



County of Fairfax, Virginia

MEMORANDUM

Attachment B

DATE: March 19, 2019
TO: Board of Supervisors
FROM: Bryan J. Hill *Bryan Hill*
County Executive
SUBJECT: FY 2019 Third Quarter Review

Attached for your review and consideration is the *FY 2019 Third Quarter Review*, including Supplemental Appropriation Resolution AS 19190 and Amendment to the Fiscal Planning Resolution AS 19901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

- Attachment I - A General Fund Statement reflecting adjustments included in the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.
- Attachment II - A Summary of General Fund Revenue reflecting an increase of \$2.15 million from the Fall 2018 Revenue estimates.
- Attachment III - A detail of major expenditure changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools, the General Fund, and the Federal/State Grant Fund, total a net increase of \$275.44 million. Expenditures in Non-Appropriated Other Funds decrease a total of \$3.55 million.
- Attachment IV - Fund 50000, Federal/State Grants, detailing grant appropriation adjustments for a total net increase of \$109.60 million.
- Attachment V - Supplemental Appropriation Resolution (SAR) AS 19190, AS 18270 for FY 2018 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 19901.
- Attachment VI - FY 2018 Audit Package including final adjustments to FY 2018 and the FY 2019 impact.
- Attachment VII - Fairfax County Public Schools (FCPS) Third Quarter Review

As the Board is aware, the Code of Virginia requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed one percent of total expenditures. In addition, any amendment of one percent of expenditures or more requires that the Board advertise a synopsis of the proposed changes. A public hearing on the proposed changes included in the *FY 2019 Third*

Quarter Review has been scheduled for April 9, 10, and 11, 2019. On April 30, 2019, the Board will take action on this quarterly review prior to marking up the FY 2020 Advertised Budget Plan.

The following is a summary of General Fund adjustments included in the *FY 2019 Third Quarter Review*.

Summary of Third Quarter Adjustments

(in millions)

Previous Balances

| | | |
|---|-----------------------|---------------------|
| Reserve for Potential FY 2019 One-Time Requirements | \$4,605,310 | |
| FY 2018 Audit Adjustments | 1,938,972 | |
| FY 2019 Mid-Year Revenue Adjustments | 27,020,741 | |
| | \$33,565,023 | |
| | <i>Net Available:</i> | \$33,565,023 |

FY 2019 Third Quarter Adjustments

Spending Requirements

| | | |
|--|-----------------------|--|
| Election Equipment | (\$761,925) | |
| Special Elections | (477,248) | |
| Strategic Planning | (600,000) | |
| Personnel Services in Business Planning and Support | (75,000) | |
| Workload Demands of Development Activity | 0 | |
| Laurel Hill Maintenance | 0 | |
| Compensation Study for Tax Administration | (99,500) | |
| Funding for Electronic Health Record System | 0 | |
| Snow Removal and Maintenance Costs | (250,000) | |
| South County Police Station Vehicles | (212,255) | |
| Fairfax County Convention and Visitors Corporation | (70,164) | |
| Arts Council Funding | (50,000) | |
| IT Projects | (16,704,750) | |
| Transportation Planning Studies | (500,000) | |
| Electric Vehicle Charging Stations | (750,000) | |
| Infrastructure Replacement and Upgrades at County Facilities | (8,538,000) | |
| LED Streetlight Conversion Plan | (1,800,000) | |
| Trail Snow Removal Pilot Program | (32,000) | |
| Data Center Move | (2,387,500) | |
| PC Replacement Program/CRM Conversion | (650,000) | |
| | (\$33,958,342) | |

Reductions/Savings

| | | |
|--|--------------------|--|
| Audit Impact on Economic Development Project Balance | \$175,000 | |
| Fringe Benefit Savings | 4,061,436 | |
| Sheriff's Office Pay Adjustments | 85,523 | |
| | \$4,321,959 | |

