

**FAIRFAX COUNTY, VIRGINIA**

**MEMORANDUM**

**TO:** BOARD OF SUPERVISORS **DATE:** August 2, 2004

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

**SUBJECT:** FY 2004 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2004 Carryover Package, including Supplemental Appropriation Resolution AS 05014 and Amendment to the Fiscal Planning Resolution AS 05900. The document includes the following attachments for your information:

- Attachment I A General Fund Statement showing the status as of July 12, 2004, 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 2005
- Attachment VII A detailed description of significant changes in Other Funds
- Attachment VIII Supplemental Appropriation Resolution AS 05014 and Fiscal Planning Resolution AS 05900 for FY 2005 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, in addition to 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 2004 Carryover Review* recommends changes to the FY 2005 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 13, 2004.

### ***FY 2004 End of Year Summary***

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 12, 2004 to the final estimates of the *FY 2004 Revised Budget Plan*.

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

	<b><u>FY 2004 Revised Budget Plan</u></b>	<b><u>FY 2004 Actual</u></b>	<b><u>Variance</u></b>
Beginning Balance, July 1	\$118.89	\$118.89	\$0.00
Receipts and Transfers In	<u>\$2,598.43</u>	<u>\$2,632.14</u>	<u>\$33.71</u>
Total Available	\$2,717.32	\$2,751.03	\$33.71
Expenditures	\$987.82	\$933.47	(\$54.35)
Transfers Out	<u>\$1,666.39</u>	<u>\$1,666.39</u>	<u>\$0.00</u>
Total Disbursements	\$2,654.21	\$2,599.86	(\$54.35)
Ending Balance, June 30	\$63.11	\$151.17	\$88.06
Managed Reserve	<u>\$53.08</u>	<u>\$53.08</u>	<u>\$0.00</u>
Available Balance	\$10.03	\$98.09	\$88.06
<b>FY 2004 Commitments</b>			
Outstanding Encumbered Obligations			(\$29.59)
Outstanding Unencumbered Commitments			(\$9.04)
Managed Reserve Adjustment			<u>(\$0.77)</u>
<b>Available Balance after FY 2004 Commitments</b>			<b>\$48.66</b>
<b>FY 2005 Adjustments</b>			
Revenue Adjustments			\$4.85
Administrative Adjustments			(\$33.32)
Revenue Stabilization Fund			(\$7.81)
Managed Reserve adjustments			<u>(\$0.83)</u>
<b>Balance after FY 2004 Commitments/FY 2005 Adjustments</b>			<b>\$11.55</b>
Reserve for School Computer and Vehicle Replacement Requirements			\$5.00
Reserve for Environmental Projects			<u>\$2.00</u>
<b>Available Balance</b>			<b>\$4.55</b>

As shown on the previous table, the FY 2004 year-end balance, after netting out outstanding encumbrances and unencumbered commitments as well as associated Managed Reserve adjustments, is \$48.66 million. This represents approximately 1.9 percent of our total FY 2004 budget and is approximately \$9.0 million more than the FY 2003 ending balance. This balance is comprised of an additional \$33.7 million in General Fund revenues, an increase of 1.3 percent over budget estimates, and a net savings of \$15 million in expenditures including an adjustment to the Managed Reserve. In both FY 2003 and FY 2004, the net savings in expenditures represent 1.6 percent of our expenditure base. Increased revenue due to the improving economy, as well as lower than anticipated expenditures, contributed to this balance. Looking back at past trends in year-end balances, a similar phenomenon occurred after the severe economic downturn of the early 1990s. Spending cuts and an unpredictable economic recovery led to increased balances for both FY 1993 and FY 1994 when the economy gained more solid footing.

After adjusting for administrative adjustments and an allocation to the Revenue Stabilization Fund (RSF) in accordance with Board policy, a positive General Fund balance remains of \$11.55 million. The allocation to the RSF of \$7.81 million, with an associated Managed Reserve adjustment of \$0.16 million, in conjunction with anticipated FY 2005 interest earnings, will bring the total RSF to \$42.96 million or approximately 50.9 percent of the targeted amount, which represents 3.0 percent of total General Fund disbursements.

This \$11.55 million balance is available for the Board's consideration. Of this total, \$5.0 million is recommended to be set aside for School computer and vehicle replacement requirements in accordance with the Board's budget guidelines and \$2.0 million is identified for environmental projects associated with the Board's approved environmental plan. The remaining balance of \$4.55 million is available for the Board's consideration and to be held in reserve for FY 2006 budget development.

#### **FY 2004 Revenues and the Economy**

Before discussing specific FY 2004 Carryover adjustments, it is important to review the context of the Carryover balance and recommended adjustments. Actual FY 2004 General Fund Revenues and Transfers In were \$2.63 billion, an increase of \$33.7 million or 1.3 percent over the *FY 2004 Revised Budget Plan* estimate. The FY 2004 variance is largely due to revenue associated with Property Taxes; Other Local Taxes; Permits, Fees and Regulatory Licenses; and Revenue from the Commonwealth and Federal Government. In addition, a significant portion of the FY 2004 revenue increase occurred during the last quarter of the fiscal year, a surge that was not anticipated during the *FY 2004 Third Quarter Review*. As the Board is aware, after relatively uneven economic performance over the past few years, it has been extremely difficult to predict the exact timing and magnitude of improvements in the economy and their impact on County revenue.

