FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: BOARD OF SUPERVISORS **DATE:** March 24, 2003

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2003 Third Quarter Review

Attached for your review and consideration is the *FY 2003 Third Quarter Review*, including Supplemental Appropriation Resolution AS 03083 and Amendment to the Fiscal Planning Resolution AS 03902. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

Attachment I - A General Fund Statement reflecting the status of the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.

Attachment II - A Summary of General Fund Revenue/Transfers In with a net increase of $10,955,109.

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 $34,156,444. Expenditures in Non-Appropriated Other Funds increased a total of $3,169,953.

Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $4,995,300.

Attachment V - Supplemental Appropriation Resolution (SAR) AS 03083, AS 02100 for FY 2002 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 03902.

Attachment VI - FY 2002 Audit Package including final adjustments to FY 2002 and the FY 2003 Impact.

Attachment VII - Fairfax County Public Schools' Staff Recommended *FY 2003 Third Quarter 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 2003 Third Quarter Review* recommends changes over the $500,000 threshold, the public hearing has been scheduled for April 7, 8 and 9, 2003. On April 21, 2003, the Board will take action on this quarterly review prior to marking up the FY 2004 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 2003 Revised Budget Plan*.

	FY 2003 Revised Budget Plan	FY 2003 Third Quarter Estimate	Variance
Beginning Balance	$88.60	$94.57	$5.96[1]
Receipts and Transfers In	2,436.26	2,447.22	10.96[2]
Total Available	$2,524.87	$2,541.79	$16.92
Direct Expenditures	$947.16	$955.30	$8.14
Transfers Out	1,528.07	1,533.83	5.76
Subtotal Disbursements	$2,475.23	$2,489.13	$13.90
Ending Balance	$49.63	$52.65	$3.02
Managed Reserve	49.50	49.78	0.28
Available Balance	$0.13	$2.87	$2.74
Revenue Stabilization Fund – *(includes Managed Reserve)*		**$1.17**	
Schools Transfer – *(includes Managed Reserve)*		**$0.85**	
Balance Available – *(includes Managed Reserve)*		**$0.85**	

[1] Increase in Beginning Balance due to FY 2002 Audit Adjustments associated with new GASB 34 treatment of accrued leave which results in the availability of $5,964,398 to the General Fund.

[2] Includes additional revenue of $5,259,532 identified as part of the Fall Revenue Review and noted as part of the FY 2004 Advertised Budget Plan, as well as $4,935,577 primarily due to higher than anticipated real estate tax collections identified during the *FY 2003 Third Quarter Review*.

It should be noted that the *FY 2003 Third Quarter Review* reflects all adjustments since the *FY 2002 Carryover Review* and includes revenue adjustments made as part of the FY 2004 Advertised Budget Plan. The Total FY 2003 Revenue, Transfers In and Beginning Balance increase by $16.92 million or 0.7 percent as a result of an increase to the Beginning Balance of $5.96 million, an increase in revenue of $10.20 million, and an increase in Transfers In of $0.76 million to reimburse the General Fund for funding accelerated design costs of the Sully Police Station in 1999. Total Disbursements are recommended to increase $13.90 million including $8.14 million in Direct Expenditures and $5.76 million in Transfers Out. As shown on the table on the previous page, the available balance in the General Fund as a result of these adjustments is $2.87 million and represents non-recurring funds. In accordance with Board policy, 40 percent of this available balance or $1.17 million will be allocated to the Revenue Stabilization Fund, with the remaining balance of $1.70 million divided equally between the Schools, which will receive an additional transfer of $0.85 million and the balance of $0.85 million available for the Board's consideration.

Before I discuss specific FY *2003 Third Quarter Review* expenditure adjustments, I would like to briefly address major revenue adjustments. As the Board is aware, I anticipated a $5.3 million increase in revenue for FY 2003 and included that projection in my proposed FY 2004 budget. Subsequently, an additional $4.9 million is projected for FY 2003 based on final supplemental assessments and exoneration activity for real estate taxes. The total increase of $10.2 million in General Fund revenue represents just 0.4 percent of the *FY 2003 Revised Budget Plan* revenue estimate. Other revenue categories, particularly sales tax and interest on investments, continue to reflect the ongoing weakness of the economy.

Economy

At this time last year, we envisioned an improving economy for FY 2003. While there are some positive signs, most indicators point to less favorable trends. Sales tax receipts are only up 1.3 percent over the same period last year, fiscal year-to-date through February. We have seen two recent months of positive growth in sales tax receipts. However, given the recent snowstorms and lagging consumer confidence, that rate is not expected to continue. While consumer confidence rebounded in November after falling for five consecutive months, it recently lost much of its gain. Nationwide, the Conference Board's index of confidence fell to 64.0 in February from 78.8 in January. It was the lowest reading since October 1993. This 15-point drop was surpassed only by a 17-point plunge after the September 11, 2001 terrorist attacks and a steep slide in April 1980 after the failed attempt to rescue U.S. hostages in Iran. Rising oil prices brought about by the instability in the Middle East and particularly the situation in Iraq, as well as the potential for additional terrorist attacks continue to contribute to fears about the economy. While fluctuations in consumer confidence do not always translate into changes in consumer behavior, significant drops usually foretell at least a short-term reduction in spending.

