



County of Fairfax, Virginia

MEMORANDUM

Attachment B

DATE: March 22, 2022
TO: Board of Supervisors
FROM: Bryan J. Hill 
County Executive
SUBJECT: FY 2022 Third Quarter Review

Attached for your review and consideration is the *FY 2022 Third Quarter Review*, including Supplemental Appropriation Resolution AS 22190 and Amendment to the Fiscal Planning Resolution AS 22901. 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 \$23.92 million over the revenue estimates included in the *FY 2022 Mid-Year Review*.
- 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 \$78.30 million. Expenditures in Non-Appropriated Other Funds decrease a total of \$2.43 million.
- Attachment IV - Fund 50000, Federal/State Grants, detailing grant appropriation adjustments for a total net increase of \$27.55 million.
- Attachment V - Supplemental Appropriation Resolution (SAR) AS 22190 and Amendment to the Fiscal Planning Resolution (FPR) AS 22901.
- Attachment VI - FY 2021 Audit Package including final adjustments to FY 2021 and the FY 2022 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 2022 Third*

relief for disabled veterans, and Transient Occupancy Taxes, due to higher than expected year-to-date collections.

The largest of the disbursement adjustments in this package include an \$8.39 million transfer to support capital paydown projects, specifically those related to infrastructure replacement and upgrades; a \$6.44 million transfer to support continued IT projects; and a transfer of \$4.80 million to support IT infrastructure, including the PC program and upgrades to the County's WiFi and telephony systems. These adjustments are consistent with the approach used in recent years to fund capital and IT requirements as part of the Third Quarter and Carryover reviews. Increased support for the Office of Elections in this package totals \$2.00 million, which includes the impact of decennial redistricting, expanded early voting, and no-excuse absentee voting, as well as the cost of two elections conducted during FY 2022. An increase of \$1.03 million, spread across multiple agencies, is also included due to the FY 2022 impact of the FY 2023 Benchmark Compensation Study, as the salary increases resulting from that study were accelerated to help address recruitment and retention challenges. These and the other adjustments that are discussed in detail later in this memo.

As a result of these adjustments, an available balance of \$2.00 million has been identified as part of the FY 2022 Third Quarter Review. This balance is available for the Board's consideration to address one-time priorities or consideration items. Any funds remaining after Board action are recommended to be placed in the County's General Fund Pandemic Reserve, which has a current balance of \$22.53 million.

It should be noted that 9 new positions are recommended as part of the *FY 2022 Third Quarter Review* to support the opening of the new Lorton Community Center. The FY 2023 Advertised Budget Plan includes full-year funding for these positions and anticipated that these positions would be requested as part of the *FY 2022 Third Quarter Review* to allow the Department of Neighborhood and Community Services to recruit staff prior to the center's scheduled opening in August 2022. No additional funding is required for these positions in FY 2022, as the partial-year cost can be accommodated within existing resources due to projected position vacancy savings in the agency.

In addition to the General Fund adjustments summarized above, this package includes a reduction in the debt service costs charged to Parks and Schools due to savings realized from the bond sale for the EDA Facilities Revenue Refunding Bonds, Series 2021C. As a result, the debt service transfer from the Park Revenue and Operating Fund has been reduced by \$0.26 million and the debt service transfer from the School Operating Fund has been reduced by \$0.46 million. These savings, which are possible due to the County's strong credit ratings and prudent management of its debt portfolio, will allow the Park Authority and Fairfax County Public Schools to redirect this funding to other priorities.

Summary of Administrative Adjustments

The following General Fund adjustments are made as part of the *FY 2022 Third Quarter Review*. It should be noted that the revenue adjustments included in the *FY 2022 Third Quarter Review* are described in detail in the Summary of General Fund Revenue, Attachment II.

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

SPENDING ADJUSTMENTS**\$22.12 MILLION****Decennial Redistricting**

Agency 15, Office of Elections

	NON-RECURRING
FY 2022 Expenditure	<u>\$501,840</u>
Net Cost	\$501,840

One-time funding in the amount of \$501,840 is required to support decennial redistricting. District lines are redrawn every 10 years following the completion of the United States Census. As a result of this year's redistricting, funding is necessary for the provisioning of 16 new precincts and informational mailings to all registered voters. This includes mailings to all of Fairfax County's 742,538 registered voters and elections equipment, supplies and materials for the 16 new precincts.