Required Reserve Adjustments

| | | |
|-----------------|----------------------|--|
| Managed Reserve | (\$3,178,640) | |
| | (\$3,178,640) | |

Net Third Quarter Adjustments: **(\$32,815,023)**

Net Available: **\$750,000**

The *FY 2019 Third Quarter Review* reflects a number of adjustments necessary to fund FY 2019 spending and reserve requirements. These adjustments are funded utilizing one-time balances available as part of the FY 2019 Adopted Budget Plan and *FY 2018 Carryover Review*, results of the FY 2018 audit, and mid-year FY 2019 revenue adjustments, as well as savings identified as part of this process. Several of the adjustments recommended in this package were noted in the FY 2020 Advertised Budget Plan presentation, including one-time investments in information technology projects and one-time capital expenses for County infrastructure replacement and upgrades. These adjustments are consistent with actions taken in prior years and have been included as part of the Third Quarter package in order to provide flexibility and balance the FY 2020 budget. Additionally, no General Fund revenue adjustments, other than those associated with expenditure adjustments, are recommended. After funding the required reserve adjustments, a General Fund balance of \$0.75 million remains for the Board of Supervisors to address additional one-time requirements.

It should be noted that 24 new positions are recommended as part of the *FY 2019 Third Quarter Review*. These positions are the result of an ongoing review of limited-term positions (specifically, non-merit benefits-eligible positions) to determine if reclassification to merit positions is appropriate. Of the total, 18 positions have been identified in the Department of Family Services and 6 positions have been identified in the Department of Neighborhood and Community Services. Employees in these positions work together with those in merit positions, performing the same tasks, and often in the same job class. Funding adjustments are not required, as it is expected that employee hours worked will remain largely unchanged and the minimal projected fringe benefit impact can be absorbed within current appropriations. A total of 15 conversions were included in the FY 2020 Advertised Budget Plan, and it is anticipated that additional conversions will be included as part of the *FY 2019 Carryover Review*.

It should be noted that balances outside of the General Fund have been utilized to meet several requirements. Balances within Fund 60000, County Insurance, have been utilized to address an increase in the calculated accrued liability based on the most recent actuarial valuation. Funding of \$7.47 million has been reallocated from the Litigation Reserve to the Accrued Liability Reserve, both held in Fund 60000, to ensure adequate funding for those risks that are self-insured. In addition, balances within Fund 20000, Consolidated Debt Service, have been utilized to offset expenses related to Metro and Parks. A transfer of \$12.10 million to Fund 30000, Metro Operations and Construction, is required to cover payments for the County's share of Metro's retroactive collective bargaining payments for recently completed labor negotiations and contract increases for Metro Access (Paratransit Services). In addition, a \$2.00 million transfer is included to Fund 80000, Park Revenue and Operating Fund, as a one-time action to help with the projected revenue shortfall in that fund. Staff will work to identify repayment from Fund 80000 in future fiscal years.

Audit Adjustments

As a result of the FY 2018 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Revenue and expenditure adjustments result in the net increase of \$1.94 million to the FY 2019 beginning General Fund balance mentioned above.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. All of these audit adjustments were reflected in the FY 2018 Comprehensive Annual Financial Report (CAFR). Details of these audit adjustments are included in Attachment VI.

It should be noted that no County funds require a supplemental appropriation based on audit adjustments to reflect proper accounting treatments. One Schools Fund, Fund S71100, Public School OPEB Trust,

recorded commensurate revenue and expenditure adjustments in accordance with new Governmental Accounting Standards Board guidelines, which resulted in no net change to fund balance, but resulted in expenditures exceeding the FY 2018 appropriation. As a result, an appropriation resolution is required to account for adjustments in the correct fiscal period, consistent with GAAP requirements. Supplemental Appropriation Resolution AS 18270 is included in Attachment V of the *FY 2019 Third Quarter Review*.

