Multi-Year Budget: FY 2019 and FY 2020

FY 2019

Adopted Budget Plan

MULTI-YEAR FINANCIAL PLANNING PROCESS/FINANCIAL FORECAST

Beginning in FY 2014, the County undertook a more comprehensive multi-year General Fund budgeting process - the development of a two-year budget framework. The two years include the budget proposed to the Board of Supervisors (FY 2019) and the subsequent year framework (FY 2020). In this way, County staff throughout the organization will be able to more completely outline the prospective issues that will need to be addressed as part of the budget process for the following year, more clearly demonstrate the impact of decisions in the budget being adopted, and lay out a more accurate projection for the next year as well as any associated options for balancing that budget. The process will culminate in the adoption each year of the annual budget, as required by State Code.

SUMMARY OF THE FY 2019 AND FY 2020 MULTI-YEAR BUDGET

The current forecast for FY 2020 indicates a challenging budget environment similar to FY 2019. Revenue growth is projected at a modest 2.60 percent assuming no tax rate increases. Between this revenue growth and savings as a result of reserve adjustments, available resources would allow County disbursements and support for the Fairfax County Public Schools to increase by approximately 2.74 percent. As a result, $55.08 million would be available for County funding priorities and total County support for the Schools would increase by $61.84 million.

	County	$ in Millions	Schools
Available Funding	$52.34	Additional County Base Revenue ($111.11)	$58.77
	$2.74	Reserve Savings ($5.81)	$3.07
	$55.08	Total Available	$61.84

The Schools continue to be the County's top funding priority, and the division of available resources shown in the table above would maintain total support for the Schools at 52.8 percent of disbursements, the same share as in the FY 2019 Adopted Budget Plan. School debt service requirements are projected to increase $4.60 million, due in part to the increase in the annual School bond sale limit from $155 million to $180 million. This increase would be partially funded by a decrease of $2.50 million in the transfer for School construction, as the FY 2019 Adopted Budget Plan includes a one-time increase in construction support that will be shifted to debt service beginning in FY 2020. The transfer for School operations would increase by $59.74 million, as shown in the table below. As a result, FY 2020 support for the Schools would include transfers of $2.11 billion for operations, $198.0 million for debt service, and $13.1 million for construction.

	FY 2020 (in millions)
School Allocation	$61.84
Debt Service	$4.60
Construction	($2.50)
Increase in School Operations Transfer	$59.74

Meanwhile, disbursement requirements continue to increase both as a result of the factors that drive expenses in the County and Schools budgets, such as population growth and employee compensation increases, and as a result of the need to address the priorities of the community, including reductions in class sizes and continued implementation of the Diversion First program. The available resources identified for FY 2020 will fund only a small subset of these priorities. The projected increase in the transfer for School operations of $59.74 million will only be sufficient to fund enrollment growth and partially fund employee compensation increases. Similarly, the priorities that have been identified by County agencies exceed the projected resources available. As shown in the table below, employee compensation increases and increases in employer costs for fringe benefits exceed the County allocation of $55.08 million by $5.42 million. In total, the priorities that have been identified by County agencies for consideration in the FY 2020 budget exceed projected resources by $60.14 million. Therefore, balancing the FY 2020 budget will require difficult decisions regarding which priorities to fund, which to exclude or delay, and whether programmatic reductions should be made in other areas or revenue enhancements should be considered. It should be noted that reserve requirements have been included in the figures below for the amount of disbursement increase that is supportable by projected revenue growth, but have not been included for the identified disbursement increases that exceed projected available resources.

	FY 2020 (in millions)
County Allocation	$55.08
Employee Pay	$46.50
Employee Benefits	$14.00
Net Balance	($5.42)
Other Priorities	$54.72
Net Balance	($60.14)

The projections for revenues and expenditure requirements included in the following sections are an early forecast of the challenges that will be faced in the coming budget cycle. Other funding priorities are likely to develop prior to the release of the FY 2020 Advertised Budget Plan.

Development of the FY 2020 budget will span the majority of the next year. The next step in the process will be a series of joint meetings between the Board of Supervisors and School Board in the fall. Updated projections will be presented at those meetings to provide a better picture of anticipated revenues based on the most recent data, and the inventory of County and School priorities will be refined based on input from the two boards.

