

Budget Guidance for FY 2017 and FY 2018

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, April 19, 2016, the Board approved the following Budget Guidance for FY 2017 and FY 2018:

Joint Board of Supervisors/School Board Work

As the Board of Supervisors and the School Board strive to provide quality services to the community the collaboration of the two Boards should continue. The Boards have committed to a joint meeting/retreat on June 14. The specifics of the meeting, including the agenda, are being refined. However, it is expected that the agenda will include discussion of the budget requirements of both entities and additional opportunities for collaborative service delivery.

In addition, as the FY 2018 budget process unfolds it is directed that additional joint meetings be scheduled to provide updates on projected requirements and resources. It is anticipated that these meetings occur in September and October/November. Updated revenue projections and refined service delivery needs should be outlined with time allotted for discussion by both Boards on how to best address these needs in the continued environment of constrained resources that we face. Staff will schedule the joint meetings of the two Boards.

Clearly, there continues to be a projected shortfall of over \$75 million as we project ahead to FY 2018. This projection includes revenue increases of approximately 2.4 percent based on limited projected growth in the County's Real Estate market. As evidenced by the reduction in the projected increase in residential equalization included in the County Executive's Add-On Package, current estimates indicate sluggish growth in the market similar to that experienced this year.

The projected shortfall makes it clear that difficult budget decisions lie ahead. In order to provide additional context for FY 2018, the County Executive is directed to outline, as part of the multi-year component of the FY 2017 Adopted Budget Plan, a FY 2018 budget that allocates current projected available resources between the County and Schools. This presentation should include what can be funded within these resources for both the County and Schools as well as those items that cannot be covered with current revenue projections. It should be noted that the Board recognizes that Real Estate rate increases, such as the 4 cent increase included in the FY 2017 budget, are not sustainable. The Boards will need to balance affordability with the long list of priorities, therefore making these joint conversations extremely important.

Finally, the work of the Successful Children and Youth Policy Team (SCYPT) should be the focus of joint Board discussions as well in the coming year. First convened in May 2013, SCYPT is comprised of leaders from multiple sectors within Fairfax County. The team's role is to set community-wide goals and priorities for public policy as it relates to children, youth, and families. According to the team's charter, "in order to become confident individuals, effective contributors, successful learners and responsible citizens, all of Fairfax County's children need to be safe, nurtured, healthy, achieving, active, included, respected and responsible. This can only be realized if the County, schools, community, and families pull together to plan and deliver top-quality services, which overcome traditional boundaries."

In order that the needs of the community as discussed by SCYPT are fully vetted by both Boards, the June retreat and subsequent joint meetings should also include updates and policy discussions to ensure that the recommendations coming from the SCYPT can be incorporated into funding decisions going forward which support the development of a joint County/School community-wide strategic plan for building the capacity to address early childhood and school readiness. It is extremely important to remember that the County and Schools have focused additional resources on / shifted existing resources to school readiness, beginning in FY 2015, as a result of joint planning efforts. In order for these initiatives to be successful, there will need to be continued coordination and funding support from both bodies in pursuit of the agreed-upon goals. The added value of expanding the discussion to the full Boards is that these issues clearly have significant funding implications that will require support from a majority of each Board.

The first focus of this discussion should be on the policy and implementation issues associated with pre-Kindergarten. This focus is also consistent with recommendations from the Joint Budget Development Committee. There have been incremental adjustments made to the County and School programs designed for pre-K students, however a comprehensive long-term plan needs to be defined and funding and facility options identified jointly in order for progress to be made towards this significant priority.

Another important joint County and Schools effort involves the Children's Services Act (CSA)/System of Care program. Staff should continue to look at opportunities to incentivize efficiencies and the opportunity to redirect savings to address other critical needs. In addition, in anticipation of FY 2018 System of Care funding, staff should initiate the process to implement Family Navigation services which ultimately would be provided through contracted services. Navigation services should include parent navigators to support families and the development of a one-stop web based resource directory of families to find the services available within their communities. Staff should also continue to pursue grant opportunities for these services.

Diversions First

As part of implementation of continued Diversions First expansion, staff is directed to leverage funds available in the Housing Blueprint/Bridging Affordability programs, and FY 2017 Diversions First Housing dollars as a source to provide matching funding for non-profits to provide additional housing units for persons with mental illness. Staff is also directed to report back on Diversions First implementation and make recommendations for service delivery adjustments as appropriate.

Human Trafficking

As part of the FY 2017 budget, the County has replaced the federal grant funding supporting enforcement efforts related to the human trafficking issue. Staff is continuing to evaluate the way we combat this growing threat in our community. Ultimately, additional resources may be necessary, not only for enforcement, but also for victim services. The Board anticipates future funding requirements based on these staff recommendations.

