Attachment B

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

DATE: March 18, 2002

TO: BOARD OF SUPERVISORS

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2002 Third Quarter Review

Attached for your review and consideration is the *FY 2002 Third Quarter Review*, including Supplemental Appropriation Resolution AS 02073 and Amendment to the Fiscal Planning Resolution AS 02902. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

Attachment I - A General Fund Statement reflecting the status as 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 Receipts/Transfers In with a net decrease of $5,022,456.

Attachment III - A Detail of Major Expenditure Changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes in all Appropriated Other Funds, excluding Schools and the Federal/State Grant Fund total a net increase of $31,713,233. Expenditures in Non-Appropriated Other Funds increased a total of $1,826,269.

Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $15,277,211.

Attachment V - Supplemental Appropriation Resolution (SAR) AS 02073, AS 01081 for FY 2001 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 02902.

Attachment VI - FY 2001 Audit Package including final adjustments to FY 2001 and FY 2002 Impacts.

Attachment VII - Fairfax County Public Schools' Staff Recommended FY 2002 Third Quarter Budget Review and Appropriation Resolution.

As the Board is aware, State law 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 2002 Third Quarter Review* recommends changes over the $500,000 limit, the public hearing has been scheduled for April 8, 9, and 10, 2002. On April 22, 2002, the Board will take action on this quarterly review prior to marking up the FY 2003 Advertised Budget Plan.

SUMMARY OF GENERAL FUND STATEMENT
(Dollars in Millions)

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2002 Revised Budget Plan*.

	FY 2002 Revised Budget Plan	FY 2002 Third Quarter Estimate	Variance
Beginning Balance	$78.56	$78.56	$0.00
Receipts and Transfers In	2,295.80	2,290.78	(5.02)[1/]
Total Available	$2,374.36	$2,369.34	($5.02)
Direct Expenditures	$896.39	$883.30	($13.09)
Transfers Out	1,443.77	1,439.58	(4.19)
Subtotal Disbursements	$2,340.16	$2,322.88	($17.28)
Ending Balance	$34.20	$46.46	$12.26
Managed Reserve	46.80	46.46	(0.34)
County Executive Identified Reductions to be identified at the *FY 2002 Third Quarter Review*	(12.60)	0.00	12.60
Available Balance	**$0.00**	**$0.00**	**$0.00**

[1/] Includes additional revenue shortfall of $3.4 million, revenue adjustments associated with the 5 percent cut exercise and the FY 2002 administrative adjustments totaling a net decrease of $3.4 million, offset by an increase of $1.7 million in the transfer from the Vehicle Replacement Reserve.

It should be noted that the *FY 2002 Revised Budget Plan* reflects all adjustments since the *FY 2001 Carryover Review* and includes revenue adjustments made prior to Third Quarter as part of the FY 2003 Advertised Budget Plan. As part of the FY 2002 midyear review of revenue, a shortfall of $12.9 million was identified, offset by FY 2001 audit adjustments for a net shortfall of $12.6 million. These revenue reductions were primarily associated with reduced sales tax, interest on investments, and building fees. Subsequent analysis as part of the *FY 2002 Third Quarter Review* indicated the need to reduce an additional $3.4 million, for a total revenue shortfall of $16.3 million. In addition to this revenue shortfall, net adjustments of $7.0 million are required, primarily attributable to public safety and security needs for a total shortfall of $23.3 million.

To accommodate these requirements, a total of $23.3 million in offsetting adjustments is necessary to balance the FY 2002 budget. A number of actions, which are detailed in this package including $21.8 million in net expenditure cuts in County programs, have been taken to offset the shortfall. As I noted to the Board in November, I took immediate action early in the fiscal year, requiring General Fund and General Fund-supported agencies, with the exception of Public Safety and Health, to absorb reductions of five percent. While this has certainly not been easy, I believe we have pursued an aggressive plan to address the shortfall. All areas have been thoroughly reviewed for potential savings including capital projects, information technology, and reserves. This process has not been without pain. We have held a number of positions vacant. In some cases, limited term staff were laid off, with remaining staff absorbing the workload in order to minimize the service impact to citizens. There is little flexibility remaining, which will require many agencies to curtail all but the most essential spending in order to finish the fiscal year without incurring a deficit. These types of actions cannot be sustained for the long-term without experiencing a serious degradation in service.