Summary of Administrative Adjustments

The following General Fund adjustments are made as part of the *FY 2019 Third Quarter Review*. It should be noted that, although no revenue adjustments are included other than those associated with expenditure adjustments outlined below, a discussion of revenues is included in the Summary of General Fund Revenue, Attachment II.

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

SPENDING ADJUSTMENTS **\$33.96 MILLION**

| | |
|--------------------------------|--------------------------------------|
| Election Equipment | NON-RECURRING |
| Agency 15, Office of Elections | FY 2019 Expenditure <u>\$761,925</u> |
| | Net Cost \$761,925 |

One-time funding in the amount of \$761,925 is necessary to purchase 325 voting machine precinct carts and replacement batteries for voting machines. Voting machine precinct carts provide security for voting equipment and elections supplies, and allows equipment to be safely transported to and from voting precincts. In addition, the agency has experienced a high number of backup battery failures and industry standards for voting equipment suggests replacing batteries every five years. Backup batteries are essential to the conduct of elections as they provide a contingency in the event of a power failure.

| | |
|--------------------------------|--------------------------------------|
| Special Elections | NON-RECURRING |
| Agency 15, Office of Elections | FY 2019 Expenditure <u>\$477,248</u> |
| | Net Cost \$477,248 |

One-time funding in the amount of \$477,248 is required to address a budget shortfall in the Office of Elections due to higher than anticipated costs for the November Mid-Term Election due to increased voter turnout, as well as two special elections that occurred in FY 2019. Funding supports staff necessary to process absentee ballots and staff voting locations, and the purchase of ballots and registration notices.

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|--|--------------------------------------|
| Strategic Planning | NON-RECURRING |
| Agency 20, Department of Management and Budget | FY 2019 Expenditure <u>\$600,000</u> |
| | Net Cost \$600,000 |

Funding of \$600,000 is required to support the County’s Strategic Planning process. This effort will build upon and align strategic efforts that have been previously undertaken and will be the first strategic plan for the County as a whole. This funding primarily supports contractual costs, as well as those associated with community outreach. Significant focus is being placed on engaging with the entire community, including segments of the population that have been under-represented in past efforts.

Personnel Services

Agency 25, Business Planning and Support

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|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Expenditure | <u>\$75,000</u> |
| Net Cost | \$75,000 |

Funding of \$75,000 is required for Business Planning and Support to cover a projected shortfall in Personnel Services primarily due to leave payout costs. Due to the increased number of employees who have retired, or will retire in FY 2019, and the associated leave payouts, there is limited ability to absorb significant unbudgeted expenses of this nature.

Workload Demands of Development Activity

Agency 31, Land Development Services

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|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Revenue | \$750,000 |
| FY 2019 Expenditure | <u>\$750,000</u> |
| Net Cost | \$0 |

Funding of \$750,000 in Land Development Services (LDS) is required to support higher than anticipated personnel services as the agency has recruited aggressively to add service capacity to meet workload demands based on increased site plan and building permit activity. Additional costs are also associated with costs to backfill capacity deployed to the PLUS Project. These costs will be completely offset by \$750,000 in fee revenue generated by development activity for no net impact on the General Fund. Development activity in the County continues to exhibit considerable strength with LDS revenues through January outpacing the same period in FY 2018 by 5.4 percent.

Laurel Hill Maintenance

Agency 08, Facilities Management Department
Agency 51, Park Authority

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|---------------------|--------------------|
| | RECURRING |
| FY 2019 Expenditure | \$300,800 |
| FY 2019 Expenditure | <u>(\$300,800)</u> |
| Net Cost | \$0 |

Funding of \$300,800 is transferred from Agency 51, Park Authority to Agency 08, Facilities Management Department (FMD) associated with operational expenses related to the management of the Laurel Hill property. This funding will support continued security and maintenance efforts at the Workhouse Arts Foundation and FMD will be responsible for all related operational costs. This adjustment results in no impact to the General Fund.

