County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County.

February 26, 2007

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia

Chairman and Board Members:

I am pleased to transmit to the Board of Supervisors and the citizens of Fairfax County my budget proposal for Fiscal Year 2008, totaling $5,766,693,253, including General Fund Disbursements of $3,319,047,284, which represent a 1.34 percent increase over the *FY 2007 Revised Budget Plan*. Direct General Fund Expenditures total $1,203,872,635 and reflect a decrease of 0.02 percent from the *FY 2007 Revised Budget Plan*. Despite General Fund revenue growth of only 2.88 percent, the FY 2008 Advertised Budget Plan is balanced, has been prepared in accordance with the Board's budget guidelines and maintains the Real Estate Tax rate at $0.89 per $100 of assessed value.

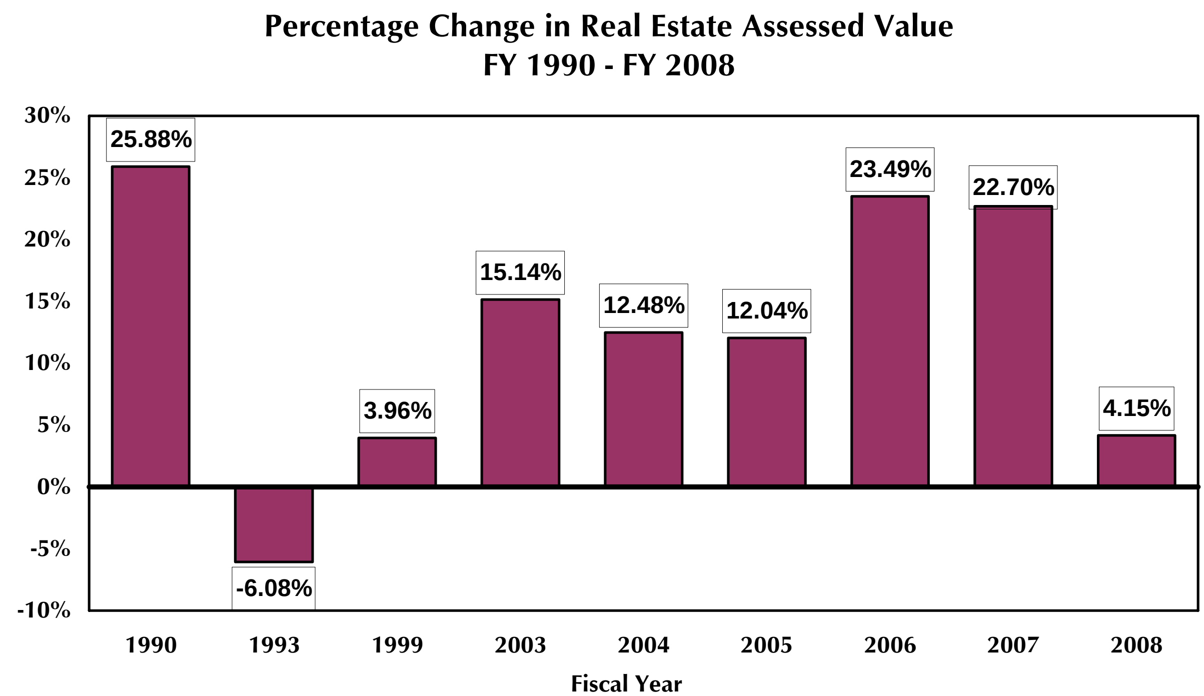
While the budget for FY 2008 presents one of the more difficult fiscal plans in recent years, the steps the Board has taken over the past few years have positioned Fairfax County to be able to meet these challenges head-on. By clearly articulating priorities, the Board has laid out a roadmap for the County to follow. Strong investment in education has contributed to a world-class school system cited repeatedly as a draw for businesses relocating here. The County also continues to have among the lowest crime rates as evidenced by the benchmarking data collected annually and presented in Volume 1 of the FY 2008 Advertised Budget Plan.

The County's goal of preserving 1,000 units of affordable housing by the end of 2007 was met and exceeded as of December 2006 with a total of 1,040 units preserved for both homeownership and rental opportunities. This achievement was made possible by the Board's dedication of one penny on the Real Estate Tax rate for affordable housing. By establishing an environmental agenda for the first time in County history and dedicating another penny on the Real Estate Tax rate for stormwater management projects, we have been able to make progress on protecting our valuable natural resources.

Under the Board's leadership, the County continues to push ahead with the Four-Year Transportation Plan established by the Board, which calls for the extension of Metrorail through Tysons Corner and the Dulles Corridor. In addition to such major projects, the Four-Year Plan laid out 30 specific construction projects including sidewalks, road widenings and intersection improvements. To alleviate the burden on homeowners, the Board reduced the Real Estate Tax rate a total of 34 cents, from $1.23 to $0.89 per $100 of assessed value from FY 2003 to FY 2007. Equally important, the Revenue Stabilization Reserve has been fully funded to protect County services in the event of a severe economic downturn, and we have made significant progress toward funding our post-employment benefit liability as required by the Government Accounting Standards Board (GASB) Standard 45 at a time when most local governments are only beginning to think about this requirement. The Board's guidance has kept Fairfax County on solid financial footing, while ensuring that the level of service citizens expect is provided, despite considerably lower revenue growth for FY 2008.

The Board will recall from the Joint Meeting of the Fairfax County Board of Supervisors and the School Board on July 17, 2006, we anticipated a significant decrease in General Fund revenue growth due to the cooling real estate market. In fact, the slowdown has occurred as predicted and has actually deepened. History is repeating itself. Our current real estate market is similar to 1990

(FY 1992 assessments) where the number of home sales declined precipitously, while inventory rose and houses remained on the market longer. Unlike 1990, however, prices are not declining as drastically. This is due to continued job growth and relatively low mortgage rates, unlike the early 1990s, which began a nine-year period from 1992-2000 where residential equalization, the appreciation of existing housing, was negative or grew less than 1 percent. We are now seeing a similar correction in the market that has been predicted for some time. Fortunately the nonresidential sector has experienced healthy appreciation or our fiscal situation would be even more challenging for FY 2008. Nevertheless, our budget continues to be overly dependent on Real Estate Taxes, which make up almost 60 percent of total General Fund revenue. Barring a considerable turnaround in the housing market, we will face an even more difficult situation for FY 2009. The following chart shows the trend in the County's assessed value base since 1990. Similarly, there was significant growth in FY 1990, only to be followed by a decade of little or no growth. The first half of the current decade saw robust growth; however, income growth is not sufficient to sustain such substantial increases in housing prices, so we are now seeing the market enter a period of correction. Our revenue picture mirrors this cyclical economic trend.



