Attachment A

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: BOARD OF SUPERVISORS **DATE:** August 4, 2003

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2003 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2003 Carryover Package, including Supplemental Appropriation Resolution AS 04024 and Amendment to the Fiscal Planning Resolution AS 04901. The document includes the following attachments for your information.

Attachment I	A General Fund Statement showing the status as of July 14, 2003, including revenue and expenditures, as well as 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 2004
Attachment VII	A detailed description of significant changes in Other Funds
Attachment VIII	Supplemental Appropriation Resolution AS 04024 and Fiscal Planning Resolution AS 04901 for FY 2004 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, as well as additional Financial Audit information
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 2003 Carryover Review* recommends changes to the FY 2004 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 15, 2003.

FY 2003 End of Year Summary

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 14, 2003 to the final estimates of the *FY 2003 Revised Budget Plan*.

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

	FY 2003 Revised Budget Plan	FY 2003 Actual	Variance
Beginning Balance, July 1	$94.57	$94.57	$0.00
Receipts and Transfers In	$2,446.85	$2,471.81	$24.96
Total Available	$2,541.42	$2,566.38	$24.96
Expenditures	$954.94	$911.59	($43.35)
Transfers Out	$1,535.81	$1,535.81	$0.00
Total Disbursements	$2,490.75	$2,447.40	($43.35)
Ending Balance, June 30	$50.67	$118.98	$68.31
Less:			
Managed Reserve	$49.81	$49.81	$0.00
Initial Balance	$0.86	$69.17	**$68.31**
Adjustments:			
Revenue Adjustments			$0.19
Outstanding Encumbrances			($19.78)
Outstanding Unencumbered Commitments			($8.10)
Net Administrative Adjustments			($35.11)
Managed Reserve Adjustments			($1.32)
Balance after FY 2003 Commitments/FY 2004 Adjustments (Non-Recurring)			**$4.19**
Revenue Stabilization Fund (with managed reserve adjustment)			**$1.71**
Balance Available			**$2.48**

As shown in the previous table, the initial balance in the General Fund totals $68.31 million. Taking into account adjustments for estimated revenue increases, prior commitments and other necessary adjustments totaling $62.80 million, and adjustments to the Managed Reserve of $1.32 million, the available carryover balance is $4.19 million. It should be emphasized that these funds represent Non-Recurring funds. In accordance with Board policy, 40 percent of this available balance or $1.71 million will be allocated for the Revenue Stabilization Fund (RSF) including a $1.68 million transfer to the fund as well as an adjustment to the Managed Reserve of $0.03 million. The transfer at Carryover, in conjunction with anticipated FY 2004 interest earnings, will bring the total RSF to $31.5 million or approximately 40.0 percent of the targeted amount. This leaves the remaining $2.48 million balance available for the Board's consideration.

<u>FY 2003 Revenues</u>

Before discussing specific FY 2003 Carryover adjustments, I think it is important to review the context of the Carryover balance and recommended adjustments. Actual FY 2003 General Fund Revenues and Transfers In were $2.47 billion, an increase of $25.0 million or 1.0 percent over the *FY 2003 Revised Budget Plan* estimate. The FY 2003 revenue variance is largely due to increased collection activity in the Real Estate and delinquent property tax categories and higher Recordation and Deed of Conveyance and Clerk's fee receipts resulting from continued low mortgage rates. After the magnitude of real estate activity over the past few years, some cooling was anticipated in the housing market. However, this has not yet materialized. The Federal Reserve's decision to cut interest rates further during FY 2003 in order to stimulate the sluggish economy continued to fuel the housing market and the volume of refinancings which drive Recordation and Deed of Conveyance receipts and other revenue categories that are affected by the market.

In addition, final Sales Tax and Business, Professional and Occupational License (BPOL) tax revenue came in slightly higher than anticipated. Sales Tax receipts, which had been negative for the first six months of the fiscal year, grew 1.0 percent overall based on stronger year-end growth. BPOL tax receipts, primarily in the real estate brokers and money lender categories, grew 2.3 percent in FY 2003. Based on the size of the investment portfolio and the General Fund percentage, interest earnings were $4.4 million higher than anticipated. The actual annual average yield for FY 2003 was 1.49 percent compared to our estimate of 1.40 percent, driven primarily by instruments purchased in the beginning rather than at the end of the fiscal year. Instruments currently being purchased are averaging a yield of 1.1 percent, which will make it difficult to reach the estimated yield of 1.4 percent for FY 2004.

Despite FY 2003 revenue coming in slightly higher than anticipated, significant and consistent justification for adjusting the overall FY 2004 revenue forecast is not yet evident. Accurately forecasting the economy has and continues to be as challenging for Main Street as it has for Wall Street. More than three months after the fall of Baghdad, the economy continues to grow slowly but sporadically. In mid-July, at one of his twice yearly reports to Congress, Federal Reserve Chairman Alan Greenspan presented the Fed's latest economic forecast, predicting that the economy would grow in the range of 2.5-2.75 percent this year. That is a significant drop from the Fed's February forecast when it had predicted a faster rate of growth of between 3.25-3.5 percent.

In addition, the number of Americans receiving unemployment checks hit a 20-year high in June, with the national jobless rate surging to a peak of 6.4 percent. Initial data in mid-July indicate an improvement however, with new claims dropping to 386,000 the week of July 19. This is the lowest level of new claims since the week of February 8 and the first time since then that initial claims fell below the critical 400,000 mark viewed by economists as the sign of a soft job market. Claims had been above 400,000 for 22 straight weeks. The picture is somewhat brighter for Fairfax County where the unemployment rate is 2.4 percent. The local economy appears to be slowly emerging from its doldrums after a harsh winter, wet spring and uncertainty over the situation in Iraq. Fairfax County's Economic Index and in particular, the Coincident Index is showing consumer confidence up following decreases five months in a row. The Federal Reserve's policy of low interest rates is the chief economic driver, allowing consumer spending to continue to increase. However, the extent to which the federal government's growing deficit – estimated at $455 billion this year – will drive up interest rates and put the brakes on consumer spending is unclear. As recent as July 29, 2003, The Conference Board's Consumer Confidence Index dipped 7 points, indicating a fairly deep concern over the ongoing weak job market. This latest development bears watching and is indicative of continuing economic uncertainty which leads us to predict a very minor increase of $3.4 million in General Fund revenue for FY 2004. This $3.4 million increase corresponds primarily to expenditure increases detailed in the Administrative Adjustments section of this letter and includes $1.7 million in pass-through revenue associated with the energy/resource recovery facility and $1.0 million in additional state funding for the Child Care Assistance and Referral program. Outside of revenue associated with administrative adjustments, total FY 2004 revenues are estimated to be up only a net $190,000.

