



# County of Fairfax, Virginia

## MEMORANDUM

**DATE:** March 12, 2007

**TO:** BOARD OF SUPERVISORS

**FROM:** Anthony H. Griffin  
County Executive

**SUBJECT:** FY 2007 Third Quarter Review

Attached for your review and consideration is the *FY 2007 Third Quarter Review*, including Supplemental Appropriation Resolution AS 07095 and Amendment to the Fiscal Planning Resolution AS 07901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

- Attachment I - A General Fund Statement reflecting the status of 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/Transfers In with a net increase of \$14,547,901. This is in addition to revenue reductions of \$6,043,636 for FY 2007 identified as part of the Fall Revenue 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 and the Federal/State Grant Fund, total a net increase of \$91,051,023. Expenditures in Non-Appropriated Other Funds decrease a total of \$889,032.
- Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of \$9,592,571.
- Attachment V - Supplemental Appropriation Resolution (SAR) AS 07095, AS 06105 for FY 2006 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 07901.
- Attachment VI - FY 2006 Audit Package including final adjustments to FY 2006 and the FY 2007 impact.
- Attachment VII Fairfax County Public Schools 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 \$500,000. In addition, any amendment of \$500,000 or more requires that the Board advertise a synopsis of the proposed changes. Since the *FY 2007 Third Quarter Review* recommends changes over the \$500,000 threshold, the public hearing has been scheduled for April 9, 10 and 11, 2007. On April 23, 2007, the Board will take action on this quarterly review prior to marking up the FY 2008 Advertised Budget Plan.

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2007 Revised Budget Plan*.

**SUMMARY OF GENERAL FUND STATEMENT**  
(Dollars in Millions)

	<b><u>FY 2007 Revised Budget Plan</u></b>	<b><u>FY 2007 Third Quarter Estimate</u></b>	<b><u>Variance</u></b>
Beginning Balance	\$168.89	\$168.89	\$0.00
Receipts and Transfers In <sup>1</sup>	<u>3,199.68</u>	<u>3,214.23</u>	<u>14.55</u>
Total Available	\$3,368.57	\$3,383.12	\$14.55
Direct Expenditures	\$1,204.11	\$1,210.21	\$6.10
Transfers Out	<u>2,071.05</u>	<u>2,078.79</u>	<u>7.74</u>
Subtotal Disbursements	\$3,275.16	\$3,289.00	\$13.84
Ending Balance	\$93.41	\$94.12	\$0.71
Managed Reserve	\$65.50	\$65.78	\$0.28
Reserve for Board Consideration (FY 2006 Carryover Balance) <sup>2</sup>	\$21.82	\$21.82	\$0.00
Reserve for Board Consideration (FY 2007 Third Quarter Balance) <sup>3</sup>	<u>\$6.09</u>	<u>\$6.09</u>	<u>\$0.00</u>
<b>Available Balance</b>	<b>\$0.00</b>	<b>\$0.43</b>	<b>\$0.43</b>

<sup>1</sup> The *FY 2007 Revised Budget Plan* reflects a net decrease in revenue of \$6,043,636 based on revised revenue estimates as of November 2006 and noted as part of the FY 2008 Advertised Budget Plan. The FY 2007 Third Quarter estimate includes an additional \$14,547,901 primarily due to higher than anticipated real property tax collections, interest on investments, and increased one-time revenue from the Commonwealth of Virginia for the Child Care Assistance and Referral Program. In addition, the FY 2007 Revised beginning balance reflects a net increase of \$12,133,368 based on an increase of \$11,021,904 in FY 2006 revenues and a decrease of \$1,111,464 in FY 2006 expenditures as a result of FY 2006 audit adjustments.

<sup>2</sup> 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. As part of the FY 2008 Advertised Budget Plan, the County Executive recommended that this reserve be used to balance the FY 2008 budget.

<sup>3</sup> The *FY 2007 Revised Budget Plan* 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. As part of the FY 2008 Advertised Budget Plan, the County Executive recommended that this reserve be used to balance the FY 2008 budget.