Revenue Assumptions

Based on the assumptions and estimates detailed below, General Fund revenues are projected to experience an increase of 4.04 percent in FY 2019 as a result of a 3.59 percent rise in real estate assessments and a 2 cent increase in the adopted Real Estate tax rate from $1.13 to $1.15 per $100 of assessed value, as well as growth in other revenue categories. **General Fund revenue growth of 2.60 percent is currently projected in FY 2020.** Revenue growth rates for individual categories are shown in the following table:

Category	Actual FY 2017[1]	Projections FY 2018	FY 2019[2]	FY 2020
Real Estate Tax – Assessment Base	2.98%	1.89%	3.59%	3.00%
Equalization	1.94%	0.97%	2.58%	2.00%
Residential	1.64%	0.68%	2.17%	1.75%
Nonresidential	2.87%	1.85%	3.79%	2.70%
Normal Growth	1.04%	0.92%	1.01%	1.00%
Personal Property Tax – Current[3]	3.09%	0.24%	1.60%	1.50%
Local Sales Tax	(1.23%)	2.56%	2.50%	2.50%
Business, Professional and Occupational License (BPOL) Taxes	1.20%	1.50%	1.50%	1.50%
Recordation/Deed of Conveyance Taxes	6.41%	(4.06%)	1.00%	1.00%
Interest Rate Earned on Investments	1.14%	1.65%	1.95%	2.25%
Building Plan and Permit Fees	8.86%	1.83%	0.00%	0.00%
Charges for Services	2.87%	(0.48%)	0.95%	1.05%
State/Federal Revenue[3]	4.07%	(3.92%)	1.02%	0.00%
Total General Fund Revenue	**5.43%**	**1.39%**	**4.04%**	**2.60%**

[1] FY 2017 growth rate of 5.43% includes the impact of a $0.04 increase in the Real Estate tax. Excluding the Real Estate tax rate increase, the FY 2017 growth rate would have been 3.00%.

[2] FY 2019 growth rate of 4.04% includes the impact of a $0.02 increase in the Real Estate tax. Excluding the Real Estate tax rate increase, the FY 2019 growth rate would be 2.84%.

[3] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

Economic Indicators and Assumptions

Economic projections for the national and local economies were reviewed from a variety of sources in the development of these revenue estimates including IHS, the Congressional Budget Office and the National Association of Realtors. Projections specific to Fairfax County are obtained from economic forecaster IHS.

According to estimates from IHS, the County's Gross County Product (GCP), adjusted for inflation, increased at a rate of 1.5 percent in 2017, after essentially being level in 2016. Growth is projected to accelerate in 2018. The positive 2018 outlook is supported by continued job growth, personal earnings growth, and high consumer confidence. While its impact will not be immediate, the added stimulus by the federal tax reform approved in early 2018 is expected to also reinforce the economy. The federal budget deal approved in early February eliminated the threat of sequestration and increased federal funding for defense and domestic programs. It should pave the way for a measure of stability for the regional economy through at least September 2019. On the national level, potential risks for the future performance of the economy include the extended business cycle, which is almost in its ninth year of expansion, structural imbalances, volatility in the stock market and rising interest rates. Still, most economists expect an above average year for the U.S. economy.

Real Estate Taxes

Based on the assumptions below, the total Real Estate Tax base is expected to rise 3.59 percent in FY 2019 and 3.00 percent in FY 2020.

Local Housing Market

Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in Fairfax County rose 4.3 percent from $544,416 in 2016 to $567,829 in 2017. Home prices continue to increase primarily as a result of tight inventory of homes for sale and low mortgage interest rates. Since 2009, the average home sales price has risen 36.1 percent, or an average annual growth of 3.9 percent. MRIS also reported that 16,109 homes sold in the County in 2017, up 2.3 percent over 2016. Homes that sold during 2017 were on the market for an average of 45 days, down from 52 days in 2016.

After increasing 0.68 percent in FY 2018, residential values rose 2.17 percent in FY 2019 to a mean assessed value for residential property of $547,219. An increase of 1.75 percent is anticipated in FY 2020.

Local Nonresidential Market

According to the Fairfax County Economic Development Authority, the direct office vacancy rate was 15.5 percent at year-end 2017, down from 15.8 percent at year-end 2016. The overall office vacancy rate, which includes empty sublet space, was 16.3 percent at the end of 2017, down from 16.8 percent recorded at year-end 2016. The amount of empty office space dropped to 19.1 million square feet. Industry experts anticipate vacancy rates to remain relatively stable through 2018 as tenants monitor economic conditions and the direction of the federal budget.

Office leasing activity topped 11.7 million square feet by the end of 2017, exceeding the 11 million projected pace. As has been the case for the past several years, the overwhelming majority of leasing activity during 2017 involved renewals and consolidations. Lease rates for new space are adjusting to market conditions as many tenants are taking advantage of favorable rates, and others are looking to capitalize on market conditions by consolidating operations in newer space near Metro stations. Submarkets along and near the Silver Line – Tysons Corner, Reston and the Herndon area – are especially well-positioned to take advantage of this trend. More than 54 million square feet of new office space is in the development pipeline countywide. This "flight to quality," however, results in vacancies in office space that is older and often farther from transit and amenities.