Real Estate Taxes increased \$1.7 million due to lower exonerations and tax relief, while Personal Property Tax revenue increased a net \$1.3 million primarily due to a June 2004 payment from a Public Service Corporation that was in bankruptcy in FY 2003. Other Local Taxes including Business, Professional and Occupational License (BPOL) Taxes; Local Sales Tax; Recordation/Deed of Conveyance Taxes; and Mobile Local Telecommunications Tax experienced a net increase of \$18.1 million, largely due to improvement in the economy where consumers continued a strong trend of buying or refinancing real estate, as well as significantly increased their personal spending over levels of the past few years. With the June increase in interest rates and projections for subsequent adjustments, some of the revenue associated with the real estate market, particularly refinancings, is anticipated to decrease.

The growth in Local Sales Tax and BPOL taxes, which yielded a total increase of \$11.3 million over the estimate, was unprecedented in recent years. Actual BPOL receipts increased 9.2 percent over FY 2003, significantly higher than the 2.3 percent annual growth experienced in both FY 2002 and FY 2003. During the final four months of FY 2004, Sales Tax receipts grew at a rate of 13.6 percent, resulting in year-end FY 2004 growth of 10.5 percent over FY 2003. This is a sharp change from the past two years

when Sales Tax receipts fell 5.9 percent in FY 2002 and then grew at a rate of only 1.0 percent in FY 2003.

An increase of \$1.8 million in Permits, Fees and Regulatory Licenses in FY 2004 reflects a high level of construction fueled by the historically low interest rates of the past few years. Finally, a net increase of \$9.7 million in Revenue from the Commonwealth and Federal Government is largely associated with public assistance programs. Late in the fiscal year, the state's Department of Family Services reviews funding utilization by localities across the Commonwealth and redirects unspent funds to jurisdictions that need and are able to allocate the additional appropriation.

From a broader perspective and despite uneven performance over the past few years, it now appears that the long anticipated economic expansion finally gained traction in the second quarter of 2004. We are seeing signs of this expansion in the local economy and we are cautiously optimistic about future growth. According to economist Stephen Fuller, Fairfax County's economy, which remained stronger than the national economy throughout the downturn of the past few years, achieved a sustained rate of growth over the past year that is similar to its strong performance in 1998. Compared to April 2003, the County's Leading Index in April 2004 was up 4.45 percent, reaching its second highest level, only 1 point lower than its all-time peak of 109.1 in December 1999.

Unemployment dropped to 1.7 percent, down from 2.4 percent a year ago. The Washington area's unemployment rate of 2.8 percent in April was the lowest of any metropolitan area in the country and Fairfax's rate of 1.7 percent places it among the best nationwide. Fairfax County's share of Northern Virginia's total job gain in April of 57.4 percent was also slightly greater than its long-term average share of 55 percent, indicating the overall health of the County's economy. According to Stephen Fuller, "The economic conditions underpinning the strong labor market performance bode well for the remainder of the year and will likely carry over through 2005 and be reflected in all the indicators, making 2004 clearly the best year since 2000 and possibly the best year for the economy for the entire decade."

On July 20, 2004, Federal Reserve Chairman, Alan Greenspan, addressed Congress at a semiannual hearing on Federal Reserve policies. He acknowledged that the U.S. economy is going through a "soft patch" as seen by a decline in June 2004 in retail sales, industrial production, housing starts and the pace of job gains, but he maintained that it won't hold back a "broadening economic expansion that has gained momentum this year." He noted the average 200,000 per month increase in the number of U.S. jobs over the past six months, up sharply from the pace of approximately 60,000 added per month in the last quarter of 2003. However, Federal Reserve policymakers now generally estimate that the economy will grow 4.5 to 4.75 percent this year, slightly less than their 5 percent estimate in February 2004.

The Conference Board's Consumer Confidence Index, which measures national consumer confidence, increased to 102.8 in June and then jumped to 106.1 in July. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, "Consumer confidence has now increased for four consecutive months, and is at its highest level since June 2002 when it registered 106.3." She further noted, "The spring turnaround has been fueled by gains in employment and unless the job market sours, consumer confidence should continue to post solid numbers."

Given the up and down nature of the economy, both nationally and locally, a positive balance on a \$2.6 billion dollar budget is certainly welcome. Historically, the County's revenue forecasts have been very accurate with an average difference between the revised budget and actual revenue of 0.7 percent from FY 1993 through FY 2004, well within forecasting standards. It is however, difficult to predict with great certainty the exact timing and magnitude of economic recovery. Looking back, we can see that our revenue forecasts tend to be less precise after a period of sluggish economic growth. This is again the case as we emerge from the slow economy of the past few years.