Perhaps more than at any other time in recent history, the economy – local, state and national – continues to exert significant influence on Fairfax County's budget. The specter of the Commonwealth's budget deficit as well as the post-September 11th economy continues to overshadow County operations and decisions. We continue to learn the impact of these influences daily, particularly with regard to the lackluster performance of sales tax revenue and the State's ongoing effort to balance its own budget – often at the expense of local programs. These revenue pressures are exacerbated by security concerns following the terrorist attack of September 11 and the subsequent anthrax threat, which require additional resources for public safety and security. In addition, I continue to be extremely concerned about the additional impact on revenue, particularly sales tax and BPOL, the latter of which was just due on March 1, 2002 so we do not yet have a clear picture of how it may be affected. Obviously we will continue to monitor this situation very closely in order to identify any additional impact in order to take timely action to address further shortfalls in FY 2002 and continuing in FY 2003.

Unlike previous years when there was at least a small balance as part of the Third Quarter Review, balancing the FY 2002 budget based on the above revenue shortfall and expenditure increases leaves no available funds. Therefore, we are unable to allocate funds to the Revenue Stabilization Reserve or the School Operating Fund as part of the *FY 2002 Third Quarter Review*. In addition, there is no available balance that can be carried forward to address FY 2003 issues. Details of these adjustments are included in the attached sections of the *FY 2002 Third Quarter Review* but are summarized below.

Summary of General Fund Receipts/Transfers In

A brief summary of the $5.0 million decrease in General Fund receipts and Transfers In is provided below, while details concerning the decrease are provided in Attachment II. It should be noted that these reductions are in addition to a net revenue reduction in FY 2002 General Fund revenues of $12.9 million made prior to the *FY 2002 Third Quarter Review* and which was discussed in the FY 2003 Advertised Budget Plan. Information regarding the basis of these midyear adjustments is also discussed in Attachment II.

- Real Estate Tax revenue is increased $1.0 million as part of the *FY 2002 Third Quarter Review* as a result of higher than expected supplemental assessments.
- Personal Property Taxes are increased $2.4 million based on final current billings and an expected increase in delinquent collections.
- Other Local Taxes reflect a decrease of $7.1 million from the *FY 2002 Revised Budget Plan* due to decreases in Sales Tax, the Consumption Tax, and the Transient Occupancy Tax offset by increased revenue from Recordation Taxes.
- Permits, Fees and Regulatory Licenses are decreased $0.6 million as a result of slower building activity in the County.
- Interest on Investments is increased $1.7 million based on revised estimates of the portfolio and General Fund percentage.
- Revenue from the Commonwealth and Federal governments is reduced $0.8 million due to a reduction of $3.4 million in State aid as a result of the State's budget shortfall, while an increase of $1.9 million is associated with reimbursement from the Federal government for incarcerating illegal aliens charged with a crime. In addition, revenue of $4.0 million is anticipated from the Federal Emergency Management Agency (FEMA) for expenses incurred primarily by the Police Department and the Fire and Rescue Department relating to September 11, 2001, as well as $0.3 million for FASTRAN due to a change in Medicaid reimbursement procedures.
- Net revenue decreases associated with the five percent expenditure reduction exercise in FY 2002 as well as administrative adjustments total $3.4 million and are primarily associated with net adjustments to the Department of Family Services' public assistance program.
- The Transfer In from the Vehicle Replacement Reserve is increased by $1.7 million due to availability of reserve funds based on actual replacement requirements.

Audit Adjustments

As a result of the FY 2001 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Net revenue and beginning balance changes result in an increase of $0.26 million to the FY 2001 ending General Fund balance which was reflected in the FY 2003 Advertised Budget Plan. In addition, several other adjustments to various funds are required, including several 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 funds require a supplemental appropriation resolution based on audit adjustments. This includes Fund 501, County Insurance, and Funds 601 and 602, Fairfax County Employees Retirement and Police Retirement. The appropriation resolution is required to account for a change in accrued liabilities in Fund 501 and to record gross income and expenditures associated with securities lending transactions in the retirement funds, consistent with GASB requirements.