Elections Staffing and Ballot Mailing and Tracking

Agency 15, Office of Elections

Agency 89, Employee Benefits

	RECURRING
FY 2022 Expenditure	\$1,461,981
FY 2022 Expenditure	<u>\$38,019</u>
Net Cost	\$1,500,000

Funding of \$1,500,000 is required to address a budget shortfall in the Office of Elections due to increased costs associated with the November 2021 Gubernatorial Election and anticipated expenditures related to the upcoming June 2022 Primary Election. Funding in the amount of \$535,000 supports increased limited-term staffing for expanded early voting at the County's 16 satellite locations and \$965,000 supports third-party ballot printing and mailing services, supplies and equipment, that are required due to state legislation for no-excuse absentee voting that took effect on July 1, 2020. It should be noted that funding in the amount of \$1,120,000 is included in the FY 2023 Advertised Budget Plan for ballot printing and mailing and expanded early voting.

Patriot Park North Complex

Agency 51, Fairfax County Park Authority

Fund 30010, General Construction and Contributions

	NON-RECURRING
FY 2022 Expenditure	\$369,000
FY 2022 General Fund Transfer	<u>\$300,000</u>
Net Cost	\$669,000

Funding of \$669,000 is required to support one-time start-up costs for the opening of the Patriot Park North Complex, scheduled for December 2022. This premier sports tourism development, recommended by the Sports Tourism Task Force, will have six baseball diamond fields with upgraded restrooms, concessions, and press areas. Funding of \$369,000 will provide for scoreboards at each of the fields, a concession stand to prepare and sell food and drinks, specialized field groomers, trash and recycling receptacles, fencing, first aid and emergency supplies, and batting screens for all six fields. Each of the items are necessary for the successful operation of the fields and to ensure that the venue is ready to host tournaments and events as a major sports tourism destination in the region. In addition, funding of \$300,000 is included in Fund 30010, General Construction and Contributions, for the construction of a playground at the site. A central playground will offer additional recreation opportunities for families attending events at the complex and will allow for a full and lively recreational experience for all who visit Patriot Park North. It should be noted that the FY 2023 Advertised Budget Plan includes partial year funding of \$231,735 in staff and operational costs and \$89,000 for athletic field maintenance requirements at the new Patriot Park North Complex. This funding will support 3/3.0 FTE new positions and non-merit salaries as well as marketing, communications, and field maintenance at the Complex.

Summer Entertainment Series

Agency 51, Fairfax County Park Authority

	NON-RECURRING
FY 2022 Expenditure	<u>\$100,000</u>
Net Cost	\$100,000

An increase of \$100,000 is required to provide additional funding for the return of the Summer Entertainment Series to a full pre-pandemic schedule of entertainment activities. The contract for sound and technical services recently expired and higher rates for equipment rentals are expected in FY 2022. Funding of \$100,000 will support the rising costs associated with these services and the planning for approximately 150 summer concerts and outdoor movie events. In addition, it has been requested that each event last longer than in pre-pandemic years. Last year, the Summer Entertainment Series provided a critical outlet for residents as pandemic restrictions were lifted.

Children's Services Act

Agency 67, Family Services

	NON-RECURRING
FY 2022 Revenue	(\$2,000,000)
FY 2022 Expenditure	<u>(\$4,000,000)</u>
Net Cost	(\$2,000,000)

A decrease of \$4,000,000 to expenditures is associated with mandated funding requirements in the Children's Services Act (CSA) based on lower than anticipated expenditures in FY 2022. Actual costs for the CSA program are dependent on the number of youth served and the complexity of services provided. COVID-19 has impacted the entire system and the number of youth being served is down relative to prior years. Additionally, the CSA system has worked to contain costs by utilizing community-based services and minimizing the length of stay when a residential placement is necessary. The expenditure decrease is partially offset by a decrease in state funding of \$2,000,000 for a net savings to the General Fund of \$2,000,000.