Compensation Study

Agency 57, Department of Tax Administration

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|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Expenditure | <u>\$99,500</u> |
| Net Cost | \$99,500 |

Funding of \$99,500 is required to retain a consultant, in conjunction with the Department of Human Resources, to analyze compensation practices including pay levels, structures, and classification levels, as well as compensation best practices, and evaluation of recruitment, and retention experiences within the department. The review is intended to address salary competitiveness as compared to local comparators and the external market at various occupational levels within the department.

Funding for Electronic Health Record System

Agency 71, Health Department

| NON-RECURRING | |
|----------------------|--------------------|
| FY 2019 Revenue | \$1,400,000 |
| FY 2019 Expenditure | <u>\$1,400,000</u> |
| Net Cost | \$0 |

Funding of \$1,400,000 is required to appropriate revenue from Inova to support the Health Department’s Electronic Health Record (EHR) System. The County contracts with Inova to provide primary health services for low income, uninsured County residents through the Community Health Care Network (CHCN). Due to lower than planned client enrollment in CHCN, Inova has made a contribution to the County of \$1,400,000, which will be used to support maintenance and other associated costs for the EHR system. The expenditure increase is completely offset by the revenue received from Inova for no net impact to the General Fund.

Snow Removal and Maintenance Costs

Agency 87, Unclassified Administrative Expenses - DPWES

| NON-RECURRING | |
|----------------------|------------------|
| FY 2019 Expenditure | <u>\$250,000</u> |
| Net Cost | \$250,000 |

Funding of \$250,000 is required to provide additional funding for snow removal and maintenance costs associated with Agency 87, Unclassified Administrative Expenses – Department of Public Works and Environmental Services (DPWES). The Transportation Operations Division within DPWES-Stormwater is responsible for snow removal at all County-owned and maintained facilities including fire stations, police stations, mass transit facilities, government centers, libraries, human services centers, and recreation centers. In FY 2019, snow removal costs have been higher than anticipated based on activations for 10 snow events lasting a total of 17 days. In addition, the number of facilities for which Stormwater is now responsible has increased in recent years and includes large facilities such as the Merrifield Center and the Public Safety Headquarters. Funding will also provide support for the maintenance of commuter lots, as staff has seen deterioration at several parking lots including increased potholes and wear and tear.

South County Police Station Vehicles

Agency 90, Police Department

| NON-RECURRING | |
|----------------------|------------------|
| FY 2019 Expenditure | <u>\$212,255</u> |
| Net Cost | \$212,255 |

Funding of \$212,255 is included to support one-time costs associated with the purchase of patrol vehicles for the South County Police Station. A total of 37/37.0 FTE positions were added in FY 2017, FY 2018, and FY 2019 to begin the staffing process due to the large number of staff required and the significant lead time associated with hiring and training new recruits. As part of the Public Safety Staffing Plan, recurring funding of \$2,619,597 associated with an increase of 17/17.0 FTE uniformed positions, was included in the FY 2020 Advertised Budget Plan to continue the efforts associated with the staffing of the South County Police Station.

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| Fairfax County Convention and Visitors Corporation (FCCVC) | NON-RECURRING |
| Fund 10030, Contributory Fund | FY 2019 General Fund Transfer <u>\$70,164</u> |
| | Net Cost \$70,164 |

The General Fund transfer to Fund 10030, Contributory Fund, is increased by \$70,164 to reconcile FY 2018 payments to the Fairfax County Convention and Visitors Corporation. As a result of enabling legislation approved by the 2004 General Assembly, the County was granted the authority to impose an additional 2 percent Transient Occupancy tax beginning July 1, 2004. As required by the legislation, no less than 25 percent of the additional revenue is to be designated for and appropriated to a nonprofit Convention and Visitors Corporation located in Fairfax County. Each year, the County transfers 25 percent of the estimated revenue for the upcoming fiscal year from the 2 percent additional Transient Occupancy tax to the FCCVC. After the close of the fiscal year, a reconciliation between estimated and actual receipts received occurs. Based on the reconciliation, an additional \$70,164 is required to be remitted to FCCVC.