Equalization	**18.27%**	**-6.48%**	**1.77%**	**11.72%**	**9.94%**	**9.54%**	**20.80%**	**19.76%**	**2.47%**
Res	19.01	-3.74	0.04	16.27	14.55	11.29	23.09	20.57	-0.33
NonRes	16.54	-13.22	7.12	0.52	-2.94	3.74	12.74	16.64	13.57
Growth	**7.61**	**0.40**	**2.19**	**3.42**	**2.54**	**2.50**	**2.69**	**2.94**	**1.68**
	25.88%	**-6.08%**	**3.96%**	**15.14%**	**12.48%**	**12.04%**	**23.49%**	**22.70%**	**4.15%**

As I noted to the Board last year as part of my FY 2007 budget recommendations, I anticipated that the runaway real estate market could not sustain its double-digit growth and that revenue from Real Estate Taxes, the largest component of General Fund revenue, would return to much more modest increases in the coming years. It appears that the areas with the most extreme price increases over the past few years, such as Northern Virginia, are the ones experiencing the biggest decreases in sales. In anticipation of this, the Board of Supervisors provided FY 2008 guidelines for both the County and Fairfax County Public Schools (FCPS) that reflected projected revenue limitations. The Board instructed the Schools to prepare a request that does not exceed a 3.5 percent increase in the County transfer. I was likewise directed to prepare a budget limiting the increase in County spending to no more than 3.0 percent.

Despite revenue growth of only 2.88 percent, even less than previously anticipated, this budget fulfills our promise of increasing the operating transfer to FCPS by 3.5 percent. However, to accommodate this lower revenue increase and meet our commitment to the Schools, I had to hold County spending lower, funding no new programs and limiting expansion in order to meet basic obligations and open new facilities scheduled to come on line in FY 2008.

Comparing my recommended FY 2008 Direct General Fund Expenditures to the FY 2007 Adopted Budget Plan reflects an increase of $34,594,246 or 2.96 percent. The increase in FY 2008 Total General Fund Disbursements is $105,368,288 or 3.28 percent over the FY 2007 Adopted Budget Plan. In accordance with the Board adopted guidelines for the FY 2008 Budget, the proposed County General Fund transfer for school operations in FY 2008 totals $1,586,600,722, an increase of 3.5 percent plus an additional $8 million to fund the second phase of the School's Initiatives for Excellence. This results in a total increase of $61,382,633 or 4.0 percent over the FY 2007 Adopted Budget Plan transfer. It should be noted that the actual transfer request approved by the School Board on February 7, 2007 is $1,603,645,743, an increase of 4.6 percent plus an additional $8 million to fund the second phase of the School's Initiatives for Excellence. This results in a total increase of $78,427,654 or 5.1 percent over the FY 2007 Adopted Budget Plan transfer.

In order to prepare a balanced budget for which revenue growth is a modest 2.88 percent, in conjunction with rising costs for salaries, utilities, fuel and contractual services, I found it necessary to ask most General Fund and General Fund-support agencies to participate in a reduction of personnel services funding by 2 percent or $16.3 million. This will require us to manage staffing very carefully. In addition, I was unable to fund agency requests beyond those associated with public safety and new facilities. Despite population increases, the number of authorized positions per 1,000 residents continues to decline, from 11.21 in FY 2007 to 11.16 in FY 2008. The proposed budget includes the addition of 70/63.0 SYE positions, all of which are associated with public safety or new facilities. My priority was ensuring that new facilities coming on line in FY 2008 have the proper resources to provide the services for which they were built. Additionally, it was necessary to use budget balances to close the gap. I would caution that these actions are a short-term solution, and if restrictive conditions persist beyond two years, we will be forced to undertake more significant reductions in programs and services similar to the early and mid-1990s.

The budget guidelines also included direction to continue to focus on the Board's Priorities and the County Vision Elements in development of the FY 2008 budget, as well as address market forces impacting the budget, demographic changes, mandates and other budget growth drivers, in addition to including a clear identification of initiatives targeted at seniors, a rapidly growing segment of the population. This budget represents a fiscally sound approach to addressing the Board's Priorities, as well as our countywide Core Purpose and Vision Elements that have served as a beacon, shaping our resource allocation and program delivery decisions to maintain the high quality of life for which Fairfax County is known. Meeting these guidelines in an environment of limited revenue growth has proved very challenging. Nevertheless, it has sharpened our focus in order to limit funding increases to the most essential priorities.

BOARD OF SUPERVISORS' PRIORITIES

- Strong investment in education
- Public safety and gang prevention
- Affordable housing
- Environmental protection
- Transportation improvements
- Revenue diversification to reduce the burden on homeowners

COUNTY CORE PURPOSE & VISION ELEMENTS

To protect and enrich the quality of life for the people, neighborhoods, and diverse communities of Fairfax County by:

- Maintaining Safe and Caring Communities
- Building Livable Spaces
- Practicing Environmental Stewardship
- Connecting People and Places
- Creating a Culture of Engagement
- Maintaining Healthy Economies
- Exercising Corporate Stewardship

Since there is considerably lower revenue growth, I had to make difficult decisions regarding what could be funded. The funded priorities should come as no surprise – Schools, public safety, serving our most vulnerable residents and addressing the needs associated with new facilities coming on line in FY 2008. This budget reflects these priorities, but not without making the funding reductions as noted above.

Even with those reductions, FY 2008 disbursements exceeded FY 2008 receipts (revenues and transfers in) by $27 million. To address this shortfall, $21 million prudently set aside by the Board as part of the *FY 2006 Carryover Review* will be combined with an additional $6 million anticipated as part of the *FY 2007 Third Quarter Review*. While the use of one-time balances to fund ongoing requirements is not ideal, the total balance utilized is less than 1.0 percent of total General Fund Disbursements. We will take this into account in future budgets to ensure that we do not create a structural imbalance. The rating agencies, which just reaffirmed Fairfax County's Triple AAA rating last month, will be watching us closely to see how we handle this situation in the long term.

Despite these challenges, I am proposing a budget that will not only allow Fairfax County to survive this correction in the real estate market, but will enable us to thrive in the coming years. When I initiated the Fairfax Framework for Excellence several years ago, I explained that due to budget constraints and changing customer requirements, it is essential that we do a better job of drawing upon the talents and skills of employees at all levels in order to move the organization to the next level of performance. We have spent considerable time talking about the County's vision, values and strategies, and I asked all agencies to help realize this work through a strategic thinking and planning initiative that involved employees throughout their organizations. Clarifying our strategic direction is paying dividends when we face a difficult budget cycle such as this one. Among the benefits from making this investment are:

- Ensuring that County programs are appropriately aligned to the expectations of the community and providing a means for helping staff focus on the needs of citizens, with a measurement component to determine how well we are doing in meeting those needs;
- Establishing a unified, articulated plan that can be communicated to all employees to clearly show the County's priorities and direction, which provides a framework to make decisions around alignment of resources to meet the needs of citizens and staff;
- Ensuring that limited resources are appropriately allocated to achieve the objectives of the community as determined by the BOS; and
- Providing a vehicle for getting employees at all levels connected to the mission, vision and strategies of the County to better understand how they and their work fits in.