Adoption Subsidy Program

Agency 67, Family Services

	NON-RECURRING
FY 2022 Revenue	(\$500,000)
FY 2022 Expenditure	<u>(\$500,000)</u>
Net Cost	\$0

A decrease of \$500,000 to both revenues and expenditures is included for the Adoption Subsidy Program to more accurately align the program's budget with actual spending and aligns with the number of youths served in recent years. The expenditure decrease is fully offset by a decrease in federal and state revenues for no net impact to the County.

New Positions for Lorton Community Center

Agency 79, Neighborhood and Community Services

	RECURRING
FY 2022 Revenue	\$0
FY 2022 Expenditure	<u>\$0</u>
Net Cost	\$0

A total of 9/8.5 FTE positions is included to support programming when the new Lorton Community Center opens to the public, currently scheduled for August 2022. Recreational and educational programming will be offered to residents of all ages. Positions are needed in FY 2022 to allow sufficient time for staff recruitment prior to the opening of the facility. The cost of these positions can be absorbed within the existing FY 2022 appropriation due to recruitment and retention challenges that result in difficulty filling vacancies. Full-year funding of \$1,417,280 was included in the FY 2023 Advertised Budget Plan.

Snow Removal Costs

Agency 87, Unclassified Administrative Expenses-DPWES

NON-RECURRING

FY 2022 Expenditure	<u>\$150,000</u>
Net Cost	\$150,000

Funding of \$150,000 is required to provide additional funding for snow removal costs associated with Agency 87, Unclassified Administrative Expenses-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 2022, snow removal costs have been higher than anticipated due to several snow and ice events and increased costs associated with chemicals and contractor services. 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. It should be noted that Agency 87, Unclassified Administrative Expenses – DPWES, is being eliminated as part of the FY 2023 Advertised Budget Plan. Funding will be transferred to several new projects in Fund 30010, General Construction and Contributions, to provide more transparency and carryforward of balances at year-end. This change results in no net impact to the General Fund.

South County Animal Shelter

Agency 96, Department of Animal Sheltering

NON-RECURRING

FY 2022 Expenditure	<u>\$68,000</u>
Net Cost	\$68,000

Funding of \$68,000 is required to purchase an animal transport vehicle for the South County Animal Shelter which is scheduled to open May 2023. The vehicle will ensure that animals are safely transported from the South County facility to various events, the veterinarian, and the West Ox facility. Due to the significant lead time in purchasing a vehicle, one-time funding in FY 2022 will help prepare for the opening of the new facility.

Acceleration of Benchmark Study Adjustments

General Fund Agencies

Fund 40090, E-911

NON-RECURRING

FY 2022 Expenditure	\$324,000
FY 2022 General Fund Transfer	<u>\$707,919</u>
Net Cost	\$1,031,919

Funding of \$1,031,919 is required to support the implementation of changes resulting from the FY 2023 Benchmark Compensation Study that were effective on February 12, 2022. Based on the County’s benchmark class survey of comparator jurisdictions, 14 general benchmark classes were determined to be below 95 percent of the external salary range market midpoint average. As a result of the survey, a total of 109 job classes, including the 14 benchmark classes, were recommended for pay increase adjustments. It should be noted that the full cost of these adjustments is offset by the utilization of one-time savings available in several agencies to absorb a portion of the costs, resulting in a net General Fund impact of \$1.0 million, including an increase in the General Fund Transfer to Fund 40090, E-911. It should be noted that baseline funding for these pay adjustments was included in the FY 2023 Advertised Budget Plan.

IT Project Support

Fund 10040, IT Projects

NON-RECURRING

FY 2022 General Fund Transfer	<u>\$6,438,200</u>
Net Cost	\$6,438,200

The General Fund transfer to Fund 10040, IT Projects, is increased by \$6,438,200 to support the funding of continued IT projects. As indicated in the FY 2023 Advertised Budget Plan, projects were anticipated to be funded with one-time balances as part of the *FY 2022 Third Quarter Review*. While increased baseline

funding to support these investments is highly recommended, the County has successfully used one-time funds at Third Quarter and Carryover reviews to support technology initiatives due to limited funding. More details regarding the projects funded as part of this adjustment are included in the *Other Funds Detail* write-up for Fund 10040, IT Projects, on page 27 of this package.

