ATTACHMENT B:

MEMO AND ATTACHMENTS I – VII TRANSMITTING THE COUNTY'S FY 2018 CARRYOVER REVIEW WITH APPROPRIATE RESOLUTIONS

ATTACHMENT B

County of Fairfax, Virginia

MEMORANDUM

DATE: July 31, 2018

TO: Board of Supervisors

FROM: Bryan J. Hill
County Executive

SUBJECT: FY 2018 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2018 Carryover Package, including Supplemental Appropriation Resolution AS 19009 and Amendment to the Fiscal Planning Resolution AS 19900. 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 2019
Attachment VI	A detailed description of significant changes in Other Funds
Attachment VII	Supplemental Appropriation Resolution AS 19009 and Fiscal Planning Resolution AS 19900 for FY 2019 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 2018 Carryover Review* recommends changes to the FY 2019 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 25, 2018.

Office of the County Executive
12000 Government Center Parkway, Suite 552
Fairfax, VA 22035-0066
703-324-2531, TTY 703-222-5494, Fax 703-324-3956
www.fairfaxcounty.gov

FY 2018 Carryover Summary

A brief summary of the General Fund follows, comparing unaudited actual receipts and disbursements as of June 30, 2018, to the final estimates of the *FY 2018 Revised Budget Plan*.

GENERAL FUND STATEMENT AND BALANCE AVAILABLE

(in millions of dollars)

	FY 2018 Revised Budget Plan	FY 2018 Actual	Variance
Beginning Balance, July 1	$212.81	$212.81	$0.00
Receipts and Transfers In	$4,125.44	$4,152.97	$27.54
Total Available	**$4,338.25**	**$4,365.78**	**$27.54**
Direct Expenditures	$1,560.14	$1,481.71	($78.43)
Transfers Out	$2,651.96	$2,651.96	$0.00
Total Disbursements	**$4,212.10**	**$4,133.67**	**($78.43)**
Ending Balance, June 30	**$126.15**	**$232.12**	**$105.97**
Managed Reserve	$126.03	$126.03	$0.00
Balance	**$0.12**	**$106.09**	**$105.97**
FY 2018 Commitments ($47.81)			
Outstanding Encumbered Obligations			($29.23)
Outstanding Unencumbered Commitments			($14.02)
Reserve Adjustments			($4.56)
Balance after FY 2018 Commitments			**$58.16**
Allocations for Reserves/Capital ($36.12)			
40% of Balance to Reserves - Managed Reserve			($23.26)
20% of Balance to Infrastructure Sinking Reserve Fund			($11.63)
Reserve Adjustments			($1.23)
Balance after Allocations for Reserves/Capital			**$22.04**
Other Requirements ($11.54)			
Emergency Systems Failures			($3.00)
IT Projects			($2.42)
Infrastructure Replacement and Upgrades at County Facilities			($1.70)
Space Realignment			($1.00)
Expand Capacity of Artemis House Domestic Violence Shelter			($0.50)
ADA Improvements - Housing			($0.33)
Community Use Fees			($0.26)
Forestry Services			($0.20)
Department of Planning and Zoning Deputy Director			($0.18)
Appropriation of Zoning Violation Revenue			($0.17)
Community Business Partnership			($0.15)
Rec-PAC Extended Hours			($0.04)
Increase Capacity of the School-Age Child Care (SACC) Program			($0.03)
Net-Zero Adjustments: *Economic Development Support Fund, Public Assistance Caseloads, TARGET Program Enhancements, Adult and Aging Caseloads, Health and Human Service Realignments, John Hudson Summer Intern Program*			$0.00
Reserve Adjustments			($1.56)
Net Balance			**$10.50**

NOTE: Carryover is defined as the re-appropriation in FY 2019 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2018 capital project and grant balances.

FY 2018 Year-End Summary

FY 2018 General Fund Revenues and Transfers In were $4.15 billion, an increase of only $27.54 million or just 0.67 percent, over the *FY 2018 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 Personal Property Tax receipts, Other Local Taxes, Revenues from the Use of Money/Property, and Revenue from the Commonwealth and the Federal Government. More detail on FY 2018 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 2018 Revised Budget Plan* projections by $78.43 million or 1.86 percent. More detailed information on FY 2018 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 $58.16 million, or 1.38 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 2019 budget. Of the total available balance of $58.16 million, $47.66 million is allocated in the Carryover package and $10.50 million is recommended to be held in reserve to address other critical one-time requirements.

