FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: BOARD OF SUPERVISORS **DATE:** August 5, 2002

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2002 Actual Revenues, Expenditures, and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2002 Carryover Package, including Supplemental Appropriation Resolution AS 03022 and Amendment to the Fiscal Planning Resolution AS 03901. The document includes the following attachments for your information.

Attachment I	-	A General Fund Statement showing the status as of July 15, 2002, including revenue and expenditures and a summary reflecting expenditures by fund.
Attachment II	-	A summary of General Fund receipt variances by category.
Attachment III	-	A summary of significant General Fund expenditure variances by agency.
Attachment IV	-	An explanation of General Fund Unencumbered Carryover.
Attachment V	-	An explanation of Other Funds Unencumbered Carryover.
Attachment VI	-	A detailed description of new and unexpended Federal/State grants and anticipated revenues associated with those grants that are recommended for appropriation in FY 2003.
Attachment VII	-	A detailed description of significant changes in Other Funds.
Attachment VIII	-	Supplemental Appropriation Resolution AS 03022 and Fiscal Planning Resolution AS 03901 for FY 2003 providing for the appropriation of outstanding encumbrances and unspent balances for Federal/State grants, as well as prior commitments of the Board of Supervisors, such as unspent capital project balances.
Attachment IX	-	A copy of all fund statements and summaries of capital projects.

As the Board is aware, State law requires the Board to hold a public hearing 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 2002 Carryover Review* recommends changes to the FY 2003 Adopted Budget Plan over the $500,000 limit, Board action on the Carryover Review has been scheduled at the same time as the public hearing on September 9, 2002.

FY 2002 End of Year Summary

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 15, 2002 to the final estimates of the *FY 2002 Revised Budget Plan* on the next page.

SUMMARY TABLE
GENERAL FUND STATEMENT AND BALANCE AVAILABLE
(in millions of dollars)

	FY 2002 Revised Budget Plan	FY 2002 Actual	Variance
Beginning Balance, July 1	$78.56	$78.56	$0.00
Receipts and Transfers In	$2,290.78	$2,304.61	$13.83
Total Available	$2,369.34	$2,383.17	$13.83
Expenditures	$883.30	$854.99	($28.31)
Transfers Out	$1,439.58	$1,439.58	$0.00
Total Disbursements	$2,322.88	$2,294.57	($28.31)
Ending Balance, June 30	$46.46	$88.60	$42.14
Less:			
Managed Reserve	$46.46	$46.46	$0.00
Initial Balance	$0.00	$42.14	**$42.14**
		Adjustments:	
		Revenue Adjustments	($13.31)
		Outstanding Encumbrances	($12.44)
		Outstanding Unencumbered Commitments	($6.36)
		Net Administrative Adjustments	($8.78)
		Managed Reserve Adjustments	($0.65)
		Balance after FY 2002 Commitments/FY 2003 Adjustments (Non-Recurring)	**$0.60**
		Revenue Stabilization Fund	**$0.24**
		Schools Transfer	**$0.18**
		Balance Available	**$0.18**

As shown in the previous table, the initial balance in the General Fund totals $42.14 million. Taking into account adjustments for estimated revenue decreases, prior commitments and other necessary adjustments totaling $40.89 million, and adjustments to the Managed Reserve of $0.65 million, the available carryover balance is $602,455. It should be emphasized that these funds represent Non-Recurring funds. In accordance with Board policy, 40 percent of this available balance will be allocated for the Revenue Stabilization Fund or $240,983 with the remaining $361,472 divided equally between the School Transfer - $180,736 and the balance available for the Board's consideration - $180,736.

Prior to discussing the specific FY 2002 Carryover adjustments, I think it is important to review the Carryover balance and recommended adjustments in broader terms. Actual FY 2002 General Fund Revenues and Transfers In were $2.30 billion, an increase of $13.8 million or 0.6 percent over the *FY 2002 Revised Budget Plan* estimate. This increase is driven in large part by increased collection activity in our real estate and delinquent property tax categories, slightly larger than anticipated BPOL levy and is offset by delayed reimbursements from the State Compensation Board in an effort to address the State's on-going budget shortfall. As I discussed at the Board of Supervisors' recent meeting with the Schools, I have adjusted two of our FY 2003 revenue categories – sales tax and interest on investments- downward based on our current review of County revenues and the impact of the local and national economies,

From the outset, the recovery of the local economy was expected to be relatively moderate; however, the rebound has been even slower than anticipated, suggesting that continued caution is warranted for FY 2003. By historical standards, the County's labor market is weak with unemployment near 3 percent. Net job growth in the County remains below historical norms. Initial claims for unemployment in May increased over 50 percent over May 2001 indicating that companies in the County are still downsizing. Anticipated job growth associated with government contracts connected to national defense spending has not yet materialized. The recovery of the national and local economies has suffered setbacks due to announcements by major corporations of accounting irregularities and the drop in the stock market. Consumer spending is also expected to be weak throughout the summer. Compared to the same month the prior year, County Sales Tax receipts have not experienced positive growth in the last 12 months and as a result, the projection for FY 2003 Sales Tax receipts has been reduced $1.3 million to the level achieved in FY 2002. While the County's Leading Index has been moving higher over the past six months, it declined in April and May. According to Stephen Fuller, author of the *Fairfax County Economic Index,* "this decrease does not point to a reversal in the expansion but rather a moderation in and lengthening of the recovery." The delay in economic recovery has also impacted the County's FY 2003 projection for Interest on Investments. During the development of the <u>FY 2003 Adopted Budget Plan</u>, interest rates were anticipated to rise as the economy improved. The Federal Reserve, however, has held interest rates stable since January 2002. Based on the average yield of investments currently being purchased, the FY 2003 projected yield has been lowered from 3.0 percent to 1.8 percent, resulting in a FY 2003 revenue reduction of $12.0 million.