As a result of our careful planning, maintaining reserves and partnering with others, we have positioned ourselves to weather the current difficulties we face. The Board's excellent fiscal stewardship in maintaining our financial principles and allocating reserves for infrastructure renewal; funding future obligations such as those associated with post-retirement benefits; and investing in technology to enhance productivity and service delivery are helping us meet the challenge of significantly lower revenue growth. Another of the Board's priorities – revenue diversification is also helping to cushion the impact of the slowdown in the residential real estate market.

After six consecutive years where average residential real estate assessments increased by double-digits, residential equalization (the reassessment of existing residential properties) abruptly reversed and is actually negative for FY 2008 at (0.33) percent. Fortunately non-residential equalization is increasing 13.57 percent, resulting in Total Equalization of 2.47 percent. This is driving the Commercial/Industrial percentage of the County's Real Estate Tax base to 19.23 percent, a significant increase over the FY 2007 share of 17.22, which was the lowest rate in over 20 years. Growth (new construction) for FY 2008 is 1.68 percent compared to 2.94 percent last year. Overall, the Real Estate Tax base is increasing 4.15 percent for FY 2008.

Just last year, the County's Real Estate Tax base increased 22.70 percent including a 19.76 percent increase in total equalization. Based on maintaining the Real Estate Tax rate at $0.89 per $100 of assessed value and an average assessed value of $542,744, the typical homeowner will pay $4,830 in Real Estate Tax in FY 2008, a decrease of $16 or 0.33 percent from the FY 2007 amount. Additional details on General Fund revenue are included in the General Fund Revenue Overview section in the Overview Volume of the FY 2008 Advertised Budget Plan.

THE ECONOMY AND REVENUE

My proposed budget relies on projected revenue growth of $92.2 million or 2.88 percent. This is a significant departure from the $269.3 million or 8.8 percent growth we were looking at just a year ago which led the Board to reduce the Real Estate tax rate by 11 cents. Modest growth is likely to persist for at least several years based on anticipated economic conditions, particularly in the housing market. Since real property taxes make up almost 60 percent of our revenue base, the strength of that sector has a tremendous impact on the County's budget. Other factors in the economy at the national, state, regional and local levels that also influence Fairfax County's budget are summarized below.

The National Economy

In late November 2006, Federal Reserve Chairman Ben S. Bernanke noted that that month marked the fifth anniversary of the beginning of the current expansion in the economy. Referencing his remarks to Congress in July 2006 as part of the Federal Reserve's semiannual monetary policy report, he noted that the U.S. economy was in a transition phase and that some moderation in economic growth over the remainder of the year seemed likely. As anticipated, the slowdown reflected a cooling in the housing market, while other sectors of the economy still appeared to be expanding at a solid rate, with the labor market tightening further. In fact the unemployment rate in December 2006 registered a relatively low 4.5 percent, with an average of 4.6 percent for all of 2006. Bernanke expressed concern that increases in labor costs as a result of the tightening market could be passed on through higher prices which would add to inflation pressures.

In fact, for the 12-month period ending December 2006, the Consumer Price Index rose 2.5 percent. This compares to an increase of 3.4 percent in 2005. Energy costs, which rose sharply in both 2004 and 2005, grew at a much lower rate, particularly in the second half of 2006. Overall energy costs rose 2.9 percent in all of 2006. The food index, which rose 2.3 percent in 2005, increased 2.1 percent in 2006.

The tight labor market and associated price increases may lead the Federal Reserve's Federal Open Market Committee (FOMC) to raise the federal funds rate later this year in order to maintain stable, low inflation. As a result of higher inflation in 2004 and 2005, the FOMC raised rates 25 basis points 17 consecutive times to 5.25 percent. Since August 2006, the Committee has left interest rates unchanged to assess the effects of their previous policy actions and since there were indications that economic growth was moderating, with inflationary pressures diminishing somewhat. However, they noted that they would monitor the situation closely and would take future action as necessary to guard against future inflation.

The national economy, as measured by real Growth in Gross Domestic Product (GDP) finished 2006 on a high note with an increase of 3.4 percent according to data released by the U.S. Department of Commerce on January 31, 2006. This is the strongest rate in two years. Economists consider the 2006 increase of 3.4 percent even more impressive in view of the housing slump and the troubled automotive sector, which is also acting as a drag on the economy. Relatively low unemployment has been driving consumer spending, which grew at a 4.4 percent annual rate in the last quarter of 2006, and appears again to be keeping the economy steady. Higher gas prices could reverse that trend however.

The State Economy and Budget

Virginia's economic strength contributed to state general fund revenue growth of 8.4 percent in FY 2006, a full percent higher than expected. Actual collections exceeded the forecast by $147 million or 1.0 percent. In anticipation of a surplus, the General Assembly utilized $128 million in the beginning balance for FY 2007, leaving an available balance of $19 million. FY 2006 revenue growth came primarily from two areas: individual and corporate income tax collections. The most dramatic individual income tax growth occurred in the volatile area of nonwithholding payments. These payments grew 22 percent in FY 2006 after increasing almost 33 percent the year before. Since the historic average for such growth in the last decade is 12.1 percent, the high numbers of the two most recent years are not anticipated to indicate a lasting trend. The second source – corporate income tax collections – grew 41 percent in FY 2006 on the heels of record-setting growth of 45 percent in FY 2005. Again, because the historic trend over the past decade shows an average of 10.6 percent, it is not expected that this high level of growth will be sustained in the long term.

The Governor's Advisory Board of Economists met on October 18, 2006 to assess the economic outlook for the nation and Virginia. The Governor's Advisory Council on Revenue Estimates then met on November 20, 2006 to review the preliminary revenue forecast built upon the recommendations of the Board of Economists. Among their conclusions was that economic growth in Virginia is expected to outpace the nation over the next two years in the areas of employment, personal income, wages and salaries. Supporting this, the October 2006 unemployment rate in Virginia was 2.7 percent, considerably below the national rate of 4.4 percent for the same month and down from the October 2005 statewide level of 3.1 percent.

Despite projections that Virginia will exceed national trends, most factors are anticipated to moderate to long-term trends for the state. For example, Virginia employment growth is forecast at 1.8 percent in FY 2008, translating to 68,000 additional jobs. This is higher than the 1.2 percent increase projected for the U.S.; however, it is lower than the 2.2 percent realized by the state in FY 2006 (78,600 jobs). The revenue forecast likewise anticipates that growth in nonwithholding tax payments will moderate from the strong performance of FY 2006. These payments consist of taxes paid on non-wage income such as capital gains, self-employment income, bonuses and stock options. The unprecedented growth over the last two years was likely boosted by the reduction in federal tax rates on capital gains. Growth in corporate income tax payments is also expected to moderate from the record-setting pace of the past two years. Corporate income tax is the most volatile revenue source. Over time, one year in three has seen a decline in collections. Since FY 2002, corporate profits have surged, driven by productivity gains. The Governor's Advisory Council on Revenue Estimates supports the outlook that growth in state corporate income tax payments is expected to slow in FY 2007 and decline in FY 2008.