In FY 2019, nonresidential values increased 3.79 percent due to equalization compared to 1.85 percent growth in FY 2018. The main cause for the higher FY 2019 increase in nonresidential values compared to the growth experienced in FY 2018 is the increase in the values of Office Elevator properties. Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 32.0 percent, experienced an increase of 2.82 percent in FY 2019 after declining 1.39 percent in FY 2018. In FY 2020, the overall value of all types of nonresidential properties is projected to increase 2.70 percent over FY 2019.

New Construction

The Real Estate Tax base will also be impacted by new construction in the County. Fairfax County ranks as the 19th most active office construction market nationally. At year-end 2017, office development continued around Metro stations in the Silver Line corridor and in other areas of the County as well. Six office buildings totaling more than 2.2 million square feet were underway in three submarkets in December 2017. More than 70 percent of the office space being built is leased or will be owner-occupied. The amount of new space delivered in 2017 – more than 870,000 square feet – slightly exceeded the roughly 850,000 square feet delivered in 2016. Based on current activity, total new construction is projected to add 1.00 percent to the overall real estate base in FY 2020, a rate on par with FY 2019.

Personal Property Taxes

Current Personal Property Tax revenue, which represents nearly 15 percent of total General Fund revenue, is anticipated to experience an increase of 1.6 percent in FY 2019 due to a projected increase in the vehicle levy, as well as an increase in the Business Personal Property levy. The vehicle component comprises almost 77 percent of the total Personal Property tax levy. Personal Property Tax revenue is projected to increase a similar 1.5 percent in FY 2020.

Other Major Revenue Categories

Sales tax receipts decreased 1.2 percent in FY 2017 primarily due to a $2.5 million refund of taxes paid in previous years based on a state audit and a $2.2 million audit increase received in FY 2016, which made the annual comparison less favorable. Adjusted for misallocations and refunds, FY 2017 collections would have increased 1.5 percent. Growth of 2.6 percent is projected in FY 2018. Both FY 2019 and FY 2020 are projected to increase a similar 2.5 percent. BPOL (Business, Professional and Occupational License) tax receipts are sensitive to economic conditions and are particularly impacted by federal procurement spending in the County as the Consultant and Professional Business Services categories comprise almost 42 percent of total BPOL receipts. Total BPOL receipts are anticipated to increase 1.5 percent annually from FY 2018 through FY 2020. Recordation and Deed of Conveyance revenues, which are paid for recording deeds, are anticipated to be down 4.1 percent in FY 2018 primarily due to declines in mortgage refinancings. A modest growth of 1.0 percent is projected in FY 2019 and FY 2020 based on continued growth in home sales.

Building permit fee revenue is forecasted to be level in FY 2019 and FY 2020. Other permits, licenses, and user fees are expected to experience modest growth throughout the forecast period.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. After increasing the target range for the federal funds rate for the first time in almost a decade back in December 2015, the Federal Reserve raised the rate again in December 2016 and continued raising it at a gradual pace throughout 2017. The Fed has indicated that two more interest rate hikes are likely in 2018 on top of the one already approved in March. The average annual yield on County investments is anticipated to be 1.95 percent in FY 2019 and 2.25 percent in FY 2020.

State and federal revenue categories are expected to increase 1.0 percent in FY 2019 and then remain level in FY 2020. Staff will continue to monitor the impact of state and federal spending on County funding streams.

DISBURSEMENT PRIORITIES

The disbursement requirements and priorities that have been identified through the FY 2019 and FY 2020 multi-year budget process are discussed below. Among these items are basic requirements such as funding of County and School debt service, employee pay increases and benefit cost increases, increases resulting from budget drivers such as increased workloads and School enrollment, and implementation of programs that have been identified as Board priorities. In addition to the costs noted below, the County's reserve policy requires that an amount equal to ten percent of any increase in General Fund disbursements be allocated between the Managed Reserve and the Revenue Stabilization Fund.

The items identified below and associated expenditure levels will be revalidated during the FY 2020 and FY 2021 multi-year budget development process in light of updated data and revenue projections. However, the increases that could be accommodated within the modest revenue growth that is currently projected are limited to funding of benefit cost increases and funding increases resulting from School enrollment growth, with partial funding of employee pay increases. Therefore, in order to develop a balanced budget and address Board priorities, it will be necessary to consider revenue enhancement options and programmatic reductions or to defer some of these items to FY 2021 or beyond.