Last month, the U.S. economy suffered its worst drop in jobs since the aftermath of the September 11th attacks. Worries over war with Iraq led companies to put the brakes on hiring, with the result that payrolls plunged by 308,000 in February according to the U.S. Labor Department. Payroll figures have fluctuated significantly in recent months, falling by 147,000 in December, but rising by 185,000 in January. The national unemployment rate rose to 5.8 percent in February from 5.7 percent in January. Such fluctuations inhibit sustained economic recovery.

Some economists also attribute the loss of some jobs to the unusually severe weather this winter as a series of snowstorms put a damper on retail and construction activity. The weather has also had negative implications for the annual budget. Repeat snowstorms kept shoppers from many stores as was seen during the Presidents' Day weekend, the impact of which will likely be felt in lower sales tax receipts.

Budget Requirements

The harsh weather has also strained County resources to clear snow at County facilities, as well as has increased utility costs and placed additional burdens on public safety personnel. With local government as the first responder in conditions such as this, we have little choice but to provide services and then make budget adjustments to address these needs. In fact, the estimate of costs due to the severe February weather is $4,216,800. This includes costs during the snowstorms as well as expenses for the School Age Child Care (SACC) and Clinic Room Aide programs which will incur additional costs associated with the extension of the school schedule as a result of school closings due to the snow. Of the total, $1,560,210 will be absorbed within various agencies' budgets, while I have recommended additional funding of $2,656,590 for the Police Department, Fire and Rescue Department, and Fund 501, County Insurance, to address the remaining costs that cannot be absorbed.

There are other external factors driving budget requirements as well. After the events of September 11, 2001, we recognized that the County would face additional demands associated with homeland security and future terrorist threats including the potential for bioterrorism. What we could not have foreseen were the sniper attacks in the fall, which virtually brought the region to its knees. Children were confined inside schools, consumers stayed away in droves from vulnerable locations such as stores and gas stations, and law enforcement faced significant challenges to both protect the public and apprehend the snipers. The additional fiscal impact included in the *FY 2003 Third Quarter Review* is $0.58 million which is partially offset by reimbursement of $0.35 million from the federal government.

As the Board is also aware, Fairfax County reached Risk Level 5 for the West Nile virus during the 2002 mosquito season which is the highest defined risk level and indicates that conditions are favorable to the continued transmission of the virus to humans. There were 10 confirmed human cases of West Nile virus, requiring Fairfax County to develop strategies to suppress the virus in the bird and mosquito populations and slow the transmission to humans. This results in an increased cost of $0.74 million which is included in the *FY 2003 Third Quarter Review*. Based on legislation recently approved by the General Assembly, we will be exploring options for transferring at least some of these program costs to Fund 116, Forest Integrated Pest Management Program in FY 2004.

These are only a few of the factors that are affecting the FY 2003 budget. Others, such as State Aid reductions are detailed in the following sections of the *FY 2003 Third Quarter Review* package. This Third Quarter package includes a number of recommended adjustments that are necessary based on previous Board action or are associated with public safety requirements, rising health care and insurance costs, and State budget cuts. The following summarizes the adjustments recommended as part of the *FY 2003 Third Quarter Review*:

- An increase to the Beginning Balance of $5.96 million to reflect FY 2002 audit adjustments associated with the new GASB 34 treatment of accrued leave;
- An increase of $10.96 million in General Fund revenue/transfers in for FY 2003 which are detailed in Attachment II;
- An increase in Total Disbursements of $13.90 million, the details of which are found under the Administrative Adjustments section of this letter; and
- An increase in the Ending Balance of $3.02 million of which $0.28 million is necessary for the Managed Reserve based on the above adjustments.

As a result of these adjustments, the FY 2003 available balance is $2.87 million. Consistent with the Board's policy, the distribution of this balance is as follows:

- Funding in the amount of $1,148,208 or 40 percent of the available balance is allocated to the Reserve Stabilization Fund with a corresponding managed reserve adjustment of $22,964. The fund has a targeted balance of 3.0 percent of General Fund disbursements or approximately $75 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 in the fund prior to this adjustment is $28,425,060. With this adjustment, the balance increases to $29,573,268.

- The remaining balance of $1,699,348 includes $833,014 to be transferred to the Fairfax County Public Schools for non-recurring requirements and a managed reserve adjustment of $16,660. The other half is retained for Board of Supervisors' consideration.