Allocations for Reserves/Capital ($36.12 million, including $1.23 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 $58.16 million balance, 60 percent, or $34.89 million, is allocated for the County's reserves and Capital Sinking Fund.

- $23.26 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 the Revenue Stabilization Reserve is projected to be fully funded in FY 2019, the full amount of this contribution is directed to the Managed Reserve. 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 $30.60 million and results in funded percentages of 3.76 percent (Managed Reserve, 4 percent target) and 5.06 percent (Revenue Stabilization Reserve, 5 percent target), or total reserves of 8.82 percent.

- $11.63 million or 20 percent of the balance is transferred to the Capital Sinking Fund projects consistent with the recommendations of the Infrastructure Financing Committee. Specific funding levels include: $6,397,301 for FMD, $2,326,291 for Parks, $1,163,146 for County-Owned Roads, and $1,744,718 for Walkways. The Capital Sinking Fund 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 ($11.54 million, including $1.56 million in associated reserve adjustments)

Finally, there are a number of other adjustments that are also necessary at this time. Of the $9.98 million in adjustments, excluding the required reserve contributions, $6.03 million is allocated to infrastructure needs at County facilities, including support for emergency repairs in the event of major systems failures at aging County facilities ($3.00 million); infrastructure replacement and upgrades at County facilities ($1.70 million); space realignment and reconfiguration projects to maximize owned space ($1.00 million); and renovations and improvements to comply with the Americans with Disabilities Act (ADA) ($0.33 million). All other adjustments net to a total General Fund impact of $3.95 million. These include support for new and continuing IT projects ($2.42 million); expanded capacity at the Artemis House domestic violence shelter ($0.50 million); custodial overtime charges for use of Fairfax County Public Schools facilities ($0.26 million); forestry services to manage the tree canopy in County parks ($0.20 million); a Deputy Director position in the Department of Planning and Zoning to provide leadership on important initiatives ($0.18 million); the allocation of zoning violation fines to the Strike Force Blight Abatement Project ($0.17 million); the Community Business Partnership ($0.15 million); extended hours associated with the Rec-PAC Program for elementary school age children ($0.04 million); and the expansion of the School-Age Child Care (SACC) program to provide Before School SACC to an additional 331 children at 21 schools and After School SACC to an additional 299 children at 21 schools ($0.03 million). A number of adjustments, with no net impact to the General Fund due to offsetting revenue or disbursement adjustments, are also included. These include 26 positions to address Public Assistance caseloads; 8 positions to address caseloads in the Adult and Aging Division of the Department of Family Services; 8 positions to enhance the TARGET program that identify vehicles that are not properly registered; additional funding for the Economic Development Support Fund; the realignment of positions between County agencies; and support for the John Hudson Internship Program. In total, 42 new positions are proposed as part of the *FY 2018 Carryover Review*.

As a result of these adjustments, a Carryover balance of $10.50 million is available. When combined with the $0.12 million held in reserve as part of the FY 2019 Adopted Budget Plan, a total of $10.62 million is available for Board consideration.

Details of the adjustments included in the *FY 2018 Carryover Review* which have a General Fund impact are noted below in the Carryover Administrative Adjustments section of this letter.

Reserves

Over the past several years, the Board has consistently demonstrated its commitment to increasing the County's reserve levels from the previous target of 5 percent of General Fund disbursements to the new target of 10 percent. As a result, the Revenue Stabilization Reserve is now fully funded at its new target level of 5 percent and the Managed Reserve is approaching its new target level of 4 percent. The combined balance of these two reserves as a result of the adjustments included in the *FY 2018 Carryover Review* is 8.82 percent of General Fund disbursements. Once the Managed Reserve and Revenue Stabilization Reserve are fully funded, the next step in implementing the County's reserve policy will be to begin funding the Economic Opportunity Reserve, which has a target of 1 percent of General Fund disbursements. Staff is drafting policies regarding the use and replenishment of funds in the Economic Opportunity Reserve, which will be presented at an upcoming meeting of the Board's Budget Committee.

Medicaid Expansion

The state's recent expansion of Medicaid eligibility will allow thousands of County residents to obtain affordable health care coverage. The *FY 2018 Carryover Review* includes 19 new public assistance eligibility worker positions to address the increase of 14,468 new public assistance cases that is anticipated from the expansion. The cost of these positions is fully offset by an increase in federal and state funding for no net impact to the General Fund. Staff will continue to monitor the impact of Medicaid expansion on County agencies and will return to the Board with recommendations if additional adjustments are required.