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FY 2007 General Fund revenue included in the *FY 2007 Third Quarter Review* is increased a net \$14.55 million. This is in addition to a net revenue reduction of \$6.04 million for FY 2007 that I noted in my presentation on the FY 2008 Advertised Budget Plan, as well as the \$12.13 million available as a result of FY 2006 audit adjustments. As the Board is aware, the FY 2008 Budget already incorporates the additional \$6.09 million in additional resources in order to balance that budget. FY 2007 Total Disbursements are recommended to increase \$13.84 million, including \$6.10 million in Direct Expenditures and \$7.74 million in Transfers Out. As shown on the table on the previous page, after an increase in reserves of \$0.28 million, the available balance in the General Fund as a result of these adjustments is \$0.43 million.

The *FY 2007 Third Quarter Review* presents a stark contrast to last year when there was an available balance of \$30.81 million that the Board of Supervisors prudently chose to allocate to the Revenue Stabilization Fund, enabling us to meet the target of three percent of General Fund Disbursements for the first time since the fund was established as part of the *FY 1999 Carryover Review*. What a difference a year makes. This year, with revenue limited, I am only recommending adjustments that were previously approved by the Board or represent extremely critical needs that cannot be postponed. Furthermore, of the \$13.84 million in adjustments recommended as part of the *FY 2007 Third Quarter Review*, \$13.70 million is for non-recurring requirements, while only \$0.14 million is associated with recurring requirements for which federal and state revenue is also anticipated to be available in FY 2008. I believe it is imperative that we exercise caution in committing funds that will have a future impact since the revenue forecasts for the next few years indicate even more restrictive revenue growth. In order to avoid a structural deficit, we must remain cognizant of the impact today's expenditures will have on future years.

My proposed adjustments are described in greater detail below. However, before I discuss specific *FY 2007 Third Quarter Review* expenditure adjustments, I would like to briefly address factors affecting the County budget, particularly the economy and its impact on revenue.

## ***Economic Trends***

While the national economy was projected to continue its slowing trend that began in the second quarter of 2006, the recent shockwave on Wall Street is sending ripples that may have a more profound chilling effect on economic growth. On February 27, 2007, the Dow Jones industrial average suffered its largest one-day decline in percentage since 2003, dropping 416.02 points or 3.3 percent. The slide in U.S. shares erased about \$600 billion in market value, with some recovery in subsequent days. While many economists said they had expected a market correction, few had projected such a seismic one-day downturn.

The slowdown already anticipated was based on a sharp decline in residential construction spending, a rapid run-up in oil prices during the second and third quarters of 2006 that are repeating in the first quarter of 2007 after a brief respite, and the steady interest rate increases by the Federal Reserve Board over a two-year period ending in June 2006. Nationally, new home sales dropped 16.6 percent in January 2007 according to the U.S. Commerce Department. The rate was the lowest sales pace in four years and the biggest percentage drop in 13 years, indicating continued weakness in the housing market. In Fairfax County, the number of existing single-family homes sold during calendar year 2006 fell 36 percent, while the number of new single-family homes and townhouses dropped 49 and 61 percent, respectively.

Meanwhile, the Commerce Department's gross domestic product report indicated that the economy grew at a revised growth rate of 2.2 percent for the fourth quarter of 2006. This was down from the initial reading of 3.5 percent that was reported last month and is also slightly below economists' expectation, further adding to Wall Street's jitters.

Locally, we continue to see conflicting trends in the area economy. The most recent data for the 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. Fairfax County's Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 120.3 in November for a gain of 0.63 percent. This was the Index's first increase following four monthly declines. On a monthly over-the-year basis, the Index was slightly higher, 0.03 percent, than its same-month value in 2005.

According to the Virginia Employment Commission, the number of Fairfax County residents holding jobs in November 2006 was 595,913, a gain of 19,030 or 3.3 percent over November 2005. During this time, the unemployment rate in Fairfax County declined 0.3 percentage point to 2.0 percent, less than half of the national rate of 4.5 percent and below the state rate of 2.8 percent.