Summary of General Fund Receipts/Transfers In

A brief summary of the $5.70 million increase in General Fund Receipts and Transfers In is provided below, while details concerning the increase are provided in Attachment II. It should be noted that these reductions are in addition to a net revenue increase in FY 2003 General Fund revenue of $5.26 million made prior to the *FY 2003 Third Quarter Review* which was discussed in the FY 2004 Advertised Budget Plan for a total increase of $10.96 million. Information regarding those midyear adjustments is also provided in Attachment II.

- Real Estate Tax revenue is increased $5.3 million as part of the *FY 2003 Third Quarter Review* due to refined estimates of exonerations, supplemental assessments and tax relief.

- Other Local Taxes increase $1.9 million due to an increase of $3.1 million for Deed of Conveyance and Recordation tax receipts primarily due to mortgage refinancings, partially offset by a decrease of $1.2 million for consumer utility taxes due to lower than anticipated year-to-date receipts.

- Permits, Fees and Regulatory Licenses decrease $1.6 million as a result of slower building activity.

- Fines and Forfeitures reflect a decrease of $1.1 million due to lower General District Court revenue resulting from fewer than anticipated civil cases and traffic violations.

- Charges for Service increase $0.2 million including an additional $0.9 million in Clerk Fees associated with continued strong refinancing activity, partially offset by a decrease of $0.7 million in recreation fee revenue based on year-to-date receipts.

- Revenue from the Commonwealth/Federal Government increases a net $0.2 million due to reimbursement of $0.3 million from the federal government for Fairfax County's costs related to the October 2002 sniper shootings and an increase of $0.1 million in state assistance for Healthy Families, which is fully offset by an expenditure increase. These increases are partially offset by a decrease of $0.2 million in ABC profits due to state budget reductions.

- The Transfer In estimate is increased $0.8 million to reflect a transfer from Fund 312, Public Safety Construction Fund, to reimburse the General Fund for advance design costs associated with the new Sully Police Station.

Audit Adjustments

As a result of the FY 2002 Comprehensive Annual Audit, a number of adjustments to beginning balance, revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. It should be noted that, in order to account for Governmental Accounting Standards Board (GASB) changes in the treatment of the year-end accrual of compensated absences, a restatement of the FY 2002 beginning balance for the General Fund, Public School Operating and Funds 105, 106, 109, 110, 111, 113, 114, and 170 are reflected. This adjustment results in an increase in the FY 2002 beginning balance and a one-time savings for the funds. Net revenue, expenditure and beginning balance changes result in an increase of $5.96 million to the FY 2002 ending General Fund balance, as reflected in the FY 2004 Advertised Budget Plan.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. Details of these audit adjustments are included in Attachment VI.

It should be noted that four funds require a supplemental appropriation resolution based on audit adjustments. This includes Fund 112, Energy Resource Recovery Facility; Fund 501, County Insurance; and Funds 601 and 602, Fairfax County Employees Retirement and Police Retirement, as reflected in Supplemental Appropriation Resolution AS 02100. The appropriation resolution is required to account for year-end accruals for Fund 112, to record the 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 2003 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is an increase of $12,696,226. This consists of net disbursement increases of $13,900,397, offset by a transfer to the General Fund in the amount of $760,000 and corresponding revenue adjustments totaling $444,171. In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported by both non-General Fund revenue and the use of fund balance. It should be noted that all of the revenue adjustments included in the *FY 2003 Third Quarter Review* are provided in detail in the Summary of General Fund Receipts/Transfer In, Attachment II. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

ADMINISTRATIVE ADJUSTMENTS – GENERAL FUND IMPACT

		RECURRING
	Revenue	$0
Agency 11, Human Resources/Agency 13, Office of Public Affairs	Expenditure	$0
Transferring Courier Function to Office of Public Affairs	**Net Cost**	**$0**

Funding of $48,865 and 1/1.0 SYE associated with the Courier function, which is the County's employee and retiree newsletter, are being transferred from the Department of Human Resources to the Office of Public Affairs. The Office of Public Affairs has been identified as the agency that will manage the County's consolidated internal communications, which has grown more critical as a result of September 11, 2001, anthrax, the sniper attacks and other events. Consolidation of internal and external communications will allow coordination of messages going to employees, retirees and the public, allowing the dissemination of consistent information to the different audiences and allowing for economies of resources and effort.

		NON-RECURRING
	Revenue	$0
Agency 13, Office of Public Affairs	Expenditure	$72,000
Regional Guide to Emergency Preparedness	**Net Cost**	**$72,000**

Funding of $72,000 is required for the County's share of printing, publishing and mailing the Guide to Emergency Preparedness to more than 1.9 million residents living in over 700,000 households in the 15 Northern Virginia localities. On November 3, 2002, a memo was sent to the Board regarding Fairfax County's collaboration with the federal government, the state of Virginia and Washington metropolitan area governments on emergency preparedness. The total cost associated with the guide is $113,537 which will be shared among the localities. The guide serves as a blueprint for residents to help them prepare for and respond to various emergency situations such as bioterrorism events, utility failures, or health problems. Information about local government communication with citizens, as well as contact information for additional community resources will also be provided. The guide will be available in English and several other languages to best meet the needs of the region's multicultural communities.