FY 2020 Budget Development

The forecast for the FY 2020 budget included in the FY 2019-FY 2020 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. We will have the opportunity to discuss the FY 2020 forecast in greater detail later in the fall as our projections are refined.

FY 2018 Audit Adjustments

As the Board is aware, the financial audit of FY 2018 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2018 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2019 Third Quarter Review*.

Other Funds Adjustments

Attachment VI of the *FY 2018 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 2018 fund expenditure and revenue variances and notes changes in FY 2019 expenditures.

Carryover Administrative Adjustments

The *FY 2018 Carryover Review* includes net General Fund administrative adjustments and associated managed reserve adjustments totaling $47.66 million. These adjustments are divided into two categories – Allocations for Reserves/Capital and All Other Requirements – and include the following:

ALLOCATIONS FOR RESERVES/CAPITAL

$36.12 million, including $34.89 million in reserve/capital contributions and $1.23 million in associated reserve adjustments

Reserve Adjustments		**NON-RECURRING**
Fund 10010, Revenue Stabilization Fund	General Fund Transfer	$3,667,144
	Net Cost	**$3,667,144**

An increase of $3,667,144 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, and with the Revenue Stabilization Reserve estimated to be fully funded, the 1 percent allocated for the new reserve is allocated to Managed Reserve until the new reserve is established.

The Revenue Stabilization Reserve is projected to be at its target level of funding of 5 percent of General Fund disbursements in FY 2019. As a result, the increase in the Revenue Stabilization Reserve at Carryover is based only on increased disbursements in order to remain at full funding. It should be noted that 40 percent of available balances after funding critical requirements, which are typically set aside in both the Revenue Stabilization and Managed Reserves, are directed solely to the Managed Reserve.

As a result of this adjustment and the $6,527,583 General Fund transfer included in the FY 2019 Adopted Budget Plan, the projected FY 2019 balance in the Revenue Stabilization Fund is 5.06 percent of General Fund disbursements.

Capital Sinking Fund		**NON-RECURRING**
Fund 30010, General Construction and Contributions	General Fund Transfer	$3,489,437
Fund 30020, Infrastructure Replacement and Upgrades	General Fund Transfer	$6,397,301
Fund 30060, Pedestrian Walkway Improvements	General Fund Transfer	$1,744,718
	Net Cost	**$11,631,456**

The General Fund Transfer to various capital funds is increased by a total of $11,631,456 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 $11,631,456 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 was based on the percent of each program area as it related to the total annual requirements presented to the IFC. Based on expenditures to date and work in progress, staff is recommending a shift in the allocation percentages for FY 2019 to address a growing need for walkway reinvestment funds. In the last several years, trails that were originally in fair condition have deteriorated to very poor condition. In addition, trail project which include pedestrian bridges and retaining walls have resulted in a significant increase in project costs. The specific allocation for FY 2019 includes: $6,397,301 for FMD, $2,326,291 for Parks, $1,163,146 for County-Owned Roads, and $1,744,718 for Walkways. The revitalization sinking fund will retain the current balance of $1.3 million for reinvestment projects, but will not receive an increase in FY 2019. Staff will review the allocation of sinking funds again as part of the *FY 2019 Carryover Review*.

OTHER REQUIREMENTS

$11.54 million, including $9.98 million in adjustments and $1.56 million in associated reserve adjustments

Emergency Systems Failures		**NON-RECURRING**
Fund 30020, Infrastructure Replacement and Upgrades	General Fund Transfer	$3,000,000
	Net Cost	**$3,000,000**

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by $3,000,000 to support emergency systems failures that occur at aging County facilities throughout the year. Funding will provide 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 unforeseen emergency repairs and, in combination with the remaining project balance, will provide for approximately $5,600,000 in available funding at the beginning of FY 2019.

IT Projects		**NON-RECURRING**
Fund 10040, Information Technology	General Fund Transfer	$2,415,490
	Net Cost	**$2,415,490**

The General Fund transfer to Fund 10040, IT Projects, is increased by $2,415,490 to support the funding of continuing and new IT projects. As indicated in the FY 2019 Adopted Budget Plan, no additional General Fund support of IT projects was included in the FY 2019 budget proposal. While using one-time funds at Third Quarter and Carryover to support County initiatives has been a consistent strategy employed in recent years due to limited funding, it will be necessary in future years to increase baseline funding for these investments.

IT project support included in the *FY 2018 Carryover Review* totals $2,415,490 and is provided through a General Fund transfer. Funding provides support for continuing and new IT projects and includes support of the FIDO/LifeLine project to keep the current FIDO/LDS system and usable until the multi-phase Planning and Land Use System (PLUS) project is complete.