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|-------------------------------|---|
| Arts Council Funding | NON-RECURRING |
| Fund 10030, Contributory Fund | FY 2019 General Fund Transfer <u>\$50,000</u> |
| | Net Cost \$50,000 |

The General Fund transfer to Fund 10030, Contributory Fund, is increased by \$50,000 to address a projected budget shortfall at the Arts Council due to increasing personnel and operating budget expenses. The Arts Council serves as the County’s local arts agency, designated to distribute grants and arts services on behalf of the County to arts organizations, artists, and the Fairfax County community at large.

It should be noted that an increase of \$231,726 is included as part of the FY 2020 Advertised Budget Plan for the Arts Council to support its operations and additional grants to community arts organizations.

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|------------------------------------|---|
| IT Projects | NON-RECURRING |
| Fund 10040, Information Technology | FY 2019 General Fund Transfer <u>\$16,704,750</u> |
| | Net Cost \$16,704,750 |

The General Fund transfer to Fund 10040, IT Projects, is increased by \$16,704,750 to support the funding of continued IT projects. As indicated in the FY 2020 Advertised Budget Plan, projects were anticipated to be funded with one-time balances as part of the *FY 2019 Third Quarter Review*. While using one-time funds at Third Quarter and Carryover reviews 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. Projects supported by this funding include the Planning Land Use System (PLUS), an enterprise land development solution that encourages seamless agency business process integration opportunities while streamlining plan, permit, and inspection service delivery timeframes.

Transportation Planning Studies

| | | |
|--|-------------------------------|--|
| Fund 30010, General Construction and Contributions | FY 2019 General Fund Transfer | NON-RECURRING <u>\$500,000</u> |
| | Net Cost | \$500,000 |

The General Fund transfer to Fund 30010, General Construction and Contributions, is increased by \$500,000 to provide funding for transportation planning studies, primarily for spot improvements, Tysons Urban Center/Reston Transit Station Area (TSA) on-street parking management, and the countywide trails and bicycle master plan. Funding will support professional services to develop a framework for evaluating and funding future Spot Improvement Program requests, develop options to manage on-street parking in the Tysons Urban Center and Reston TSA, including paid parking, and begin the data collection and public outreach associated with creating one master plan for trails and facilities to serve bicyclists and pedestrians.

Electric Vehicle Charging Stations

| | | |
|---|-------------------------------|--|
| Fund 30020, Infrastructure Replacement and Upgrades | FY 2019 General Fund Transfer | NON-RECURRING <u>\$750,000</u> |
| | Net Cost | \$750,000 |

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$750,000 to support the first year of a two-year plan to create Electric Vehicle (EV) ready charging stations at County facilities. This funding will support up to 40 EV ready charging stations at up to 10 County sites. The average cost per site is \$75,000 and includes a site plan, design and review, permitting and construction. Sites will be identified at publicly accessible County office buildings, commuter parking lots, RECenters, Community Centers or Libraries. The EV charging stations will provide the capability to charge both County government and private vehicles. The implementation of EV charging stations at County facilities supports the Board of Supervisor’s Operational Energy Strategy Plan approved on July 10, 2018.

Infrastructure Replacement and Upgrades at County Facilities

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|---|-------------------------------|--|
| Fund 30020, Infrastructure Replacement and Upgrades | FY 2019 General Fund Transfer | NON-RECURRING <u>\$8,538,000</u> |
| | Net Cost | \$8,538,000 |

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$8,538,000 for infrastructure replacement and upgrades at County facilities. 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. These projects, all Category F, will address emergency building repairs, fire alarm system replacement, HVAC system upgrades, roof repairs and waterproofing, elevator repairs, and electrical system upgrades/repairs.