Infrastructure Replacement and Upgrades at County Facilities		NON-RECURRING
Fund 30020, Infrastructure Replacement and Upgrades	FY 2022 General Fund Transfer	<u>\$8,385,000</u>
	Net Cost	\$8,385,000

The General Fund transfer to Fund 30020, Infrastructure Replacement and Upgrades, is increased by \$8,385,000 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. These projects, all Category F, will address emergency building repairs, emergency generator replacement, HVAC system upgrades, and roof repairs and waterproofing. More details regarding the projects funded as part of this adjustment are included in the *Other Funds Detail* write-up for Fund 30020, Infrastructure Replacement and Upgrades, on page 31 of this package. It should be noted that additional funding of \$1,500,000 is recommended in the FY 2023 Advertised Budget Plan to address FY 2023 infrastructure replacement and upgrades project requirements.

Vehicle Replacement Fund		NON-RECURRING
Fund 60010, Department of Vehicle Services	FY 2022 General Fund Transfer	<u>\$479,774</u>
	Net Cost	\$479,774

The General Fund transfer to Fund 60010, Department of Vehicle Services, is increased by \$479,774 to support the Vehicle Replacement Program and additional costs related to the transition to hybrid and electric vehicles in line with Fairfax Green Initiatives and the change in the police vehicle platform from sedan to utility. This will be the first year in a multi-year approach to shore up this fund in order to maintain fund stability.

PC Program, WiFi Upgrade and Telephony Upgrade		NON-RECURRING
Fund 60030, Technology Infrastructure	FY 2022 General Fund Transfer	<u>\$4,798,803</u>
	Net Cost	\$4,798,803

The General Fund transfer to Fund 60030, Technology Infrastructure, is increased by \$4,798,803 to support the PC program, upgrades to the County’s WiFi and telephony systems, and purchase of an enterprise software license for content management software. These investments help address costs associated with County’s increasing reliance on technology. Cost drivers in the PC program include rising software license costs as well as increased hardware and software requirements to support an increasingly mobile workforce. The ongoing WiFi upgrade supports improved internet access in and around county facilities for both staff and members of the public. The telephony upgrade creates a hybrid structure suited to agency and job functions which is capable of supporting the organization’s tele-work policy. The upgrade also lays the foundation for a non-emergency citizen hotline, which would support further modernization strategies. The content management software license provides a flexible data repository for agencies migrating away from legacy systems and lays the foundation for improved data sharing in the future. This function is increasingly in demand for agency business needs and an enterprise level license supports the expanded use.

INCREASES TO RESERVES**\$2.30 MILLION****Reserve Adjustments**

		NON-RECURRING
Fund 10010, Revenue Stabilization Fund	FY 2022 General Fund Transfer	\$1,150,172
Fund 10015, Economic Opportunity Reserve	FY 2022 General Fund Transfer	<u>\$230,034</u>
	Net Cost	<u>\$1,380,206</u>

The transfers from the General Fund to Fund 10010, Revenue Stabilization Fund, and Fund 10015, Economic Opportunity Reserve, are increased by a total of \$1,380,206 based on revised FY 2022 Total General Fund Disbursement levels. This is consistent with the County’s reserve policy. The Revenue Stabilization Reserve, Managed Reserve and Economic Opportunity Reserve are fully funded at their target levels.

It should be noted that an additional \$920,138 is also allocated to the Managed Reserve as part of the *FY 2022 Third Quarter Review*, for a total General Fund increase to reserves of \$2,300,344.

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 \$2.00 million and an increase of \$78.30 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools’ funds. Details regarding adjustments for School funds as requested by the Fairfax County Public Schools are provided in the Schools’ *FY 2022 Third Quarter Review* package (Attachment VII).
 - Supplemental Appropriation Resolution AS 22190
 - Amendment to Fiscal Planning Resolution AS 22901
- Board appropriation of Federal/State grant adjustments in Fund 50000, Federal/State Grants, totaling an increase of \$27.55 million.