As Fairfax County has seen at the local level, state recordation tax receipts fell 22 percent through the first five months of FY 2007 and are expected to continue declining with the slowdown in the housing market. Another factor that will influence the state economy is the Ford Motor Company's decision to cut production at its Norfolk facility, before they close it in 2008. This directly affects the plant's 2,400 workers and their families, and reverberates through the network of auto parts firms that employ another 25,000 across the Commonwealth of Virginia.

On the expenditure side, Governor Kaine cites a number of budget priorities including K-12 education, higher education, environmental concerns such as cleaning up the Chesapeake Bay, health care and public safety. Those issues, along with the pressing need for transportation improvements, will drive the FY 2008 budget. Much like the County's budget, the picture of constrained revenue will make finding the resources to meet these challenges more difficult than in recent years.

The Regional and Local Economies

According to George Mason University's Center for Regional Analysis, the Washington area economy, which expanded rapidly after 2001, is expected to return to a more normal pace of growth. While that means slower growth, it will still exceed most of the rest of the country. "The sky isn't falling and the fundamentals of the economy are really good," stated Stephen S. Fuller who presented his analysis at the 15th annual Greater Washington Area Economic Conference on January 11, 2007. While noting the risk of higher oil prices and a deeper housing downturn, Fuller projected that the Washington area would continue to experience strong gains in jobs, as well as increases in wages. Northern Virginia is expected to add the most jobs, with increases of 30,000 or more over the next few years. Federal procurement continues to drive that growth but is also moderating, with an increase of $1.3 billion in 2005 compared to an $8 billion increase in 2004 according to the George Mason University Center for Regional Analysis.

In another study, this one released by the U.S. Department of Labor on January 26, 2007, Fairfax County has become the economic center of the Washington area, generating high-paying professional and management jobs at a substantially higher rate than the rest of the region and the country. According to the Labor Department, Fairfax County generates high-paying jobs for software designers, lawyers, accountants, architects, engineers and other professionals at 2.57 times the rate of the U.S. and created nearly half of the 230,000 such jobs that opened up in the area between 1990 and 2005. Economist Gerald L. Perrins, one of the study's authors said, "Fairfax is a magnet – nationwide and worldwide." He attributes a "unique mix" of factors that keeps Fairfax County at the top including a generally positive attitude toward growth and development, top-quality public schools, relatively low tax rates, and a flow of federal funds, particularly for defense, intelligence and homeland security.

The Virginia Employment Commission reported that the number of Fairfax County residents holding jobs in October 2006 was 595,570, an increase of 17,602 residents or 3.0 percent over October 2005. During this period, unemployment in Fairfax County fell 0.4 percentage points from the previous month to 1.9 percent. This compares favorably to the October 2005 unemployment rate for the County of 2.3 percent.

The most recent Fairfax County Coincident Index, which represents the current state of the County's economy, decreased to 148.65 in November for a decline of 0.11 percent. This marginal decrease followed a strong gain in October. On a monthly over-the-year basis, the Coincident Index continues to track higher, gaining 3.74 percent from November 2005 and extending its monthly over-the-year gain to a 36th consecutive month. Nevertheless, indicators are pointing toward slower future growth, leading us to exercise caution in the FY 2008 budget.

FY 2007 County Revenue and Expenditures

Staff has been closely reviewing FY 2007 revenue receipts to date and has updated projections for the remainder of the fiscal year. At this time, we project a net increase in FY 2007 of $6.0 million as a result of required, one-time FY 2006 audit adjustments offset by lower than anticipated FY 2007 revenue. However, as noted previously, this net $6 million is required to balance the FY 2008 budget. Details of these adjustments will be included in the *FY 2007 Third Quarter Review* that will be provided in March 2007 for the Board's consideration.

Additionally, as part of the Courthouse expansion, the City of Fairfax has notified the County of the requirement to increase the sewer capacity for that facility. We anticipate meeting this additional cost of $1 million with $500,000 from Sewer revenue, with the remainder coming from the General Fund. It should also be noted that due to construction increases at several human services facilities such as the Mount Vernon Mental Health Center, Gregory Road and the Less Secure Shelter, it is likely that additional one-time funding will be required as part of the *FY 2007 Carryover Review*.

FY 2008 County Revenue

FY 2008 General Fund revenues total $3.29 billion, an increase of $92.21 million or 2.88 percent over the *FY 2007 Revised Budget Plan*. This is significantly lower than the growth rates of the past six years that ranged from 6.6 percent to 9.5 percent after the Board's tax rate reductions. Based on a tax rate of $0.89 per $100 of assessed value, Real Estate Tax receipts are anticipated to increase $76.11 million or 4.0 percent, and represent 59.8 percent of total revenue. All other revenue categories combined are forecasted to increase 1.2 percent over FY 2007 levels, reflecting the slowing economic growth anticipated in the next fiscal year. In FY 2008, Other Local Taxes, including Sales Tax and Business, Professional and Occupational Licenses (BPOL) taxes are projected to increase $12.4 million or 2.6 percent over FY 2007, and account for 13.4 percent of the total increase, while Personal Property Taxes are projected to increase only $2.8 million or 0.6 percent over the *FY 2007 Revised Budget Plan.*

From a historical perspective, County revenues have mirrored the economy, particularly with regard to the housing market since Real Estate Taxes comprise the greatest share of the budget. From 1980-1991, average annual General Fund revenue growth exceeded 12 percent per year. However, from FY 1992-FY 2000, General Fund revenues grew at an average annual rate of only 4.2 percent, approximately one-third of the previous decade's average. In the early part of the current decade, we experienced healthy growth in the 7 percent range due to the robust real estate market. In FY 2006, that revenue growth rose 9.5 percent associated with the overheated real estate market in 2004 and 2005 that drove housing price increases, as well as a nearly 160 percent increase in interest on investments as a result of the Federal Reserve raising the federal funds rate.

Revenue growth is anticipated to moderate substantially for FY 2007 and FY 2008, with projected increases of 3.1 and 2.9 percent, respectively. As anticipated, the housing market reversed course in 2006. The number of homes listed for sale increased dramatically, while the number sold dropped and prices fell marginally. On average, there were twice as many homes for sale each month in 2006 as there were in 2005, although in a few months, the active listings were four times as many as the same month of the prior year. Homes also took longer to sell. According to the Metropolitan Regional Information System, a home in Fairfax County was on the market an average of 97 days in December 2006 compared to the 2005 average of 21 days and the December 2005 average of just 15 days. Preliminary figures from the Northern Virginia Association of Realtors indicate that the number of homes sold in Fairfax County in 2006 was down 34 percent compared to 2005. These changes brought an abrupt end to double-digit price appreciation, resulting in a reduction in value for residential properties for FY 2008. This is the first time in 10 years that existing residential properties fell in value compared to the previous year. Furthermore, the slowdown in the residential housing market is expected to continue into 2007 as job growth slows and the economy expands at a reduced pace. This will have an impact on revenue for FY 2009, which is expected to be similarly constrained.