FY 2003 Disbursements

On the disbursement side, the balance after netting out encumbered and unencumbered carryover is $15.47 million, prior to my recommended adjustments. Much of this balance can be attributed to agency efforts to manage position vacancies and operating requirements to address the anticipated FY 2004 budget reductions. In preparation for these cuts, agencies began taking action as early as the fall of 2002 in order to begin an orderly slow-down and de-staffing process when it became apparent that further budget cuts were likely for FY 2004. Waiting until July 1, 2003 would have had serious consequences for the County's operational capacity and would have resulted in more severe impacts. Gradually phasing out positions through attrition meant that the County had fewer employees who had to undergo the Reduction in Force (RIF).

Another factor that contributed to lower expenditures in Personnel Services was the high number of vacancies and a difficulty in recruiting, particularly in the public safety area where a number of candidates were called up for the War in Iraq. In addition, Fairfax County continues to see significant competition for public safety candidates from Homeland Security as well as other state and local agencies in the post-September 11 era. Considering the many external factors affecting FY 2003, i.e., sniper attacks last fall and an unusual amount of precipitation which contributed to flooding and storm damage, it is important to note that only one County agency and one fund exceeded their appropriation in FY 2003. More detailed information on this is included in the Carryover attachments.

Recommended FY 2004 Disbursement Adjustments

This Carryover package includes a number of recommended adjustments that are necessary based on previous Board action or required based on contractual commitments, federal mandates, and rising insurance and health care costs. I have, in addition, recommended adjustments for some critical capital improvement projects for which our available sources of funding require augmentation. I believe this is an appropriate and carefully considered use of one-time balances that will put the County in a better financial position to complete these necessary projects in the future. 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.

Compliance with an environmental mandate is among one of the most critical needs that is currently unfunded but which requires immediate attention. In January 2003, the U.S. Environmental Protection Agency (EPA) reclassified the Washington metropolitan area, including Fairfax County, from a "serious" to a "severe" non-attainment area for emissions reductions and granted the region an extension until November 2005 to attain the federal standard. To comply with the 1990 Clean Air Act requirements, I am recommending a total of $4.5 million including $3.0 million for the Department of Vehicle Services and $1.5 million for County Transit Systems to begin the conversion to ultra-low sulfur diesel (ULSD) fuel to improve the ozone level. Both the County and the Fairfax County Public Schools (FCPS) will need to retrofit vehicles to use this fuel. Based on a conservative estimate of approximately $8-9 million for retrofitting all County, FASTRAN, CONNECTOR and FCPS buses and vehicles, I am proposing an incremental approach beginning in FY 2004. In addition to increasing respiratory and other health problems, failure to adequately address our air quality problems will likely result in sanctions being imposed on the region. These sanctions would jeopardize the expansion of regional highway and mass transit systems, as well as adversely impact our local economy.

In addition, we continue to examine our public safety requirements in light of the current global and local environment. One of the observations made after the events of September 11, 2001 is that Fairfax County faces significant challenges to enhance its public safety communications capability. Keeping up with the demands of a growing population in an increasingly complex environment requires capacity and state-of-the art equipment not currently available. Consequently, I am recommending an adjustment of $10.5 million for design and engineering of a Public Safety Operations Center to improve this critical service. This funding will also cover outside architect fees associated with value engineering, special inspections and IT design. In addition, I have included $3.0 million for the West County Homeless Shelter and $1.5 million for the Little River Glen II assisted living facility to provide necessary construction funding to complete these facilities. I have also included $4.0 million for Spot Transportation Improvements and $3.0 million for asbestos mitigation associated with the Laurel Hill project. Using non-recurring balances for essential capital projects that have been previously approved is one of the most appropriate uses of these funds as it keeps costs down in the long run. These projects are all critical to the community and are included in the Capital Improvement Program (CIP).

<u>Reserve Balance</u>
As I noted earlier, the Carryover balance net of adjustments is $4.19 million, of which $1.71 million is allocated to the Revenue Stabilization Fund including the associated Managed Reserve adjustment, leaving a balance of $2.48 million. I recommend that the Board hold this balance in reserve to offset possible FY 2004 revenue reductions or to address FY 2005 requirements. While we face significant immediate issues, it is also important to look ahead to FY 2005. The County's current fiscal forecast projects a deficit of $12 million for FY 2005. Even at this deficit level, we will have considerable unfunded requirements both in meeting population and inflationary increases as well as in providing funding for various infrastructure replacement needs including our scheduled CONNECTOR bus replacement. On the Schools' side, their estimate is a shortfall of approximately $84 million *after* assuming a 5 percent increase in the County transfer. Based on the latest forecast, the state is also anticipated to have significant deficits in the next budget cycle, which may put state funding for County and School services in jeopardy. Therefore, it would be prudent to identify all or a significant portion of the available balance to address needs for the next fiscal year.

The FY 2004 requirements to meet previously approved FY 2003 commitments and other necessary adjustments include the following:

- An increase of $0.19 million in FY 2004 revenues, excluding revenue adjustments associated with administrative adjustments, based on the implementation of fees as approved previously by the Board of Supervisors, offset by a reduction of $220,000 in fees from the elimination of the decal fee for the Residential Parking Permit Program. (See Attachment II for details.)

- Funding for General Fund encumbrances in the amount of $19.78 million representing legal obligations of the County that were not received in time for payment in FY 2003.

- General Fund unencumbered items in the amount of $8.10 million for previously approved items required to implement initiatives in progress, which should be re-appropriated in FY 2004.

- Net funding for administrative adjustments totaling $35.11 million, which will be discussed on the following pages.

- An increase to the Managed Reserve in the amount of $1.32 million based on the above adjustments.

As a result of these FY 2003 commitments, the FY 2004 available balance is $4.19 million. The distribution of this balance, consistent with the Board's policy, includes:

- Funding in the amount of $1,673,192 or 40 percent of the available balance is allocated to the Revenue Stabilization Fund, with a corresponding Managed Reserve adjustment of $33,464. The fund has a targeted balance of 3.0 percent of General Fund disbursements or approximately $78.8 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 $29.3 million. With this adjustment and projected interest earnings for FY 2004, the balance in the Revenue Stabilization Fund as of the end of FY 2004 is estimated to be $31.5 million.