Infrastructure Replacement and Upgrades at County Facilities		**NON-RECURRING**
Fund 30020, Infrastructure Replacement and Upgrades	General Fund Transfer	$1,700,600
	Net Cost	**$1,700,600**

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by $1,700,600 for infrastructure replacement and upgrades at County facilities. Partial 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; however, it will be necessary in future years to increase baseline funding for these investments. As indicated in the FY 2019 Adopted Budget Plan, the funding provided as part of the *FY 2018 Third Quarter Review* in combination with the funding included in the *FY 2018 Carryover Review* will provide $9,938,000 to address FY 2019 infrastructure replacement and upgrades project requirements. Infrastructure replacement and upgrades projects supported by this funding include HVAC system component replacements at facilities throughout the County.

Space Realignment		**NON-RECURRING**
Fund 30010, General Construction and Contributions	General Fund Transfer	$1,000,000
	Net Cost	**$1,000,000**

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by $1,000,000 to support space realignment and reconfiguration projects at the Government Center complex. This project will provide a source of funding for reconfigurations that will maximize owned space and eliminate leased space.

Expand Capacity of Artemis House Domestic Violence Shelter		**RECURRING/NON-RECURRING**
Agency 67, Department of Family Services	Expenditure	$500,000
	Net Cost	**$500,000**

Funding of $500,000 is required to provide partial-year funding to expand the capacity of Artemis House, the County's 24-hour crisis shelter for victims of domestic and sexual violence, stalking, and human trafficking. Construction of a new Artemis House location with permanent expanded shelter capacity is included in an FY 2020 bond, but in the interim, in order to address the Board priority of providing additional shelter capacity for domestic violence, the Department of Family Services (DFS) has worked with the Fairfax County Regional Housing Authority (FCRHA) to identify space for 11 additional shelter units with capacity for 28 beds in South County, utilizing a building managed by FCRHA. The South

County shelter is scheduled to open in September of FY 2019, and DFS will expand the contract with Shelter House, the non-profit organization that manages the current shelter units, to also manage the operations of the additional shelter units as well. Funding will cover start-up costs including furnishings and infrastructure needs, expansion of the contract with Shelter House, reimbursement to FCRHA for management and maintenance of the building, as well as utilities and security requirements. Full-year funding for the ongoing shelter operational costs will be included as part of the FY 2020 budget process.

ADA Improvements – Housing		**NON-RECURRING**
Fund 30010, General Construction and Contributions	General Fund Transfer	$330,791
	Net Cost	**$330,791**

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by $330,791 to support ADA requirements associated with the Pender Drive Department of Housing and Community Development facility. The existing building requires renovations to both the elevators and several bathrooms and requires improvements to comply with the Americans with Disabilities Act (ADA). The existing hydraulic elevators have been in service for over 29 years and the elevator systems are beyond reliable service life. The safety, reliability, and the rising costs of the day to day operation of the existing equipment indicates the elevators at this site should be modernized. In addition, the elevators require several ADA improvements. Improvements are also required at six restrooms throughout the facility to bring them into compliance with ADA. The cost of these improvements is estimated at $1.04 million. Funding of $209,969 is available within a previously funded General Fund project that was initiated to fund ADA improvements at HCD facilities. Additional funding of $330,791 from the General Fund would represent approximately one-half of the cost of these projects. The remaining funding would be provided from the Housing Trust Fund and FCRHA Operational funds. A certain amount of ADA improvements will be required on an annual basis at all facilities and additional requirements will be reviewed as part of the FY 2020 annual budget for ADA at County, Park and Housing facilities.

Community Use Fees		**RECURRING**
Agency 79, Dept. of Neighborhood and Community Services	Expenditure	$240,000
Agency 51, Fairfax County Park Authority	Expenditure	$16,580
	Net Cost	**$256,580**

Funding of $256,580 in Operating Expenses is required to fund an increase in custodial overtime hourly rates charged by Fairfax County Public Schools (FCPS) to the Department of Neighborhood and Community Services and the Fairfax County Park Authority for the community use of FCPS facilities. The custodial overtime rate will increase to $40 per hour effective July 1, 2018. This is a 14 percent rate increase over the FY 2018 rate of $35 per hour.