Fairfax County Public Schools (FCPS)

An increase in the transfer to the Fairfax County Public Schools for operations will be required to support increased expenses resulting from enrollment growth and demographic changes, employee compensation increases including support to continue the teacher scale enhancement, implementation of nonteacher salary scales for school-based administrators and unified salary scales, and benefit cost increases. In addition, FCPS' strategic plan will require additional, long-term investments, and previously identified unfunded needs include reducing class sizes at middle and high schools, special education needs for elementary enhanced autism, investing in additional psychologists and social workers, eliminating pre-k waitlists, replacing instructional systems supporting teaching and learning, computers and buses, providing students with computers, and investing in aging infrastructure needs including preventive and major maintenance. It is anticipated that guidance regarding the increase in the County transfer for operations will be developed during the joint meetings of the Board of Supervisors and the School Board. It should be noted that each one percent increase in the transfer for operations is approximately $20.52 million.

For the purposes of this projection, it has been assumed that County disbursements and County support for the Schools will both increase at the same rate in FY 2020. As a result, total County support for the Schools is projected to increase by approximately 2.74 percent, or $61.84 million. This amount comprises an increase of $59.74 million for school operations and an increase of $4.60 million for debt service based on the size of bond sales for School facilities, including the increase in the Schools bond sale limit from $155 million to $180 million. The County transfer to the School Construction Fund is expected to decrease from $15.6 million to $13.1 million, as the one-time increase of $2.5 million in FY 2019 is expected to be used to fund debt service requirements related to the increase in School bond sales in FY 2020.

Employee Pay

For purposes of the FY 2020 plan a $46.50 million placeholder for employee pay increases is used. It is based on:

1) Market rate increases (MRA) for all employees are assumed at an estimated cost of $19.90 million which assumes a 1.5 percent MRA. The actual MRA, based on the previously agreed to funding calculation, will be calculated in the fall of 2018. The MRA increase in funding is applied to

employee salaries at the beginning of the fiscal year. The MRA provides a guide to the amount of pay structure adjustment needed to keep County pay rates competitive with the market.

2) Funding of $13.50 million is required for General County employee pay increases, which reflects the performance and longevity program for all eligible General County employees approved by the Board of Supervisors in fall 2014 and implemented in FY 2016. The funding reflects increases effective July 2019 for graduated performance increases, based on where employees are on the pay scale, and the 4 percent longevity increases provided to employees who reach 20 or 25 years of service as of June 30 each year. The performance increases range from 3 percent for employees within 15 percent of the bottom of the pay scale to 1.25 percent for employees within 25 percent of the top of the pay scale. The average increase in FY 2020 is projected to be 2.0 percent.

3) Funding of $10.60 million is required for public safety pay increases which reflect merit and longevity increases for all eligible public safety employees. The funding reflects the full-year impact of merit and longevity increases provided to uniformed employees in FY 2019 and the partial-year costs for merit and longevity increases provided to uniformed employees in FY 2020 since all increases are effective on the employee's anniversary date. Merit increases are awarded to public safety employees as they progress through the pay scale. Public safety employees who have reached a combination of length of service (15 and 20 years) and have otherwise reached the top step of their pay scale are eligible for longevities. Merit and longevity increases are each 5 percent for public safety employees. In any given year between 40 and 50 percent of public safety employees are eligible for one or the other.

4) A placeholder of $2.50 million is included in FY 2020 for compensation adjustments that would result from the annual review of County job classifications. The process for review uses representative job classes from among job families and compares pay levels with competitors in the local job market.

Fringe Benefits

A total increase of $14.00 million is required for benefits for FY 2020, primarily as a result of increases for health insurance ($6.00 million) and retirement ($8.00 million). These amounts include the projected impact of increases in employer contribution requirements for General Fund employees as well as adjustments required to support fringe benefit costs in General Fund supported funds.

Health insurance cost increases are primarily the result of actual experience in the County self-insured health plans. The estimated increases in FY 2020 total $6.00 million, based on projected 5.5 percent premium increases for all health insurance plans in plan years 2019 and 2020. It should be noted that these premium increases are budgetary projections only, and final premium decisions are made in the fall prior to the beginning of each plan year based on updated claims experience.

Also required in FY 2020 is a net $8.00 million increase for fiduciary requirements associated with the County's retirement systems and as a modest investment to strengthen the systems' funding ratios. The County is committed to further strengthening the financial position of the systems, and has established a goal to reach a 90 percent funded status for all plans by FY 2025. In order to meet this goal, the County has established a multi-year strategy that includes increases in the employer contribution rates so that the County will amortize 100 percent of the unfunded liability by FY 2020 at the latest. Due to the consistent progress made since the Board established its retirement funding policy, the final increase in the amortization level is expected in FY 2020, from 99 percent to 100 percent. The County will continue to use a conservative 15-year amortization period.

