

REMARKS ON FY 2013 CARRYOVER ACTIONS

September 10, 2013

As we begin the process of adopting Fairfax County's Carryover (or positive ending balance) now that the books have closed on Fiscal Year 2013, I would like to put a few things in perspective first. **Remember that our General Fund budget totaled \$3.6 billion.**

We are required by law to have a balanced budget. Our requirement every year is to end the fiscal year in the black and not in the red.

The ending balance as of June 30th is a total of **\$93.56 million**, a relatively modest year-end balance. It is the result primarily of two things –

- **An increase of \$30.2 million** in what was originally projected for revenue, primarily Real Estate and Personal Property taxes. Our staff projected revenue almost “on the nose” – **within 0.87% of their budget estimate, less than 1%**
- **Expenditure savings that are also less than what was budgeted**, much of this is a result of “close management” in agency spending – savings realized by our Workforce – that are returned to the General Fund, in the amount of **\$63.36 million**. *After accounting for about \$37 million of the items that were committed for in Fiscal Year 2013 but not yet paid for, the net balance is \$26 million or less than 1% of what was budgeted.*

The combination of higher revenues and lower expenditures minus encumbered obligations and funding for our Managed Reserve gives us a balance of **\$56 million**. While \$56 million sounds like a lot of money, to put it in perspective, it is only enough money to cover the County's payroll for about 3 weeks.

The County Executive suggests using some of this one-time balance to pay for a number of one-time expenditures, such as ADA requirements and, per the Board of Supervisors' direction, as a match to the School System to install artificial turf on school fields.

He also suggests putting **\$9.8 million** of this aside to pay for one-time requirements in *next* year's budget, Fiscal Year 2015, a move that will help to close a projected shortfall as we continue to struggle from a sluggish recovery from the greatest economic downturn since the Great Depression of the 1930s.

This move, combined with setting aside the ending Carryover Balance below, will put us in better position this spring as our Board prepares to adopt next year's FY2015 budget and to achieve our goal of moving our workforce into a competitive position with their regional counterparts.

After these actions, the Carryover Balance that the Board is about to address totals \$27.21m.

September 10, 2013
BOARD MOTIONS
FY 2013 CARRYOVER REVIEW

I move Board approval of the Carryover package including Supplemental Appropriation Resolution AS 14012 and Amendment to the Fiscal Planning Resolution AS 14900. This approval includes the *FY 2013 Carryover Review* package as presented on July 30, 2013 which resulted in an available **non-recurring balance of \$27.21 million** with the following non-recurring adjustments:

1. Acknowledge the hard work of County employees and the high quality services they have provided to the community by using **\$10.2 million for a non-recurring compensation adjustment of \$850 (before taxes) for all merit employees to be paid on November 1, 2013.** It is anticipated that this adjustment would provide approximately \$500 to all regular merit employees net of tax withholdings.

I would like to point out that if the Board was proposing a “COLA” or Market Rate Percentage Adjustment instead of this across-the-board adjustment, employees at the higher end of the pay scale would receive the highest adjustments. This action rewards all of our employees evenly across-the-board. Additionally, this adjustment will not exacerbate the County’s projection for reduced revenue in FY 2015, which would make it more difficult to fund a new compensation plan for our employees.

Relatively modest health insurance rate increases than originally anticipated - in the 3 percent range - as are anticipated for the plan year beginning January 1, 2014, a new free mail order option for generic maintenance drugs and a more robust Wellness program should all be positive news for employees.

The Board directs that staff continue to look for opportunities to minimize the impact of **health care** changes on employees. Opportunities for one-time health care premium holidays should be evaluated as appropriate.

The Board reaffirms our commitment to work with employees via the **Workforce Dialogue process** throughout the fall to identify a fair and sustainable compensation package that continues to pay employees competitively as well as meets the fiscal stewardship responsibilities of the Board of Supervisors.

Our Board reaffirms our commitment to review county job classes to **ensure market pay competitiveness** and to make necessary changes as part of the FY 2015 budget.

The Board reaffirms our support for the County Executive’s recommendation for FY 2015 to **reduce the employee retirement contribution rate for members of the Police Retirement System.** Over a period of years the County has been reducing the

employee contribution rate to reach 8.65 percent by FY 2016 to make the benefit more comparable between the Police and Uniformed Retirement systems, recognizing that Police do not participate in Social Security and the benefit structure and contribution rates are different between the two systems. **This reduction will be phased over two years with the first reduction taking place in FY 2015 resulting in a reduction from 10 percent to 9.325 percent.**

2. **Direct staff to make the necessary code changes and schedule a public hearing to reduce the social security offset for disability related retirements for both the Uniformed and Employees' Retirement Systems from 25% to 15% effective January 1, 2014.** The cost for this adjustment is estimated to be \$250,000. The FY 2015 employer contribution rates will be adjusted to reflect this change.
3. Address the numerous exterior issues at the **Great Falls Grange that are non-ADA compliant** including parking, walking routes and an exterior lift for emergency egress on the second floor of the Grange and use \$350,000 to supplement the funding for interior requirements that is already included in Carryover to complete compliance requirements at the site.
4. Fund \$16,000 to continue/wrap up a number of **archeological preservation** efforts within the County to ensure that documentation and recommendations for conserving our archeological resources are made before they are lost.
5. Combat **speeding and unsafe driving in our neighborhoods** by providing \$350,000 for an education campaign (\$150,000) and traffic calming (\$200,000) to help address concerns of our neighborhoods about traffic safety. Also direct that staff identify funding sources be identified for future traffic calming requirements.
6. Provide funding for the significant **backlog in maintenance needs at County-owned trails and sidewalk** by funding \$200,000 to meet the most critical requirements pending the comprehensive review of funding needs that will be addressed in future capital budget requests.
7. **Earmark \$1.0 million within the Reserve for Federal Sequestration Cuts** for potential requirements within the Housing Blueprint/Bridging Affordability program as a result of the use of \$1.0 million in Blueprint funding for the Housing Choice Voucher (HCV) Reserve. It is currently anticipated that the Housing Blueprint/Bridging Affordability funding is sufficient to meet existing requirements. However, if necessary this \$1.0 million would be available to replace the funding designated for the HCV Reserve.

With this and other required adjustments, the remaining balance to be set aside in reserve for one-time FY 2015 requirements is \$15.6 million.