It appears that after several years of healthy revenue growth, during which time we were able to address a number of critical organizational requirements such as fully funding the Revenue Stabilization Fund and providing resources for a number of infrastructure needs, we can now expect a slightly more bumpy ride with regard to the economy, at least for the next few years. Since we anticipated much more moderate growth and the Board of Supervisors has a solid track record of fiscal discipline, I believe we will be able to weather the latest conditions provided we continue to exercise caution and take a long-term approach to committing resources.

## ***Budget Requirements***

As noted previously, the overwhelming majority, or 99 percent of adjustments recommended as part of the *FY 2007 Third Quarter Review*, is non-recurring in nature to reduce the impact on future years' budgets in order to avoid a structural imbalance. In addition, the adjustments I am recommending are tied to the Board's priorities and the County vision elements. The total increase in FY 2007 disbursements is \$13.84 million including the following shown by the countywide vision element and/or Board priority that they support. These adjustments are described in greater detail in the Administrative Adjustments section beginning on page 8 of this memorandum.

***Maintaining Safe and Caring Communities*** – Of the adjustments that support this vision element, \$3,377,000 is to appropriate additional one-time state revenue announced by the Governor in November 2006 for the Child Care Assistance and Referral program; \$316,056 is associated with additional federal and state revenue for several public assistance programs; and \$1,860,325 is for Personnel Services in the Police Department due to higher than anticipated leave pay-outs and an increased use of overtime to support winter weather operations, the County's response to the Huntington area flooding and vacancies in the daily minimum staffing levels due to increased retirements. This last adjustment also supports the Board's priority of ***Public Safety and Gang Prevention***.

***Building Livable Spaces*** – An adjustment of \$3.4 million is required to fully fund construction for the Mount Vernon Mental Health Center based on higher than anticipated costs associated with extensive remedial upgrade work to the exterior of the existing facility, as well as cost escalation in the regional construction market. In addition, \$1.0 million is needed to fund sanitary sewer connections for the Courthouse Expansion and Renovation project, which includes an addition of approximately 316,000 square feet, as well as the renovation of the existing 230,000 square foot courthouse.

***Connecting People and Places*** – The Department of Purchasing and Supply Management has been implementing improvements to make accessing contracts easier for County users and the vendor community. An amount of \$31,000 is included to provide a site license enabling an unlimited number of users to view contracts at the same time, creating greater efficiencies. Another investment that will help connect people and places is using a Federal Transit Administration grant local cash match of \$200,000 for the Burke Virginia Railway Express station expansion project. Since a General Fund Transfer to Fund 102, Federal/State Grant Fund, is being used for this transfer to Fund 304, Transportation Improvements, there is no impact to the General Fund. Lastly, \$622,000 is included to complete several pedestrian improvements where design is complete, but additional construction funds are required. The latter two adjustments also support the Board's priority of ***Transportation Improvements***.

***Creating a Culture of Engagement*** – In order to provide the public with information related to the Fall 2006 Bond Referendum so they would be properly informed prior to making decisions at their polling places, the Board of Supervisors directed the Office of Public Affairs to print and mail approximately 473,000 copies of a bond pamphlet to County households, as well as provide copies at County facilities and other locations. A total of \$103,454 is included as an adjustment for this initiative.

***Maintaining Healthy Economies*** – Funding of \$142,063 is included to appropriate additional federal and state revenue to address increasing caseloads in the VIEW (Virginia Initiative for Employment Not Welfare) program as a result of more families working as a condition of receiving cash assistance. In addition, \$350,000, which was approved by the Board of Supervisors on February 26, 2007, is included to support the reimbursement of flood insurance premiums for qualified residential properties in the Huntington community for a period of one year.

***Exercising Corporate Stewardship*** – Two adjustments are associated with this vision element. They include \$266,072 for overtime expenses in the Facilities Management Department associated with extensive support to the Police Department for the installation of new access security card and intercom systems being installed at each police station, as well as overtime required for after-hours and weekend work in support of facility renewals that must often take place when facilities are not in use, as well as emergency calls due to frozen pipes and flooding resulting from the recent cold temperatures. In addition, \$2,372,433 is needed for increases in claims related to Workers' Compensation, as well as liability claims associated with fire and flood damage.