The economic slowdown has also impacted State revenues. The Commonwealth of Virginia reported that FY 2002 revenues were down 3.8 percent from FY 2001, the worst on record. Actual FY 2002 State revenues fell $236.8 million short of projections. The State avoided a deficit for FY 2002 because some State agencies exceeded the 3.0 percent cuts required and cash was moved from capital projects to balance the budget. The State's FY 2003 budget projects revenue growth of 3.5 percent. Governor Warner has indicated, however, that he will lower the official State revenue forecast in August, two months ahead of schedule to allow legislators more time to adjust the FY 2003 budget. Agency reductions required to balance the budget will be in addition to the current directive to State agencies to cut spending by 7.0 percent in FY 2003. The impact of additional State budget cuts on the County's FY 2003 budget is unknown but is cause for concern.

On the disbursement side, the balance after netting out encumbered and unencumbered carryover is $9.51 million, prior to my recommended adjustments. Much of this balance can be attributed to agency efforts to manage position vacancies and operating requirements and is especially commendable given the 5 percent cut exercise required in FY 2002 to address our public safety needs and to offset anticipated revenue reductions. It is important to note that only one County agency and one fund exceeded its appropriation in FY 2002. More detailed information on this is included in the Carryover attachments.

This Carryover package does include a number of recommended adjustments which are necessary based on previous Board action or required based on contractual commitments, Federal mandates, and rising insurance and health care costs. As part of the Carryover review, I limited agency requests to only the most critical items and the adjustments recommended in this package are those for which the costs could not be absorbed within agency budgets. If additional flexibility had been available and if the FY 2003 and FY 2004 revenue outlook were stronger, there are a number of items for which I would have recommended funding. For example, as part of the adoption of the FY 2003 – FY 2007 Capital Improvement Program (With Future Years to 2012), staff was directed to review balances at the *FY 2002 Carryover Review* for possible funding of the land acquisition reserve which allows the County to take advantage of opportunities that develop during FY 2003. Sufficient funding was not available at this time to replenish this reserve. In addition, the FY 2002 ending balance could not provide funding to restore equipment replacement reserves- several of which were impacted as part of the FY 2003 budget reductions. The fire equipment and apparatus reserve, for instance, was cut by $1.3 million as part of these reductions. Although this is expected to impact future years replacement cycles, I did not have sufficient flexibility at this time to address this requirement. Staff and I will continue to review these and other requirements as we develop the FY 2004 budget.

The FY 2002 commitments required to meet previously approved FY 2002 commitments and other necessary adjustments include the following:

- A decrease of $13.31 million in General Fund receipts for FY 2003 associated with adjustments for sales tax and interest on investments.

- Funding for General Fund encumbrances in the amount of $12.44 million representing legal obligations of the County which were not received in time for payment in FY 2002.

- General Fund unencumbered items in the amount of $6.36 million for previously approved items required to implement initiatives in progress, which should be re-appropriated in FY 2003.

- Funding for net administrative adjustments totaling $8.78 million, which will be discussed on the following pages.

- An increase to the Managed Reserve in the amount of $0.65 million based on the above adjustments.

As a result of these FY 2002 commitments, the FY 2002 available balance is $602,455. The distribution of this balance, consistent with the Board's policy, includes:

- Funding in the amount of $240,983 or 40 percent of the available balance is allocated to the Revenue Stabilization Fund. The fund has a targeted balance of 3.0 percent of General Fund disbursements or approximately $74 million. In order to meet the target over a multi-year period, a minimum of 40 percent of non-recurring balances identified at quarterly reviews is transferred to the Revenue Stabilization Fund. The current balance of the fund, prior to this adjustment, is $27.5 million. With this adjustment, the balance in the Revenue Stabilization Fund as of the end of FY 2003 is estimated to be $28.4 million.

- Based on the FY 2002 Budget Guidelines adopted by the Board in April 2002, one-half of the balance remaining after Carryover adjustments and the allocation to the Revenue Stabilization Fund is to be allocated to the Schools to support Non-Recurring requirements. As a result, the General Fund transfer to Fund 090, School Operations, is increased by $180,736.

FY 2002 Audit Adjustments:

As the Board is aware, the financial audit of FY 2002 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2002 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2003 Third Quarter Review*. It is anticipated that these adjustments may be more numerous than in the past due to implementation of the Governmental Accounting Standards Board (GASB) Statement No. 34 which requires a new financial reporting model that will display governmental operations in ways more traditionally used by private enterprises and will result in dramatic changes in our financial statements, as well as Governmental Accounting Standards Board (GASB) Interpretation No. I6 which must be implemented at the same time.