Other Funding Requirements

In addition to pay and benefit requirements for County employees, other priorities included in the forecast total $63.92 million. These priorities are outlined by funding category below.

Staffing requirements identified for FY 2020 include 141 additional positions. These positions are identified based on current and planned conditions and service requirements. As part of the FY 2020 budget development process, all position requirements will be reviewed thoroughly and workload requirements analyzed prior to inclusion in the FY 2020 budget. As new information becomes available additional positions may be identified.

Capital Construction and Debt Service

A significant increase in capital construction funding is needed in order to meet the County's backlog of requirements, primarily infrastructure upgrades and replacements at County-owned facilities. An increase of $10.00 million is identified at this time for FY 2020. As capital requirements are refined over the upcoming year this amount will be revisited and priority projects will be identified for its use.

A decrease in debt service of $8.97 million is identified for FY 2020 to reflect the required costs for County bond projects supporting the County's Capital Improvement program (CIP). The estimate for FY 2020 is consistent with the projects outlined in the CIP and will be refined based on the timing of bond sales and cash flow requirements at the time of the sale. The actual debt service requirement will be based on the size and timing of the sale and the interest rate received by the County.

Public Safety

Multi-Year Public Safety Staffing Plan

In an effort to strategically plan for the continued increase in demands placed on public safety resources, public safety agencies were tasked with developing a five-year staffing plan. The plan included a total of 352 new positions to be added over the five-year period from FY 2016 to FY 2020 at a cost of $52,579,649. Significant investments have been made in public safety staffing over the past few years, including 134 positions for a total cost of $14.44 million. However, many of these investments have focused on new priorities that have emerged since the development of the staffing plan, such as the Division First initiative, the recommendations of the Ad-Hoc Police Practices Review Commission, and staffing of the South County Police Station. In addition to these new priorities, constraints in available funding during recent budget processes have required delays in the implementation of the original staffing plan.

As part of its budget guidance for the development of the FY 2019 budget, the Board of Supervisors directed staff to develop a revised five-year, fiscally-constrained public safety staffing plan that meets the most pressing public safety needs of the County. The revised FY 2019 – FY 2023 plan includes priorities divided between two tiers. Tier One priorities identify the most critical and immediate staffing needs, while Tier Two priorities represent other critical needs. In total, the revised plan identifies 241 additional positions at a cost of $40.55 million. Tier One priorities include 141 positions at a cost of $25.11 million and Tier Two priorities include 100 positions at a cost of $15.44 million.

Funding in the amount of $5.51 million for 18 positions is included in the FY 2019 Adopted Budget Plan for Tier One priorities. Tier One priorities totaling $6.37 million and 35 positions have been identified for FY 2020. FY 2020 funding and position increases associated with Tier One priorities, as well as other Public Safety priorities for FY 2020, are outlined by agency below.

South County Police Station

An increase of $4.3 million is identified for FY 2020 to support 17/17.0 FTE positions, reflecting the fourth year of a multi-year process to staff the South County Police Station. The station is scheduled to open in July 2021, and it is estimated that 70/70.0 FTE uniformed positions and 10/10.0 FTE associated support staff will be required to fully staff the station. A phased staffing approach was adopted based on the large number of staff required and the significant lead time associated with hiring and training new recruits. This approach also allows for continued analysis to ensure that current staffing estimates are accurate. A total of 20/20 FTE positions were added in FY 2017 and FY 2018 to begin the staffing process. The FY 2019 Adopted Budget Plan includes an additional 17/17.0 FTE positions. The remaining 33 uniformed positions are proposed to be spread across two fiscal years, with 17 positions included in FY 2020 and 16 positions included in FY 2021. It is anticipated that the 10 support positions will be included in FY 2022.

Body-Worn Cameras

Based on the recommendations of the Ad-Hoc Police Practices Review Commission, the Board of Supervisors approved funding for a pilot body-worn camera program. The pilot is designed to provide the Police Department with the opportunity to review police and community member encounters as they occur, as well as provide an additional degree of safety for officers as they patrol the streets. Cameras will be worn on the outside of the officer's uniform or ballistic vest on a full-time basis to evaluate the technical merits of the software and equipment. In addition to the technical evaluation of the equipment, the Police Department is partnering with researchers to gather and study data over the course of the pilot program. Researchers will conduct a comprehensive evaluation of the effects the pilot body-worn camera program will have on use of force statistics, the number of community member complaints, changes in policing activities and the community members' assessment of police legitimacy. If the pilot is successful and the Police Department moves forward with full implementation, $1.1 million and 8/8.0 FTE positions will be required to support the program, as identified in the Public Safety Staffing Plan. This amount is available in the remaining reserve established to implement the recommendations of the Ad-Hoc Police Practices Review Commission. In addition, funding will be needed for equipment, data storage and other requirements. Staff will develop estimates of these additional costs based on the experience of the pilot program.