### **Summary of General Fund Receipts/Transfers In**

A brief summary of the \$14.55 million increase in General Fund Receipts and Transfers In is provided below, while details concerning the increase are provided in Attachment II. It should be noted that this increase offsets the decrease of \$6,043,636 in revenue adjustments for FY 2007 identified as part of the Fall Revenue Review. Information regarding those midyear adjustments is also provided in Attachment II.

Property tax receipts are increased a net \$4.7 million as part of the *FY 2007 Third Quarter Review* due to an increase of \$4.6 million in current real estate property tax receipts based on year-to-date supplemental assessments, exonerations and tax relief. In addition, Personal Property delinquent tax collections are increased \$1.7 million based on collection activity in FY 2007. These increases are partially offset by a decrease of \$1.6 million in current personal property taxes as a result of the continued slowdown in vehicle sales.

Other Local Taxes reflect an estimated increase of \$1.0 million as a result of higher than anticipated delinquent BPOL Tax collections and Recordation Tax receipts.

Permits and Fees revenue is down \$1.3 million as a result of lower than anticipated Building and Inspection Fees, which reflects current and anticipated building permit activity in the County. Through January 2007, new residential building permits were down 57 percent, while site and subdivision plans submissions decreased 10 percent from last year's level.

Interest on Investments continues to be strong, resulting in an increase of \$6.3 million over the FY 2007 revised estimate. An average annual yield of 5.27 percent is projected, rather than the 5.12 percent forecast earlier in the fiscal year. In addition, growth in the County's pooled cash portfolio has been higher than anticipated.

Revenue from the Commonwealth/Federal Government increases a net \$3.8 million primarily as a result of the \$3.4 million additional Child Care Assistance and Referral program funding provided by Governor Kaine in November 2006 to cover a portion of the \$10 million shortfall in state support of the current program. The additional federal and state revenue is entirely offset by increased expenditures.

### **Audit Adjustments**

As a result of the FY 2006 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Revenue and expenditure adjustments result in a net increase of \$12.1 million to the FY 2007 beginning General Fund balance, which was reflected in the FY 2008 Advertised Budget Plan.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. Details of these audit adjustments are included in Attachment VI. It should be noted that three County funds, Fund 141, Elderly Housing Program; Fund 501, County Insurance; and Fund 601, Fairfax County Employees' Retirement, require a supplemental appropriation resolution based on audit adjustments to reflect the proper accounting treatment for accrued leave, accrued liability for the County's self-insurance fund, and securities lending transactions, respectively. The appropriation resolution is required to account for the accrual of payments to vendors in the correct fiscal period, consistent with GAAP requirements.

### **Summary of General Fund/General Fund-Supported Adjustments**

The following adjustments are made as part of the *FY 2007 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is an increase of \$13.84 million. This consists of direct expenditure increases of \$6.10 million and transfer increases from the General Fund in the amount of \$7.74 million.

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. It should be noted that all of the revenue adjustments included in the *FY 2007 Third Quarter Review* are described in detail in the Summary of General Fund Receipts/Transfer In, Attachment II. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

## ADMINISTRATIVE ADJUSTMENTS – GENERAL FUND IMPACT

	<b>NON-RECURRING</b>	
	Revenue	\$0
<b>Agency 08, Facilities Management Department</b>	Expenditure	<u>\$266,072</u>
<b>Overtime Expenses</b>	<b>Net Cost</b>	<b>\$266,072</b>

Funding of \$266,072 is required for overtime primarily due to extensive security support to the Police Department for the installation and troubleshooting of new access security card and intercom systems, which are currently being installed at each police station. In addition, overtime has been required for after-hours and weekend work associated with facility renewals (HVAC replacement, plumbing repairs, electrical repairs, etc.), which must often take place when facilities are not in use, and emergency after-hours support due to frozen pipes and flooding as a result of recent cold temperatures.