Forestry Services		**NON-RECURRING**
Fund 30010, General Construction and Contributions	General Fund Transfer	$200,000
	Net Cost	**$200,000**

The General Fund Transfer to Fund 30010, General Construction and Contributions, is increased by $200,000 to address the most critical forestry services and improve the response to citizen requests. Funding for forestry services will allow the Park Authority to manage the aging tree canopy and reduce risk for park visitors and neighbors. The Park Authority's Park Operations Division responds to 756 citizen requests per fiscal year and of those, 65 percent are tree-related. In FY 2014 and FY 2015, 2.5 percent of the trees removed from Fairfax County Park Authority (FCPA) property were ash trees. In FY 2017, that number increased to 30 percent. Approximately 11 percent of the forests in Fairfax County are composed of various ash species and all are at risk of dying from the emerald ash borer. Forestry services have experienced a rise in requests for the inspection and removal of hazardous or fallen ash trees within the parks and those that may pose a threat to private properties.

Department of Planning and Zoning Deputy Director		**RECURRING**
Agency 35, Department of Planning and Zoning	Expenditure	$175,493
	Net Cost	**$175,493**

Funding of $175,493 is required for 1/1.0 FTE Deputy Director in the Department of Planning and Zoning (DPZ). This position was redirected to DPZ by the County Executive to provide continuity of leadership and direction for the department on important initiatives including the Economic Success Strategic Plan, Fairfax Forward, Fairfax First, the Zoning Ordinance Modernization (zMOD) and development of the Planning and Land Use System (PLUS).

Appropriation of Zoning Violation Revenue		**NON-RECURRING**
Fund 30010, General Construction and Contributions	General Fund Transfer	$173,351
	Net Cost	**$173,351**

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by $173,351 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 $173,351. This adjustment amount is associated with FY 2018 actual revenues received in the amount of $295,566. As a result, this amount is being allocated to the Strike Force Blight Abatement project for use in support of code compliance-related activities.

Community Business Partnership		**NON-RECURRING**
Agency 16, Economic Development Authority	Expenditure	$150,000
	Net Cost	**$150,000**

Funding of $150,000 is required for the Community Business Partnership's (CBP) Community Development Financial Institution (CDFI) plan in FY 2019. The CBP is funded through the Economic Development Authority. It was created in 1995 as a non-profit, tax-exempt organization working in collaboration with local, regional, and national organizations to promote small business growth in Fairfax County. As described in a May 22, 2018 presentation to the Board of Supervisors Economic Advisory Commission, in 2016 the CBP established a CDFI, a US Treasury-recognized financial institution that works in market niches that are underserved by traditional financing institutions. The organization's purpose is to lend money to businesses established by disadvantaged populations in Fairfax County until the businesses can obtain financing from regular commercial sources. The expenditure will be used to help provide initial funding for the program. It is expected that an additional $150,000 will be made available as part of the *FY 2019 Carryover Review*. The recurring cost starting in FY 2021 is $50,000.

Rec-PAC Extended Hours		**RECURRING**
Agency 51, Fairfax County Park Authority	Expenditure	$40,616
	Net Cost	**$40,616**

Funding of $40,616 is included to support extended hours associated with the Rec-PAC Program. This effort will support the One Fairfax Initiative by providing a parks and recreation system that is equitable and inclusive to all communities and provides accessible and affordable programs. The Rec-PAC Program for elementary school age children is located at more than 40 Fairfax County Public School sites across the County, with more than 16,000 registrations. Rec-PAC provides an affordable, quality summer enrichment option for children of working families with affordable weekly fees and a sliding scale based on family income. For two-thirds of children attending Rec-PAC, it is their main summer activity. The program serves disproportionately more low-income children and children of color. While 30 percent of students in Fairfax County Public Schools qualify for free and reduced-price meals, 80 percent of children attending Rec-PAC pay reduced fees with 65 percent on full scholarship. The program provides at least one meal at each site per child. The hours of the program are between 8:30 am and 3:30 pm, shorter than the standard for parks and recreation summer programs which traditionally operate 8 to 10 hours a day to more closely align with the typical schedules of working parents. Funding of $40,616 will provide for extended care for children between the hours of 3:30 pm and 4:00 pm.

Increase Capacity of the School-Age Child Care (SACC) Program		**RECURRING**
	Revenue	$648,378
Agency 67, Department of Family Services	Expenditure	$601,589
Agency 89, Fringe Benefits	Expenditure	$80,914
	Net Cost	**$34,125**

Funding of $682,503 is included to increase capacity at elementary schools located throughout the County in the School-Age child Care (SACC) program. It should be noted that an increase of $80,914 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is partially offset by an increase in revenue for a net cost to the County of $34,125.