In contrast, the nonresidential real estate market was strong in 2006. The County's direct office vacancy as of year-end 2006 was 7.7 percent, a slight decrease from the 7.8 percent rate recorded at year-end 2005. Including sublet space, the year-end 2006 overall office vacancy rate was 9.2 percent, down from 9.7 percent at year-end 2005. As a result, nonresidential equalization registered a healthy 13.57 percent increase for FY 2008. This had the effect of increasing the Commercial/Industrial percentage of the County's Real Estate Tax base from 17.22 percent to 19.23 percent, the first increase in seven years. More detailed information on FY 2008 revenue projections is included in the General Fund Review Overview in the Overview Volume of the FY 2008 Advertised Budget Plan.

The table on the following page summarizes General Fund Disbursements proposed for FY 2008. A listing of major funding adjustments for FY 2008 by Board Priority and/or County Vision Element follows that table.

Summary General Fund Statement
(in millions of dollars)

	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	Increase (Decrease) Over Revised	Percent Inc/(Dec) Over Revised
Beginning Balance [1]	**$168.89**	**$93.41**	**($75.48)**	**(44.69%)**
Revenue [2]	$3,211.82	$3,289.48	$77.66	2.42%
Transfers In	$2.41	$2.53	$0.12	5.08%
Total Available	**$3,383.12**	**$3,385.43**	**$2.31**	**0.07%**
Direct Expenditures	$1,210.21	$1,203.87	($6.33)	(0.52%)
Transfers Out				
School Transfer [3]	$1,533.22	$1,586.60	$53.38	3.48%
School Debt Service	142.27	147.86	5.59	3.93%
Subtotal Schools	*$1,675.49*	*$1,734.46*	*$58.97*	*3.52%*
Metro	$20.32	$20.32	$0.00	0.00%
Community Services Board	97.94	101.09	3.16	3.22%
County Transit Systems	31.00	34.67	3.67	11.85%
Capital Paydown	35.01	18.56	(16.45)	(47.00%)
Information Technology	13.50	12.36	(1.14)	(8.44%)
County Debt Service	110.69	113.37	2.68	2.42%
Other Transfers	73.41	66.46	(6.95)	(9.47%)
Subtotal County	*$381.86*	*$366.83*	*($15.03)*	*(3.94%)*
Total Transfers Out	$2,057.35	$2,101.29	$43.94	2.14%
Total Disbursements	**$3,267.55**	**$3,305.16**	**$37.61**	**1.15%**
Ending Balance	**$115.57**	**$80.27**	**($35.30)**	**(30.54%)**
Less:				
Managed Reserve	$0.00	$0.00	$0.00	#DIV/0!
Reserve for Board Consideration [4]	$65.78	$0.00	($65.78)	(100.00%)
Total Available [5]	**$49.79**	**$0.00**	**($49.79)**	**(100.00%)**

[1] The *FY 2007 Revised Budget Plan* Beginning Balance reflects audit adjustments for revenue and expenditures as included in the FY 2006 Comprehensive Annual Financial Report (CAFR). As a result, the FY 2007 Revised Beginning Balance reflects a net increase of $12.13 million based on an increase of $11.02 million in FY 2006 revenues and a decrease of $1.11 million in FY 2006 expenditures. Details of the FY 2006 audit adjustments will be included in the FY 2007 Third Quarter Package.

[2] *FY 2007 Revised Budget Plan* revenues reflect a net decrease of $6.04 million based on revised revenue estimates as of November 2006. The *FY 2007 Third Quarter Review* will contain a detailed explanation of these changes.

[3] In accordance with the Board adopted guidelines for the FY 2008 Budget, the proposed County General Fund transfer for school operations in FY 2008 totals $1,586,600,722, an increase of 3.5 percent over the FY 2007 Adopted Budget Plan plus an additional $8 million to fund the second phase of the School's Initiatives for Excellence resulting in an increase of $61,382,633 or 4.02 percent over the FY 2007 Adopted Budget Plan transfer. It should be noted that the actual transfer request approved by the School Board on February 7, 2007 is $1,603,645,743 an increase of 4.6 percent over the FY 2007 Adopted Budget Plan plus an additional $8 million to fund the second phase of the School's Initiatives for Excellence resulting in an increase of $78,427,654 or 5.14 percent over the FY 2007 Adopted Budget Plan transfer.

[4] As part of their deliberations on the *FY 2006 Carryover Review*, the Board of Supervisors identified funding of $21.8 million to be held in reserve to address future requirements including *FY 2007 Third Quarter Review* adjustments or FY 2008 Budget development. It should be noted that as part of the FY 2008 Advertised Budget Plan this reserve has been utilized to balance the budget.

[5] The *FY 2007 Revised Budget Plan* Total Available reflects net funding of $6.1 million as a result of FY 2006 audit adjustments of $12.1 million offset by a reduction of $6.0 million in FY 2007 revenues as a result of revised revenue estimates as of November 2006. It should be noted that as part of the FY 2008 Advertised Budget Plan this reserve has been utilized to balance the budget.

FY 2008 Disbursements

In developing recommendations for FY 2008 disbursements, I used the Board of Supervisors' Priorities and the County Vision Elements to guide the strategic allocation of resources. The following is a summary of key funding priorities for FY 2008. Additional details may be found in Volumes 1 and 2 of the FY 2008 Advertised Budget Plan, as well as the Budget Highlights section in this Overview Volume immediately following this section.

Support for Education

The greatest share of the budget is dedicated to Fairfax County Public Schools (FCPS). In accordance with the Board-adopted guidelines for the FY 2008 Budget, the proposed County General Fund transfer for school operations in FY 2008 totals $1,586,600,722, an increase of 3.5 percent plus an additional $8 million to fund the second phase of the Schools' Initiatives for Excellence, resulting in an increase of $61,382,633 or 4.0 percent over the FY 2007 Adopted Budget Plan transfer. It should be noted that the actual transfer request approved by the School Board on February 7, 2007 is $1,603,645,743, an increase of 4.6 percent plus an additional $8 million to fund the second phase of the Schools' Initiatives for Excellence, resulting in an increase of $78,427,654 or 5.1 percent over the FY 2007 Adopted Budget Plan transfer. The gap between the School Board's request and my recommendation is $17.0 million.

BOARD PRIORITY:

Strong Investment in Education

When compared to most other school systems in Virginia, Fairfax County funds a much larger portion of its school budget with local funds. The average school division in Virginia receives approximately half of its financial support from its local government, while County funding comprises three-quarters of FCPS' budget. We will continue to work cooperatively with the School Board and FCPS staff in order to maintain our high quality system of public education, while ensuring that we are fiscally responsible. In addition to the operating transfer of $1,586.00 million, $147.86 million is included for School Debt Service to fund $144.28 million in bond sales for school construction, for a total in transfers of $1,734.46 million. This represents over 52 percent of total General Fund Disbursements. The County also provides additional support for the Schools in the amount of $60.46 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others.

All of the major investments in the FY 2008 Advertised Budget Plan are tied to other Board Priorities and County Vision Elements. They are highlighted below and on the following pages.