			NON-RECURRING
		Revenue	$0
Agency 67, Department of Family Services		Expenditure	($145,000)
Brain Injury Services		**Net Cost**	**($145,000)**

A reduction of $145,000 in expenditures for Brain Injury Services is required due a reduction of $145,000 in state revenues as part of FY 2003 state budget reductions which have already been reflected in the *FY 2003 Revised Budget Plan*. As part of the Governor's Executive Budget Amendments to the FY 2002–04 Biennium Budget, funding for Brain Injury Services was specifically reduced by 11 percent. The expenditure reduction will result in the loss of three contract positions that provide direct services, termination of supported living services for 6 clients, termination of independent living skills training for 15 clients, termination of case management services for existing clients, and an increase to the waiting list for services which is projected to reach 200 individuals by the end of FY 2003, with an average wait per individual of over 2 years.

			NON-RECURRING
		Revenue	$95,365
Agency 67, Department of Family Services		Expenditure	$95,365
Healthy Families		**Net Cost**	**$0**

Funding of $95,365 is required to enhance the quality and effectiveness of the Healthy Families Fairfax Program. Funding will be used to purchase in-home mental health assessment and consultation services for participating families, provide nursing support for families participating in the Beginning Steps initiative, purchase and implement an improved parenting education curriculum for both English-speaking and Spanish-speaking families, and hire a consultant to conduct an program evaluation. The expenditure increase is fully offset by an increase in federal Temporary Assistance to Needy Families (TANF) funding for this purpose.

			RECURRING
		Revenue	$0
Agency 71, Health Department		Expenditure	$987,875
Clinic Room Aides and West Nile Virus Adjustments		**Net Cost**	**$987,875**

Funding of $987,875 is required, including an adjustment of $737,875 for the current year cost of the County's West Nile virus prevention and treatment program and $250,000 for current funding levels of Clinic Room Aides for Fairfax County Public Schools. The FY 2003 Fall and Spring program for the West Nile virus program will require a total of $1,087,875 to cover program management, contractual services, vector testing, and treatment of affected geographic areas, of which $350,000 is currently budgeted in the FY 2003 Adopted Budget Plan. In October 2002, the Board of Supervisors was advised of an additional Fall program cost of $650,000, and it was thought that there would be an additional Spring requirement in the range of $340,000. These requirements, which when combined with the $350,000 currently budgeted, would have resulted in a total projected FY 2003 cost of $1.34 million. However, based on actual program requirements, the FY 2003 West Nile virus program total is $1,087,875, an increase of $737,875 over the FY 2003 current funding level. Funding in the amount of $250,000 is required in Clinic Room Aide salaries to offset higher than anticipated costs primarily associated with the increased number of open school days associated with 7 year-round schools, which include 24 days outside regularly mandated school days for school intercession courses attended by 80 to 95 percent of students.

		NON-RECURRING
	Revenue	$0
Agency 81, Juvenile and Domestic Relations District Court	Expenditure	($258,000)
Offsetting State Reductions	**Net Cost**	**($258,000)**

Funding is reduced by $258,000 in order to offset reductions in State reimbursement from the Juvenile Detention Center Block Grant which helps offset the County's cost for operating the facility. This reduction was included in the FY 2003 revised revenue estimates as reflected in the FY 2004 Advertised Budget Plan. The reductions identified by the agency include $203,000 in Personnel Services for regular salaries by holding positions vacant, decreased use of exempt limited-term staff, and lower than anticipated shift differential expenditures. Funding of $55,000 is reduced from Operating Expenses by decreasing staff training and the use of contracted temporary services.

		RECURRING
	Revenue	$0
Agency 87, Unclassified Administrative Expenses	Expenditure	$777,040
Agency 89, Employee Benefits	Expenditure	$222,960
Worker's Compensation and Self-Insurance Requirements	**Net Cost**	**$1,000,000**

Funding of $1,000,000 is required to meet anticipated increases in Worker's Compensation and Self Insurance losses. Worker's Compensation reflects an increase of $222,960 as a result of several significant medical claims resulting in long-term disability and extensive medical treatment. Self Insurance losses are also increasing in the amount of $777,040 as a result of current automobile liability claims, flood claims and several large first-party property losses in part as a result of the recent snow storms. A significant number of reports have been filed concerning sanitary sewer and flood claims. As of March 10, 2003, 94 sanitary sewer and 6 flood reports have been made to the Department of Public Works and Environmental Services, many of which may be translated into claims against the County. In addition, damage to County property, primarily to roofs and as the result of leakage, will require repairs funded from Self Insurance. All of the estimates for these costs are preliminary at this time but the funding included at Third Quarter is anticipated to be sufficient. The increases in Agency 87, Unclassified Administrative Expenses and Agency 89, Employee Benefits, will fund the required increased contribution to Fund 501, County Insurance.