Consistent with the Board priority to create additional SACC capacity, County staff routinely works with Fairfax County Public Schools (FCPS) staff to identify options for increasing the number of families that can be served by the SACC program. As a result of these efforts, staff is able to increase capacity for Before School SACC by increasing current SACC teacher hours from 25 hours to 30 hours and After School SACC by utilizing additional space and benefits-eligible support. In total, an additional 331 children at 21 schools will be provided care in Before School SACC and 299 additional children in 21 schools will be provided care in After School SACC.

All of the schools that will expand capacity currently have waitlists. County staff will continue to work with FCPS staff to identify additional space at elementary schools, specifically targeting those elementary schools with high waitlists. The table below shows the schools that will expand capacity for both Before School and After School and the current waitlist at each school.

Elementary Schools Increasing SACC Capacity			
Before School SACC		**After School SACC**	
School	Waitlist	School	Waitlist
Rolling Valley	69	Wolftrap	111
Fairview	63	Laurel Ridge	103
Terra Centre	54	Providence Com. Center	100
Fairfax Villa	47	Flint Hill	98
Bonnie Brae	39	Kent Garden	81
Keene Mill	39	Terra Centre	67
Columbia	35	Spring Hill	61
Camelot	31	West Springfield	55
Cherry Run	29	Canterbury Woods	51
Spring Hill	24	Belle View	41
West Springfield	24	Willow Springs	39
Oak View	23	Keene Mill	36
Ravensworth	22	Rolling Valley	32
Franconia	21	Sleepy Hollow	31
Woodburn	21	Rose Hill	23
White Oaks	18	Westgate	22
Centre Ridge	13	Hunt Valley	14
Franklin Sherman	13	Belvedere	12
Greenbriar W	13	Cherry Run	12
Bren Mar Park	11	Cub Run	12
Sleepy Hollow	10	Fairfax Villa	11

Economic Development Support Fund		**NON-RECURRING**
Fund 20000, County and Schools Debt Service	General Fund Transfer	($2,000,000)
Agency 87, Unclassified Administrative Expenses	Expenditure	$2,000,000
	Net Cost	**$0**

The transfer from the General Fund to Fund 20000, County and Schools Debt Service, is reduced by $2,000,000 to provide one-time funding for investment opportunities in support of the Strategic Plan to Facilitate the Economic Success of Fairfax County. This transfer to the Economic Development Support Fund (EDSF) in Agency 87, Unclassified Administrative Expenses, will accelerate the opportunity that the Economic Opportunity Reserve (EOR) will ultimately provide when fully funded. As part of the *FY 2016 Carryover Review*, the EDSF received initial funding of $5,000,000, and $2,300,000 has been encumbered to projects approved by the Board. Any proposed use of funds from the Economic Development Support Fund are subject to review by County staff and approval from the Board.

Public Assistance Eligibility Workers for Medicaid Expansion		**RECURRING**
	Revenue	$1,441,887
Agency 67, Department of Family Services	Expenditure	$969,597
Agency 89, Fringe Benefits	Expenditure	$472,290
	Net Cost	**$0**

Funding of $1,441,887 is required to appropriate additional FY 2019 revenue from the state to support 19/19.0 FTE new public assistance eligibility worker positions. These positions will address an anticipated increase of 14,468 new public assistance cases due to the state's recent expansion of Medicaid eligibility. Staff estimates that 30 positions are actually needed to address the increased number of cases, to ensure adequate quality control, and maintain a reasonable ratio of cases per worker; however, the amount of funding received from the state will only support 19 positions. Staff will continue to monitor the status of the Medicaid applications and cases to determine whether additional resources may be necessary. It should be noted that an increase of $472,290 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is completely offset by an increase in federal and state funding for no net impact to the General Fund. It should be noted that 7/7.0 FTE positions have been included as part of the *FY 2018 Carryover Review* to address caseload growth over the last year independent from Medicaid expansion (see below); however, these 19/19.0 FTE positions are specifically to address the increase in new cases as a result of the state's expansion of Medicaid.

Public Assistance Eligibility Workers to Address Increased Caseloads		**RECURRING**
	Revenue	$768,877
Agency 67, Department of Family Services	Expenditure	$517,032
Agency 89, Fringe Benefits	Expenditure	$251,845
	Net Cost	**$0**

Funding of $768,877 is included to support 7/7.0 FTE new public assistance eligibility worker positions in the Department of Family Services. These positions will continue to address the increase in public assistance caseloads in the Self-Sufficiency Division in order to meet state and federal guidelines for both timeliness and accuracy. It should be noted that an increase of $251,845 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 2018, the ongoing monthly caseload was more than 100,000 cases, which is a 93 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 fifth consecutive year, the external auditor for the year ending June 30, 2017, 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 to handle the increasing caseloads.