One significant change will be the restatement of compensated balances or accrued leave which results in an adjustment to the FY 2002 beginning balance and a one-time savings for the General Fund and certain other governmental funds. Accrued leave is a liability that has been recognized since FY 1984 representing the anticipated value of annual and compensatory leave payouts for all County employees during the first 45 days of the fiscal year that have not been paid out as of the end of the fiscal year. Prior to the implementation of GASB 34 and GASB I6, the County reflected an estimate for accrued leave to be taken during the first 45 days of the fiscal year. On an annual basis, incremental adjustments to the amount of accrued leave were included based on anticipated accrued leave expenditures. As a result of GASB 34 and GASB I6, the year-end accrual of compensated absences is now changed. The current rules limit accrued leave adjustments only to those employees who have resigned or retired; thereby eliminating the larger liability. As a result of this accounting restatement, we will be adjusting the FY 2002 beginning balance of the General Fund by $5.6 million and of Fund 106, Fairfax-Falls Church Community Services Board, by $0.7 million. In addition, there are eight other funds that will be impacted by this restatement. It should be noted that the Schools will also be reflecting an adjustment in the amount of approximately $2.1 million to implement this restatement. Net of other necessary audit adjustments, this funding should be available to offset FY 2003 and FY 2004 requirements.

Summary of Adjustments

The *FY 2002 Carryover Review* includes only adjustments for items previously approved by the Board of Supervisors or Administrative Adjustments that are required at this time. These adjustments are detailed in the various attachments included in the Carryover package. Taking into account these adjustments, the General Fund reflects an available Non-Recurring balance of $602,455.

A detailed discussion of Administrative Adjustments, Revenue and Disbursement Variances, and Changes to Other Funds follows.

General Fund Administrative Adjustments

The Board should be aware of Administrative Adjustments, which are necessary at this time and are made as part of the *FY 2002 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of $8,785,059. General Fund revenue adjustments result in a decrease of $13,311,360. Details are as follows:

		NON-RECURRING
	Revenue	($13,311,360)
General Fund Revenue Adjustments	Expenditure	$0
	Net Cost	**($13,311,360)**

In addition to the revenue adjustments associated with the administrative adjustments noted below, FY 2003 General Fund revenues are decreased $13,311,360 as a result of two adjustments. The FY 2003 estimate for Sales Tax receipts, which did not experience positive growth in any of the 12 months of FY 2002, is reduced $1.3 million to a level consistent with FY 2002 actual receipts. In addition, a decrease in Interest on Investments is required due to a reduction in the expected yield. The FY 2003 Interest on Investment estimate is reduced $12.0 million based on the anticipation that interest rates will remain at their current level. For further details, see Attachment II, Summary of General Fund Receipts.

			RECURRING
		Revenue	$0
Agency 06, Department of Finance		Expenditure	$249,740
Annual Audit Increase		**Net Cost**	**$249,740**

Funding of $249,740 is required for increased costs associated with the annual independent audit and financial statement preparation as approved by the Board of Supervisors' on March 18, 2002. Subsequent requirements such as GASB 34 have also increased report processing as well as the volume of data required. KPMG Peat Marwick was selected because of its extensive work with municipal financial audits and its familiarity with Fairfax County's organizational and programmatic operations.

		NON-RECURRING
	Revenue	$0
Agency 13, Office of Public Affairs	Expenditure	$114,920
County Bond Referendum Pamphlet	**Net Cost**	**$114,920**

Funding of $114,920 is required for the 2002 Bond Referendum public information campaign as approved by the Board of Supervisors on July 22, 2002. A bond pamphlet will be delivered to County households and additional copies will be provided at libraries, County facilities, polling places, and other venues. This pamphlet will include wording that is relevant to the bond questions, as well as information on bond financing, the cost of borrowing, the effect of borrowing and the tax rate, bond status, and other financial information. This funding includes printing, mailing services, and postage for approximately 435,000 copies of the bond pamphlet.

		RECURRING
	Revenue	$0
Agency 70, Department of Information Technology	Expenditure	$163,294
Agency 89, Employee Benefits	Expenditure	$20,408
Health Insurance Portability and Accountability Act (HIPAA)	**Net Cost**	**$183,702**

Funding of $183,702 is required for 1/1.0 SYE new HIPAA Compliance Officer position required by Federal legislation to ensure Countywide compliance with ongoing Federal HIPAA requirements and any future changes to HIPAA legislation. The HIPAA legislation makes significant changes in the way County employee and customer health information is held, accessed, and protected and the new Compliance Officer position will continually monitor changes made to HIPAA to ensure that the County maintains compliance with the legislation as it evolves. Compliance with standards for the electronic transmission of information is required in 2002, and privacy and disclosure regulation compliance is required in 2003. Funding was identified at the *FY 2001 Carryover Review* to begin the initial assessment of larger health related agencies to determine the measures required to comply with HIPAA legislation. These assessments, with the assistance of an outside contractor, are in the final stages. The contractor has indicated that one of the recommendations to be presented in the final report is the establishment of a HIPAA Compliance Officer. Funding for the position includes $84,294 in Personnel Services, $20,408 in Fringe Benefits, as well as $79,000 in Operating Expenses to support initial translation services for both verbal and written communication needs; the development of an initial HIPAA awareness and training plan for County agencies, as well as an ongoing plan, that will incorporate future legislative changes to HIPAA; and an assessment and review of business practices. This position will report directly to the County's Chief Information Officer and will work with an appointed staff committee to implement HIPAA regulations.