	<b>NON-RECURRING</b>	
	Revenue	\$0
<b>Agency 12, Department of Purchasing and Supply Management</b>	Expenditure	<u>\$31,000</u>
<b>Software Licensing for Contract Viewing Software</b>	<b>Net Cost</b>	<b>\$31,000</b>

Funding of \$31,000 is required for increased operating expenditures, primarily associated with site licensing of Laserfiche View, the existing web-based software enabling County users and the vendor community to access and view County contracts. Laserfiche View has become such a popular tool that users are encountering access problems under the current license, which provides only 115 electronic viewing seats. The site license will allow an unlimited number of users to view contracts at the same time, creating greater efficiencies and eliminating the need for the Department of Purchasing and Supply Management to respond to telephone calls from viewers who are locked out of the system, as well as the requirement to provide hard copy contracts.

	<b>NON-RECURRING</b>	
	Revenue	\$0
<b>Agency 13, Office of Public Affairs</b>	Expenditure	<u>\$103,454</u>
<b>County Bond Referendum Pamphlet</b>	<b>Net Cost</b>	<b>\$103,454</b>

Funding of \$103,454 is required for the Fall 2006 Bond Referendum public information campaign and other related expenses as approved by the Board of Supervisors. This funding was expended during the fall and covered the cost of printing and mailing approximately 473,000 copies of the bond pamphlet to County households. Additional copies were provided at libraries, polling places and other County facilities, as well as other venues. This pamphlet included wording that was relevant to the bond questions, as well as information on bond financing, the cost of borrowing, the effect of borrowing on the tax rate, bond status and other financial information.

	<b>NON-RECURRING</b>
	Revenue     \$3,377,000
<b>Agency 67, Department of Family Services</b>	Expenditure <u>\$3,377,000</u>
<b>Child Care Assistance and Referral Program</b>	<b>Net Cost                 \$0</b>

Funding of \$3,377,000 is required to appropriate additional one-time state revenue announced by the Governor in November 2006 for the Child Care Assistance and Referral (CCAR) program. This brings the *FY 2007 Revised Budget Plan* for the CCAR program to \$35.8 million. As discussed in a memo to the Board on December 14, 2006, the Department of Family Services (DFS) has been instructed to maintain an enrollment level that is supported with the additional state funding and to enroll off the waiting list as attrition allows. With the additional funding, the CCAR program can support an enrollment level of 4,545 child care years (CCYs). Additionally, due to a higher than anticipated attrition rate, current enrollment is lower than 4,545 CCYs. Therefore, as directed, staff has been enrolling children off the waiting list.

The FY 2008 Advertised Budget Plan reflects baseline funding of \$32.4 million. However, DFS has been notified by the Virginia Department of Social Services that an additional \$2.6 million in federal pass-through funds in FY 2008 will no longer be available. The loss of additional funds equates to an additional 413 children. As a result of the FY 2007 one-time funding and additional loss of federal pass-through funds, the Department of Management and Budget is estimating a \$6.0 million shortfall in FY 2008. Staff is working to minimize the impact and is developing strategies to avoid disenrolling children from the program. FY 2008 expenditures and revenue will be adjusted as part of the FY 2008 Add-On process.

It should be noted that with the additional revenue loss, the program has decreased by more than 2,000 children. This is a 30 percent decrease from the FY 2007 Adopted Budget Plan level of 6,750 children.

	<b>NON-RECURRING</b>
	Revenue     \$316,056
<b>Agency 67, Department of Family Services</b>	Expenditure <u>\$316,056</u>
<b>Program Adjustments</b>	<b>Net Cost                 \$0</b>

Funding of \$316,056 is required to appropriate additional state and federal revenue for the following programs:

Child Care program funding of \$145,056 will be used to support mandated child care services as a result of increasing public assistance caseloads.

Refugee Resettlement program funding of \$100,000 is the result of increasing caseloads. This program provides cash and medical assistance to refugees who are deemed ineligible for all federal assistance programs.