The County began systematically adding positions to address increasing caseloads in FY 2014 based on annual caseload growth and a manageable case to worker ratio that would allow the agency to address the identified performance shortfalls. Positions have been added each year since FY 2014, and the program has made significant improvements in both the timeliness and accuracy of application processing and ongoing case management. However, they have still been unable to meet the 100 percent accuracy and timeliness mandates, due in large part to the continuously increasing number of applications and ongoing cases each year. While DFS has taken many steps to improve training and quality assurance, and continues to explore ways to streamline processes and utilize resources more efficiently, there is no further capacity to address existing workloads while continuing to absorb additional cases. These positions will help to maintain manageable caseloads to ensure that the timeliness and accuracy of application processing continues to improve. As it is anticipated that the number of applications and ongoing cases will continue to grow, staff will monitor caseload growth to determine whether it is necessary to add additional units in future years. It should be noted that 19/19.0 FTE positions have been included as part of the *FY 2018 Carryover Review* to address the state's expansion of Medicaid eligibility (see above); however, these 7/7.0 FTE positions are specifically to address the natural caseload growth over the last year independent from Medicaid expansion.

TARGET Program Enhancements		**RECURRING/NON-RECURRING**
	Revenue	$1,077,477
Agency 57, Department of Tax Administration	Expenditure	$906,032
Agency 89, Fringe Benefits	Expenditure	$171,445
	Net Cost	**$0**

Funding of $1,077,477 is required for enhancements to the TARGET program. The FY 2019 enhancements include an initial investment of $518,107 for a private vendor utilizing data analytics to locate ownership records of vehicles with out-of-state license plates for all Fairfax County addresses, and $559,370 to support 8/8.0 FTE new positions in the Personal Property and Business License division. It should be noted that an increase of $171,445 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The intent of this adjustment is to ensure greater compliance. The expenditure increase is completely offset by an increase in revenues generated by the TARGET program for no net impact to the General Fund. The revenue projection is believed to be conservative and staff will continue to monitor and report to the Board on the success of the initiative.

The TARGET program is designed to identify and assess the vehicles of County residents that are not properly registered with the Department of Motor Vehicles or with the Department of Tax Administration (DTA). DTA has many ways to obtain license plate information to research. Residents can report out-of-state license plates for research through DTA's website. DTA supplements this effort with its own observations by field staff, and the Sheriff's Office and Police Department also refer out-of-state license plates to DTA for research. The TARGET program adds more than $2 million in assessments annually, has increased the County's responsiveness to residents' complaints, and ensures greater equity among the tax base. On March 20, 2018, at the request of Supervisor McKay, the Board unanimously directed the County Executive to work on a plan to further the County's TARGET program.

DTA has been conducting a pilot program in which it provided the addresses of apartment complex dwellers to a private vendor. Using data analytics, the vendor returned ownership records of vehicles with out-of-state license plates for everyone in those apartment complexes. As a result, a number of new vehicles were added to the tax file. Funding will expand the pilot program to include all addresses in Fairfax County and allow DTA to establish a TARGET canvassing team that will go out into the field looking for out-of-state license plates.

The 8/8.0 FTE new positions include one Data Analyst II position to support the TARGET program's data management and analysis needs, two Administrative Assistant V positions to perform supervisory functions in the expanded program, and five Administrative Assistant III positions to establish the TARGET canvassing team. The FY 2019 expenditures include the initial investment for the data analytics vendor and partial year costs for the new positions.

Adult and Aging Services Positions		**RECURRING**
	Revenue	$865,104
Agency 67, Department of Family Services	Expenditure	$581,739
Agency 89, Fringe Benefits	Expenditure	$283,365
	Net Cost	**$0**

Funding of $865,104 is included to support 8/8.0 FTE new positions in the Adult and Aging Division in the Department of Family Services in order to address increasing caseloads and compliance issues. It should be noted than an increase of $283,365 in Fringe Benefits funding is included in Agency 89, Employee Benefits. The expenditure increase is completely offset by an increase in state funding for no net impact to the General Fund.