Department of Public Safety Communications

As a result of the transition to Next Generation 911, the Department of Public Safety Communications anticipates increases in call volume and the complexity of 911 calls. The Public Safety Staffing Plan proposes to increase call taking dispatching capacity by 20 positions over a two-year period, with 10/10.0 FTE positions at a cost of $1.0 million identified for FY 2020.

Police Department

Consultant Recommendations after Review of the Police Department's Organizational Structure

Based on the FY 2016 budget guidelines, the PFM Group provided recommendations for reorganizing the operational and administrative structure of the Police Department to adequately address the growing needs of the County.

As part of the FY 2018 Adopted Budget Plan, funding of $0.8 million was included to support 18/18.0 FTE Relief Sergeants in the Police Department and $2.7 million was included for pay scale adjustments in the Police Department and Office of the Sheriff. It is important to note that due primarily to operational requirements including the significant lead time to hire new staff, approximately two-thirds of the full-year funding amount required to implement the Relief Sergeant effort was not required in FY 2018. As a result, funding of $0.47 million is included as part of the FY 2019 Adopted Budget Plan and additional funding of $0.73 million will be required as part of the FY 2020 budget to complete this initiative.

Fire and Rescue Department

An increase of $2.0 million is required to support a multi-year process to gradually increase the annual contributions to the Large Apparatus Replacement Fund and the Ambulance Replacement Fund. It should be noted that $1.775 million in baseline funding was included for this purpose in the FY 2017 Adopted Budget Plan. Due to budget constraints, no additional funds have been available for this purpose in the FY 2018 Adopted Budget Plan or in the FY 2019 Adopted Budget Plan.

This funding would be in addition to the department dedicating additional grant funds, additional baseline funds and one-time contributions in support of this effort. Additional contributions are required due to the increasing cost of vehicles and fleet growth. Without additional funding, the replacement reserves will be depleted in the near future. Starting in FY 2014, the Fire and Rescue Department (FRD) has increased its baseline contribution to the Large Apparatus Reserve by $250,000 and has supported some ambulance purchases through the use of Four-for-Life grant funds. FRD, with the assistance of the Department of Management and Budget, has developed several scenarios with the goal of stabilizing the replacement reserve and ensuring sufficient funding is available in future years.

Department of Animal Sheltering

As part of the FY 2019 Adopted Budget Plan, funding is included for 1/1.0 FTE position for the newly established Department of Animal Sheltering. In FY 2020, 2/2.0 FTE positions for a cost of $0.20 million are included to perform administrative functions such as budgeting, human resources, purchasing, information technology support, and other related functions. The Department of Animal Sheltering currently relies on the Police Department to perform these critical functions as administrative support positions were not included when the department was created as an independent agency.

Department of Code Compliance

An increase of $0.07 million and 1/1.0 FTE position is included in FY 2020 to provide additional support to the Illegal Signs in the Right of Way Program by converting a non-merit position dedicated to the program to full-time merit status. This program monitors 99 roadways in the County for illegal signs, which are ultimately removed by the Community Labor Force (CLF) in collaboration with the Office of the Sheriff. The Department of Code Compliance works to identify the person or entity responsible for the illegal signs and imposes fines at $100 per sign for egregious offenders. A position was added in FY 2018, with the cost fully offset by revenue generated by the fines, to address the workload associated with the program given the complexities associated with invoicing, revenue collection and data collection and analysis. Additional support of the program is needed.

Diversion First

Funding of $2.2 million and 13/13.0 FTE positions has been identified in FY 2020 to support the continued implementation of the multi-year Diversion First initiative. This amount is included in the Health and Human Services Resource Plan total, which is listed below in the Human Services section. Diversion First is a multi-agency effort to redirect individuals with mental illness, developmental disabilities, and co-occurring substance use disorders from the judicial system into the health care system to improve public safety, promote a healthier community, and maximize public resources in the most cost-effective manner. FY 2020 requirements include 1/1.0 FTE position for the Police Department and 1/1.0 FTE position for the Office of the Sheriff to increase the availability of officers/deputies to provide security and assume custody of diverted individuals at the Merrifield Center. An additional 1/1.0 FTE position for the Police Department and 1/1.0 FTE position for the Fire and Rescue Department are identified for the implementation of a third

Mobile Crisis Unit with a co-responder team design. A mental health docket, if established, will require the support of 1/1.0 FTE new position in the Office of the Commonwealth's Attorney. The remaining 8/8.0 FTE positions will be deployed to the Fairfax-Falls Church Community Services Board for Merrifield Center, participation in the co-responder response model, and increased support at the Adult Detention Center. Finally, funding is identified to allow the Juvenile and Domestic Relations District Court to maintain manageable and safe caseload levels for counselors as program participation is projected to continue to increase considerably.