County and Schools Infrastructure Investment

For two years (beginning in FY 2016 and maintained in FY 2017), the County has provided a transfer of \$13.1 million to the School Construction Fund for capital replacement and upgrade requirements, freeing general obligation bond funding for large replacement or new capacity requirements. This

level of support is permanent. The County is attempting to also increase funding for infrastructure both in the use of one-time balances and by increasing the level of funding in the annual budget. To continue the excellent work completed by the Infrastructure Financing Committee, staff is directed to work with Schools to continue to focus on the presentation of this information so that the various uses of capital funding are clearly defined and are consistent across both entities. In addition, the Board directs staff to provide updates on a regular basis which detail the uses of these multi-year funds and the progress made in addressing infrastructure issues in both the County and Schools.

The Board also encourages collaboration and joint planning between the Schools and County for future capital improvements. Consistent with the work of the Infrastructure Financing Committee and the recommendation that "County and School Board members recognize that capital requirements must become a funding priority," staff is directed to include an analysis in the FY 2018 Capital Improvement Program (CIP) of a possible increase in the annual School bond capacity from the current level of \$155 million. This analysis should include the projected impact on the County's debt ratios and a discussion of the affordability of additional debt service on future County budgets. Similarly, the County should identify specific CIP topics for discussion as the FY 2018 CIP development process is undertaken, including reviewing the \$275 million annual sales limit to consider raising it for the first time since FY 2007. Finally, County staff and the Park Authority should review requirements for the long-term management of our inventory of historic artifacts to include both capital and operational needs.

Employee Compensation

The Board continues to recognize the importance of fully funding the County's pay plan to help recruit and retain high quality employees. The pay plan includes performance/longevity increases for General County merit employees, merit/longevity increases for uniformed Public Safety employees, and a Market Rate Adjustment, based on a formula, for all employees. Full funding of the pay plans in FY 2017 is an important step in ensuring high quality services. The County Executive is directed to fully fund the County's pay plan in his FY 2018 Advertised Budget.

Public Safety Compensation and Organization Study

During FY 2016, the Board directed the County Executive and County staff to work with public safety agencies and employee groups, with the assistance of an outside consultant, to provide analysis and develop recommendations regarding: the reorganization of the operational and administrative structure of the Police Department, to include but not limited to possible changes to the current rank structure, the organizational structure, and pay for police officers. Additionally, the consultant is studying the organization of the Animal Services Division and possible pay parity between uniformed Sheriff and Police employees.

For FY 2017, the Board directs the County Executive and County staff to continue this work. The results of the consultant's study should be used for discussion by the Board regarding realigning the pay scales and considering duties, responsibilities, and span of control. Any Police recommendations shall be implemented in phases and designed to coincide with the opening of the South County Police Station. This important work should be presented to the Board for discussion at a Personnel and/or Public Safety Committee meeting in the summer to allow enough time for the Board to establish priorities and provide direction to the County Executive in regards to the development of the FY 2018 Advertised budget.

Lines of Business (LOBs) Process

As the Board winds down the Phase 1 discussion, we will soon turn our attention to the next phase, delving deeper into issues which will be used to inform budget decisions over the next several years. The Board appreciates the hard work of staff, evident not only by the LOBs volumes themselves, but also by the informative and thorough presentations made to the Board over the past few months. The community's interest in LOBs is also clear based on the large number of responses to the survey, and we will need to continue to engage the community as we look more closely at specific LOBs and opportunities for efficiencies in the coming year.

It is intended that Phase 2 include the identification of specific projects by the Board for both County-specific services and those services that cross County and School lines. At the conclusion of the presentations, the discussion of community input and survey results, the Board will provide this direction to staff. Staff has been working to compile a list of possible project topics based on the discussions the Board has had, the input from the community, and suggestions from staff throughout the organization, including the LOBs Committee.

Tax Relief for the Elderly

The Commonwealth of Virginia no longer imposes maximum income or net asset limits for real property tax relief. The limits are now strictly local option. The Board directs that, in advance of the FY 2018 budget, staff present the state of the current tax relief program at a future Budget Committee meeting.

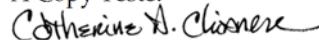
This presentation should include all components of tax relief, however focus on assets and the inclusion of retirement accounts such as 401(k)s in the asset calculation. The Board understands that staff does not have solid information about the income and assets of residents who have never applied for the tax relief program. The estimates of the impact are very difficult as a result of this. Consistent with previous information provided to the Board part of the analysis should include comparisons to other jurisdictions in the Commonwealth.

Meals Tax/Other Revenue Opportunities

As a follow-up to the discussion at the March 1st Board meeting, staff is directed to schedule a discussion of the Meals Tax during the May 3rd Budget Committee meeting. This discussion should focus on an update of the information that has been gathered on the Meals Tax, a review of other opportunities for revenue diversification such as those mentioned by Board members (such as the alcohol, cigarette, BPOL, and personal property taxes) and a discussion of options available to the Board. In advance of this meeting, materials that have been compiled in response to the March 1st Board discussion on the Meals Tax should be provided to the Board so they can be reviewed by the Board and additional information requested if necessary.

I now move the Budget Guidance that I just reviewed which will help direct the FY 2018 Budget process.

A Copy Teste:



Catherine A. Chianese,

Clerk to the Board of Supervisors