Summary of General Fund/General Fund Supported Adjustments

The following adjustments are made as part of the *FY 2002 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is a decrease of $17,282,134. In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported with both non-General Fund revenue and the use of fund balances. It should be noted that all of the revenue adjustments included in the *FY 2002 Third Quarter Review* are provided in detail in 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

		NON-RECURRING
	Revenue	$4,128,025
	General Fund Transfer In	$1,700,000
	Expenditure	($18,541,136)
General Fund	General Fund Transfer Out	($5,690,648)
5 Percent Savings Exercise	**Available Balance**	**($21,803,759)**

Net reductions of $21,803,759 are realized associated with the County Executive identified actions to balance the FY 2002 budget and a close review of capital projects, information technology projects, and vehicle replacement reserve requirements. The available balance identified at the Third Quarter Review is primarily attributable to the following adjustments: direct expenditures are reduced by $18,541,136, transfers out are reduced by $5,690,648, transfers in are increased by $1,700,000, offset by reduced revenue of $4,128,025 associated with expenditure reductions in the Department of Family Services.

This budget reduction impacts General Fund agencies and operating agencies supported by a transfer from the General Fund. The only agencies exempted from these reductions are Police, Fire and Rescue, Health Department, and Facilities Management Division (DPWES), which has responsibility for security at all County sites. Nearly all General Fund agencies participated in the process. After further review, some agencies achieved savings of less than 5 percent in order to avoid significant operational or service impact. As a result of the reductions, agencies are required to tightly manage within the reduced appropriation. This requires holding positions vacant longer in order to generate savings, which will impact the workload requirements of remaining staff. In addition, agencies have been challenged in terms of service delivery. Limited term staff usage has been reduced, maintenance schedules have been deferred, and resources have been re-prioritized to meet deadlines within a lower appropriation level. While the short-term reductions were possible in FY 2002, given the budgetary constraints imposed by these reductions, the cuts cannot be sustained on a long-term basis. Total reductions associated with the 5 percent cuts for agencies are $17.0 million.

In addition, a close review of capital projects, information technology projects, and vehicle replacement reserve requirements was conducted (see Attachment III, Other Funds Detail for more information on these adjustments). Completed projects are being closed out at this time and the scope of some projects has been revised to achieve further reductions. As a result, transfers out are reduced by $5,690,648 and transfers in are increased by $1,700,000. These actions will not result in the elimination of approved projects; however, it will require some prioritization. In addition, a review of future year requirements for the Vehicle Replacement Reserve was conducted and based on current requirements, anticipated future purchases, and inflationary increases, the reserve has the capacity to transfer $1.7 million to the General Fund. As a result, the identified savings result in adjustments to General Fund transfers in Fund 104, Information Technology; Fund 303, County Construction; Fund 308, Public Works Construction; and Fund 503, Department of Vehicle Services. Total reductions associated with the review of Information Technology and Capital Projects, and the transfer for the Vehicle Replacement Reserve is $7,390,648.

The following is a list of the reductions taken at the *FY 2002 Third Quarter Review*:

FY 2002 Five Percent Savings Exercise
Adjustments Made at Third Quarter Review

Agency/Fund Title		Reduction Taken
Legislative - Executive Functions/Central Services		
01	Clerk to the Board	($40,133)
02	Office of the County Executive	(321,350)
04	Department of Cable Communications and Consumer Protection	(84,782)
06	Department of Finance	(323,342)
11	Department of Human Resources	(255,105)
12	Department of Purchasing and Supply Management	(188,618)
13	Office of Public Affairs	(42,564)
15	Electoral Board and General Registrar	(152,123)
17	Office of the County Attorney	(274,147)
20	Department of Management and Budget	(151,525)
37	Office of the Financial and Program Auditor	(775)
41	Civil Service Commission	(3,708)
57	Department of Tax Administration	(688,883)
70	Department of Information Technology	(1,037,302)
	Total Legis - Exec Functions/Central Services	**($3,564,357)**
Judicial Administration		
80	Circuit Court and Records	($121,558)
82	Office of the Commonwealth's Attorney	(237,765)
85	General District Court	(17,000)
91	Office of the Sheriff	$0
	Total Judicial Administration	**($376,323)**