The economic picture is improving similarly at the state level. Virginia's April 2004 unemployment rate fell to its lowest level in three years at 3.1 percent, a decline driven by strong spring hiring reflected primarily in the tourism and travel sectors. It was also well below the nationwide rate of 5.4 percent in April 2004. As a result of the improving economy, the Commonwealth finished FY 2004 with a surplus of \$324 million, an increase of 2.8 percent over estimate, due to stronger than expected income, sales and corporate tax revenues. Over half of the surplus, or \$177 million, will be directed toward the state's rainy day fund, which was depleted from a high of approximately \$900 million to \$100 million after three years of revenue shortfalls. Other uses identified by the Governor include \$50 million for state building maintenance, \$32 million for the Clean Water Fund, and \$26 million for the costs of cleaning up from Hurricane Isabel last September as well as other disasters. According to Governor Warner, the remaining surplus will be brought forward into the current two-year budget cycle.

Staff is closely monitoring all revenue categories to determine if recent economic improvement is sustained and produces growth in County revenue. During the fall of 2004, all revenue categories will be reviewed after several months of FY 2005 collections have been received. Any necessary adjustments will be made as part of the fall review or during the *FY 2005 Third Quarter Review*.

#### **FY 2004 Disbursements**

The initial General Fund disbursement balance totals \$54.35 million. An amount of \$38.63 million is carried forward for encumbered and unencumbered items, leaving a variance of \$15.72 million or 0.6 percent of total estimated disbursements. Much of this balance can be attributed to agency efforts to manage position vacancies and operating requirements as part of ongoing objectives to restrain spending and provide services as efficiently as possible. It is particularly noteworthy that no County agencies or funds exceeded their appropriation in FY 2004. More detailed information on FY 2004 Disbursements is included in the Carryover attachments.

#### **Recommended FY 2005 Disbursement Adjustments**

This Carryover package includes a number of recommended adjustments that are necessary based on previous Board action and priorities, as well as external factors such as growing service populations and state legislation that have an impact on Fairfax County operations. As part of the Carryover Review, I limited adjustments to only the most critical items for which the costs could not be absorbed within agency budgets.

Public safety is one of the Board of Supervisors' top priorities and while Fairfax County enjoys a strong reputation as a safe community, population growth and other demographic changes contribute to increased requirements in the public safety program area. As part of the *FY 2004 Carryover Review*, I am recommending several adjustments for FY 2005 to support the County's strategic vision element of *Maintaining a Safe and Caring Community*.

- Gang prevention is a major public safety objective. To support the Board's newly created Coordinating Council on Gang Prevention, I have identified funding of \$200,000 for 1/1.0 SYE Resource Coordinator to serve as the primary point of contact for gang-related issues, resulting in more efficient and coordinated provision of services. This position will also plan and coordinate the Gang Prevention Summit.
- As another strategy to prevent gang activity and promote positive youth activities, a General Fund transfer of \$2.0 million is included to support the acceleration of the Mott Community Center Expansion. The decision to accelerate construction of this facility is based on several significant factors including increased programming needs precipitated by changing demographics, designation of the center for a new computer clubhouse and the anticipated development of the Popes Head Park site. Expansion will provide a larger gymnasium, additional classroom space, a regional teen center and new computer clubhouse, all offering additional opportunities for constructive youth involvement.

- Also recommended is \$1.69 million to open one-half floor of new jail space in FY 2006. This funding will permit the hiring and training of 16/16.0 SYE new deputies and 2/2.0 SYE medical staff in order to address overcrowding associated with the growing jail population, due in part to new DUI laws that result in a higher level of incarceration, for which the local government bears the cost. Laws such as this represent an unfunded mandate from the Commonwealth, which requires incarceration but does not compensate localities for these additional costs.
- Another area of need of which the Board is aware is the County's emergency medical services (EMS) capability. As detailed in a memorandum to the Board dated May 21, 2004, funding of \$5.4 million and 32/32.0 SYE positions are required to address workforce shortages and a restructuring of EMS staffing to keep up with the demands of a growing population that generates approximately 62,000 EMS calls annually. This high-stress workload results in burnout and a difficulty in retaining highly trained Advanced Life Support (ALS) providers. Included in this adjustment is \$1.9 million for ALS premium pay as an incentive for uniform staff to obtain and maintain ALS provider status. An amount of \$2.2 million will fund 23/23.0 SYE additional positions as the first year phase-in of a total additional 42 ALS providers in order to ultimately reduce the high level of overtime that results in employee burnout. Finally, \$1.3 million will fund 9/9.0 SYE positions for EMS daily supervision, compliance, quality assurance, training and continuing education management, resulting in a higher level of service for all County residents.