- Based on the FY 2005 Budget Guidelines adopted by the Board in April 2003, the available balances materializing at the Carryover and Third Quarter Reviews that are not required to support County expenditures of a critical nature or to address the Board's policy on the Revenue Stabilization Fund should be held in reserve to offset future requirements. As a result, the balance of $2.48 million is recommended to be held in reserve.

<u>FY 2003 Audit Adjustments</u>
As the Board is aware, the financial audit of FY 2003 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2003 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2004 Third Quarter Review*.

Summary of Adjustments

The *FY 2003 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. 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 2003 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of $35.11 million. Details are as follows:

Judicial Administration

		RECURRING
	Revenue	$292,821
Agency 80, Circuit Court and Records	Expenditure	<u>$292,821</u>
Restoration of Funding for Land Records and Court Services	**Net Cost**	**$0**

Funding of $292,821 including $253,873 for Land Records and $38,948 for Court Services is required based on the current and projected number of land record recordings anticipated in FY 2004, as well as the result of the recent change of venue for the Malvo case.

As part of the <u>FY 2004 Adopted Budget Plan</u>, a reduction of $253,873 was included for the Circuit Court's Land Records section including $139,097 in exempt limited-term funding, $70,661 in temporary clerical services and $44,115 in overtime. As a result of this reduction, the Clerk to the Court has indicated it will be necessary to change the policy of accepting over-the-counter documents by advancing the closing time from 3:00 p.m. to 1:00 p.m. in order to record documents by the close of business. Such a change will cause delays in mailing documents back to customers, backlogs in verification systems, and will extend the processing time of documents received by mail from 30 days to at least 60 days. The number of land record documents recorded by the Circuit Court continues to grow significantly. In 2002, the agency recorded 421,643 documents, more than double the average for the last 15 years and 2003 estimates are for over 457,000 documents to be recorded this year. The Code of Virginia directs the various recording, indexing and verification processes. Failure to comply with these requirements in a timely fashion can result in liability for local businesses and the Clerk to the Court.

It is clear that based on current and anticipated recordings, the reduction in funding for the Land Records section will result in significant backlogs and a considerable deterioration in customer service. As a result, additional funding of $253,873 is recommended to handle current workload issues.

In addition, as part of the FY 2004 Adopted Budget Plan, a reduction of $38,948 was included in Personnel Services, requiring the Court to hold one Court Clerk II position vacant. Due to the change in venue of the Malvo case, it is estimated that two Court Clerks will be required to staff the trial in Chesapeake, Virginia, leaving the Court understaffed during that period. Therefore, the Court can no longer leave this position vacant so funding of $38,948 is required to fill the position. The total funding requirement of $292,821 for these adjustments will be offset by higher than estimated FY 2004 County Clerk Fee revenues.

Public Works

		RECURRING
Agency 26, Office of Capital Facilities	Office of Capital Facilities Expenditure	($122,000)
Agency 25, Business Planning and Support	Business Planning & Support Expenditure	$122,000
Transfer of the Assistant Director for Public Works	**Net Cost**	**$0**

Funding of $122,000 for salary and support costs is transferred from the Office of Capital Facilities to Business Planning and Support in conjunction with the transfer of the Assistant Director for the Department of Public Works and Environmental Services (DPWES). The position has been transferred in order to allow the Assistant Director to give attention to department-wide issues, as well as agency-specific issues within DPWES.

Health and Welfare

		NON-RECURRING
	Revenue	$1,000,000
Agency 67, Department of Family Services	Expenditure	$2,000,000
Child Care Assistance and Referral	**Net Cost**	**$1,000,000**

Funding of $2,000,000, partially offset by $1,000,000 in state revenue, is required to restore funding to the Child Care Assistance and Referral (CCAR) Program which was reduced as part of the FY 2004 Adopted Budget Plan. Restoration of this funding was directed by the Board of Supervisors as part of its adoption of the FY 2004 budget and after a staff review of available funding sources. This program provides subsidized child care services for children of eligible low-income working families, including families formerly participating in the Virginia Initiative for Employment not Welfare (VIEW) program and families served through the Child Protective Services (CPS) program. Restoration of $2,000,000 in the purchase of child care services will maintain the subsidy for child care services for over 400 children of eligible low-income working families, thereby providing families access to affordable, safe child care. This expenditure increase is partially offset by an increase of $1,000,000 in federal/state pass-through funding due to the associated 50 percent state revenue match for the purchase of child care services.

		NON-RECURRING
	Revenue	$95,371
Agency 67, Department of Family Services	Expenditure	$95,371
Healthy Families Fairfax	**Net Cost**	**$0**

Funding of $95,371 is required to appropriate Temporary Assistance to Needy Families (TANF) funding to enhance the quality and effectiveness of the Healthy Families Fairfax (HFF) program. Funding will be used to hire a consultant to conduct an annual program evaluation as recommended by Healthy Families Virginia; provide assessment and referral services for at-risk families participating in the Beginning Steps for Parents program; and provide training for staff and non-profit partners. The expenditure increase is fully offset by an increase in federal TANF funding based on a revised local allocation with no net impact to the General Fund.

		NON-RECURRING
	Revenue	$66,140
Agency 67, Department of Family Services	Expenditure	$66,140
Virginia Community Services Block Grant	**Net Cost**	**$0**

Funding of $66,140 is required to appropriate Virginia Community Services Block Grant funding based on an additional state allocation for the Community Action Advisory Board. These funds will be used to purchase laptop computers for approximately 25 low-income, fifth-grade students at Riverside Elementary School participating in an integrated instructional program to improve Standards of Learning (SOL) test scores. In addition, funds will be used to support the Residential Youth Services – Living Independently for Tomorrow program to provide housing, education and employment services to homeless youth and to support the Food for Others program to provide food to low-income families who are unable to meet their basic nutrition needs. This expenditure increase is completely offset by an increase in federal/state funding with no net impact to the General Fund.

Parks, Recreation, and Cultural

		RECURRING
Agency 50, Department of Community and Recreation Services	CRS Expenditure	$41,580
Agency 51, Fairfax County Park Authority	FCPA Expenditure	($41,580)
Cooperative Extension Program	**Net Cost**	**$0**

Funding of $41,580 is required for the transfer of funds associated with the Virginia Cooperative Extension Program. The Cooperative Extension Program provides a variety of horticultural and 4-H programs and services to Fairfax County citizens. Funding for this program is provided by the Commonwealth of Virginia which supports two-thirds of State Cooperative staffing costs and the County, which supports one-third of the costs. The County's share of these costs is currently included in both the Department of Community and Recreation Services and the Fairfax County Park Authority. In an effort to consolidate the Cooperative Extension Program within one agency, all funding for this program will reside within the Department of Community and Recreation Services. Therefore, a transfer of $41,580 from the Fairfax County Park Authority to the Department of Community and Recreation Services is required. The net impact to the General Fund is $0.