	Agency/Fund Title	Reduction Taken
Public Safety		
04	Department of Cable Communications and Consumer Protection	($49,085)
31	Land Development Services	(385,286)
81	Juvenile and Domestic Relations District Court	(329,000)
90	Police Department	N/A
91	Office of the Sheriff	0
92	Fire and Rescue Department	N/A
96	Animal Shelter	N/A
	Total Public Safety	**($763,371)**
Public Works		
08	Facilities Management Division	N/A
25	Business Planning and Support	(135,359)
26	Office of Capital Facilities	(201,938)
29	Stormwater Management	(472,916)
87	Unclassifed Administrative Expenses	N/A
	Total Public Works	**($810,213)**
Health and Welfare		
05	Office for Women	($2,080)
67	Department of Family Services	(8,022,405)
68	Department of Administration for Human Services	(551,195)
69	Department of Systems Management for Human Services	(259,147)
71	Health Department	N/A
	Total Health and Welfare	**($8,834,827)**
Parks, Recreation and Cultural		
50	Department of Community and Recreation Services	($566,419)
51	Fairfax County Park Authority	(407,350)
52	Fairfax County Public Library	(1,367,053)
	Total Parks, Recreation and Cultural	**($2,340,822)**
Community Development		
16	Economic Development Authority	($341,882)
31	Land Development Services	(557,853)
35	Department of Planning and Zoning	(400,648)
36	Planning Commission	(3,000)
38	Department of Housing and Community Development	(283,155)
39	Human Rights Commission	(62,060)
40	Department of Transportation	(202,625)
	Total Community Development	**($1,851,223)**

Agency/Fund Title		Reduction Taken
Non-Departmental		
87	Unclassifed Administrative Expenses	N/A
89	Employee Benefits	N/A
	Total Non-Departmental	**$0**
Total General Fund Agencies		**($18,541,136)**
Transfers Out - General Fund Supported Agencies		
103	Aging Grants & Programs	($21,041)
104	Information Technology	(606,822)
106	Community Services Board	(1,523,801)
141	Housing Programs for the Elderly	(62,666)
303	County Construction	(3,159,819)
308	Public Works Construction	(171,499)
504	Document Services Division	(145,000)
	Total Transfers Out	**($5,690,648)**
Total General Fund - Supported Agencies		**($5,690,648)**
	REDUCTION TO DISBURSEMENTS	**($24,231,784)**

ADJUSTMENT TO RECEIPTS

Revenue Reduction	
Revenue reductions in DFS associated with the 5% Savings Exercise	($4,128,025)
Transfers In - To the General Fund	
Reduction in Vehicle Replacement Reserve	$1,700,000
ADJUSTMENT TO RECEIPTS	**($2,428,025)**
AVAILABLE AT THE FY 2002 THIRD QUARTER REVIEW	**($21,803,759)**

		NON-RECURRING
	Revenue	$0
Agency 08, Facilities Management Division	Expenditure	$300,000
Security Costs Post-September 11th	**Net Cost**	**$300,000**

Funding of $300,000 is required to support a net increase to the Facilities Management Division budget to provide for security at County buildings. It is estimated that additional security costs due to increased contract security levels instituted after September 11th will amount to $1,007,115. Security coverage was increased to include two additional armed guards, increased coverage at the lobbies and loading docks at the Herrity, Pennino, and Government Center buildings, and another guard added for security video surveillance at the Government Center. Coverage was also expanded at the Public Safety complex and the Public Safety Communications Center. This funding increase is partially offset by anticipated savings primarily in utility costs of $707,115 due to decreased usage associated with a very mild winter and lower wellhead charges for natural gas which have contributed to a 30 percent decrease in end-user charges from the prior year. Appropriate levels of security for County facilities will continue to be assessed.

		NON-RECURRING
	Revenue	$0
Agency 40, Department of Transportation	Expenditure	($750,000)
Photo Red Light Monitoring Program	**Net Cost**	**($750,000)**

A decrease of $750,000 in expenditures is due to lower than projected costs associated with the Photo Red Light Monitoring Program. It should be noted that revised Photo Red Light Monitoring Program revenue estimates have already been reflected in FY 2002 as part of the review of revenues conducted in the fall of 2001, offsetting the expenditure savings noted above. Expenditures and revenues associated with this program have been lower than projected due to several factors, including the State changing the signal timing at two intersections, thus causing fewer violations than estimated at these intersections.