To address the Board's priority of retaining and expanding affordable housing, I am proposing a General Fund transfer of \$4.0 million to Fund 144, Housing Trust Fund, for construction of Little River Glen II, a 60-bed assisted living facility for low and moderate income elderly, as well as an adult day care center to be constructed adjacent to Little River Glen, a 120-unit residential housing facility for low-to-moderate income elderly. The aging of the County's population, as well as the constant loss of affordable housing make this investment all the more critical. Additional details on this project, which supports the County's strategic vision element of *Building Livable Spaces*, are included in the Administrative Adjustments section of this letter.

Amid our other priorities, we must not lose sight of the need to preserve the environment for current and future generations. One such action that supports the County's vision element of *Practicing Environmental Stewardship* is the Countywide expansion of the Metrochek program. I am recommending the expansion of the existing \$60 per month Metrochek transit subsidy that is currently in place at the Government Center to all County employees effective January 1, 2005. The additional cost in FY 2005 is \$0.2 million. This subsidy promotes the use of bus and rail mass transit as well as vanpools for work commuting. Reducing the use of single-occupant vehicles will contribute to improved air quality. In addition to environmental benefits, this initiative also enhances employee recruitment and retention. It is estimated that approximately 640 employees will participate in the program once it is fully operational. In addition, \$2.0 million of the County's FY 2004 ending balance will be set aside to address critical environmental projects to be identified by staff and the County Executive, and approved by the Board of Supervisors. These initiatives support the Board-adopted plan, "Environmental Excellence for Fairfax County: A 20-Year Vision."

As the Board requested during adoption of the FY 2005 budget, funding has been set aside for critical Fairfax County Public Schools (FCPS) needs with regard to the replacement of personal computers and vehicles, as well as to address environmental issues, i.e., the use of cleaner Ultra Low Sulfur Diesel fuel in school buses. This approach will require FCPS to develop a plan for the establishment of the various replacement reserves and requires them to identify matching funds for these purposes. County funding of \$5.0 million will be set aside until such a collaborative plan is in place and approved by the Board of Supervisors.

A balance of \$4.55 million remains for the Board's consideration. This balance can be used for consideration items put forth by the Board or to be held in reserve to be available during FY 2006 budget development. The FY 2005 requirements to meet previously approved FY 2004 commitments and other necessary adjustments include the following:

- Administrative Adjustments to FY 2005 General Fund revenues totaling \$4.85 million have been made. This includes a \$2.01 million payment from the Energy/Resource Recovery Facility (E/RRF) located on the Lorton property and operated by Covanta Fairfax, International which changed from tax-exempt to taxable status. As a 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. As a result, the net impact is \$0 to both the General Fund and Fund 112. Revenue from the vehicle rental tax has been increased \$1.12 million in FY 2005 based on a Memorandum of Understanding with the City of Fairfax for tax payments due to Fairfax County that were erroneously distributed by the Virginia Department of Motor Vehicles to the City of Fairfax. The balance due will be paid to the County in annual installments of \$116,733 through 2013. The Department of Family Services will realize an increase in state and federal revenue of \$0.12 million offset by increased expenditures (see page 11 of this letter for details). Additional federal revenue of \$0.7 million associated with the Help America Vote Act is anticipated in FY 2005 as funds were not received by year-end FY 2004. This funding will reimburse the County for one voting machine per polling place to provide access for the visually impaired. Lastly, Revenue from the Commonwealth for Sheriff Expenses is increased \$0.9 million based on State notification of additional reimbursement. Aside from the adjustments mentioned above and as noted in the Administrative Adjustment section, no other revenue adjustments have been made to FY 2005. (See Attachment II for details.)
- Funding for General Fund encumbrances in the amount of \$29.59 million representing legal obligations of the County that were not received in time for payment in FY 2004.
- General Fund unencumbered items in the amount of \$9.04 million for previously approved items required to implement initiatives in progress, which should be re-appropriated in FY 2005.
- Funding for administrative adjustments totaling \$33.32 million, which will be discussed on the following pages.
- An allocation in the amount of \$7.81 million to the Revenue Stabilization Fund per Board guidelines.
- An increase to the Managed Reserve in the amount of \$1.60 million based on the above adjustments.

As a result of these FY 2004 commitments, the FY 2005 available balance is \$11.55 million. I recommend the following distribution of this balance:

- \$5.0 million for FCPS replacement reserves for computers and vehicles
- \$2.0 million for environmental initiatives to be identified by staff and approved by the Board

The remaining balance as a result of these recommendations is \$4.55 million.

#### **FY 2004 Audit Adjustments**

As the Board is aware, the financial audit of FY 2004 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2004 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2005 Third Quarter Review*.

## Summary of Adjustments

The *FY 2004 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 2004 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of \$31.2 million. This includes increased expenditures of \$33.3 million offset by \$2.1 million in additional revenue. Details are as follows:

#### *Legislative-Executive Functions/Central Services*

	Revenue	\$0
<b>Agency 02, Office of the County Executive</b>	Expenditure	<u>\$200,000</u>
<b>Funding for Gang Prevention Coordination</b>	<b>Net Cost</b>	<b>\$200,000</b>

At the July 12, 2004 Board of Supervisors meeting, the Board established a new Coordinating Council on Gang Prevention. This group will be responsible for the coordination and oversight of the County's preventative and community education efforts to combat the presence and proliferation of gangs. The group will report to the Board of Supervisors on programs and initiatives that support this effort.