Maintaining Safe and Caring Communities

- $1.2 million is for the addition of 8/8.0 SYE domestic violence detectives for the successful Domestic Violence Detective Program originally piloted with existing staff resources so that eight Police Officer positions used in the pilot can be returned to patrol duties. In addition, 1/1.0 SYE Probation Counselor III position is included to serve as a Victim Services Advocate to provide support for this program.

- $0.2 million is included for 2/2.0 SYE Police Officers for the Criminal Justice Academy to provide additional training classes to support the Police Department's staffing needs given the large number of sworn officers eligible to retire now and in the next few years.

BOARD PRIORITY:

Public Safety and Gang Prevention

- $0.1 million is for 1/1.0 SYE staff psychologist for the Police Department to develop prevention strategies, training and programs to make officers less vulnerable to the impact of traumatic events.

- $0.2 million is included for 2/2.0 SYE Probation Counselor I positions in the Juvenile and Domestic Relations District Court to staff the holding cells associated with the expansion of the Courthouse anticipated to be complete in April 2007 to consolidate court services, reduce overcrowding, allow after-hour access to some functions, and provide additional courtroom space. In addition, 1/1.0 SYE Programmer Analyst III is included for the Electronic Records Management System to replace traditional paper-based files with electronic court case records and automate case processing.

- $0.1 million is associated with the redirection of two existing positions from within the County workforce to the Juvenile and Domestic Relations District Court to establish 1/1.0 SYE Probation Counselor III and 1/1.0 SYE Probation Counselor II. These positions will assist in supervised visitation and supervised exchange (SVSE) of children subject to joint custody agreements or foster care visitation agreements.

- $3.2 million includes $1.4 million for 14/14.0 SYE positions necessary for operation of the new Public Safety and Transportation Operations Center (PSTOC) anticipated to be complete in spring/summer 2008. These positions include 4/4.0 SYE Uniformed Fire Communications Officers to provide dispatching support; 5/5.0 SYE Police positions to support the new forensics facility; and 5/5.0 SYE staff in the Department of Information Technology to provide onsite technical support. Additional funding totaling $1.8 million is associated with loose furnishings for common areas in the PSTOC.

- $11.8 million including fringe benefits is recommended for a 2.92 percent Market Rate Adjustment for public safety personnel including uniformed Police, Sheriff, Public Safety Communications, and Fire and Rescue employees to maintain pay competitiveness.

- $3.0 million is provided for merit increments for those public safety employees eligible to receive them based on grade and step.

- $1.0 million is included to increase the employer retirement contribution by 1 percent for Police Retirement and reduce the employee contribution by the same amount to make the Police benefits package more competitive with surrounding jurisdictions.

- $0.2 million is provided for 3/3.0 SYE positions that are associated with opening a new School-Age Child Care room at Francis Scott Key Center scheduled to open for the 2007-2008 school year and which will serve an additional 12 special needs children.

- $0.3 million has been included for the new Katherine K. Hanley Family Shelter scheduled to open in the summer of 2007 in order to provide contracted supportive mental health and substance abuse services to residents in need of them.

- $2.4 million, including $1.1 million for the Department of Family Services, $0.9 million for the Fairfax–Falls Church Community Services Board and $0.4 million for the Health Department, will support contract rate increases to providers, as well as accommodate increases in medical supplies and services to meet the needs of those served by each of these agencies.

- $0.9 million is provided for the Fairfax-Falls Church Community Services Board to reduce the waiting list for Mental Health services.

- $0.6 million is included to support contracted services at an eight-bed facility providing mental health intervention and stabilization services for youth ages 12 to 17 that are in crisis. These expenditures are anticipated to be completely offset by Medicaid revenues and Comprehensive Services Act Pooled Funds.

- $0.6 million is associated with the expansion of the Leadership and Resiliency and Student Assistance Programs to a total of 12 Fairfax County public high schools to enhance substance abuse intervention and prevention services. The Leadership and Resiliency Program is currently offered in six high schools, while the Student Assistance Program is offered in eight high schools.

Building Livable Spaces

BOARD PRIORITY:

Affordable Housing

- $22.7 million, or the value of one penny on the Real Estate Tax rate, is included in The Penny for Affordable Housing Fund to preserve and create affordable housing opportunities.

- The <u>FY 2008-FY 2012 Advertised Capital Improvement Plan (With Future Fiscal Years to 2017)</u> anticipates continuation of the approved bond sale limits, $275 million or $1.375 billion over a five-year period with a technical limit of $300 million in any given year.

- $21.9 million is included in FY 2008 for the most critical capital renewal projects including roof repair/replacement, HVAC, emergency generators, among other needs.

- A total of $4.92 million to continue the athletic field maintenance and development program. This includes athletic field lighting, water and irrigation system maintenance, minor ballfield repairs, synthetic turf, and payment for FCPS staff to open and close facilities used by indoor sports organizations.

- $2.0 million is included for the acquisition of land at a time when opportunities for open space are rapidly dwindling.

- $1.0 million is included to support small spot improvements as approved by the Transportation Advisory Commission and the Board of Supervisors. These low-cost, quick-hit projects consist of intersection improvements such as turn lanes, sidewalk and trail connections, and bus stop improvements, and are intended to improve mobility, enhance safety and provide relief for transportation bottlenecks.

BOARD PRIORITY:

Environmental Protection

Practicing Environmental Stewardship

- $22.7 million, or the value of one penny from the County's Real Estate Tax, has been included for prioritized stormwater capital improvements to the County's stormwater system to protect public safety, preserve home values and support environmental mandates such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways.

- $0.7 million is included to provide funding for initiatives that support the Board of Supervisors' Environmental Agenda, also known as the Environmental Excellence 20-Year Vision Plan. Included in this amount is $100,000 for energy efficient and/or renewable energy projects to support a global climate change strategy.

- $0.1 million is for 1/1.0 SYE Naturalist III to serve as an Assistant Wildlife Biologist to support existing wildlife management programs such as the Deer and Canada Geese Management programs. It also provides for 1/1.0 Administrative Assistant II to enable the Animal Shelter to enhance customer service and expand service hours by opening on Sundays.

Connecting People and Places

- $3.7 million or an increase of 11.8 percent over the *FY 2007 Revised Budget Plan* for County Transit Systems will enable the FAIRFAX CONNECTOR to maintain current service levels, provide funding for a 4.0 percent personnel-based contractual adjustment, continue the annual bus replacement program, support an increase in the County subsidy to the Virginia Railway Express and provide for increased fuel costs. The total FY 2008 General Fund Transfer for Fund 100, County Transit Systems, is $34.7 million.

BOARD PRIORITY:

Transportation Improvements

- The total Fairfax County requirement (subsidy) for Washington Metropolitan Area Transit Authority (WMATA) Operating Expenses totals $64.9 million, an increase of 7.0 percent over the *FY 2007 Revised Budget Plan* and supports Metrorail, Metrobus and MetroAccess (paratransit) service. However, it should be noted that the General Fund Transfer of $18.5 million is being held flat at the *FY 2007 Revised Budget Plan* level due to the availability of other funds.