LED Streetlight Conversion Plan**NON-RECURRING**

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|---|-------------------------------|--------------------|
| Fund 30020, Infrastructure Replacement and Upgrades | FY 2019 General Fund Transfer | <u>\$1,800,000</u> |
| | Net Cost | \$1,800,000 |

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$1,800,000 to support the first year of a five-year LED streetlight conversion plan. The goal of the plan is to convert more than 56,000 existing mercury vapor, high pressure sodium and metal halide fixtures to Light Emitting Diodes (LED) streetlights. The new LED streetlights are “Smart City Capable” with features being incorporated through added hardware and software upgrades. This conversion plan is estimated to cost a total of \$9 million, which will be partially offset by projected savings of approximately \$3.1 million in utility costs. It is anticipated that after conversion is completed on all streetlights, approximately \$1.4 million in savings will be realized annually. In addition, conversion of these streetlights will remove 32.4 million pounds of carbon dioxide equivalent annually. Finally, conversion will result in reduced maintenance costs given the longer life of LED lighting, result in higher quality lighting, and allow for dimming and automated outage reporting once smart technologies are implemented. This Streetlight Conversion Plan supports the Board of Supervisor’s Operational Energy Strategy Plan approved on July 10, 2018.

Trail Snow Removal Pilot Program**NON-RECURRING**

| | | |
|---|-------------------------------|-----------------|
| Fund 30060, Pedestrian Walkway Improvements | FY 2019 General Fund Transfer | <u>\$32,000</u> |
| | Net Cost | \$32,000 |

The General Fund transfer to Fund 30060, Pedestrian Walkway Improvements, is increased by \$32,000 associated with a snow removal pilot program for County trails. This project will provide for snow removal on two trails serving the Tysons and Springfield Metro Stations. This level of funding supports the DPWES Priority 4 level of service. Priority 4 includes the clearing of trails when the snow depth is a minimum of 2 inches. In addition, snow removal will occur after the storm ends and after County facilities have been treated. This pilot program will help determine costs, service challenges and benefits associated with removal of snow from heavily used trails. The Board of Supervisors discussed funding for this project at the December 2018 Transportation Committee meeting.

Data Center Move**NON-RECURRING**

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|---------------------------------------|-------------------------------|--------------------|
| Fund 60030, Technology Infrastructure | FY 2019 General Fund Transfer | <u>\$2,387,500</u> |
| | Net Cost | \$2,387,500 |

The General Fund transfer to Fund 60030, Technology Infrastructure, is increased by \$2,387,500 to support the Department of Information Technology’s Data Center consolidation project. Of this, \$1.9 million is necessary for network hardware and equipment to facilitate the move of the primary data center location to Ashburn. The remaining \$487,500 is for moving, stand-up, cage build out, electrical, and other related relocation costs. The anticipated transition of the core data center to the new prime site will occur in late CY 2019. This move gives County-owned space back for other needs and reduces cost of utility consumption and IT environment needs in the Government Center.

PC Replacement Program/CRM Conversion

Fund 60030, Technology Infrastructure

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|-------------------------------|----------------------|
| | NON-RECURRING |
| FY 2019 General Fund Transfer | <u>\$650,000</u> |
| Net Cost | \$650,000 |

The General Fund transfer to Fund 60030, Technology Infrastructure, is increased by \$650,000, of which \$500,000 is to support the PC Replacement Program as a result of increasing costs associated with changes in Microsoft licensing and changing hardware components and user devices. The remaining \$150,000 is to continue the conversion from the legacy IQ and Seibel systems used in multiple County agencies to the cloud-based Microsoft Dynamics Customer Relationship Management (CRM) system. This appropriation will provide immediate assistance to the PC Replacement Program and the CRM project, while the Department of Information Technology works to provide longer-term solutions.