As part of this effort, funding of \$200,000 is included to support the creation of 1/1.0 SYE Resource Coordinator for Gang Prevention, as well as to provide funding for operating expenses, the creation of publications and brochures, and other costs associated with planning and coordinating a Gang Prevention Summit in the fall of 2004. This action is necessary in order to deal with complex gang-related issues and provide the leadership and management necessary to develop a systematic approach to youth gang prevention. The Resource Coordinator for Gang Prevention will serve as the primary point of contact for gang-related issues and will be responsible for working closely with the members of the Coordinating Council, and for planning and coordinating the Gang Prevention Summit.

	Revenue	\$0
<b>Agency 13, Office of Public Affairs</b>	Expenditure	<u>\$97,500</u>
<b>County Bond Referendum Pamphlet</b>	<b>Net Cost</b>	<b>\$97,500</b>

Funding of \$97,500 is required for the 2004 Bond Referendum public information campaign as approved by the Board of Supervisors on June 21, 2004. A bond pamphlet will be delivered to County households and additional copies will be provided at libraries, County facilities, polling places and other venues. This pamphlet will include wording that is relevant to the bond questions, as well as information on bond financing, the cost of borrowing, the effect of borrowing and the tax rate, bond status and other financial information. This funding includes printing and mailing approximately 450,000 copies of the bond pamphlet.

#### *Judicial Administration*

	Revenue	\$0
<b>Agency 85, General District Court</b>	Expenditure	<u>\$125,000</u>
<b>Extra Compensation Due for Past Overtime</b>	<b>Net Cost</b>	<b>\$125,000</b>

Funding of \$125,000 is required to fund back payment for overtime worked by employees based on a recent discovery that Probation Counselor positions in the General District Court are entitled to overtime pay rather than compensatory time, which had been the practice. The Department of Human Resources indicates that these positions are non-exempt under the Fair Labor Standards Act (FLSA) and are therefore entitled to overtime pay at one and one-half times their regular rate of pay.

**Public Safety**

<b>Agency 90, Police Department</b>	Expenditure	(\$80,000)
<b>Agency 92, Fire Department</b>	Expenditure	(\$107,000)
<b>Agency 93, Emergency Management</b>	Expenditure	<u>\$187,000</u>
<b>Additional Start-Up and Planning Expenses</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$187,000, including \$107,000 from the Fire Department and \$80,000 from the Police Department, has been transferred to the Office of Emergency Management. The transfer is necessary to properly account for costs associated with establishing Emergency Management as a free-standing agency. The transferred appropriation will support \$60,302 in Emergency Management Personnel Services primarily associated with additional overtime and limited-term staffing. In addition, \$126,698 in Operating Expenses is primarily associated with the development and revision of the Continuity of Operations Plan and Emergency Operations Plan as well as Department of Vehicle Services, telecommunications and other internal services charges. The net impact on the General Fund is \$0.

	Revenue	\$0
<b>Agency 91, Office of the Sheriff</b>	Expenditure	<u>\$1,691,392</u>
<b>Positions for Opening One-Half Floor of Jail Space</b>	<b>Net Cost</b>	<b>\$1,691,392</b>

Funding of \$1,691,392 is required for positions related to the expansion of the prisoner population and the need to open one-half floor of new jail space in FY 2006. FY 2005 funding will permit the hiring and training of 16/16.0 SYE new deputies during FY 2005, and the addition of 2/2.0 SYE medical staff to meet needs of the expanded jail population, not increased since medical staff additions in FY 2000. Funding of \$1.69 million includes \$1,288,346 in salaries and equipment costs in the Office of the Sheriff and \$403,046 in fringe benefits.

Additional jail space for general population use is available, but is now unstaffed, within 2 ½ floors of the jail "Expansion." The jail Expansion space of 5 floors was only partially opened during FY 2001 based on the size of the prisoner population at that time. The size of the jail population, increased by incremental annual growth and the impact of certain legislation such as new DUI laws which take effect this year, has now reached the point where it is difficult to house prisoners in existing staffed space. During the 12-month period in which 16 new deputies will be trained in FY 2005 to staff and open the additional half floor in FY 2006, it will be necessary to continue to manage jail population growth through double-bunking, overtime staffing, and initiatives such as the Electronic Incarceration Program (which places prisoners in their homes on a monitor). The jail population reached a high of 1,313 in November 2003, and sustained an average daily population level of 1,253 for FY 2004, which is 455 prisoners over the single-bunked state-rated capacity for space in the jail already staffed and in use. An additional half floor will provide another 96 cells which have single-bunking capacity. Staffing of additional jail space beyond this half floor will be implemented as necessary as part of future annual budget processes.