- $13.8 million, which includes a General Fund transfer of $12.4 million and interest income of $1.4 million, is provided for initiatives that meet one or more priorities established by the Senior Information Technology Steering Committee. These initiatives include a mix of projects that provide benefits for both residents and employees, as well as maintain and strengthen the County's technology infrastructure.

Creating a Culture of Engagement

- $2.7 million is provided for new and renovated libraries including 34/27.0 SYE positions and limited term support, as well as operating expenses for the two new libraries, Oakton and Burke that will open in late summer 2007 and spring 2008, respectively. Funding also includes one-time requirements associated with the renovations of the Thomas Jefferson and Dolley Madison libraries.

- $0.9 million is included in the Department of Community and Recreation Services for the second year of a two-year phase-in of the Senior Plus program to provide services for an additional 150 seniors who require a higher level of assistance to participate in social activities in the least restrictive environment, prevent further decline in their health and well-being, and serve as a transition to the Adult Day Health Care Program.

- $0.3 million will enable the printing and countywide mailing of new voter information cards, absentee voting educational materials and election officer recruitment forms to all registered voters in order to provide up-to-date information to voters and enhance election officer recruitment.

Maintaining Healthy Economies

- $8.7 million, or an increase of $0.4 million over the *FY 2007 Revised Budget Plan*, represents the General Fund transfer to support the second year of the two-year cycle in the Consolidated Community Funding Pool (CCFP), reflecting a 5 percent increase to leverage nonprofit organizations' resources to meet community challenges.

- $13.2 million is provided through Fund 119, Contributory Fund, to various nonsectarian, nonprofit or quasi-governmental entities for the purpose of promoting the general health and welfare of the community. The required transfer from the General Fund is $13.0 million.

Exercising Corporate Stewardship

- In order to meet budget limitations based on available resources as a result of the flattening residential real estate market, a two percent across-the-board reduction totaling $16.3 million was taken in General Fund and General Fund-supported agencies.

- $12.0 million is provided in order to continue the Pay for Performance program for over 8,000 non-public safety employees.

- $1.6 million over the *FY 2007 Revised Budget Plan* is included to address higher fuel prices as a result of market conditions.

- $1.4 million is included as an increase for increased custodial, repair and maintenance, and landscaping costs associated with new facilities opening in FY 2008. Combined these facilities account for an additional 507,174 square feet to the inventory maintained by the Facilities Management Department.

- $2.3 million over the current budget level is required due to a 16 percent projected increase in electricity rates.

- $0.1 million is included for 2/2.0 SYE positions in the Facilities Management Department to address maintenance requirements associated with new facilities opening in FY 2008.

- $8.9 million or 4.4 percent over the *FY 2007 Revised Budget Plan* is included for fringe benefits, including Health Insurance, Dental Insurance, Social Security, Retirement and the transfer for the Retiree Health Benefits subsidy.

BOARD PRIORITY:

Revenue Diversification to Reduce the Burden on Homeowners

- In order to cover anticipated expenditures in FY 2008 and maintain essential reserves, an increase in the annual Refuse Collection fee from $315 to $330 is required for approximately 44,000 customers who receive this service.

- The Availability Fee charged to new customers for initial access to the sewer system will increase from $6,138 to $6,506 for single-family homes based on current projections of capital requirements and is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2006 through June 30, 2011. The Sewer Service Charge will increase from $3.50 to $3.74 per 1,000 gallons of water consumption in FY 2008. This equates to a 6.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of $18.24.

Other Factors Influencing the Budget

There are a number of factors that influence the FY 2008 Advertised Budget Plan. Among these are addressing unfunded mandates, serving the growing senior population, working toward a solution to end homelessness, and identifying a comprehensive approach to revitalization for a county that is rapidly reaching build-out and which will need to focus on renewing older areas to ensure that they remain vibrant and sustainable communities. These challenges are in addition to and not in place of our other priorities and are briefly described below.

Addressing Unfunded Mandates

The trend continues to be one of increasing directives from the federal and state governments, with no corresponding increase in revenue to support those mandates. For FY 2007, Fairfax County's total program expenditure level impacted by federal and state mandates is $1,268 million, with offsetting revenue of $553 million, for a net cost to the County of $715 million. FCPS estimates a total impact of $262 million including $187 million in state mandates and $75 million in federal mandates such as No Child Left Behind compliance and providing services associated with IDEA (Individuals with Disabilities Education Improvement Act of 2004). In December 2006, the County's Department of Management and Budget hosted the first in a series of several planned regional meetings with other local governments to discuss the impact unfunded mandates have on local governments. This is an area we will continue to monitor although we see little evidence that either the state or federal governments will take substantive action to relieve local governments of this burden either through reduced mandates or increased funding.

Meeting the Needs of a Growing Senior Population

Thirty years ago, those over 65 years of age were only 1 of every 33 residents in Fairfax County. By 2020, seniors will comprise 1 out of every 9 residents. The workforce is also beginning to see the early signs of an impending wave of retirements. Within Fairfax County government alone, almost 1 in every 4 employees will be eligible to retire within the next five years. Historically, the County has been very proactive in seeking ways to serve our senior population. Current initiatives include the Board-appointed Long-Term Care Coordinating Council of community leaders that assesses and plans programs to serve seniors. Last year, we initiated the creation of a nonprofit 501(c) (3) organization to promote private sector development of needed services and we are continuing comprehensive efforts to plan for the coming Silver Tsunami. In an October 2006 study, "The Maturing of America – Getting Communities on Track for an Aging Population," released by the National Association of Area Agencies on Aging, Fairfax County was singled out as one of 10 communities that are leading the nation with "great" ideas for serving its increasingly aging population. The budget for FY 2008 includes $66.56 million in funding that could be directly identified with services for seniors. This is in addition to other General Fund support in agencies that also serve seniors but which could not break out the funding for services to seniors compared to the rest of the population served.

Ending Homelessness

After learning in January 2006 that the number of homeless people in Fairfax County had risen, albeit slightly, the Board of Supervisors set the goal to end homelessness within its borders in 10 years. There are more than 2,000 homeless in Fairfax County, as well as the cities of Fairfax and Falls Church (area served by the Fairfax-Falls Church Community Services Board). Of this population, 45 percent are single and approximately 55 percent are families with children. The County has a multi-pronged approach to addressing the causes of homelessness including measures to improve income, increasing the supply of affordable housing, and integrating mental health and addiction services into homeless assistance programs since 87 percent of the County's single homeless people have a serious mental illness, a substance abuse problem or both. Last year, the Board approved a program providing temporary respite care for medically fragile homeless at Embry Rucker Shelter. In addition, the Health Department initiated a Homeless Health Care program that reaches out to the unsheltered homeless in each of the County's four human services regions. This year, we will open the Katherine K. Hanley Family Shelter, designed to provide comprehensive services to approximately 20 families in order to help them to overcome their homelessness.