Virginia Initiative for Employment not Welfare (VIEW) program-related funding of \$71,000 is the result of increasing caseloads. VIEW is a work program that is designed to assist Temporary Assistance for Needy Families (TANF) recipients in obtaining employment.

These expenditure increases are fully offset by increases in state and federal funding with no net impact to the General Fund.

	<b>RECURRING</b>
<b>Agency 67, Department of Family Services</b>	Revenue \$142,063
<b>VIEW Program</b>	Expenditure <u>\$142,063</u>
	<b>Net Cost \$0</b>

Funding of \$142,063 is required to appropriate additional federal and state revenue to address increasing caseloads in the VIEW program as a result of more families working as a condition of receiving cash assistance. Funding will support 4/4.0 SYE Human Service Worker III positions to handle increased caseloads. It should be noted that a similar adjustment to expenditures and revenue will be made during the FY 2008 Add-On process.

	<b>NON-RECURRING</b>
<b>Agency 90, Police Department</b>	Revenue \$0
<b>Personnel Services Funding</b>	Expenditure <u>\$1,860,325</u>
	<b>Net Cost \$1,860,325</b>

Funding of \$1,860,325 is required for the Police Department to cover a projected shortfall in Personnel Services resulting from higher than anticipated leave payouts and an increased use of overtime to support winter weather operations, the County's response to the Huntington area flooding and vacancies in the daily minimum staffing levels. Due to the number of retirements in the agency, the Police Department must continue to rely on overtime to meet daily minimum staffing levels until enough cadets complete the academy and required training. This trend is addressed in the FY 2008 Advertised Budget Plan with additional academy staff and an increase in the number of recruit schools planned in future years.

	<b>RECURRING</b>
<b>Fund 106, Fairfax-Falls Church</b>	General Fund Transfer \$0
<b>Community Services Board</b>	<b>Net Cost \$0</b>
<b>LRP and SAP Positions</b>	

As presented to the Human Services and Housing Committees of the Board of Supervisors on January 19, 2007, funding from the Fairfax-Falls Church Community Services Board's current *FY 2007 Revised Budget Plan* will support 5/5.0 SYE new counselor positions to expand the Leadership and Resiliency and Student Assistance Programs to a total of 12 Fairfax County public high schools. The Leadership and Resiliency Program (LRP) is a school- and community-based substance abuse and violence prevention program for high school students that is currently implemented in six high schools by 3/3.0 SYE counselors and 1/1.0 SYE supervisor. The Student Assistance Program (SAP) is a school-based alcohol and drug screening, assessment and early intervention program that serves youth and is currently implemented in eight high schools by 8/8.0 SYE counselors and 1/1.0 SYE supervisor.

	<b>NON-RECURRING</b>	
<b>Fund 303, County Construction</b>	General Fund Transfer	\$117,000
<b>Fund 307, Pedestrian Walkway Improvements</b>	General Fund Transfer	<u>\$505,000</u>
<b>Walkway Construction Funding</b>	<b>Net Cost</b>	<b>\$622,000</b>

The General Fund transfer to Fund 307, Pedestrian Walkway Improvements, and Fund 303, County Construction, is increased by \$622,000 to complete construction of several pedestrian improvement projects. An amount of \$350,000 will support three remaining Plaza America proposed pedestrian improvement projects. In 2003, Plaza America proffered funds in the amount of \$2.105 million for pedestrian improvements in the Reston area. The majority of the improvements have been completed with three projects remaining. Based on the current status and scope of the remaining three projects, an additional \$350,000 is required. This increase is due to higher than anticipated easement values and a larger number of utilities along the corridor in direct conflict with the proposed improvements. An amount of \$155,000 is required to complete construction of the Wiehle Avenue Trail and Clarks Crossing Trail in the Hunter Mill District due to higher than anticipated land acquisition costs. In addition, funding of \$117,000 is required to complete construction of the Compton Road Pedestrian Bridge due to higher than anticipated costs associated with extensive conflicts with existing utilities, requiring revised design and site location. In addition, the height of the bridge was required to be elevated to protect the bridge's integrity during flood events. These funds will fully fund several walkway projects that have been designed, but require additional funds in order to complete construction.