		NON-RECURRING
	Revenue	$594,000
Agency 67, Department of Family Services	Expenditure	$1,100,000
Comprehensive Services Act	**Net Cost**	**$506,000**

Funding of $1,100,000 is required for increased expenditures for the Comprehensive Services Act (CSA). The expenditure increase is partially offset by CSA revenues of $594,000, with a net cost to the County of $506,000. Expenditures have increased due to the increasing costs of specialized residential services required for children and youth with severe disabilities, rather than due to the number of children served and CSA caseload, which has remained fairly stable. Federal law mandates that services be provided to children and youth eligible for special education services and foster care services.

Over the past few years, the trend for children requiring out-of-home care has shown that as they age, they become more difficult to manage in the home and in a public school setting because of serious emotional and behavioral challenges. These behaviors often require more specialized services to address risk to the child and to the community, and often additional services such as one-to-one therapy are required to maintain them in the residential environment.

Additionally, the special education pattern indicates that the public school, community-based programming can no longer accommodate the increasing number and severity of need of children with multiple disabilities, i.e., mental retardation, autism, and serious emotional disturbances, etc. The length of stay in residential programs for these children has also increased because they are unable to return to the local programs within the public school system; rather, they remain at the residential program until they "age out" at age 22. Further, the more severe a child's disability, the greater need there is for services such as speech, language, and occupational therapy.

It should be noted that this adjustment is in addition to the agency’s participation in the 5 percent exercise that results in a net savings of $3,894,380.

		NON-RECURRING
	Revenue	$143,440
Agency 67, Department of Family Services	Expenditure	$143,440
Increase in Emergency Housing Services Funding	**Net Cost**	**$0**

Funding of $143,440 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.

		RECURRING
	Revenue	$0
Agency 87, Unclassified Administrative Expenses	Expenditure	$656,196
Commercial Insurance	**Net Cost**	**$656,196**

Funding of $656,196 is required to meet increasing insurance costs for Commercial Insurance and to partially offset reduced revenues as a result of lower interest on investments driven by the record low interest rates during much of FY 2002. Various Commercial Policies that have been renewed since September 11th reflect the uncertainty in the insurance industry with significant increases in premiums. An example is an increase of $151,000 or 40 percent in the County's Umbrella Liability Insurance. In addition to increasing premiums, Risk Management staff has found that insurance carriers are requiring higher deductibles and lower coverage levels in initial price quotes. Staff has been successful in negotiating policies that minimize the County's exposure but continuing volatility in coverage is anticipated. It should be noted that $946,000 in Commercial Premium increases was included in the FY 2003 Advertised Budget Plan in anticipation of this requirement. This increase to Agency 87, Unclassified Administrative Expense, will fund the required increased contribution to Fund 501, County Insurance, for Commercial Insurance. A similar increase for Workers' Compensation is discussed below.

		NON-RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$543,804
Worker's Compensation	**Net Cost**	**$543,804**

Funding of $543,804 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 actual experience to date including several hip and knee replacements covered by Workers' Compensation.

		NON-RECURRING
	Revenue	$0
Agency 90, Police Department	Expenditure	$0
Conversion of Grant Positions to Regular Merit	**Net Cost**	**$0**

On October 30, 2000, the Board of Supervisors approved a COPS MORE 2000 grant for $291,714, including 7/7.0 SYE positions. This grant program is one of several developed by the United States Department of Justice under the 1994 Crime Act to increase the deployment of community policing officers to America's streets. The COPS MORE 2000 grant helps law enforcement agencies become more efficient by providing funding for new and additional civilian personnel, which will allow current officers to spend more time engaged in community policing activities. The Police Department identified 7/7.0 SYE sworn positions which fit the criteria for redeployment under the COPS MORE 2000 grant to work in the areas of financial crime analysis, polygraph supervision, vehicle coordination, concealed weapons, and personnel administration.