	Revenue	\$0
<b>Agency 92, Fire and Rescue Department</b>	Expenditure	<u>\$5,426,523</u>
<b>Emergency Medical Staffing</b>	<b>Net Cost</b>	<b>\$5,426,523</b>

As presented to the Board of Supervisors in a memorandum dated May 21, 2004, funding of \$5,426,523 and 32/32.0 SYE positions, including \$4,740,576 in salaries, equipment and operating costs, and \$685,947 in fringe benefits is required to address workforce shortages and a restructuring of Emergency Medical Staffing to meet the response needs of approximately 62,000 Emergency Medical Service (EMS) calls a year. The agency has found it increasingly difficult to fill the minimum staffing of Advanced Life Support (ALS) providers on a daily basis, requiring the mandatory call-back or holdover of those with ALS certification. This has created a work environment that is very stressful and inadvertently

encourages ALS providers to give up their certification to ensure time off. In addition, the growth in the number of EMS responses and increasing demands from other critical emergency issues have compromised the effectiveness of the existing EMS structure. The total funding of \$5.4 million is broken out as follows:

- ◆ \$1,951,140 for ALS premium pay funding of \$2.00 and \$3.00/hour (depending on position) for hours during which providers fill assigned ALS positions. This premium pay funding provides compensation in recognition of the daily demands placed on ALS providers, and provides an economic incentive for uniformed staff to obtain and maintain status as ALS providers, a specialty for which daily shortages have been occurring. This action complements steps taken in FY 2004 to create a revised class specification of Firefighter/Medic designed to require that staff recruited into this specialized field maintain their ALS certification and perform as ALS providers in the field.
- ◆ \$2,151,236 for the additional cost of 23/23.0 SYE additional positions to be added as the first year phase-in of a total additional 42 ALS providers to reach a full complement of ALS providers on a daily basis. Once these positions are recruited and trained, they will address ALS services currently provided by existing staff on overtime. Reductions in overtime are not expected before the FY 2006 budget year because of the time required for training for this specialized service. The current call-back and/or hold-over requirement of 15 ALS providers a day will begin to be addressed by these staff additions, alleviating staff burnout and a trend of ALS providers giving up certifications to migrate to suppression positions.
- ◆ \$1,324,147 for 9/9.0 SYE positions for emergency medical services daily program supervision, compliance, quality assurance, training and continuing education management. An additional 12 positions related to those areas are proposed to be phased in for FY 2006. Of the \$1.3 million adjustment for FY 2005, \$245,000 is non-recurring and is related to the purchase of fully-equipped battalion management vehicles.

***Public Works***

	Revenue	\$0
<b>Agency 08, Facilities Management Division</b>	Expenditure	<u>\$158,000</u>
<b>Increased Security Requirements</b>	<b>Net Cost</b>	<b>\$158,000</b>

Funding of \$158,000 is required to provide for increased salaries for contractual security guards and additional security requirements at County facilities. An increase in the contracted hourly rate for security guards is funded to keep rates closer to those of other private security contractors. It should be noted that no rate increase was provided for the past two years. Incidents at the South County facility have caused security efforts to be expanded from two shifts a day with no overnight coverage to 24-hour coverage every day of the week. The funding also provides for higher costs associated with an increased number of Code Orange days which necessitate higher levels of security.

	Revenue	\$0
<b>Agency 08, Facilities Management Division</b>	Expenditure	<u>\$91,000</u>
<b>Operating Costs for the James Lee Center</b>	<b>Net Cost</b>	<b>\$91,000</b>

Funding of \$91,000 is required for annual operating costs for the newly renovated James Lee Community Center. The funding provides \$45,000 for custodial services, \$23,000 for electricity and \$23,000 for HVAC supplies and repairs. The center was expanded from 34,000 square feet to 57,000 square feet and was re-opened on May 21, 2004.

*Health and Welfare*

<b>Agency 69, Department of Systems Management for Human Services</b>	Expenditure	(\$162,981)
<b>Agency 67, Department of Family Services</b>	Expenditure	<u>\$162,981</u>
<b>HAAT Positions Transfer</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$162,981 in Personnel Services for FY 2005 is transferred from the Department of Systems Management for Human Services to the Department of Family Services in conjunction with the transfer of three Social Worker II positions. The three positions were transferred in May 2004 to support improved access to client services through HAAT (Health Access Assistance Team). HAAT provides service coordination and outreach to Medicaid-eligible clients.

<b>Agency 71, Health Department</b>	Bathing Services Expenditures	(\$445,875)
<b>Agency 67, Department of Family Services</b>	Home-Based Care Expenditures	<u>\$445,875</u>
<b>Consolidation of Home-Based Care Services</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$445,875 in Operating Expenses is transferred from the Health Department to the Department of Family Services (DFS) in conjunction with the consolidation of bathing services within DFS' Home-Based Care Program as indicated in the FY 2005 Add-On Package. Funding of \$25,000 is retained by the Health Department to continue the provision of bathing services as part of its Saturday Center-Based Program. This consolidation will facilitate the realization of program efficiencies.