		NON-RECURRING
	Revenue	$2,660,889
		RECURRING
	Revenue	$1,911,519
	Total Revenue	$4,572,408
Agency 89, Employee Benefits	Expenditure	$334,864
Agency 91, Office of the Sheriff	Expenditure	$4,536,771
Additional Baseline Staffing and Overtime Requirements	**Net Cost**	**$299,227**

Funding of $4,871,635 is required to support the following adjustments associated with the Office of the Sheriff. An amount of $3,872,569 is included for 16/16.0 SYE positions to increase staffing due to guard post requirements necessary to properly staff the Adult Detention Center (ADC) Expansion, Booking Center, and Satellite Lock-ups. In addition, $999,066 is necessary for anticipated FY 2003 payments to the consultant representing the County in pursuit of Illegal Alien Grant funding. Anticipated Illegal Alien Grant revenues of $4,572,408 will largely support both the payments to the consultant and the costs associated with the increased staffing, resulting in a net General Fund impact of $299,227 in the first year of a three-year implementation plan. Grant revenue and consultant payments estimated for FY 2003 are the result of the anticipated receipt of two separate grants in FY 2003 due to a change in the calendar date for disbursements of the annual grant award. In FY 2004, only one grant payment is anticipated.

The three-year implementation includes the initial creation of 37/37.0 SYE positions, based on the assumption that all but 5 percent of coverage at the ADC and all but 11 percent of coverage at the Booking/Lockup operation will be met with regular staff (and the balance will be met with overtime). Complete coverage with regular staff, with no programmed overtime for regular coverage, would have required 51/51.0 SYE positions. The 37/37.0 SYE new positions will be funded over a three-year period, with 16/16.0 SYE positions in year one, 11/11.0 SYE positions in year two, and 10/10.0 SYE positions in year three. The positions include 9/9.0 SYE Deputy Sheriffs I, 19/19.0 SYE Deputy Sheriffs II, and 9/9.0 SYE Master Deputy Sergeants to provide adequate coverage for guard posts at the ADC, Booking Center, and Satellite Lockups at the Mason and Mount Vernon Police Stations. During year one, it will be necessary to fund both the 16/16.0 SYE new positions, plus overtime for staffing coverage while these positions are unavailable during the Academy and post-Academy training periods. During the entire implementation period, the staffing requirement of those positions not yet phased-in will be covered with overtime. Future year implementation of this phased-in staff plan in years two and three will require minimal additional funding, as the phase-in of regular positions replaces the coverage by overtime built into the plan to cover guard posts in the absence of these positions. The total annual cost of the plan after a complete phase-in is $3.2 million including the programmed overtime.

The baseline position requirement is the result of extensive analysis by the Office of the Sheriff and the Department of Management and Budget. Because of the complexity of the jail operation and the scope of expansion, it has been difficult to isolate this requirement prior to this time. New positions which were added in FY 1997 for ADC guard posts provided excess capacity in the jail for the years prior to the opening of the ADC Expansion in mid-FY 2001. Once portions of the ADC Expansion were opened, overtime surged. FY 2002 overtime expenditures were $1.55 million in excess of the budget (the agency-wide shortfall was $1.23 million), and would have been significantly higher had the Sheriff not adjusted staffing by eliminating a critical guard post, canceling training, and limiting leave requests. These specific actions are not possible for an extended period given safety concerns for both inmates and guards. The addition of these 37 new positions will enable the Office of the Sheriff to eliminate the current high level of overtime expenditures which cannot be sustained. This plan assumes a staffing level to cover the 40 baseline posts associated with space currently used in the jail (including the old jail, the 1988 Wing, and floors 2 and 4 of the latest ADC Expansion) and posts associated with the Booking Center (expanded at the end of FY 2000). The plan does not address any additional staffing requirements if new floors need to be opened as a result of increased inmate population. This level of staffing is consistent with posts-per-prisoners at other large detention centers. The position requirement also assumes that the Mason satellite lock-up will be operated only two nights a week. A minimum level of regular staff relief coverage for sickness, annual leave, and training is necessary to provide required coverage at the jail. As noted above, a small percentage of regular staffing coverage will continue to be provided with overtime even when the plan is implemented.

		NON-RECURRING
	Revenue	$184,960
Agency 67, Department of Family Services	Expenditure	$184,960
Increase in Emergency Housing Services Funding	**Net Cost**	**$0**

Funding of $184,960 is required for the increased costs of emergency housing for homeless families. Emergency shelter services are provided at five facilities through contracts with four community nonprofit organizations that serve approximately 2,200 homeless individuals annually. Currently, there are over 70 families on the waiting list for emergency homeless shelters. These funds will be used to offset the cost of emergency motel placements while families are waiting for shelter space to become available. The expenditure increase is completely offset by an increase in Federal/State Temporary Assistance to Needy Families (TANF) funding, for no net impact to the General Fund.

		NON-RECURRING
	Revenue	$12,956
Agency 67, Department of Family Services	Expenditure	$12,956
Respite Care Award	**Net Cost**	**$0**

Funding of $12,956 is included to appropriate Virginia Department of Social Services funding for the Respite Care Award for Children, Youth, and Families which provides respite care services for foster children. Respite care services refer to short-term, temporary care provided to foster children so that their foster families can take a break from the daily routine of care-giving or can attend to the needs of other children. Respite services assist and support families in caring for foster children, thereby preventing alternative placements and enhancing stability for children in foster care. This increase is completely offset by State funding, for no net impact to the General Fund.