According to the conditions of the grant, the County must maintain the awarded civilian positions, and the resulting level of redeployment, for at least one full locally-set budget cycle after federal funding has ended. Federal funding is expected to expire in the spring of 2002, and the conversion of these grant positions to regular merit status is required. Unlike the COPS UHP (Universal Hiring Program) grants, these positions should have been, but were not originally created as regular merit and consequently need to be converted at the end of the grant period. The Police Department has identified funding for these positions within the *FY 2002 Revised Budget Plan* for the remainder of this year, and funding has been provided in the FY 2003 Advertised Budget Plan in anticipation of this conversion; therefore, the impact to the General Fund is $0. The *FY 2002 Revised Budget Plan* position count for the Police Department will increase by 7/7.0 SYE positions.

		NON-RECURRING
	Revenue	$1,911,519
Agency 91, Office of the Sheriff	Expenditure	$1,014,869
Illegal Alien Grant Funds	**Net Revenue**	**$896,650**

Revenue of $1,911,519 is included for Illegal Alien Grant funds received by the County, offset by expenses of $417,102 or 21.8 percent to pay the consultant that assisted the County in obtaining the funding for a net total of $1,494,417 available to the County. This federal funding reimburses the County for expenses incurred incarcerating illegal aliens who are charged with a crime and is accessed annually by localities depending on the federal appropriation available. Of this net amount, 40 percent or $597,767, is being made available to the Office of the Sheriff to meet increased medical and food costs within the Adult Detention Center based on actual expenses to date.

		RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$284,615
Agency 92, Fire and Rescue Department	Expenditure	$1,047,153
FLSA Funding Requirements	**Net Cost**	**$1,331,768**

Funding of $1,331,768 is required to fund additional costs associated with the Fair Labor Standards Act (FLSA) costs. An amount of $741,651 is associated with State HB 2712. Funding in the amount of $496,842 had been included at the *FY 2001 Carryover Review* for costs associated with State HB 2712; however, actual expenditures to date have been higher than anticipated. The new overtime requirements of this law affect firefighters, emergency medical technicians, paramedics, ambulance personnel, rescue workers, and hazardous material workers. It requires that any hours worked by firefighters in excess of 212 hours over a 28-day FLSA cycle be paid overtime. The 212 hours is defined to include any hours in leave status, including hours used for annual leave or sick leave. Previously, an employee received overtime only after physically working 212 hours. As a result of experience to date, an additional amount of $853,925 is estimated over the amount already budgeted, of which $112,274 can be absorbed by the agency, resulting in a net impact of $741,651. As a result, the total cost of HB 2712 to the Fire and Rescue Department, including the increase at Carryover, is estimated at $1,350,767. In addition, there is an adjustment of $305,502 to retroactively increase FLSA payments between FY 1998 and early FY 2002 based on revised requirements.

		NON-RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$212,820
Agency 92, Fire and Rescue Department	Expenditure	$901,930
Staffing of Hazardous Materials Unit Using Overtime	**Net Cost**	**$1,114,750**

Funding totaling $1,114,750 is required to support the impact of staffing and operating the County's Hazardous Materials Unit within the Fire and Rescue Department, 24 hours a day, seven days a week as a result of the events of September 11th and the subsequent anthrax investigations. Of this amount, Personnel Services of $783,000 funds the cost of staffing the unit by using overtime from September 11th through the end of the year, $118,930 in Operating Expenses funds the increased costs of maintaining and operating the hazardous materials vehicles, and $212,820 is for Fringe Benefits. Calls for Hazardous Materials Unit response from the Fire and Rescue Department increased from 134 calls in FY 1997 to 212 in FY 2001, an average of over 17 calls per month. The FY 2002 call response is expected to peak at 510 calls, based on the impact of the fall anthrax threat, and due to heightened public awareness through the remainder of the year.

The Fire and Rescue Department previously staffed its hazardous materials response with a contingent of seven specialists cross-assigned from the fire engine and ambulance at Fire Station 34 in Oakton on an as-needed basis. Since October 12, 2001, the Hazardous Materials Unit has been staffed 24 hours a day with a minimum contingent of five personnel specifically designated for this function through the use of overtime. This staffing has allowed the County to respond to the threat during the height of bioterrorism calls in fall 2001 and to maintain a minimum level of preparedness through the balance of the year.