REDUCTIONS/SAVINGS**(\$4.32 MILLION)****Audit Impact on Economic Development Project Balance**

Agency 87, Unclassified Administrative Expenses

| | |
|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Expenditure | <u>(\$175,000)</u> |
| Net Cost | (\$175,000) |

A decrease of \$175,000 is required to adjust the balance in the Economic Development Support Project. In order to record expenditures related to the Go Virginia: Tech Talent Pipeline Employer Collaborative project in the proper fiscal year, an audit adjustment in the amount of \$175,000 has been reflected as an increase to FY 2018 expenditures. As a result of this audit adjustment, the balance carried forward from FY 2018 to FY 2019 in the Economic Development Support Project must be reduced.

As of February 2019, the Board of Supervisors has approved funding for five projects in the Economic Development Support Project totaling \$1,725,000, leaving an unappropriated balance of \$5.1 million. As a result of the above actions, the *FY 2019 Revised Budget Plan* in the Economic Development Support Project is \$6,825,000. The *FY 2019 Revised Budget Plan* amount reflects total appropriations of \$7.0 million to the Economic Development Support Project, less expenditures of \$175,000 on approved projects through the end of FY 2018.

Fringe Benefit Savings

Agency 89, Employee Benefits

| | |
|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Expenditure | <u>(\$4,061,436)</u> |
| Net Cost | (\$4,061,436) |

A decrease of \$4,061,436 is included to reflect fringe benefit savings, including savings from the concerted educational campaign that has resulted in migration out of the County's high-cost copay plan into other more cost-effective co-insurance and consumer-directed health plans. In addition to savings for the County, these movements also result in out-of-pocket savings to County employees.

Sheriff's Office Pay Adjustments
Agency 91, Office of the Sheriff

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|---------------------|----------------------|
| | NON-RECURRING |
| FY 2019 Expenditure | (\$85,523) |
| Net Cost | (\$85,523) |

A decrease of \$85,523 in expenditures is included due to adjustments to pay practices resulting from an internal review of the Sheriff's Office organizational structure and pay policies. The agency implemented a 3.0 percent increase across the Sheriff's C-scale pay plan effective January 5, 2019, with costs offset by the elimination of the environmental pay stipend and savings in Personnel Services. As part of the FY 2020 Advertised Budget Plan, funding was transferred from the Office of the Sheriff to Agency 89, Employee Benefits, as the adjustments to pay resulted in higher benefit costs. Savings of \$85,523 can be realized as part of the *FY 2019 Third Quarter Review* as the FY 2019 impact of the increased benefit costs, which were anticipated to be funded by the Office of the Sheriff, can be absorbed within existing appropriations in Employee Benefits.

INCREASE TO RESERVES \$3.18 MILLION

Additional funding of \$3,178,640 is set aside in the Managed Reserve in the General Fund as a result of the County's policy that any budgeted increase in General Fund disbursements is accompanied by a 10 percent commitment to reserves. As the Revenue Stabilization Fund is fully funded at its target of 5 percent of General Fund disbursements, the reserve contribution included in the *FY 2019 Third Quarter Review* is directed to the Managed Reserve. As a result of this adjustment, the Managed Reserve is at 3.8 percent (of its 4.0 percent target), for total County reserve funding in FY 2019 of 8.8 percent.

Summary

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

- Board approval of the funding and audit adjustments contained in this package which result in a General Fund Available Balance of \$0.75 million and an increase of \$275.44 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds. Details regarding adjustments for School funds as requested by the Fairfax County Public Schools are provided in the Schools' Recommended *FY 2019 Third Quarter Review* package (Attachment VII).
 - Supplemental Appropriation Resolution AS 19190
 - Amendment to Fiscal Planning Resolution AS 19901
 - Supplemental Appropriation Resolution AS 18270
- Board appropriation of Federal/State grant adjustments in Fund 50000, Federal/State Grants, totaling an increase of \$109.60 million.
- Board approval of an adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2019 Third Quarter Review*.