		RECURRING
	Revenue	$0
	Expenditure	$277,885
Agency 50, Department of Community and Recreation Services	Recovered Costs	($49,465)
FASTRAN North County Contractual Increase	**Net Cost**	**$228,420**

Funding of $277,885 is required for increased contractual obligations associated with the FASTRAN North County contract. This increase is primarily attributable to one-time start-up costs associated with the new contracted vendor totaling $213,225, including recruitment, training, office set-up, vehicle turnover, and safety inspections. The remaining balance of $64,660 represents eight months of recurring costs in FY 2003 and is primarily associated with increases in liability insurance for the fleet. An amount of $49,465 is directly billable to FASTRAN user agencies and is therefore recognized within the Department of Community and Recreation Services as Recovered Costs. This action results in a General Fund impact of $228,420.

		RECURRING
Agency 51, Park Authority	Expenditure	$153,240
Agency 08, Facilities Management Division	Expenditure	$86,618
Agency 89, Employee Benefits	Expenditure	$51,415
	Recovered Costs	(291,273)
New Positions for Lorton/Laurel Hill Property	**Net Cost**	**$0**

Funding of $291,273 is totally offset by Recovered Costs and required for 3/3.0 SYE positions associated with the recently acquired Lorton/Laurel Hill property. These positions were approved by the Board of Supervisors on July 1, 2002, to ensure planning, property management, and coordination of the community use of the Laurel Hill site. Two positions are included in the Park Authority and will be responsible for coordinating the planning of the park and recreational areas, as well as planning for adaptive reuse areas. One position within the Facilities Management Division is included to provide assistance to the County in managing the safety and liability risks associated with the property. The costs associated with these positions include Personnel Services of $209,858, Fringe Benefits of $51,415, Operating Expenses of $7,000 for a PC, printer, software, and related office equipment and supplies, and Capital Equipment of $23,000 for a pick-up truck to be located and used at the site. The entire cost of these positions is recovered from a capital project. Sufficient funding has been included in Project 009444, Lorton (Laurel Hill) Development, in Fund 303, County Construction, as part of the FY 2003 Adopted Budget Plan; therefore, this action results in a General Fund impact of $0.

		NON-RECURRING
	Revenue	$0
Agency 40, Department of Transportation	Expenditure	$132,717
Yield to Pedestrians in Crosswalk Signs	**Net Cost**	**$132,717**

Funding of $132,727 is included in Agency 40, Department of Transportation, to fund the installation and maintenance of Yield to Pedestrians in Crosswalk signs and provide limited-term staff support for this effort as approved by the Board of Supervisors on July 22, 2002. Of the total funding, an amount of $94,500 is included to fund the installation of Yield to Pedestrians in Crosswalk signs at approximately 112 intersections during FY 2003. The remaining $38,217 will fund limited-term staff support for the nine-month period from October 1, 2002 through June 30, 2003.

		NON-RECURRING
	Revenue	$0
Agency 40, Department of Transportation	Expenditure	$1,470,000
Agency 90, Police Department	Expenditure	$7,500
Review of Bus Stop Locations in Fairfax County/Production and Distribution of Pedestrian Safety Brochure	**Net Cost**	**$1,477,500**

Funding of $1,477,500 includes $1,470,000 in Agency 40, Department of Transportation, to hire a consultant to conduct a comprehensive safety review of the approximately 7,000 bus stops in Fairfax County in order to determine if they are in the safest possible locations. This review will include a Countywide GIS Inventory and, when necessary, engineering reviews of the bus stops. An additional $7,500 is required for Agency 90, Police Department to allow for the production and distribution of a multi-lingual pedestrian safety brochure. These actions were approved by the Board of Supervisors on July 22, 2002 and are in response to the Transportation Advisory Commission's recommendations from the 2001 Transportation Summit on Pedestrian Access Issues.

		RECURRING
	Revenue	$0
Agency 87, Unclassified Administrative Expenses	Expenditure	$992,494
Commercial Insurance and Self-Insurance Requirements	**Net Cost**	**$992,494**

Funding of $992,494 is required to meet anticipated increases in Commercial Insurance premiums and losses covered by the County's Self-Insurance program. Premium experience in FY 2002 reflected substantial increases post September 11th. The uncertainty and volatility in the commercial insurance market is continuing and this adjustment provides for a 10 percent increase in premium renewals in FY 2003 above the FY 2002 actual level, totaling $242,494. In addition, the County's Self-Insurance program requires an adjustment of $750,000 based on the anticipation of significant claims to be covered at least in part by Self-Insurance. This increase to Agency 87, Unclassified Administrative Expenses, will fund the required increased contribution to Fund 501, County Insurance. A similar increase for Worker's Compensation is discussed below.

		NON-RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$1,556,339
Worker's Compensation	**Net Cost**	**$1,556,339**

Funding of $1,556,339 is required for increased expenditures associated with Worker's Compensation. This increase funds the County's contribution to Fund 501, County Insurance, and is increased as a result of projected requirements based on preliminary claim data and actual experience in FY 2002 covered by Workers' Compensation. In addition, the contribution is increased to partially offset reduced revenues as a result of lower interest on investments driven by the continuation of low rates during much of FY 2002 and into FY 2003.