Human Services

Health and Human Services Resource Plan

A Health and Human Services Resource Plan (Resource Plan) was developed in the fall of 2017 through a collaborative effort with Health and Human Services (HHS) staff, the Department of Management and Budget, and the Human Services Council. The Resource Plan is intended to be a "living" document with multiple versions throughout the year. The Resource Plan:

- Identifies priority funding needs and, per Board of Supervisors guidance, is a fiscally constrained document; it is not intended to be a wish list of funding items.
- Captures new funding needs, it does not include funding currently in the budget.
- Is not a funding commitment but a planning document to help inform funding decisions as they relate to the budget process. It is not intended to replace the budget process.
- Takes into account the priorities already established by the Board of Supervisors and the Health and Human Services System.

The initial draft identifies funding priorities for the next three fiscal years, FY 2019 through FY 2021, and is aligned with the Human Services Needs Assessment (2016). The current Resource Plan only includes new funding needs which are supported by the General Fund. Many programs, such as Bridging Affordability, rely on significant non-General Fund resources. This document has not yet taken these non-General Fund resources into account but will do so in a later version. Additionally, the Resource Plan will be extended to include five years, as directed by the Board of Supervisors, once the initial three-year plan is tested and refined. Future versions of the document will also incorporate the Capital Improvement Program (CIP) and facility costs required to fully support service delivery objectives.

Items listed on the Resource Plan that are funded by the Board of Supervisors will be integrated into the Adopted Budget Plan and therefore, will become part of the baseline budget. Items that are not funded will be integrated into the out years of the Resource Plan or removed if funding needs and priorities change. Staff will reconcile items that are funded, moved to out years of the Resource Plan or removed throughout the budget process. For purposes of the multi-year budget, the January 30, 2018, version of the Health and Human Resources Plan identified FY 2020 funding needs of $22.3 million and 84/82.6 FTE positions. For a complete listing of specific funding requirements by program, please see the Health and Human Services Resource Plan, FY 2019-FY 2021, which is available online.

Fairfax-Falls Church Community Services Board (CSB)

Medicaid Waiver Redesign

Pursuant to DOJ settlement implementation, the Commonwealth of Virginia has redesigned the previously separate service delivery systems for people with intellectual disability (ID) and developmental disabilities (DD) into one Developmental Disabilities (DD) services system. The term "developmental disabilities" is now understood to include intellectual disability as well as disorders on the autism spectrum and other developmental disabilities. In FY 2017, CSBs throughout the Commonwealth, including the Fairfax-Falls Church CSB, became the single point of eligibility determination and case management not only for people with intellectual disability, but also for individuals with other developmental disabilities. CSB's role and oversight responsibility have grown larger, and the number of people served is increasing. As of October 2017, there were more than 2,000 Fairfax residents on the state waiting list for Medicaid Waivers. The U.S. Department of Justice ordered the Commonwealth to develop waivers to address those waiting for services at the time of the settlement. An increase of $1.9 million has been identified as a placeholder for FY 2020 to serve newly eligible individuals. This amount is included in the Health and Human Services Resource Plan total.

In addition, an increase of $3.8 million would support the June 2019 special education graduates of Fairfax County Public Schools turning 22 years of age who are eligible for day support and employment services and currently do not have a funding source for such services, as well as provide baseline funding for June 2018 special education graduates funded as part of previous quarterly reviews. This funding would be required to maintain the program as currently designed, with no cut to program enhancement or local support, and would prevent any special education graduates from being without services.

Parks and Libraries

Park Authority

Park Authority Operations and Maintenance

Funding of $1.50 million is identified for Park operations and maintenance in each of the seven area maintenance districts. Funding would also provide for increased contracted arboreal work to provide the ability to respond to tree complaints promptly, additional contracted mowing, a natural vegetation classification project and ecological restoration activities, support for the development process, energy management and support for an Encroachment Prevention Plan to address encroachment violations on park land.

Social Equity

Funding of $0.60 million has been identified to advance the County's mission of social equity. The Park Authority is taking steps to offer equitable access to classes and RECenters to align with the Board of Supervisors Social Equity Resolution adopted on July 12, 2016. In order to meet the scholarship demands of the growing number of County residents living in poverty so that they may enjoy access to recreational amenities, the Park Authority has identified a level of funding that current resources are unable to bear without General Fund assistance.

Capital Equipment

Funding of $0.50 million has been identified for replacement grounds maintenance equipment which is beyond its life expectancy. Approximately 16 percent of the grounds maintenance equipment has been rated as being in very poor condition.