		NON-RECURRING
Fund 120, E-911	General Fund Transfer	$1,494,823
Public Safety Communications Center	**Net Cost**	**$1,494,823**

The General Fund transfer to Fund 120, E-911, is increased $1,494,823 for operating requirements at the Public Safety Communications Center. This is due to an increase in expenditure requirements of $613,038 and a decrease in projected revenue of $881,785. The increase in expenditure requirements is due to Personnel Services of $2,216,250 primarily to satisfy increased overtime demands placed on staff due to an 8.3 percent increase in call volume. This increase is offset by a decrease in Operating Expenses of $1,191,847, primarily due to savings achieved in projected 9-1-1 computer system and telecommunications expenses and $411,365 in IT Projects mainly due to actual project requirements. The decrease in revenue is primarily due to revised projections in E-911 fees based on FY 2001 actual collections as well as FY 2002 year-to-date receipts.

ADMINISTRATIVE ADJUSTMENTS – NON-GENERAL FUND IMPACT

		NON-RECURRING
	Revenue	($514,628)
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	($514,628)
Reduction in State DMHMRSAS Funding	**Net Cost**	**$0**

A decrease of $514,628 to both revenues and expenditures is required due to reductions in State Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) funds. This net decrease is the result of a DMHMRSAS reduction of 3 percent or $404,247 and a decrease of $128,592 due to the State rescinding funds for the Program of Assertive Community Treatment (PACT) carried forward from FY 2001. These decreases are partially offset by a miscellaneous increase of $18,211. The State revenue decreases require an expenditure reduction of $514,628 and will result in fewer new clients being served in the Mental Health, Mental Retardation, and Alcohol and Drug service areas and increased waiting lists for services such as outpatient treatment and residential placement. The reduction of funding also limits the flexibility of the CSB to respond to client emergencies and may force clients to seek emergency mental health, mental retardation, and alcohol and drug services outside the CSB system. These actions result in no net fiscal impact to the County.

		NON-RECURRING
	Revenue	$101,000
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	$101,000
Other Adjustments	**Net Cost**	**$0**

An increase of $101,000 to both revenues and expenditures is required to support one-time awards to the Fairfax-Falls Church Community Services Board (CSB). An increase of $70,000, offset by an increase in Substance Abuse Prevention and Treatment revenues, is required to purchase equipment and furnishings for CSB-wide Projects as well as Alcohol and Drug Services. An increase of $6,000, offset by an increase in Substance Abuse Mental Health Services Administration (SAMHSA) revenue, is required to conduct a mental health needs assessment in Fairfax and Arlington Counties. The remaining increase of $25,000, offset by an increase in Center for Substance Abuse Treatment revenues, is required to purchase a new vehicle for Prevention Services.

		NON-RECURRING
	Revenue	$2,847,145
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	$2,847,145
Adjustments to Grant Funding	**Net Cost**	**$0**

An increase of $2,847,145 to both revenues and expenditures is required to appropriate new program years of ongoing federal grant awards and adjustments to current year grant awards. This amount includes the following increases: $520,000 from Substance Abuse Mental Health Services Administration (SAMHSA) for mental health and substance abuse prevention and treatment services, $454,753 in Federal Emergency Management Administration (FEMA) funding for Project Resilience for outreach counseling services, $20,028 for renewal of the V-Stop grant, $58,591 for renewal of the MH Ryan White Title I grant, $5,428 for renewal of the MH Ryan White Title II grant, $1,298,391 in FEMA funding for the Project Resilience Regular Services grant, $141,725 for renewal of the ADS Ryan White Title II grant, $6,912 for renewal of the ADS Ryan White MetroCares grant, and $341,317 for renewal of the High Intensity Drug Trafficking Area (HIDTA) grant. These adjustments result in no net fiscal impact to the County.

		NON-RECURRING
	Revenue	$95,300
Fund 109, Refuse Collection	Expenditure	$95,300
State Litter Control Grant	**Net Cost**	**$0**

A funding adjustment of $95,300 is necessary to appropriate the County's annual share of the State Litter Control Grant. Funds from this grant are passed through to the Clean Fairfax Council for educational programs to reduce litter and to encourage recycling. Revenues are increased by an offsetting amount to reflect the receipt of this funding.