	<b>NON-RECURRING</b>	
<b>Fund 304, Transportation Improvements</b>	General Fund Transfer	\$200,000
<b>Fund 102, Federal/State Grant Fund</b>	General Fund Transfer	<u>(\$200,000)</u>
<b>Burke VRE Station Grant</b>	<b>Net Cost</b>	<b>\$0</b>

The General Fund transfer to Fund 304, Transportation Improvements, is increased by \$200,000 with a corresponding decrease of \$200,000 to the General Fund transfer required for Fund 102, Federal/State Grant Fund. This adjustment is required to fund project expenditures associated with a Federal Transit Administration grant local cash match for the Burke Virginia Railway Express (VRE) Station Expansion project, as approved by the Board of Supervisors on September 11, 2006. There is no net impact to the General Fund.

	<b>NON-RECURRING</b>	
<b>Fund 311, County Bond Construction</b>	General Fund Transfer	<u>\$3,400,000</u>
<b>Mount Vernon Mental Health Center</b>	<b>Net Cost</b>	<b>\$3,400,000</b>

Funding of \$3,400,000 is required to fully fund construction based on higher than anticipated costs associated with extensive remedial upgrade work to the exterior of the existing facility and cost escalation in the regional construction market. The project includes a 15,000-square foot addition and renovation at the existing facility to address health and safety issues, improve physical accessibility, and meet service and personnel requirements. This facility is over 30 years old and all of the major building subsystems require renewal. This project was approved as part of the Fall 2004 Human Services Bond Referendum in the amount of \$10,000,000. An increase of \$3,400,000 is required to proceed to construction, currently scheduled for August 2007.

	<b>NON-RECURRING</b>
<b>Fund 312, Public Safety Construction</b>	General Fund Transfer <u>\$1,000,000</u>
<b>Courthouse Expansion and Renovation</b>	<b>Net Cost \$1,000,000</b>

The General Fund transfer to Fund 312, Public Safety Construction, is increased by \$1,000,000 to fund sanitary sewer connections for the Courthouse Expansion and Renovation project. In addition to the General Fund transfer, \$500,000 will be charged directly to the sewer funds to support this project. Total funding required for the Courthouse Expansion and Renovation project is \$1,500,000. Original reviews of the City of Fairfax sanitary sewer system indicated that there was adequate capacity to handle the flow from the Courthouse project; however, the City of Fairfax subsequently indicated that upgrades to the City's sewer system connections would be required to provide increased flow capacity. This sewer work is critical for completion of the courthouse expansion. The sanitary sewer connections require very complex construction techniques and phasing due to the adjacent funeral home, existing utilities and the need to maintain operational sewer flow in the City of Fairfax. The design and construction of the expansion project includes an approximate 316,000-square foot addition, including courtrooms, chambers, office space, necessary support spaces and site improvements. This project also includes the renovation of the existing 230,000-square foot courthouse.

	<b>NON-RECURRING</b>
<b>Fund 340, Housing Assistance Program</b>	General Fund Transfer <u>\$350,000</u>
<b>Huntington Flood Insurance Program</b>	<b>Net Cost \$350,000</b>

As approved by the Board of Supervisors on February 26, 2007, funding of \$350,000 is required to support the reimbursement of flood insurance premiums for qualified residential properties in the Huntington community for a period of one year. On June 25 and 26, 2006, torrential rains fell on Fairfax County, particularly devastating the Huntington community, where as many as 160 homes were damaged by the flooding. The U.S. Army Corps of Engineers' study that was released in January 2007 recommended that property owners obtain flood insurance as a temporary measure until more lasting solutions to the potential for more flooding are identified and implemented. The Huntington Flood Insurance Program (HFIP), which was approved by the Board of Supervisors on February 26, 2007, is a one-year interim program that will reimburse resident owners who are within certain income guidelines for the cost of obtaining flood insurance through the Federal Emergency Management Agency's National Flood Insurance Program. The HFIP target sub-area contains 232 residences, 174 of which are owner-occupied and 58 of which are rented. The reimbursement amount for the cost of flood insurance only is estimated to be \$1,500 per home annually.