Non-Departmental

		NON-RECURRING
Agency 89, Employee Benefits	Revenue	$0
HMO Premium Increases/Contractual Requirements	Expenditure	$3,561,665
Replenish Self-Insured Health Insurance Balance	Expenditure	$358,120
	Net Cost	**$3,919,785**

Funding of $3,919,785 is required for the General Fund Employer Contribution for health insurance. Of this amount, $3,561,665 is for anticipated HMO premium increases and contractual requirements, and $358,120 maintains the balance in the self-insured health insurance plan at the industry standard relating to the balance as a percent of claims. The additional funding for the employer share of HMO premiums provides funding for anticipated rate increases beginning January 1, 2004 beyond those budgeted and based on HMO-proposed premium increases for calendar year 2004. In addition, funding is also provided to offset contractual commitments regarding administration of the plan. It should also be noted that Benefits staff are in negotiation with the County's HMO providers. One of the negotiable items includes a revision to the prescription drug co-pay structure which would result in increases in co-pays for brand name drugs in order to partially offset premium increases and more effectively manage the costs of the plan. In addition, funding of $358,120 is required to replenish the balance in the self-insured fund. 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. With this adjustment, the balance will be $7.96 million or 15.0 percent of claims paid, which is consistent with industry standards.

General Fund-Supported

		NON-RECURRING
Fund 100, County Transit Systems	General Fund Transfer to Fund 100	($630,000)
Agency 87, Unclassified Administrative	Local Cash Match Reserve in Agency 87	$630,000
Congestion Mitigation Air Quality (CMAQ) Match Requirements	**Net Cost**	**$0**

The FY 2004 General Fund Transfer to Fund 100, County Transit Systems, is reduced by $630,000, as this total is transferred to the Local Cash Match reserve in Agency 87, Unclassified Administrative Expenses, in order to reflect in one location the County's Congestion Mitigation and Air Quality (CMAQ)-related Local Cash Match requirements for projects previously approved by the Board of Supervisors. As part of the FY 2004 Adopted Budget Plan, an amount of $1,426,750 was included in the Agency 87 reserve to support Local Cash Match requirements for previously approved CMAQ grants for which match is anticipated to be required in FY 2004. When combined with this $630,000, a total of $2,056,750 is held in reserve for CMAQ-related match requirements in FY 2004. This adjustment has no net cost to the General Fund.

		NON-RECURRING
Fund 090, Fairfax County Public School Operating Fund	General Fund Transfer	$30,000
Fund 106, Fairfax-Falls Church Community Services Board	General Fund Transfer	($30,000)
Communities That Care Survey	**Net Cost**	**$0**

A reduction of $30,000 in the General Fund Transfer to Fund 106, Fairfax-Falls Church Community Services Board, coupled with an increase in the General Fund Transfer to Fund 090, Fairfax County Public School Operating Fund, is required to reflect the use of unexpended FY 2003 funds for the Communities That Care (CTC) Youth Survey to support an extension of an independent audit being conducted for the Fairfax County Public Schools (FCPS) in FY 2004. In FY 2003, the Board of Supervisors funded $65,000 in Fund 106, Fairfax-Falls Church Community Services Board, to procure, customize and administer the second biennial CTC Youth Survey. During FY 2003, approximately $10,000 was spent before the survey was terminated. The remaining balance, after this FY 2003 Carryover action, will be used to offset FY 2005 requirements in Fund 106, Fairfax-Falls Church Community Services Board.

		RECURRING
	General Fund Revenue	$1,763,704
Fund 112, Energy/Resource Recovery Facility	General Fund Transfer	$1,763,704
Covanta Tax Liability	**Net Cost**	**$0**

Pursuant to transfer of the Lorton property from the federal government to the County, the Energy/Resource Recovery Facility (E/RRF) located on the Lorton property and operated by Covanta Fairfax, Incorporated has changed from tax-exempt to taxable status. The Department of Tax Administration has estimated Real Estate and Business Personal Property Taxes revenue from the E/RRF to be $1,763,704 in FY 2004. As a new cost of operations and pursuant to Covanta's contract with the County, Covanta will pay the tax and then charge it to the County via Fund 112. The collected tax funds, which will be posted as General Fund revenue, will be returned to Fund 112 by a General Fund transfer of $1,763,704. As a result, the net impact is $0 to both the General Fund and Fund 112.

		NON-RECURRING
Fund 144, Housing Trust Fund	General Fund Transfer	$1,500,000
General Fund Transfer for Little River Glen II Construction	**Net Cost**	**$1,500,000**

A General Fund transfer to Fund 144, Housing Trust Fund, in the amount of $1,500,000 is provided to begin construction of a 60-unit assisted living facility this fall. The original financing for this project at Little River Glen II consisted primarily of tax credits of approximately $4.0 million to be obtained by a partnership with Sunrise and INOVA as well as a conventional mortgage of approximately $2.2 million to be repaid from revenues. However, due to circumstances beyond their control, these two entities are no longer able to utilize the tax credit financing, so additional equity is needed from the County to support this project and allow construction.

Little River Glen II, a 60-bed assisted living facility for low and moderate income elderly and an adult day care center, will be constructed in the Braddock District adjacent to Little River Glen, a 120-unit residential housing facility for low-to-moderate income elderly. A Special Exception Application to permit construction of Little River Glen II was originally approved by the Board of Supervisors on March 9, 1998, and was subsequently extended by the Board on May 19, 2003. A preliminary financing plan was approved by the Board of Supervisors on April 8, 2002. It is anticipated that construction will begin by late Fall 2003, to be completed by Spring 2005.

The revised financing plan for approximately $7.1 million includes, in addition to the General Fund transfer of $1.5 million, an anticipated reallocation from the Housing Trust Fund Undesignated Project in the amount of $1.0 million; federal loans and grants of $2.78 million; and private financing including loans, grants and equity contributions of $1.31 million. FY 2004 funding currently includes $0.51 million for Housing Trust Fund Project 013948, Little River Glen II budget.