		NON-RECURRING
	Revenue	$0
Agency 89, Employee Benefits	Expenditure	$4,500,000
Self-Insured Health Insurance Requirements	**Net Cost**	**$4,500,000**

Funding of $4,500,000 is required for the General Fund Employer Contribution to the self-insured health insurance plan. This funding increases the County's contribution to Fund 506, Health Benefits Trust Fund, and replenishes some of the balance which has been depleted over recent years through escalating medical and prescription claims costs. The ending balance for the self-insured fund is utilized to offset unanticipated high cost claims and provides a buffer against excessive premium increases from year to year. Even with the buffer, employer and employee premium costs are expected to increase 15-25 percent annually. Currently the ending balance is $2.5 million or 5.3 percent of claims paid. The industry standard recommends maintaining an ending balance of 10 to 15 percent of claims paid. With the infusion of $4.5 million, the FY 2003 ending balance is $7.0 million or 14.9 percent of claims paid. However, based on escalating benefit claims projections, the FY 2004 ending balance is anticipated to be $6.7 million or 12.7 percent of claims paid, a decrease of 4.3 percent from the FY 2003 Third Quarter estimate.

		NON-RECURRING
	Revenue	$348,806
Agency 90, Police Department	Expenditure	$818,335
Personnel Services Increases	**Net Cost**	**$469,529**

Net funding of $469,529 is required for Personnel Services increases associated with the Washington Metropolitan Area sniper incidents ($580,629), the snow emergency that took place February 15-18, 2003 ($1,144,305), and miscellaneous overtime cost increases ($100,428). These events were not anticipated and the Police Department is not able to absorb all of the associated costs. However, based on the management of position vacancies, the Department will be able to absorb all but $818,335 of the total increase necessary. This net expenditure increase is partially offset by revenue in the amount of $348,806, reflecting reimbursement from the federal government for the Washington metropolitan area sniper incidents.

		NON-RECURRING
	Revenue	$0
Agency 92, Fire and Rescue Department	Expenditure	$1,068,255
Increased Personnel Services Due to Snow Emergency Event	**Net Cost**	**$1,068,255**

Funding of $1,068,255 is required for increased Personnel Services costs due to the snow emergency on February 15-18, 2003. Increased expenditures were necessary due to the 24-hour shift schedules of essential field personnel. In addition, the Department increased staffing on all truck and rescue units, and staffing of four-wheel drive units was required to provide adequate personnel to respond to emergency calls. A further influence on expenditures was the extra personnel who worked in order to provide aid to the FASTRAN system. FASTRAN provides transport for dialysis patients to and from dialysis appointments. During the snow emergency, the Fire and Rescue Department provided these services in place of FASTRAN to ensure safe patient transport.

		RECURRING
Fund 100, County Transit Systems	General Fund	
FAIRFAX CONNECTOR Bus Replacement	Transfer In	**$1,199,891**

An increase of $1,199,891 is included for the General Fund Transfer to Fund 100, County Transit Systems, for the replacement of FAIRFAX CONNECTOR buses. This amount, combined with $3,299,699 expected to be made available as part of the FY 2004 Adopted Budget Plan, will allow for the replacement of 15 FAIRFAX CONNECTOR buses in FY 2004. This is the first year of implementation of a plan to spread out the rate of bus replacement more equally, 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.

		NON-RECURRING
Fund 109, Refuse Collection and Recycling Operations	General Fund	
Solid Waste Reduction and Recycling Centers	Transfer In	**$9,622**

The General Fund transfer to Fund 109, Refuse Collection and Recycling Operations, is $9,622 to address the projected revenue shortfall for the FY 2003 operation of the Solid Waste Reduction and Recycling Centers (SWRRC) program. Based upon the FY 2003 year-to-date revenue and expenditures, the SWRRC program will not be able to sustain program operations for the entire year. The SWRRC program operates on a user fee basis, with the service provided by staff and equipment paid through Special Revenue Fund 109, Refuse Collection and Recycling Operations. As part of the FY 2003 Adopted Budget Plan, the annual fee for SWRRC was increased from $195 to $225 and assumed 820 full-year customers. The customer base to date for FY 2003 includes 780 full-year customers and 21 partial year customers. For FY 2003, revenues are projected to be $178,763, while expenditures are projected to be $188,385, which results in an operating deficit of $9,622. Therefore, a General Fund transfer in the amount of $9,622 is required to support the projected operating deficit. Since SWRRC revenues are not sufficient to operate the program without a General Fund subsidy, SWRRC operations are scheduled to terminate as of June 28, 2003. It should be noted that this program is not included in the FY 2004 Advertised Budget Plan.