		NON-RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$3,000,000
Self-Insured Health Insurance Requirements	**Net Cost**	**$3,000,000**

Funding of $3,000,000 is required for the General Fund Employer Contribution to the self-insured health insurance plan. This funding provides for rate and expenditure fluctuation amounts which have been depleted over recent years through escalating medical and prescription claims costs. The ending balance for the self-insured fund is utilized to offset unanticipated high cost claims and provides a buffer against excessive premium increases from year to year. Even with the buffer, employer and employee premium costs are expected to increase 15-20 percent annually. Currently the ending balance is $1.7 million or 4.1 percent of claims paid. The industry standard which is followed by the County recommends maintaining an ending balance of 15 percent of claims paid. With the infusion of $3.0 million, the FY 2003 ending balance will be $4.7 million or 10.1 percent of claims paid.

		NON-RECURRING
	Revenue	$0
Fund 302, Library Construction	Expenditure	$550,000
Burke and Oakton Community Libraries	**Net Cost**	**$550,000**

A General Fund transfer of $550,000 is required for preliminary planning and design costs associated with the construction of Burke and Oakton community libraries approved by the Board of Supervisors on April 29, 2002 as part of the FY 2003 – FY 2007 Capital Improvement Program (With Future Years to 2012). Preliminary design work will include space programming, schematic design, design development, and approval of a final development plan. Additional funding for these projects will be required to proceed to construction. A future library bond referendum is proposed for fall 2004.

Total Net Cost General Fund Administrative Adjustments ***$8,785,059***

Other Funds Administrative Adjustments - No General Fund Impact

The following administrative adjustments in Other Funds have no impact to the General Fund. These adjustments are necessary based on actions taken as part of the adoption of the FY 2003 budget, grant awards, subsequent Board of Supervisors' actions, and other circumstances requiring funding adjustments.

		NON-RECURRING
	Revenue	$948,747
Fund 100, County Transit Systems	Expenditure	$948,747
Bus Fare Buydown/Dulles Corridor Express Bus Service	**Net Cost**	**$0**

Funding of $948,747 is required for two adjustments to Fund 100, County Transit Systems. Funding of $799,747 is included to fund increased contract bus service and associated expenses resulting from free fares on FAIRFAX CONNECTOR routes in the Reston-Herndon corridor, as approved by the Board on July 1, 2002. This amount is fully offset by additional FY 2003 bus fare buydown revenue from the State. The second adjustment, totaling $149,000, reflects State Dulles Corridor Express Bus Service revenue originally projected to be received in FY 2002 that will now be received in FY 2003. These funds will be used to support additional advertising expenses in the Dulles Corridor. These adjustments require no additional General Fund support.

		RECURRING
	Revenue	$1,612,437
Fund 106, Fairfax-Falls Church Community Services Board (CSB) Adjustments to Current Year Grant Awards and New Program Year Grant Funding; Appropriation of Deferred Federal Block Grant Funds	Expenditure	$1,612,437
	Net Cost	**$0**

Funding of $1,612,437, fully offset by Federal and State grant funds, is required to update the current year CSB grant award totals based on the most current information available from the grantors. Of this amount, a net amount of $1,020,208 is required for adjustments to existing grant program years, $582,403 is required for new grant program year awards, and $9,826 is required for deferred Federal Block Grant funding. These increases are fully offset by additional State funds, Federal funds, Medicaid Option funds, and Program/Client Fees. None of these adjustments require County matching funds.

An amount of $1,020,208 is included as adjustments to existing grant program year awards: $1,325 for the Mental Health Ryan White Title I and II grant; $652,029 for the Federal Emergency Management Agency (FEMA) Project Resilience grant; $5,000 for the High Intensity Drug Trafficking Area (HIDTA) grant; $32,552 (including 0/0.5 SYE) for the Alcohol and Drug Services Ryan White Title I grant; and $329,302 (including 5/5.0 SYE) for the Early Intervention Part C grant. The adjustment to the funding level for the Alcohol and Drug Services Ryan White Title I grant is sufficient to increase an existing grant Substance Abuse Counselor II from part to full-time. The adjustment to the funding level for the Early Intervention Part C grant is sufficient to support 5/5.0 SYE new grant positions, which includes 3/3.0 SYE grant Mental Retardation Specialists II to provide service coordination, 1/1.0 SYE grant Physical Therapist to provide services for infants and toddlers, and 1/1.0 SYE grant Administrative Assistant III to provide administrative support in filing reimbursement claims. An amount of $582,403 reflects new program year awards for the following grants: $23,622 for the second year of the Domestic Violence Prevention grant; $341,317 for the HIDTA grant; $120,000 for the second year of the State Incentive grant; and $97,464 for the Virginia Tobacco Settlement grant. The remaining $9,826 reflects deferred Federal Block Grant funding for the Project LINK Program to support training and collaboration with hospitals and local Child Protective Services, as well as one-time costs in Alcohol and Drug Services Adult Outpatient Services.