		NON-RECURRING
Funds 200/201, Debt Service	General Fund Transfer	($1,735,928)
Fund 170, Park Revenue Fund	General Fund Transfer	$4,735,928
Interest Payment on Park Authority Revenue Anticipation Note	**Net Cost**	**$3,000,000**

Funding of $4,735,928 is required as a General Fund transfer in to Fund 170, Park Revenue Fund, for the payment of interest on a previously issued Park Authority Revenue Anticipation Note (RAN) to acquire park land, specifically the Hunter Property. On July 7, 2003, the Board of Supervisors approved the issuance of a new note in the amount of $10,000,000 by the Park Authority to provide funds, together with funds provided from the General Fund, to retire a note previously issued to acquire park land. The total amount of $14,735,928 is allocated to pay the debt service due in FY 2004 on the original note. The new $10,000,000 note will be carried as Park Authority debt until funds from the General Fund are provided to redeem the note and pay accumulated interest. As a result of this adjustment, FY 2004 revenue to the Park Revenue Fund is increased by $10,000,000 and FY 2004 expenditures are increased $14,735,928, which includes a $4,735,928 transfer from the General Fund and $10,000,000 from revenues associated with the sale of the RAN. It was originally anticipated that the General Fund cost of this payment would be funded in Debt Service, but as a result of an accounting requirement that the payment flow from the General Fund through the Park Revenue Fund, the General Fund Transfer is made to Fund 170, Park Revenue Fund. In addition, the recent fluctuation in the bond market which has pushed interest rates higher requires that only $1,735,928 from Debt Service be used for this purpose and the remainder of FY 2003 balances in Debt Service be maintained in order to not to impact the FY 2004 bond program as staff continues to monitor the market. The requirement for the Park Authority RAN is funded with the reduction of the General Fund transfer to Debt Service by $1,735,928 in combination with $3,000,000 in additional General Fund support.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$3,000,000
Laurel Hill	**Net Cost**	**$3,000,000**

The General Fund transfer to Fund 303, County Construction, is increased by $3,000,000 to begin to address asbestos mitigation and building demolition at the Laurel Hill site. As a result of the comprehensive study at Laurel Hill, asbestos and other hazardous materials have been discovered in certain facilities. The current estimated cost to complete asbestos mitigation is $10 million. A General Fund transfer of $3,000,000 has been included to begin to address asbestos removal and begin demolition of unsafe structures. The Laurel Hill property includes an estimated 367 buildings, of which 136 have been determined to have historic significance. It has not yet been determined how many of the remaining 231 buildings will require demolition; however, asbestos removal must be complete prior to building demolition. In order to assist in mitigating the threat posed by these hazardous materials, Congress has authorized $1,000,000 in funding, pending a contract award to perform the asbestos and hazardous materials removal. The County will present invoices to Congress upon completion of the work. Therefore, a total of $4,000,000 is available in FY 2004 to begin asbestos mitigation and building demolition at the Laurel Hill site.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$2,000,000
Land Acquisition Reserve	**Net Cost**	**$2,000,000**

The General Fund transfer to Fund 303, County Construction, is increased by $2,000,000 for land acquisition efforts in the County. The Land Acquisition Reserve was established to provide funds earmarked for the acquisition of land or open space preservation for future County facilities and capital projects. During deliberations on the FY 2004 Adopted Budget Plan, the Board of Supervisors eliminated funding for this Reserve. However, in the Board Motions adopting the FY 2004 budget, the Board of Supervisors directed staff to review available balances identified as part of the *FY 2003 Carryover Review* to identify potential funding for land acquisition. Additional funding of $2,000,000 will enable the County to continue land acquisition initiatives. Prior to this Carryover adjustment, the balance in this project is $9,273.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$3,031,238
West County Family Shelter	**Net Cost**	**$3,031,238**

The General Fund transfer to Fund 303, County Construction, is increased by $3,031,238 to fund construction of a West County Family Shelter. This shelter is projected to be a 20,000-square foot, 60-bed facility to accommodate up to 20 homeless families needing temporary shelter. The new shelter will help alleviate the use of motels and will address the critical need for an emergency shelter for homeless families. In addition, two transitional housing units of 3,000 square feet each are being considered and it is anticipated that these units will be constructed by a local non-profit organization. The total project costs are currently projected to be $5,231,238. Funding of $2,200,000 has been earmarked for this project including $200,000 appropriated in Fund 145, Home Investment Partnership Grant, $1,000,000 appropriated in Fund 144, Housing Trust Fund, and a $1,000,000 proffer contribution. The proffer contribution is scheduled to be received in two payments of $500,000 each in January 2004 and January 2005. The remaining requirement of $3,031,238 is included as a General Fund transfer. The use of a General Fund transfer will preclude the need for longer-term financing, thus lowering the total cost of the facility.

		NON-RECURRING
Fund 304, Primary and Secondary Road Bond Construction	General Fund Transfer	$4,000,000
Spot Improvements	**Net Cost**	**$4,000,000**

The General Fund transfer to Fund 304, Primary and Secondary Road Bond Construction, is increased by $4 million to support spot improvements identified throughout the County. An amount of $2 million will provide for spot improvements identified by the Transportation Advisory Commission (TAC) and $2 million will address several other priority spot improvements throughout the County. These improvement projects include constructing additional turn lanes, widening existing turn lanes, and improving intersections for both pedestrians and motor traffic. Specifically, some of the larger TAC spot improvement projects include: widening and intersection improvements at Stone Road, lengthening the left turn lane on Rolling Road at Forrester Avenue, widening Mount Vernon Memorial Highway at Richmond Highway, widening the left turn lane at Leesburg Pike and Glen Carlyn Road, and lengthening the left turn lane from northbound Backlick Road onto westbound Franconia-Springfield Parkway. In general, spot improvement projects are low-cost, quick hit projects that improve mobility, enhance safety and provide relief to transportation bottlenecks throughout the County. Significant funding for the Spot Improvement Program has not been available since the FY 2001 Adopted Budget Plan.