	<b>NON-RECURRING</b>
<b>Fund 501, County Insurance Fund</b>	General Fund Transfer <u>\$2,372,433</u>
<b>Workers' Compensation and Flood Event Increases</b>	<b>Net Cost \$2,372,433</b>

The General Fund transfer to Fund 501, County Insurance Fund, is increased by \$2,372,433 in support of \$2,747,433 in increased costs. In addition, interest earnings are projected to increase by \$375,000. The June flooding event resulted in 182 general liability property claims totaling \$1.6 million, of which 148 remain to be funded at an estimated cost of \$1,117,945. These claims

will be processed on a gradual basis as monthly evaluations of liability are made and property owners provide documentation of costs. An additional \$539,565 is required for fire/property damage, including \$250,000 for the deductible related to June flood damage to County property and \$289,565 for fire and property damage costs related to final costs of the fire at the Mason District Theater and other smaller events. The Federal Emergency Management Agency is still determining what amount it will cover of an estimated \$2.3 million in damage to County property from the June flooding event. Funding of \$467,207 is required to address the FY 2007 shortfall in Workers' Compensation resulting from \$347,360 due to serious cancer cases and the May 8, 2006 Sully Station shooting of two police officers, including costs for hospitalization, medical treatment and death benefits, and an additional \$119,847 required for Workers' Compensation premiums. Funding of \$622,716 is required to address a shortfall in auto liability expenses resulting from two significant settlements for automobile accidents in 2002 and 2005.

**Consideration Item**

One Consideration Item is included for the Board of Supervisors' decision. The cost for this item is \$500,000, which is not currently funded. Since the available balance is \$430,690, it would be necessary to identify additional funds in order to fully fund this item. The details of this item are as follows:

	<b>NON-RECURRING</b>
<b>Agency 67, Department of Family Services</b>	Expenditure <u>\$500,000</u>
<b>Center for Multicultural Human Services</b>	<b>Net Cost \$500,000</b>

As requested by the Board of Supervisors on February 26, 2007, \$500,000 is requested as a one-time contribution to the Center for Multicultural Human Services (CMHS). CMHS has served residents of Fairfax County for over 25 years and over the last four years, the organization has advanced as a provider of multicultural mental health and social services in the County and region. Although CMHS provides services regionally, 65 percent or \$3.25 million of its total \$5 million annual budget supports services to County residents. CMHS currently receives approximately \$660,000 in County funding through Fund 118, Consolidated Community Funding Pool, to provide a variety of human service programs in the local community (e.g., housing assistance for low-income language minority families, mental health case management services to low-income language minority individuals, and school-based mental health services for at-risk students). The ability of CMHS to continue providing quality mental health services is at risk due to: 1) the loss of approximately \$750,000 in federal revenue as a result of the federal deficit situation; 2) unforeseen delays in the issuance of anticipated state and local grant and contract opportunities; and 3) federal payments by Managed Care and Medicaid insurances that do not fully cover the cost of CMHS to provide care in Northern Virginia. One-time funding of \$500,000 to CMHS will help ensure that the organization remains a viable provider of mental health services in Fairfax County pending federal, state and local solicitation opportunities.

## **Summary**

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

- Board approval of the funding and audit adjustments contained in this package which result in a General Fund Available Balance of \$0.43 million, an increase of \$91.05 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds and adjustments for School funds as requested by the School Board. Details are provided in the Schools' Recommended *FY 2007 Third Quarter Review* package (Attachment VII).

Supplemental Appropriation Resolution AS 07095

Supplemental Appropriation Resolution AS 06105

Amendment to Fiscal Planning Resolution AS 07901

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of \$9.59 million.
- Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2007 Third Quarter Review*.