	Revenue	\$100,000
<b>Agency 67, Department of Family Services</b>	Expenditure	<u>\$100,000</u>
<b>Community Homes for Adults Program</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$100,000 is required to appropriate additional state revenue for the Community Homes for Adults program. This funding will be used to support services for the adult foster care program. The expenditure increase is fully offset by an increase in state funding with no net impact to the General Fund.

	Revenue	\$21,765
<b>Agency 67, Department of Family Services</b>	Expenditure	<u>\$21,765</u>
<b>Education and Training Voucher Program</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$21,765 is required to appropriate additional federal Education and Training Voucher (ETV) Program funding. This additional funding will be used to help foster youth with expenses associated with college and vocational training programs. The expenditure increase is fully offset by an increase in ETV funding with no net impact to the General Fund.

	Revenue	\$3,697
<b>Agency 67, Department of Family Services</b>	Expenditure	<u>\$3,697</u>
<b>Respite Care Program</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$3,697 is required to appropriate additional state revenue for the Respite Care program. This funding will be used to support a range of services to foster care families. The expenditure increase is fully offset by an increase in state funding with no net impact to the General Fund.

## *Community Development*

	Revenue	\$0
<b>Agency 16, Economic Development Authority</b>	Expenditure	<u>\$25,000</u>
<b>Reston Incubator</b>	<b>Net Cost</b>	<b>\$25,000</b>

Funding of \$25,000 is included to support the Reston Incubator Program beginning in FY 2005 as approved by the Board of Supervisors during its deliberation on the FY 2005 Budget. The Incubator Program of the Greater Reston Chamber of Commerce assists entrepreneurs in forming and developing high-growth businesses in various sectors of the regional economy including technology, government services and supporting industries. The program provides business services, technical support and physical space to help emerging businesses grow. Job creation and increased regional prosperity are the program's primary goals.

	Revenue	\$0
<b>Agency 40, Department of Transportation</b>	Expenditure	<u>\$400,000</u>
<b>Lorton Area Transportation Study</b>	<b>Net Cost</b>	<b>\$400,000</b>

Funding of \$400,000 is included to fund a study for design options for Lorton Road as recommended by the Laurel Hill Policy Committee. In light of the state's road funding problems and the lack of County funds available for substantial construction, this study will review all options concerning Lorton Road and the connecting network, including modification of the Comprehensive Plan, in order to establish cost estimates and determine responsibility for construction.

	Revenue	\$0
<b>Agency 40, Department of Transportation</b>	Expenditure	<u>\$207,900</u>
<b>Countywide Expansion of Metrochek Program</b>	<b>Net Cost</b>	<b>\$207,900</b>

An amount of \$207,900 is required to expand the existing \$60 per month Metrochek transit subsidy program that is in place at the Government Center complex to all County employees, effective January 1, 2005. The Metrochek program provides \$60 a month toward employee commuting costs for those employees who use transit or carpool to get to work. The use of Metrochek has environmental benefits, can help in employee recruitment, and makes it easier for employees to pay their commuting costs. The benefit is expected to be especially popular in South County as that area is heavily dependent on bus transportation. It is estimated that approximately 640 employees will participate in this program once fully operational based on current usage rates of employees at the Government Center. The full-year cost of the program expansion is \$415,800. Based on 640 participants, this program will reduce Nitrogen Oxide (NOx) emissions by 0.008 tons per day and Volatile Organic Compounds (VOC) emissions by 0.004 tons per day. The annualized emissions reduction will be approximately two tons of NOx and one ton of VOC.

	Revenue	\$0
<b>Various Agencies</b>	Expenditure	<u>\$0</u>
<b>Realignment of Services</b>	<b>Net Cost</b>	<b>\$0</b>

In order to better align services provided by two functions formerly operated out of the Department of Cable Communications and Consumer Protection, the Archives and Records Management division will be moved to the Libraries and the Multi-Function Digital Device program will be supported by the Department of Information Technology. The Archives and Records Management division manages the storage and retrieval of the County's temporary and historical records and materials. With the realignment to the Library, it is expected that cross training of ideas and methods will result in increased efficiencies for both activities. The Multi-Function Digital Device program operates over 500 machines capable of copying, printing, faxing and scanning integrated with the County's enterprise network. The

equipment involved in the programs operation is highly technical, requires software applications to operate the machines and requires interfaces with the County's technology infrastructure to perform the functions in a networked setting. In addition, as part of a redirection of positions approved by the County Executive, there are several inter-agency position transfers. As a result of these moves, 8/8.0 SYE positions and \$665,527 will be transferred from the Department of Cable Communication and Consumer Protection to Agency 52, Libraries; 1/1.0 SYE position and \$62,711 will be transferred to the Department of Tax Administration; and 2/2.0 SYE positions and \$133,533 will be transferred to Agency 70, Department of Information Technology.