		NON-RECURRING
Fund 308, Public Works Construction	General Fund Transfer	$175,000
Occoquan River Dredging	**Net Cost**	**$175,000**

The General Fund transfer to Fund 308, Public Works Construction, is increased by $175,000 to hold funding in reserve in the event the Board of Supervisors approves support to dredge the Occoquan River. Plans are currently underway to dredge a six-mile stretch of the Occoquan River from I-95 to Taylor's Point. This stretch of the river is 150 feet wide by 6 feet deep and many boats often hit bottom in the shallow waters as a result of the accumulation of sediment on the bottom of the river. Once dredged, the river will be expanded to 200 feet wide by 8 feet deep. Initial estimates indicate the total cost of this project will be approximately $3.5 million. The federal government has committed to pay 90 percent of the cost; the remaining 10 percent must come from local, non-federal sources. If Prince William and Fairfax counties each take responsibility to pay half of this requirement, Fairfax County would be responsible for $175,000. On July 28, 2003, the Board directed staff to review this request and return to the Board prior to August 4, 2003 so that this item could be considered in the context of the *FY 2003 Carryover Review.*

		NON-RECURRING
Fund 312, Public Safety Construction	General Fund Transfer	$10,484,908
Public Safety Operations Center	**Net Cost**	**$10,484,908**

The General Fund transfer to Fund 312, Public Safety Construction, is increased by $10,484,908. This amount includes $9,984,908 for costs associated with design, inspections and plan reviews, as well as utilities, fees and permits for the new Public Safety Operations Center (PSOC). A multi-agency task force has been working to create a master plan of the Camp 30/West Ox site, which will house the

County's PSOC, including the Public Safety Communications Center and the Emergency Operations Center (EOC), a forensics facility, a Virginia Department of Transportation (VDOT) district office, a transit bus maintenance facility and a VDOT operations center. The total project estimate for the 80,000-square-foot PSOC is $80 million, which includes the extra costs of mission-critical components, security, contingencies and escalation.

On November 5, 2002, voters approved a $60 million Public Safety Bond Referendum, with $29 million included for construction costs associated with the PSOC. It was anticipated that additional costs associated with the facility would be funded through the General Fund, alternative financing sources and equipment lease financing. In addition to the $29 million from the bond referendum, funds of approximately $51 million will be necessary to construct and equip the facility. This funding will provide for County design engineering and construction management, as well as outside architect design fees associated with value engineering, commissioning, special inspections, IT design, utilities, fees and permits. In addition to the design and construction costs associated with the new PSOC at the Camp 30 site, funding of $500,000 has been included for 10 additional console units at the existing Public Safety Communications Center (PSCC) to address increased call volume and increased call answering times, as well as reduce the number of abandoned calls (where the caller hangs up before the call is answered). Currently, the PSCC has 15 call-taking consoles for all emergency and non-emergency calls. A total of 25 call-taking positions will allow calls to the PSCC to be answered within accepted industry standards.

		NON-RECURRING
Fund 503, Department of Vehicle Services	General Fund Transfer	$3,000,000
Costs Associated with Implementation of	**Net Cost**	**$3,000,000**
Ultra-Low Sulfur Diesel Fuel		

A General Fund transfer to Fund 503, Department of Vehicle Services, is included to support the costs associated with the implementation of ultra-low sulfur diesel (ULSD) fuel. As part of an effort to comply with the 1990 Clean Air Act requirements, both the County and Fairfax County Public Schools (FCPS) will begin retrofitting diesel engine vehicles for use with ultra-low sulfur diesel fuel. An amount of $3,000,000 is recommended to begin this retrofit of County and FCPS vehicles in FY 2004.

In 1992, the U.S Environmental Protection Agency (EPA) classified the Washington metropolitan region, which includes Fairfax County, a "serious" ozone non-attainment area. As such, the region was required to develop and submit to the EPA an implementation plan demonstrating how emissions from four source categories that contribute to the formation of ground-level ozone would be reduced by 15 percent by 1996 and by 3 percent for each year thereafter until the area reached compliance with the EPA standard. The Washington metropolitan region did not meet the Clean Air Act Amendments attainment deadline of November 1999 due to transported pollution from outside the region. In January 2003, the EPA reclassified the region from a "serious" to "severe" non-attainment area, and granted an extension to November 2005 for attainment of the federal standard.

Diesel engine exhaust contains significant levels of hydrocarbons and oxides of nitrogen, which are the primary precursors of ozone. Therefore, the EPA has set new emission standards for diesel engines that take effect in 2004 and has set more stringent standards beginning in 2007 in combination with reduced levels of sulfur in diesel fuel. In order to be effective, vehicles utilizing ULSD fuel will need to be equipped with particulate matter traps and have related adjustments made to the engines. The total estimate for retrofitting all County, FASTRAN, CONNECTOR buses, and FCPS vehicles is still under development but is projected conservatively at approximately $8-9 million. The estimate includes both the need to retrofit some vehicles with new technology so that they are compatible with the ULSD fuel for greater effectiveness, as well as the additional cost for replacing those vehicles which are anticipated to be replaced during this timeframe with new vehicles already equipped with the necessary technology. In addition, the cost will also encompass the additional cost of ULSD fuel compared to the cost of the diesel fuel currently utilized. Although the deadline to meet the federal standard is November 2005, it will take time to schedule and complete the conversion of all vehicles with diesel engines. Therefore, the retrofit of vehicles will begin in FY 2004. The goal is to achieve incremental improvement in the ozone level each year.

In addition to the $3.0 million from the General Fund, it should be noted that the County is pursuing other funding sources. This includes a $1.0 million grant from the Virginia Department of Environmental Quality (DEQ) as part of the settlement between EPA and Dominion Virginia Power. These funds are identified for school bus retrofits. The grant, when awarded, will be posted to DVS and used to support the conversion program. It should also be noted that $1.48 million is available and is included in Fund 100, County Transit Systems, for the retrofit of 148 of the 163 buses in the CONNECTOR fleet with the catalyzed diesel particulate filters. The remaining 15 buses in the fleet are scheduled to be replaced in FY 2004 and the new buses will already be equipped with these filters.

Total Net Cost General Fund Administrative Adjustments $35,110,931

Other Funds Administrative Adjustments - No General Fund Impact

The following administrative adjustments in Other Funds have no impact on the General Fund. These adjustments are necessary based on actions taken as part of the adoption of the FY 2004 budget, grant awards, subsequent Board of Supervisors' actions, and other circumstances requiring funding adjustments.

		NON-RECURRING
	Revenue	$358,000
Fund 100, County Transit Systems	Expenditure	$358,000
Bus Fare Buydown – Discounted Fares in Route 1 Corridor	**Net Cost**	**$0**

Funding of $358,000, fully offset by additional FY 2004 bus fare buydown revenue from the state, is included to fund discounted fares on selected CONNECTOR routes in the Route 1 (Richmond Highway) corridor as approved by the Board of Supervisors on June 2, 2003. This adjustment requires no additional General Fund support.