Community Development

Department of Housing and Community Development

Public-Private Education and Infrastructure Act (PPEA) Projects – Affordable Housing
A net increase of $0.03 million and 1/1.0 FTE position is identified to leverage private sector development capacity, private equity and non-local funding for critical affordable housing projects. The total cost is $0.14 million, but 80 percent can be charged to projects, resulting in an annual net cost to the General Fund of $0.03 million. This amount is included in the Health and Human Services Resource Plan total, which is listed above in the Human Services section. PPEA projects are a relatively new and sophisticated real estate arrangement which can increase the amount of non-County capital/private equity available for critical affordable housing projects. This position will be critical in overseeing affordable housing PPEA projects to include resource identification and feasibility reviews, project planning and design with multiple stakeholders, financing plan development, contract negotiations and oversight, site development and overall project management, and coordination with private developers. Given constrained FCRHA and County resources, the additional private sector capital and expertise made available through such arrangements is critical to addressing the County's affordable housing gap.

Transportation

As part of the 2018 Virginia General Assembly, legislation was adopted to provide for annual dedicated funding sources to Metro to address long-term capital needs. Current revenue sources dedicated to the Northern Virginia Transportation Authority for the Transient Occupancy Tax and Grantor's Tax, in addition to two statewide revenue sources (state recordation tax currently used to pay bonds from the Northern Virginia Transportation District Fund and motor vehicle rental tax revenues), will be redirected to Metro. Also, a price floor on the regional gas tax was established to provide further dedicated funds to Metro. Additional elements of the legislation focus on the membership of the Metro board, require Virginia operating assistance for Metro to increase by no more than 3 percent annually, and require proper reform measures are addressed. The implementation of all these components is ongoing with coordination between the County, Metro and NVTC.

In FY 2019, the County has a $96 million capital requirement to Metro to be offset by $30 million in General Obligation Transportation Bonds and $10 million in State Aid. For the $56 million net remaining, staff is requesting that Metro sell this portion on the County's behalf as part of their larger bond sale programmed for FY 2019. The County's share of that debt, estimated at $5.6 million, is due annually beginning in FY 2020. Additionally, General Fund increases of $1.5 million and $2 million for Metro and Connector operating requirements, respectively, are identified as placeholders for FY 2020. As a result, a total increase of $9.1 million for transportation requirements is included at this time for FY 2020.

Cost of County Operations

Facilities Management Department

Lease Costs

Funding of $0.20 million is identified for increased lease requirements. Annual lease escalation rates are projected to be in the 2.5 to 3 percent range.

Information Technology

IT Security

An increase of $0.42 million is identified to address evolving IT security needs. Funding will provide resources to continue to ensure the health and viability of the infrastructure protecting against cyber-attacks while also securing the county's most sensitive data – public safety and legal data, Social Security numbers and HIPAA information.

IT Project Support

Funding of $7.0 million is identified to support critical IT investments designed to improve access to County services, promote government operational efficiencies and effectiveness, and increase performance and security capabilities. A significant portion of this increase will support the Planning Land Use System (PLUS) project and the Circuit Court Management System. The PLUS project will consolidate a number of legacy and disparate land use systems that support zoning and development plan review, building permit/license issuance, code enforcement, inspection, and cashiering activities into an integrated adaptable enterprise solution. The Circuit Court Management System project will result in a fully-integrated system which allows for e-filling case pleadings, digital evidence submission, electronic orders, digital audio recordings, electronic signatures, and e-appeals.

Next Steps in the Multi-Year Process

Balancing the FY 2020 Budget

Although the revenue projections and inventory of disbursement priorities included above set the stage for the FY 2020 budget, significant effort will be required to build and balance the budget. While some of the necessary changes will occur naturally over the next year before the release of the FY 2020 and FY 2021 Multi-Year Budget, others will require policy decisions to be made. Adjustments to develop a balanced FY 2020 budget could include efficiencies, reduction options, revenue enhancement options or deferral of a number of the items that have been outlined above. It is anticipated that these decisions will be guided by input received from the Board of Supervisors and School Board through their joint meetings in the fall.

The FY 2020 budget forecast presents a challenging picture as a result of projections that the County will continue to experience constrained revenue growth. The disbursement increases that could be accommodated within the projected revenue growth are limited, and would not address a number of County and Schools items that have been identified based on information available today. However, there is also the potential for changes as more information is available over the course of the next year. The items that need to be funded in FY 2020 will therefore be considered in the context of Board priorities, and decisions will be made by the County Executive on what specific items to recommend for FY 2020 and which items to exclude or delay until FY 2021 or beyond.

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