Identifying a Comprehensive Revitalization Strategy

In October 1998, the Fairfax County Board of Supervisors amended the Zoning Ordinance to create five Commercial Revitalization Districts (Annandale, Bailey's, McLean, Richmond Highway, Springfield) and two Commercial Revitalization Areas (Lake Anne, Merrifield). Fairfax County Revitalization Services currently consist of business incentives; zoning assistance; development flexibility; loan programs; and expertise in community, economic and business development and real estate. Historically, the Department of Housing and Community Development has been the lead agency for the revitalization programs. In January 2007, the Board of Supervisors replaced the Revitalization Policy Committee with a "committee of the whole," titled the Committee for Community Revitalization and Reinvestment. Non-Board of Supervisors membership of the Revitalization Policy Committee will serve in an advisory committee role. Plans are underway to combine County resources under the direction of the Office of the County Executive to create the Office of Community Revitalization and Reinvestment. In addition, as a means to reinvest in and strengthen neighborhoods, a competitive grant program is under consideration, the details of which will be presented to the Board at a later date.

FINANCIAL FORECAST

The financial forecast for FY 2009 and FY 2010 maintains the FY 2008 Advertised Budget Plan Real Estate Tax rate of $0.89 per $100 of assessed value. It forecasts County total revenue growth of 1.86 percent in FY 2009 and 2.40 percent in FY 2010. These rates of growth are due to projections of continued moderating increases in real estate property values and decelerating growth in other revenue categories. As a result, increases in County expenditures are limited to the same percentages, and the transfer to the Schools is projected at 2.76 percent in FY 2009 and 2.70 percent in FY 2010.

This current forecast shows shortfalls of $48.2 million in FY 2009 and $56.1 million in FY 2010 as a result of projected expenditures increasing at a faster pace than County revenues. It will be necessary to take steps to reduce the rate of growth in expenditures in order to match the level of increase in revenues. Details of the FY 2009 Forecast can be found in the Financial Forecast section of this volume.

CONCLUSION

I appreciate the efforts of the many County staff who worked together to develop a balanced budget that reflects our priorities and vision for Fairfax County. I also appreciate the hundreds of residents who take time each year to attend a budget hearing or provide comments, whether through mail, e-mail or telephone. It is very helpful to receive a wide range of input when preparing a fiscal plan for a county as large and diverse as Fairfax. While we face many challenges, we have many successes on which to reflect and continue to build. Among the highlights of the past year, we:

- **Were evaluated by the three major bond rating agencies**, Standard & Poor's, Fitch Investor Services, and Moody's Investor Services who assessed the County's economic outlook, commercial real estate trends and other financial issues. In reaffirming the Triple-AAA rating, a distinction shared as of October 2006 by only 22 of 3,107 counties, 6 of 50 states and 23 of 22,529 cities nationally, the bond rating agencies applauded Fairfax County for its wise and prudent fiscal management, and stressed that the County continues to be a leader in creditworthiness.

- **Opened County's first "green" fire station,** Station 40 (Fairfax Center), which was constructed using LEED (Leadership in Energy and Environmental Design) or low impact development standards. In order to be considered a "green" building, special consideration was given to various features such as the heating and air conditioning units installed on the roof to use radiant heat from the sun to regulate the temperature inside, the amount of glass to use more natural light, and the orientation of the building. Inside, recycled materials are used in the floor and cabinetry. The floors in the apparatus bays are ceramic tiles made from recycled materials including airplane windshields. As Stella Koch, Chair of the Fairfax County Environmental Quality Advisory Council noted, "Fairfax County is taking a leadership role on environmental issues." A second "green" fire station, Crosspointe is currently under construction, showing that we are in fact practicing environmental stewardship on a continuing basis, not just a one-time effort.

- **Were recognized as one of the top digital counties** in the nation for jurisdictions with populations over 500,000 according to an annual survey by the National Association of Counties and the Center for Digital Government. Through the County's e-government platforms, residents can pay taxes, locate facilities and transportation routes, access general court information, and register for parks and recreation classes. The County's robust Web site offers the ability to determine real estate assessment data/comparables; access the status of permits, plans and inspections; schedule inspections; report vehicle sales or moves; apply for County jobs; receive emergency alerts; and send feedback directly to elected officials, among other functions.

- **Responded quickly and efficiently to the flooding in the Huntington area** when rain, totaling almost 10 inches in some areas, inundated this community. While the emergency response to the situation was highly professional, it was the extensive support provided by County staff over the course of weeks and months following the event that showed residents whose lives had been disrupted that their local government was there for them. A subsequent study by the U.S. Army Corps of Engineers released in mid-January 2007, pointed to nearly six feet of accumulated sediment that caused the flooding. It also identified the poor condition of nearby streams and tributaries as contributing to the disaster. This underscores the need to continue to allocate resources such as the Penny for Stormwater to ongoing efforts to improve streams. We will also need to focus on identifying additional resources to address measures for a long-term fix to this problem that has accumulated over many years.

- **Shared in the top grade for disaster communication preparation** as part of the Washington area which was one of six out of 75 U.S. cities and surrounding areas earning high marks for the ability to communicate during a disaster. The study conducted by the Department of Homeland Security five years after the terrorist attacks of September 11, revealed major problems in a number of communities. The National Capital Region, including the District, Alexandria, and the counties of Arlington, Fairfax, Loudoun, Prince William, Prince George's and Montgomery, was judged in three categories: operating procedures in place, use of communications systems, and how effectively our local governments have coordinated in preparation for a disaster. Over the past few years, we have participated in several joint operations involving simulated disasters. While we continue to learn from each such exercise, I am pleased that together we have made much progress over the past five years.

- **Saw County voters approve two bond referenda** on the November 2006 ballot. Voters authorized $25 million in bonds for parks and park facilities, with a 77.4 percent approval rating. A portion will be used for acquisition of future parkland, while the rest will be used to repair and renovate existing facilities, as well as develop new facilities including athletic fields and trails. The Public Safety Facilities Bond passed with 78.8 percent of voters approving it. This will allow the police stations at Fair Oaks, McLean and Reston to receive major renovations and expansions. Each of the stations is more than 20 years old, with staffing and security concerns that will be addressed as part of the renovations. In addition, the West Ox Animal Shelter will be renovated and expanded to address overcrowding associated with a substantial increase in the County's pet population. The bond also includes funding for the replacement of the Great Falls Fire Station and improvements at other existing facilities including the Fire and Rescue Training Academy to keep pace with requirements for firefighter recruit training.

These are just a few of the areas where we are focusing resources and working toward accomplishing positive outcomes for the residents of Fairfax County. The next few years will present us with continued challenges, foremost among these will be the revenue picture. Nevertheless, I am confident that with the Board's strong leadership, our adherence to our guiding principles and strategic priorities, and by working collaboratively both within and outside of County government, particularly with our community partners, that we will be able to overcome the difficulties we face and emerge a stronger organization as a result.

Respectfully submitted,

Anthony H. Griffin
County Executive