		RECURRING
	Use of Fund Balance	$1,199,891
Fund 100, County Transit Systems	Expenditure	$1,199,891
CONNECTOR Bus Replacement	**Net Cost**	**$0**

Funding of $1,199,891 reflects the appropriation of funds made available as part of the *FY 2003 Third Quarter Review* for the replacement of CONNECTOR buses. This amount, combined with $3,299,699 included in the FY 2004 Adopted Budget Plan, will allow for the replacement of 15 CONNECTOR buses in FY 2004. This is the first year of implementation of a plan to more equally spread out the rate of bus replacement, targeting 15 buses each year. Given the County's CONNECTOR fleet size of 163 and based on the Board-approved 12-year useful life cycle for buses, replacing 15 buses annually will cost approximately $4.63 million in FY 2005 and will increase by 3 percent annually from FY 2005 through FY 2012. This adjustment requires no additional General Fund support and was noted in the FY 2004 Adopted Budget Plan.

		NON-RECURRING
	Revenue	$1,480,000
Fund 100, County Transit Systems	Expenditure	$1,480,000
Retrofitting CONNECTOR Buses with Diesel Particulate Filters	**Net Cost**	**$0**

Funding of $1,480,000, fully offset by State Aid and Gas Tax funds held in an account at the Northern Virginia Transportation Commission (NVTC), is included to retrofit 148 of the 163 buses in the CONNECTOR fleet with Green Diesel technology, which has been shown to reduce harmful emissions by as much as 90 percent below current emission levels. This can be achieved by adding catalyzed diesel particulate filters to each bus, acting as a trap for harmful emissions. The estimated cost of the retrofit is $10,000 per bus. The remaining 15 buses in the fleet are being replaced in FY 2004 and the new buses will already be fitted with these filters. The Department of Transportation plans to start implementing this retrofit in September 2003, beginning with buses in the Huntington Division that are currently using ultra-low sulfur diesel fuel. Once these are complete, the remainder of the fleet will be upgraded, with project completion slated for the end of FY 2004. This adjustment requires no additional General Fund support.

		NON-RECURRING
Fund 106, Fairfax-Falls Church Community Services Board	Revenue	$1,901,230
Adjustments to Current Year Grant Awards and	Expenditure	$1,901,230
New Program Year Grant Funding	**Net Cost**	**$0**

Funding of $1,901,230, fully offset by federal and state grant funds, is required to update FY 2004 Fund 106, Fairfax-Falls Church Community Services Board (CSB), grant award totals based on the most current information available from the grantors. Of this amount, a net amount of $660,527 is required for adjustments to existing grant program years and $1,240,703 is required for new grant program year awards. These increases are fully offset by additional state and federal funds. None of these adjustments requires County matching funds.

A net increase of $660,527 is included as adjustments to existing grant program year awards. This amount includes an increase of $1,060,566 in federal funding for the Federal Emergency Management Agency (FEMA) Project Resilience grant to provide counseling and outreach services for persons affected by the September 11, 2001 terrorist attacks, partially offset by the following decreases: $2,473 in the Mental Health Ryan White Title I and II grant; $44,983 for the Infant and Toddler Connection/Part C Early Intervention grant; $55,971 in the Substance Abuse and Mental Health Services Administration (SAMHSA) grant; $71,203 for the Alcohol and Drug Services Ryan White Title I grant; and $225,409 in the Alcohol and Drug Services Public Inebriate Diversion grant. It should be noted that the loss of state funding to support the Alcohol and Drug Services Public Inebriate Diversion grant resulted in closing the Public Inebriate Diversion Program on June 30, 2003, which had diverted persons intoxicated in public to a detoxification unit rather than arrest and incarceration at the Adult Detention Center.

An amount of $1,240,703 reflects new program year awards for the following grants: $3,500 in Substance Abuse Prevention and Treatment (SAPT) Federal Block grant funds for alcohol and drug prevention services; $10,000 in State Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) funds for the Project LINK grant to support case management services for postpartum substance-abusing women; $20,315 for renewal of the Domestic Violence Prevention grant; $40,985 for the renewal of the Sexual Assault Prevention grant; $97,464 in Virginia Tobacco Settlement Foundation (VTSF) funds for the VTSF Tobacco Use Prevention grant; $124,800 in federal funds for the Virginia Serious and Violent Offenders Reentry (VASAVOR) grant; $192,289 in federal funds for the Title IV-E Revenue Maximization grant; $200,675 in State DMHMRSAS funding for the Mental Health Serious Emotional Disturbance Initiative for residential services for children not eligible for the Comprehensive Services Act (CSA) program; and $550,675 in State DMHMRSAS funding for the Mental Health State Reinvestment grant. It should be noted that the Mental Health State Reinvestment grant is part of a statewide initiative to transfer state funding from state mental health facilities to local communities to decrease reliance on facility-based mental health services and improve the community-based system of mental health care. In accordance with state regulations, CSB will serve as the temporary fiscal agent for the Northern Virginia region for administration and purchase of private sector psychiatric bed services. It is anticipated that an additional $2.0 million in expenditures, fully offset by State DMHMRSAS funding, will be added for this initiative at the *FY 2004 Third Quarter Review*.

		NON-RECURRING
	Revenue	($1,270,755)
Fund 502, Central Stores	Expenditure	($1,270,755)
Adjustment in Preparation for Closing Central Stores	**Net Cost**	**$0**

As a result of the FY 2004 reduction in funding and staffing for Central Stores as part of the decentralization of the function, the accounting treatment for Fund 502, Central Stores, is no longer required. In preparation for closing Central Stores as approved by the Board of Supervisors during their deliberations on the FY 2004 budget, inventories have been reduced, replenishment stock has not been ordered, and no new orders from agencies have been accepted since May 15, 2003. As part of this process, reductions of $1,270,755 in both FY 2004 revenues and expenditures are required to reflect the fact that no further activity is projected to occur in this fund.

All usable inventories have been purchased by user agencies. Unusable goods and inventory will be publicly auctioned off during the course of the fiscal year and the proceeds will be credited to the General Fund as a reimbursement for the initial outlay for inventory when the fund was created. The remaining balance represents depreciated inventory that will be reconciled to meet the required accounting standards. It is anticipated that these actions will be completed during FY 2004 and that this fund will not exist in FY 2005.