The County has seen significant growth in the older adult population over the last several decades, and it is anticipated that in the coming years, the number of older adults in the County will continue to grow. With the growing older adult population has come an increase in demand for services, which has resulted in dramatic increases in caseloads across the spectrum of programs administered by the Adult and Aging Division, many of which are mandated. However, as the number of cases has increased, the number of workers to manage, investigate, and process them has remained relatively constant, causing the average number of cases per worker to far exceed industry caseload recommendations in many programs. This has made it difficult to comply with stringent requirements around the timeliness and accuracy of cases that are processed, and to continue to meet all of the requirements of County residents in need of services. A recent state audit noted compliance issues with timeliness, case documentation, and updating of services plans.

These 8/8.0 FTE positions will help to lower worker caseloads and increase oversight and program support for quality assurance in an effort to address case management and compliance issues in many of the Adult and Aging programs including: the Adult Protective Services (APS) program, which is a mandated program that investigates incidences of suspected abuse, neglect, and exploitation involving adults 60 years and older as well as incapacitated adults age 18 and older; the Adult Services program, which provides case management, home based care authorizations, and mandated pre-admissions screenings; the Home Delivered Meals program, which provides meals to frail, homebound, low-income residents age 60 and older who cannot prepare their own meals; and the Long-Term Care Ombudsman program, which educates residents and care providers about patient rights and resolves complaints against nursing and assisted living facilities, as well as home care agencies, through counseling, mediation, and investigation. As the number of older adults and cases continue to increase, it is anticipated that additional resources may be required in future years.

Data Governance and Utilization		**RECURRING**
Agency 20, Department of Management and Budget	Expenditure	$118,119
Agency 25, Business Planning and Support	Expenditure	($118,119)
	Net Cost	**$0**

Funding of $118,119 and 1/1.0 FTE Management Analyst IV is transferred from Agency 25, Business Planning and Support to Agency 20, Department of Management and Budget to better align data governance and utilization resources.

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

Funding of $10,000 is required to appropriate FY 2019 state revenue for the John Hudson Internship Program. The overall objective of the program is to address the 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 new impact to the General Fund.

Health and Human Service (HHS) Position Realignments		**RECURRING**
Agency 12, Department of Procurement and Material Management	Expenditure	$111,248
Agency 67, Department of Family Services	Expenditure	$69,713
Agency 71, Health Department	Expenditure	$33,916
Agency 73, Office to Prevent and End Homelessness	Expenditure	$27,914
Agency 77, Office of Strategy Management	Expenditure	($232,357)
Agency 79, Department of Neighborhood and Community Services	Expenditure	$59,085
Agency 81, Juvenile and Domestic Relations District Court	Expenditure	$41,473
Fund 40040, Fairfax-Falls Church Community Services Board	General Fund Transfer	($110,992)
	Net Cost	**$0**

Funding and positions, including 5/5.0 FTE merit positions and limited term support, are realigned among the Health and Human Services agencies. These adjustments are associated with the realignment done as part of the FY 2019 budget which established the Office of Strategy Management for HHS (OSM) to more effectively analyze and manage HHS strategic resources and work. The table below summarizes the position shifts.

Position	From	To
Management Analyst III	Agency 77	Agency 12
Management Analyst II	Agency 77	Agency 67
Management Analyst I	Agency 77	Agency 79
Management Analyst III Management Analyst II	Fund 40040	Agency 77

Consideration Items

As of July 30, 2018, the Board of Supervisors has proposed four consideration items for the *FY 2018 Carryover Review*. These include providing funding to support a countywide energy strategy ($4.5 million); the establishment of a Korean community center ($0.5 million); the Innovation Fund that is included in the Health and Human Services Resource Plan ($0.2 million); and the Complete Count effort for the 2020 Census ($0.1 million).

Additional Adjustments in Other Funds

Total FY 2019 expenditures in Appropriated Other Funds, excluding School funds, are requested to increase $1.69 billion over the FY 2019 Adopted Budget Plan. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $29.12 million in Non-Appropriated Other Funds. Details of Fund 50000, Federal/State Grant Fund, are discussed in Attachment V, while details of FY 2019 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VI. School Board adjustments total $578.77 million, excluding debt service, over the FY 2019 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 19009 as well as Fiscal Planning Resolution AS 19900 to provide expenditure authorization for FY 2018 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve, including the following:

- Board appropriation of $29.23 million in General Fund encumbrances related to Direct Expenditures from FY 2018 as noted in the General Fund Statement and in Attachment III.

- Board appropriation of General Fund unencumbered commitments totaling $14.02 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 $268.86 million, or an increase of $148.79 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 2018 Final Budget Review and Appropriation Resolutions.

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