		NON-RECURRING
	Fund Balance	($30,000)
Fund 141, Elderly Housing Programs	Expenditure	$30,000
Fire Alarm System	**Net Cost**	**$30,000**

Expenditures in the amount of $30,000 are required to replace a 13-year-old fire alarm system at the Lincolnia Senior Center. The fire alarm system malfunctioned and based on the age and requirements of the system, could not be repaired. The system was replaced in early March 2002. Funding to cover the cost of replacement will be appropriated from the Fund 141, Elderly Housing Programs, Ending Balance Replacement Reserve.

		NON-RECURRING
	Revenue	$2,250,000
Fund 303, County Construction	**Net Revenue**	**$2,250,000**

An increase of $2,250,000 is due to the appropriation of revenues from contributions and County litigation recovery. Of this amount, $2,000,000 will provide for the second and final installment payment associated with the purchase of the Laurel Hill (Lorton) property. The total cost of the property is $4,235,000. Funding for the first payment of $2,138,675 was included as part of the *FY 2001 Carryover Review*. The second payment of $2,096,325 will be required in July 2002. An additional $250,000 is appropriated based on revenues of $200,000 received from the Northern Virginia Transportation Commission associated with the Burke Center Virginia Railway Express (VRE) Station and $50,000 associated with a Governor's Opportunity Fund grant for the location of BAE Systems in Reston.

		NON-RECURRING
	Fund Balance	($345,000)
Fund 504, Document Services Division	Expenditure	$345,000
Additional Digital Printing Costs	**Net Cost**	**$0**

An increase of $345,000 is required to support an equipment lease agreement entered into in June 2001 for three machines located in the Print Shop at the Government Center. This agreement upgraded two high-volume copiers and one color printer with new, more efficient equipment to process jobs faster and increase the speed of the copy machines by 33 percent. The upgraded equipment increases speed, efficiency, and output capabilities, and reduces the turnaround time of jobs for customers. The expenditures associated with the new contract are offset by funding from the Equipment Replacement Reserve, which is supported by fees from customer agencies. This action will decrease the Equipment Replacement Reserve by $345,000 from $550,136 to $205,136.

		NON-RECURRING
	Revenue	$3,520,167
Fund 506, Health Benefits Trust	Expenditure	$5,919,883
Adjustment Based on Enrollment Changes	**Net Cost**	**$2,399,716**

Funding of $5,919,883 is required based on employee enrollment choices and one-time high cost claims in September/October for the self-insured health insurance plan. As of the most recent open enrollment period in November 2001, 143 additional employees elected to enroll in the self-insured plan. In addition to this increase in participation, the distribution of employees by plan type changed. Under the current contract, employees in the self-insured plan have been given three choices: a local managed care option, a regional managed care option, and a preferred provider option (PPO). The local managed care option provides managed care at the lowest cost.

The choice to enroll in the regional managed care option and the preferred provider option provides employees with more flexibility and options in managing their health care needs but provision of this choice comes at an increased cost to the plan. In addition, in September and October, the plan experienced a significant increase in unanticipated high cost claims, or claims of approximately $50,000 to $100,000 per occurrence. Examples of high cost claims are heart attacks, transplants, and complicated pregnancies. It should be noted that premiums were increased under the current contract to effectively cover the cost of providing higher cost choices. In addition, the higher than anticipated plan participation has resulted in increased revenues. Therefore, the expenditure adjustment is offset by an increase in revenues of $3,520,167.

In summary, I am recommending 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 $0.0 million, an increase of $31.71 million in Appropriated Other Funds expenditures excluding Federal and State Grants and an increase of $45.45 million for Schools' funds. Details are provided in the Schools' Recommended *FY 2002 Third Quarter Review* Package (Attachment VII).

  - Supplemental Appropriation Resolution AS 02073
  - Supplemental Appropriation Resolution AS 01081
  - Amendment to Fiscal Planning Resolution AS 02902

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of $15.28 million.

- Adjust the Managed Reserve to reflect the adjustments included in the *FY 2002 Third Quarter Review*.