Consideration Items

Two Consideration Items are included for the Board of Supervisors' decision. These items total $80,000, both of which are of a Recurring nature. 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 as required by Board policy, the Available Balance totals $2.48 million of Non-Recurring funds. The Consideration Items are as follows:

		RECURRING
	Revenue	$0
1. Agency 02, Office of the County Executive	Expenditure	$70,000
Hybla Valley Computer Learning Center	**Net Cost**	**$70,000**

As requested by the Board of Supervisors on April 28, 2003, funding of $70,000 is requested to support staffing costs associated with the new Hybla Valley Computer Learning Center, including $32,032 for a limited-term site manager position, $21,840 for a limited-term assistant site manager and $16,128 to pay a portion of the costs associated with 3.5 George Mason University work-study students. All ongoing Operating Expenses are being supported by corporate partners as part of the proposed arrangement. It should be noted that one-time infrastructure and renovation requirements, including re-wiring the room, adding partitions and repairing the air conditioning, are necessary prior to the opening of this center. An amount of $45,000 will be transferred from Project W00400, Lee District Walkways, within Fund 307, Sidewalk Construction, to Fund 303, County Construction, to support the build-out requirements of the new center. This funding, supplemented by a contribution from Fairfax County Public Schools to support the remaining infrastructure and renovation costs, will provide for the new computer learning center.

			RECURRING
		Revenue	$0
2. Agency 51, Fairfax County Park Authority		Expenditure	$10,000
Hidden Oaks Nature Center		**Net Cost**	**$10,000**

As requested by the Board of Supervisors on July 21, 2003, funding of $10,000 is requested to support opening the Hidden Oaks Nature Center for two half-days on weekends. As part of the FY 2004 Adopted Budget Plan, funding for this facility was reduced, resulting in the closure of the facility to all but scheduled interpretive programs, tours and activities. Although the Park Authority has been able to rearrange staff hours elsewhere in order to accommodate opening the Nature Center on Monday and Wednesday afternoons, the facility remains closed on weekends. Funding of $10,000 would support seasonal staff salaries and would enable the Hidden Oaks Nature Center to open for two additional half-days on Saturday and Sunday. In addition, student volunteers could continue to work at the facility during weekends.

Summary of FY 2003 Receipt and Disbursement Variances

The following summarizes FY 2003 receipt and disbursement variances.

Receipts

Actual FY 2003 General Fund Receipts and Transfers In are $2.472 billion, an increase of $25.0 million or 1.0 percent over the *FY 2003 Revised Budget Plan* estimate of $2.447 billion. Major changes in General Fund Receipts are summarized below. Greater detail is available in Attachment II, Summary of General Fund Receipts.

- Actual FY 2003 Real Estate Taxes reflect an increase of $3.7 million over the *FY 2003 Revised Budget Plan* due to a higher than anticipated collection rate on current Real Estate Taxes from an estimated 99.50 percent to 99.63 percent, as well as increased collections on delinquent Real Estate Taxes.

- FY 2003 Personal Property Tax revenue, including the portion reimbursed by the Commonwealth of Virginia, was $466.2 million, $3.4 million less than projected. The decrease in current Personal Property Tax of $3.4 million is the result of lower than expected collections from Public Service Corporations (PSC) due to bankruptcies. A higher than anticipated collection rate on local (non-PSC) properties partially offset this decrease. Delinquent Personal Property Tax collections were $1.3 million lower than anticipated due to substantial refunds made as a result of a Virginia Supreme Court decision concerning the assessment of equipment used in the manufacture of newspapers.

- FY 2003 Other Local Taxes were $12.4 million higher than anticipated primarily due to a $3.0 million increase in Local Sales Tax Receipts; a $4.1 million increase in Recordation and Deed of Conveyance receipts; $2.1 million in Business, Professional, and Occupational Licenses; and a $1.0 million increase in Gross Receipts on Rental Cars.

- Revenue from Permits, Fees and Regulatory Licenses in FY 2003 was $27.7 million, an increase of $1.3 million over the *FY 2003 Revised Budget Plan* and is primarily the result of higher than anticipated fees for planning, building and site permits.

- Fines and Forfeitures in FY 2003 were $11.0 million, $1.3 million over the *FY 2003 Revised Budget Plan* primarily due to increased revenue from General District Court Fines and Alarm Ordinance Violations.

- Revenue from the Use of Money and Property in FY 2003 was $20.8 million, a net increase of $4.5 million over the *FY 2003 Revised Budget Plan* primarily due to higher Interest on Investments as a result of a higher than projected average portfolio and General Fund percentage.

- Actual FY 2003 Charges for Services reflect an increase of $3.2 million or 8.7 percent over the *FY 2003 Revised Budget Plan*. This increase is primarily attributable to higher than anticipated County Clerk fees and School Age Child Care fee revenue.

- Revenue from the Commonwealth and Federal Government was $1.7 million higher than projected in the *FY 2003 Revised Budget Plan,* primarily due to additional Child Care Assistance funding and funding associated with state-supported employees, offset by a decrease in federal illegal alien grant funding.

Disbursements

The initial General Fund Disbursements balance totals $43.35 million. Of this balance, an amount of $27.88 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes $19.78 million for encumbered, legal obligations of the General Fund which were incurred in FY 2003, and $8.10 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV).

After adjusting for encumbered and unencumbered commitments, a variance of $15.47 million or 0.6 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 2004 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase $597.78 million over the FY 2004 Adopted Budget Plan. This amount includes $553.60 million in carryover of unspent balances and an increase of $44.18 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $61.81 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 2004 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total $323.28 million, excluding debt service, over the FY 2004 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

Carryover is defined as the reappropriation in FY 2004 of previously approved items such as unexpended FY 2003 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 04024 and Fiscal Planning Resolution AS 04901 to provide expenditure authorization for FY 2003 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve including the following:

- Board appropriation of $19.78 million in General Fund encumbrances from FY 2003 as noted in the Combined General Fund Statement.

- Board appropriation of General Fund unencumbered Board commitments totaling $8.10 million as detailed in Attachment IV.

- Board appropriation of General Fund net administrative adjustments totaling $35.11 million as detailed earlier in this memorandum.

- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund, totaling $53.09 million, which includes carryover of unexpended FY 2003 grant balances adjusted for closeouts and local cash matches totaling $41.56 million as well as funding adjustments of $11.53 million for supplemental grant awards for existing and new grants as detailed in Attachment VI.

- Board appropriation of remaining Other Funds Carryover of $867.97 million, which includes $323.28 million in School expenditures and $300.92 million for Capital Construction funds, and $243.77 million in other funds. Of this total, $803.45 million is in encumbered items, $20.31 million is in unencumbered commitments, and $44.21 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 2003 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.

- Board approval to maintain a balance of $2.48 million to be held in reserve to offset potential FY 2004 revenue shortfalls or to address FY 2005 requirements.