		NON-RECURRING
Fund 120, E-911	General Fund	
Public Safety Communications Center	Transfer In	**$2,308,004**

The General Fund transfer to Fund 120, E-911, is increased $2,308,004 for operating requirements at the Public Safety Communications Center. This increase is due to a decrease in projected revenue of $2,491,273, partially offset by a decrease in expenditure requirements of $183,269 primarily due to savings achieved in telecommunications expenses and software maintenance. The decrease in revenue is primarily due to revised projections in E-911 fee revenue based on FY 2002 actual collections as well as FY 2003 year-to-date receipts. FY 2002 E-911 fee revenue posted a decrease of 4.9 percent from FY 2001 actual collections, and the current FY 2003 projection reflects a decrease of 4.5 percent from FY 2002 actual collections. This trend is consistent with the decrease recently noted in telephone utility tax collections which are being reduced 4.0 percent as part of the *FY 2003 Third Quarter Review*. The County has contacted some of its largest providers of E-911 fee revenue regarding this issue. They have indicated that there has been a decrease in the number of access lines within Virginia and the trend within Fairfax County is in line with what is happening statewide. Possible factors associated with this line loss include the loss to other competing services such as wireless and the overall economic downturn.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer In	**$2,244,050**
Capital Requirements	Other Funds Transfer	$382,321
	Net Cost	**$2,626,371**

The total transfer to Fund 303, County Construction, is increased by $2,626,371 and includes the following:

- A General Fund transfer of $2,244,050 is included to support land acquisition and master planning costs associated with the purchase of the Camp 30 property in the vicinity of Route 29 and the Fairfax County Parkway ($1,250,000) as well as additional requirements associated with the Forensics Facility ($994,050). The County's Emergency Management Operations Center is planned to be located on this site and will include the new Forensics Facility as well as the Public Safety Communications Center and the Emergency Operations Center. The County is partnering with the State of Virginia to secure this 16.4-acre parcel to co-locate State and County facilities for public safety and transportation. The location of these functions will be essential in the event of a major emergency.

  The General Fund transfer will also support additional requirements associated with the Forensics Facility ($994,050). This funding, along with a transfer of $382,321 from other capital funds and various project reallocations in the amount of $1,123,629, will provide the necessary funding for design and construction of a new Forensics Facility. The total cost of the facility is increased from $5,500,000 to $8,000,000 based on the results of the needs assessment and schematic design performed by an outside consultant firm. This increased funding is required to support a 38,000-square-foot facility which will include the crime scene section, the electronic surveillance section, the computer forensics section, and the NOVARIS section.

  Collection of the physical evidence by police officers at crime scenes has become the subject of increasing scrutiny by defense attorneys, the media, and the criminal justice system. The County must ensure that evidence collection and processing are accomplished in a facility properly designed to maintain evidence integrity. The current crime scene space is located in a two-story building constructed in 1961 and has limited height to accommodate the intensive exhaust and duct requirements. The space lacks adequate and proper equipment such as specialized lighting, enhanced microscopes, surgical examination equipment, and sufficient fuming hoods for evidence processing. The growing population, changing demographics, crime trends, limitations of existing space, and safety and security requirements indicate a growing need for a larger, more modern and appropriately designed Forensics Facility. The facility will enhance the capabilities of the various sections to accommodate increasing workload demands and will consolidate and coordinate these services within one location, thereby improving efficiency.

- A transfer of $382,321 is included from Fund 300, Countywide Roadway Improvements ($79,333), Fund 302, Library Construction ($20,306), and Fund 308, Public Works Construction ($282,682) to support other capital requirements within this Fund.

		NON-RECURRING
Fund 312, Public Safety Construction	Transfer to the	
Sully District Police Station	General Fund	**$760,000**

A transfer of $760,000 from Fund 312, Public Safety Construction, to the General Fund is included to reimburse the General Fund for funding associated with the Sully District Police Station. Design funds from the General Fund were advanced as part of the FY 2000 Add-On process in order to accelerate the project. Funding to complete design and construction was approved as part of the 1998 Public Safety Bond Referendum. This project is substantially complete, with opening of the facility anticipated in April 2003 so these funds can now be returned to the General Fund.

ADMINISTRATIVE ADJUSTMENTS – NON-GENERAL FUND IMPACT

Appropriated Funds

		NON-RECURRING
	Revenue	($985,573)
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	($985,573)
FY 2003 State Reductions	**Net Cost**	**$0**

A net decrease of $985,573 to both revenues and expenditures is required due to FY 2003 reductions in the Commonwealth of Virginia's Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) funds. This net decrease reflects a DMHMRSAS reduction of 10 percent or $1,262,160 consisting of expenditure and revenue reductions of $985,573, an increase of $271,587 in Medicaid Option revenue in Mental Health Residential Services and a one-time increase of $5,000 in Substance Abuse Prevention and Treatment (SAPT) Federal Block Grant funds which is used to offset $5,000 of the required FY 2003 expenditure reductions.