Consideration Items

Five Consideration Items are included for the Board of Supervisors' consideration. These items total $230,318 of which $75,928 is of a Recurring nature and $154,390 is Non-Recurring. These items are currently not funded and would decrease the available balance if action is taken by the Board. After County Executive recommendations and allocations to the Revenue Stabilization Fund and the Schools as required by Board policy, the Available Balance totals $180,736 of Non-Recurring funds. The items are as follows:

		NON-RECURRING
	Revenue	$0
1. Agency 90, Police Department Additional RADAR/LIDAR units	Expenditure	$75,950
	Net Cost	**$75,950**

- As requested by the Board of Supervisors on June 17, 2002, funding of $75,950 is requested to support the purchase of 20 additional LIDAR (Light Detection and Ranging) units to be used in speed enforcement. LIDAR is a stationary laser-based range and speed measurement system. Vehicles are measured in miles per hour and distance in feet. The LIDAR units are especially useful to the Police Officer because the system can target a vehicle that is believed to be speeding and the LIDAR will "lock on" the vehicle. This feature, particularly helpful in court, allows the Police Officer to capture a specific vehicle while not capturing other vehicles around the target vehicle.

  The Police Department was able to purchase 4 LIDAR units out of the Seized Assets Fund in FY 2002 and have received authorization to purchase 10 additional units out of the Seized Assets Fund in FY 2003. The purchase of these 14 LIDAR units supplements the purchase of 16 traditional RADAR units from the Police FY 2002 General Fund budget. The 20 additional LIDAR units requested, in combination with the LIDAR and traditional RADAR units already purchased, will provide one unit for each Motor Officer that does not already have one and will provide two additional units to each station.

			RECURRING
		Revenue	$0
2.	**Fund 119, Contributory Fund**	Expenditure	$24,610
	Chesapeake Bay Preservation Act Requirements	**Net Cost**	**$24,610**

- As requested by the Board of Supervisors on July 22, 2002, funding of $24,610 is requested to support the Northern Virginia Soil and Water Conservation District (NVSWCD). The Chesapeake Bay Local Assistance Department (CBLAD) recently notified the NVSWCD that State funding of $24,610 to enable the local conservation district to carry out its responsibilities under the Chesapeake Bay Preservation Ordinance has been eliminated. Since 1992, CBLAD has provided approximately $25,000 annually to the NVSWCD to help support an Agricultural Water Quality Specialist position. This CBLAD funding addressed about one-third of the cost of this position, while the County provided the remainder. Prior to 1992, the position was fully funded by the County.

  Approximately half of the Agricultural Water Quality Specialist's time is spent carrying out the District's responsibilities for the Chesapeake Bay Program. Under this program's regulations, the NVSWCD has the responsibility to develop Soil and Water Quality Conservation Plans. In Fairfax County, the majority of these plans are done for horse-keeping operations. The plans include best management practices (BMPs) that control erosion and reduce nonpoint source pollution from fertilizers, pesticides and animal waste, as well as fencing and vegetated buffers along streams. While CBLAD recently informed the County of its recent receipt of National Oceanic and Atmospheric Agency (NOAA) funding to be used for financial assistance to localities, the NVSWCD is not identified as one of the groups to receive this local assistance, which means that the Conservation District will be required to used its undesignated reserve of $23,000 to fully fund this position in FY 2003 and will experience a similar shortfall for FY 2004 in the absence of additional State funding.

			NON-RECURRING
		Revenue	$0
3.	**Fund 119, Contributory Fund**	Expenditure	$34,800
	Water Availability/Meter Fees for Wolf Trap	**Net Cost**	**$34,800**

- As requested by the Board of Supervisors on June 17, 2002 and amended on August 5, 2002, an increase of $34,800 in the General Fund Transfer to Fund 119, Contributory Fund, is requested for the water availability and meter fees for Wolf Trap's new Center for Education. Over two years ago, Wolf Trap launched its campaign to raise $21 million for capital and endowment purposes, with $10 million earmarked for a new Center for Education to meet the ever-increasing demand for educational programs, many of which benefit the youth population in Fairfax County. To date, $12.9 million has been raised, with $4.7 million designated for the Center for Education, the completion of which is anticipated in the first quarter of 2003. Wolf Trap has requested support from Fairfax County to address the water availability and meter fees. It should be noted that Wolf Trap receives an annual operating contribution of $25,000 through Fund 119. This request represents additional one-time funding in FY 2003 of $34,800 for these fees owed to the Fairfax County Water Authority.

			NON-RECURRING
		Revenue	$0
4.	**Fund 307, Sidewalk Construction**	Expenditure	$43,640
	Richmond Highway Pedestrian Safety	**Net Cost**	**$43,640**

- As requested by the Board of Supervisors on July 22, 2002, funding of $43,640 is requested in Fund 307, Sidewalk Construction to support pedestrian safety projects along Richmond Highway. On July 22, 2002, the Board of Supervisors took action to implement a pedestrian safety program and pedestrian improvement plan to begin addressing pedestrian safety issues Countywide. The Richmond Highway corridor is considered to be one of the most dangerous areas for pedestrians. These funds would be targeted for pedestrian safety measures specifically in the Richmond Highway corridor.

			RECURRING
		Revenue	$0
5.	**Fund 119, Contributory Fund**	Expenditure	$51,318
	Volunteer Fairfax Technology Position	**Net Cost**	**$51,318**

- As requested by the Board of Supervisors on August 5, 2002, funding of $51,318 is requested in Fund 119, Contributory Fund, for Volunteer Fairfax for an information technology position to support increased workload and responsibilities related to database and web improvements. Volunteer Fairfax recruits approximately 12,000 individuals for volunteer service annually and anticipates using its website to disseminate information about volunteer opportunities as well as expand its interactive functionality for the public. This contributory agency also anticipates the need to coordinate mobilization of volunteers for the Police, Fire and Rescue, and Health Departments in the post-September 11th era.

