more efficient, and safer software storage system. The County currently leases a storage platform to support hundreds of software applications critical to agencies' operations and citizen-facing services which will be reaching the end of its service life in 2023. This investment provides for a replacement, including both the equipment and virtual machine software, to maintain continuity of operations and provide more agile storage infrastructure.

Original Mount Vernon High School
Fund 81400, FCRHA Asset Management

	NON-RECURRING
FY 2023 General Fund Transfer	<u>\$6,000,000</u>
Net Cost	\$6,000,000

The General Fund transfer to Fund 81400, FCRHA Asset Management, is increased by \$6,000,000 to provide funding for design and related development costs incurred prior to the bond sale for the Original Mount Vernon High School project through the end of FY 2023. The bond sale for this project is anticipated to occur in mid FY 2024 to cover any remaining design and all construction costs.

INCREASES TO RESERVES

\$10.31 MILLION

Reserve Adjustments

		NON-RECURRING
Fund 10010, Revenue Stabilization Fund	FY 2023 General Fund Transfer	\$5,156,898
Fund 10015, Economic Opportunity Reserve	FY 2023 General Fund Transfer	<u>\$1,031,380</u>
	Net Cost	\$6,188,278

The transfers from the General Fund to Fund 10010, Revenue Stabilization Fund, and Fund 10015, Economic Opportunity Reserve, are increased by a total of \$6,188,278 based on revised FY 2023 Total General Fund Disbursement levels. This is consistent with the County's reserve policy. The Revenue Stabilization Reserve, Managed Reserve and Economic Opportunity Reserve are fully funded at their target levels.

It should be noted that an additional \$4,125,518 is also allocated to the Managed Reserve as part of the *FY 2023 Third Quarter Review*, for a total General Fund increase to reserves of \$10,313,796.

Summary

In summary, I am recommending that the following actions be taken:

- Board approval of the funding and audit adjustments contained in this package which result in a General Fund Available Balance of \$10.68 million and an increase of \$156.29 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds. Details regarding adjustments for School funds as requested by the Fairfax County Public Schools are provided in the Schools' *FY 2023 Third Quarter Review* package (Attachment VII).
 - Supplemental Appropriation Resolution AS 23190
 - Amendment to Fiscal Planning Resolution AS 23901
 - Supplemental Appropriation Resolutions AS 22305

- Board appropriation of Federal/State grant adjustments in Fund 50000, Federal/State Grants, totaling an increase of \$49.09 million.
- Board approval of an adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2023 Third Quarter Review*.