The decrease of DMHMRSAS revenues requires an expenditure reduction of $985,573 and will result in fewer clients being served in the Mental Health, Mental Retardation, and Alcohol and Drug service areas as well as an increase in waiting lists for services such as outpatient treatment. The expenditure reduction of $985,573 is primarily attributable to:

- A decrease of $316,068 in Alcohol and Drug Services Day Treatment that resulted in the closure of the Hope Center in late December 2002 which provided education; case management; and individual, group, and family therapy services to 60 substance-abusing women annually. Closure of the program results in the abolishment of 6/6.0 SYE positions (1/1.0 SYE Substance Abuse Counselor III, 3/3.0 SYE Substance Abuse Counselors II, 1/1.0 SYE Day Care Center Teacher I, and 1/1.0 SYE Day Care Assistant Teacher).
- A decrease of $186,745 in Mental Health Partial Hospitalization and Adult Day Support which will result in elimination of 1/1.0 SYE Mental Health Therapist position and 0/0.5 SYE Psychiatrist position in the Partial Hospitalization program and a decrease in contracted

adult day support services for clients with mental illness. This reduction may eliminate services for 126 consumers.

- A decrease of $93,162 in Mental Health Youth Residential services which will eliminate all contracted in-home services for 24 families with seriously emotionally disturbed youth and 625 hours of respite care.
- A decrease of $81,815 in transportation services which will result in elimination of transportation services for mental health day support clients.
- A decrease of $52,914 in Mental Health Adult Residential services which will result in fewer hours of service and less frequent monitoring of consumers in their homes. While consumers will continue to receive sufficient hours of service required to sustain them, clients will be offered fewer hours of service than previously provided which may lead to an increase in psychiatric emergencies or the need for hospitalization.
- A decrease of $19,931 in the Mental Retardation Family Support Program which provides cash reimbursement for up to $1,000 in goods and services purchased for a mentally retarded family member. This reduction will impact at least 19 families who care for a disabled family member at home and who are not eligible for any other residential care subsidy, requiring these families either to assume the cost or forego the subsidized goods and services.
- A decrease of $1,827 in civil detainment evaluations which will result in 21 fewer hours for contracted mental health screenings for persons detained through the civil commitment process.

Planned expenditure reductions of $233,111 in Mental Health contracted services such as inpatient psychiatric treatment, civil detainment evaluations, and mental health adult and youth residential and day support, could not be implemented in sufficient time to realize the full value of savings necessary in FY 2003. Therefore, the remaining $233,111 will be offset by one-time savings in other mental health programs. It should be noted however, that the $1,262,120 reduction in DMHMRSAS revenues is a recurring reduction that has been incorporated into the baseline FY 2004 Advertised Budget Plan. This reduction in DMHMRSAS funding is offset by a recurring expenditure reduction of $990,573 and increased Medicaid Option revenue of $271,587. While one-time savings are available in FY 2003 to offset planned reductions that could not be implemented in sufficient time to realize the necessary savings, CSB will be able to implement the previously planned reductions in FY 2004 and beyond to realize the necessary ongoing savings.

		NON-RECURRING
	Revenue	$1,608,626
Fund 106, Fairfax-Falls Church Community Services Board New Grant Awards, Adjustments to Grant Funding, and Other Adjustments	Expenditure	$1,608,626
	Net Cost	**$0**

An increase of $1,608,626 to both revenues and expenditures is required to appropriate new federal grant awards, new program years of ongoing federal grant awards, and adjustments to current year federal grant awards, as well as account for other miscellaneous adjustments. This includes the following: an increase of $120,870 for new federal grant awards which includes $80,188 in Federal Title IV-E funds from the Virginia Department of Social Services (VDSS) for case management and other related services for children at risk of out-of-home placement and $40,682 in federal funds from the Virginia Department of Corrections as part of the Virginia

Serious and Violent Offender Reentry (VASAVOR) Initiative which is sufficient to support additional hours for a limited-term psychiatrist position to provide short-term mental health treatment for supervised offenders who are being released from the Virginia Department of Corrections to the Fairfax Adult Detention Center and then to the community; an increase of $323,807 for new program years of ongoing federal grant awards which includes $71,197 for renewal of the MH Ryan White Title I grant, $24,030 for renewal of the V-Stop grant, $24,652 for renewal of the Sexual Assault Education and Prevention grant and $203,928 for renewal of the ADS Ryan White Title I grant; a net increase of $1,429,981 for adjustments to current year federal grant awards which includes $1,429,086 in Federal Emergency Management Agency (FEMA) funding for the Project Resilience Regular Services grant for outreach and counseling services, $6,125 for the *Girl Power!* grant, and a decrease of $5,230 for the Early Intervention Part C grant; and an increase of $46,000 from the Center for Substance Abuse Treatment (CSAT) to support alcohol and substance abuse prevention activities.