Summary of FY 2002 Receipt and Disbursement Variances

The following addresses FY 2002 receipt and disbursement variances in a summary manner.

Receipts

Actual FY 2002 General Fund Receipts and Transfers In are $2.305 billion, an increase of $13.8 million or 0.60 percent over the *FY 2002 Revised Budget Plan* estimate of $2.291 billion. Major changes in General Fund Receipts are summarized below. Greater detail can be obtained by referring to Attachment II, Summary of General Fund Receipts.

- Actual FY 2002 Real Estate Taxes reflect an increase of $2.9 million over the *FY 2002 Revised Budget Plan* due primarily to lower than anticipated Real Estate tax relief and an increase in the FY 2002 collection rate on current Real Estate Taxes from an estimated 99.50 percent to 99.61 percent.

- In FY 2002, Personal Property Tax revenue, including the portion reimbursed by the Commonwealth of Virginia, is $471.7 million, $3.7 million more than projected. The overall increase is due to an increase in delinquent collections offset by a reduction in current Personal Property Tax collections. The decrease in current Personal Property Tax of $1.1 million is the result of lower than expected collections primarily from Public Service Corporations due to bankruptcies. Higher than anticipated omitted levy and lower exonerations partially offset this decrease. Delinquent Personal Property collections were $4.8 million higher than anticipated as a result of discovery and enforcement efforts.

- FY 2002 Other Local Taxes are $6.4 million higher than anticipated primarily due to a $4.1 million increase in Business, Professional, and Occupational Licenses, a $1.1 million increase in Recordation and Deed of Conveyance receipts and an increase of $0.5 million in Local Sales Tax revenue.

- Revenue from Permits, Fees, and Regulatory Licenses in FY 2002 was $28.6 million, a decrease of $0.4 million from the *FY 2002 Revised Budget Plan* and is primarily the result of slower than anticipated construction activity in the County.

- Revenue from the Use of Money and Property in FY 2002 was $28.2 million, a net increase of $0.4 million over the *FY 2002 Revised Budget Plan* primarily due to a rise in Interest on Investments as a result of a slightly higher yield and a greater General Fund percentage than projected.

- Actual FY 2002 Charges for Services reflect an increase of $1.1 million or 3.3 percent over the *FY 2002 Revised Budget Plan*. This increase is primarily attributable to higher than anticipated County Clerk fees and SACC fee revenue.

- Revenue from the Commonwealth and Federal Government is $1.0 million lower than projected in the *FY 2002 Revised Budget Plan,* primarily due to a delay in reimbursement for State supported employees offset with small increases in various State and Federal funding programs.

Disbursements

The initial General Fund Disbursements balance totals $28.31 million. Of this balance, an amount of $18.80 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes $12.44 million for encumbered, legal obligations of the General Fund which were incurred in FY 2002, and $6.36 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV).

After adjusting for encumbered and unencumbered commitments, a variance of $9.51 million or 0.4 percent of total estimated disbursements was realized. This represents a very small percentage of total disbursements and is the result of a variety of miscellaneous adjustments as detailed in Attachment III, Summary of Significant General Fund Expenditure Variances by Agency.

Additional Adjustments in Other Funds

Total FY 2003 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase $559.77 million over the FY 2003 Adopted Budget Plan. This amount includes $490.32 million in carryover of unspent balances and an increase of $69.45 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $24.63 million in Non-Appropriated Other Funds. It should be noted that details of Fund 102, Federal/State Grant Fund are discussed in Attachment VI. Details of FY 2003 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total $303.69 million, excluding debt service, over the FY 2003 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

Carryover is defined as the reappropriation in FY 2003 of previously approved items such as unexpended FY 2002 capital project balances and encumbered and unencumbered items.

Summary of Recommended Actions

In summary, I am recommending that the Board take the following actions:

- Approve Supplemental Appropriation Resolution AS 03022 and Fiscal Planning Resolution AS 03901 to provide expenditure authorization for FY 2002 Carryover encumbrances, unexpended balances, administrative adjustments, and the associated adjustments to the managed reserve including the following:

- Board appropriation of $12.44 million in General Fund encumbrances from FY 2002 as noted in the Combined General Fund Statement.

- Board appropriation of General Fund unencumbered Board commitments totaling $6.36 million as detailed in Attachment IV.

- Board appropriation of General Fund net administrative adjustments totaling $8.78 million as detailed earlier in this memorandum.

- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund totaling $46.58 million, which includes carryover of unexpended FY 2002 grant balances adjusted for closeouts totaling $39.62 million as well as funding adjustment of $6.96 million for supplemental grant awards for existing and new grants as detailed in Attachment VI.

- Board appropriation of remaining Other Funds Carryover of $816.87 million, which includes $303.69 million in School expenditures and $264.91 million for Capital Construction funds, and $248.27 million in other funds. Of this total, $736.45 million is in encumbered items, $17.26 million is in unencumbered commitments, and $63.16 million is in additional adjustments. Details are available in Attachment I, Carryover Expenditures by Fund; in Attachment V, Other Funds Unencumbered Carryover, in Attachment VII, Other Funds Detail; and in Attachment C, Fairfax County School Board's FY 2002 Final Budget Review and Appropriation Resolutions.

- Board approval of adjustments to the managed reserve to reflect all carryover adjustments.

- Board decision on the various Consideration Items.