These increases are partially offset by a decrease of $312,032 to both expenditures and revenues for other miscellaneous adjustments.

	NON-RECURRING	
	Revenue	$0
Fund 407, Sewer Bond Subordinate Debt Service	Expenditure	$835,708
Interest Payment on Virginia Resource Authority (VRA) Loan	**Net Cost**	**$835,708**

Funding of $835,708 is required for the first year accrual of the interest expense on the $50 million FY 2002 VRA loan for the County's share of construction costs for the Alexandria Sanitation Authority treatment plant upgrade for ammonia removal as required by the State Water Control Board.

	NON-RECURRING	
	Fund Balance	$342,703
Fund 504, Document Services Division	Expenditure	$342,703
Digital Printing Program	**Net Cost**	**$0**

Funding of $342,703, offset by an appropriation from fund balance, is required for the lease costs of two high-volume digital printers and one color printer. A five-year lease agreement was entered into in FY 2002 in order to upgrade existing County printers and provide more in-house functionality and speed. Due to the timing of the signing of the lease agreement, the budget for this expense had not been incorporated into the FY 2003 Adopted Budget Plan. This requirement in FY 2003 will be fully supported with available funding from the fund balance.

	NON-RECURRING	
	Fund Balance	$663,057
Fund 505, Technology Infrastructure Services	Expenditure	$663,057
Windows 2000 Desktop Upgrade and Printer Purchase	**Net Cost**	**$0**

Funding of $663,057 is required to purchase additional Windows 2000 Licenses, resulting in enhanced desktop management capabilities, and to replace a mainframe printer that has reached the end of its useful life. Based on the four-year PC replacement cycle, not all PC's currently in use have Windows 2000 as their operating system, as this version was released by Microsoft within the last few years. Funding of $414,673, offset by an appropriation from the PC Replacement Reserve in fund balance, for additional Windows 2000 licenses will allow the Department of Information Technology (DIT) to upgrade the operating system on older PC's to bring them up to date with the County's standard operating system. This will allow DIT to take full advantage of existing desktop management software for security, maintenance and troubleshooting. In addition, funding of $248,384, offset by an appropriation from fund balance, will assist DIT in the purchase of a replacement IBM mainframe printer. The current printer frequently breaks down and outages have lasted as much as 45 hours, requiring the services of outside engineers and the loss of staff production time.

		NON-RECURRING
	Revenue	($1,778,254)
Fund 506, Health Benefits Trust Fund	Expenditure	$465,936
Adjustments Due to Enrollment & Benefits Claims Projections	**Net Cost**	**$2,244,190**

A net adjustment of $2,244,190 reflects expenditure increases of $465,936 and revenue reductions of $1,778,254 primarily due to the elimination of the Trigon option for employees beginning January 1, 2003, employee/retiree open enrollment decisions, and conservative medical and prescription claims projections. As of January 2003, the self-insured plan enrollment decreased by a net 165 enrollees compared to the budget estimate for plan enrollment. This reduction reflects the most recent data from the November open enrollment period. It should be noted that under the current contract, employees/retirees in the self-insured plan have two choices: a point of service plan (POS) or a preferred provider option (PPO). In addition, employees also have the option of enrolling in lower cost/lower benefit, managed care options through the County's health maintenance organizations.

Non-Appropriated Fund

		RECURRING
	Revenue	$113,019
Fund 117, Alcohol and Safety Action Program (ASAP)	Expenditure	$113,019
Class Instructor Funding	**Net Cost**	**$0**

Funding of $113,019 is required for limited term instructors for the number of education classes currently conducted. The amount is fully supported by increased revenue resulting from the state-approved increase of $50 in the fee for the Drug Education/Intervention program. The number of classes conducted is driven by the number of clients being referred to ASAP programs. The number of clients in the Drug Education/Intervention program alone has grown from 3,384 clients in FY 2001 to 3,909 projected clients for FY 2003, an increase of 15.5 percent. ASAP also offers Driver Improvement programs, Reckless/Aggressive Driving program and Substance/Alcohol Focused Education (SAFE), all of which have experienced increased volumes.

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 $2.87 million, an increase of $34.16 million in Appropriated Other Funds expenditures excluding Federal and State Grants and Schools' funds and a decrease of $33.73 million for Schools' funds. Details are provided in the Schools' Recommended *FY 2003 Third Quarter Review* package (Attachment VII).

  - Supplemental Appropriation Resolution AS 03083
  - Supplemental Appropriation Resolution AS 02100
  - Amendment to Fiscal Planning Resolution AS 03902

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of $5.00 million.

- Adjust the Managed Reserve to reflect the adjustments included in the *FY 2003 Third Quarter Review.*