***Non-Departmental***

	Revenue	\$0
<b>Agency 87, Unclassified Administrative Expenses</b>	Expenditure	\$1,000,000
<b>Agency 89, Employee Benefits</b>	Expenditure	<u>\$1,000,000</u>
<b>Workers' Compensation and Self Insurance Requirements</b>	<b>Net Cost</b>	<b>\$2,000,000</b>

Funding of \$2,000,000 is required to address anticipated increases in Workers' Compensation and Other Insurance. Workers' Compensation is increased \$1,000,000 in FY 2005 due to higher than expected claims based on actual experience in FY 2004. A number of serious cases, including the ongoing costs of several Hepatitis C cases, contributed to a rise in claims in FY 2004. The number of major claims has risen consistently over the past three years, but it is projected that this number will begin to level off in FY 2005. However, because several of the Hepatitis C cases are ongoing and medical costs have continued to increase, it is anticipated that FY 2005 experience will be similar to FY 2004. Other Insurance is also increased by \$1,000,000 to cover the General Fund portion of insurance premiums charged by Fund 501, County Insurance Fund, for administration of the County's general, auto, professional and other liability coverage. Both General Fund and non-General Fund agencies pay a portion of these premiums, but actual experience indicates that the General Fund proportion of these costs has grown. The increases in Agency 87, Unclassified Administrative Expenses, and Agency 89, Employee Benefits, will fund the required increased contribution to Fund 501, County Insurance Fund.

***General Fund-Supported***

<b>Agency 67, Department of Family Services</b>	Expenditure	(\$500,000)
<b>Agency 80, Circuit Court and Records</b>	Expenditure	(\$400,000)
<b>Fund 104, Information Technology Projects</b>	General Fund Transfer	<u>\$1,500,000</u>
<b>Information Technology Funding</b>	<b>Net Cost</b>	<b>\$600,000</b>

The General Fund transfer to Fund 104, Information Technology Projects is increased by \$1,500,000, which is partially offset by a reduction of \$500,000 in the Department of Family Services and \$400,000 in Circuit Court and Records as a result of realigning information technology funding. This realigned funding will be appropriated to Project IT0011, Imaging and Workflow, for an initiative in the County's Child Care Assistance and Referral program and to Project IT0056 to continue to support the development and testing of a prototype courtroom. In addition, \$600,000 will be used to support changes required in the Personal Property Tax System as a result of recent General Assembly action mandating that multiple personal property tax rates be implemented by January 1, 2006.

<b>Fund 106, Fairfax-Falls Church Community Services Board</b>	General Fund Transfer	<u>\$263,772</u>
<b>INOVA Mount Vernon Hospital</b>	<b>Net Cost</b>	<b>\$263,772</b>

Funding of \$263,772 is included to augment an existing contract between the Community Services Board (CSB) and INOVA Mount Vernon Hospital. Since the late 1970s, the CSB and Mount Vernon Hospital

have worked together as partners to provide mental health services to South County residents. The contract was recently restructured to better reflect current population needs and increased costs of providing the same level of care, and to include psychiatric coverage for the inpatient unit and after-hours emergency service that were not incorporated in the original contract. The costs of providing inpatient care will be reimbursed to INOVA Mount Vernon Hospital directly from the State Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS). An increase of \$263,772 in the General Fund Transfer is included in FY 2005.

	Revenue	\$62,800
<b>Fund 106, Fairfax-Falls Church Community Services Board</b>	Expenditure	<u>\$62,800</u>
<b>Mental Retardation Specialist II Position</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$62,800 is included to support a new 1/1.0 SYE merit regular Mental Retardation Specialist II position (S-22) in order to meet the increased workload associated with the FY 2005 special education graduates and the allocation of 93 new Medicaid Waiver slots awarded by the State. The addition of new graduates, coupled with the allocation of new Waiver slots, will require considerable staff time to assess client needs, identify appropriate services, facilitate placements or transitions, and case manage on a regular basis. The allocation of 93 slots in FY 2005 is significantly higher than the 25 awarded in FY 2004. This adjustment is fully offset by a commensurate increase in Medicaid fee revenues and requires no additional General Fund support. As directed by the Board, staff are working on an alternative approach to the MR Graduates Program in which the County would be involved in identifying and facilitating placement, but County funding would be determined by need. Staff will report back to the Board for consideration as part of the FY 2006 budget process.

	General Fund Revenue	\$2,014,489
<b>Fund 112, Energy/Resource Recovery Facility</b>	General Fund Transfer	<u>\$2,014,489</u>
<b>Covanta Tax Liability</b>	<b>Net Cost</b>	<b>\$0</b>

On July 15, 2002, the Lorton property was transferred from the federal government to the County. As a result, the Energy/Resource Recovery Facility (E/RRF) located on the Lorton property and operated by Covanta Fairfax, International changed from tax-exempt to taxable status. The Department of Tax Administration will levy Real Estate and Business Personal Property Taxes on the E/RRF in the amount of \$2,014,489 in FY 2005. As a 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 \$2,014,489. As a result, the net impact is \$0 to both the General Fund and Fund 112. In order to best determine the General Fund transfer required, the appropriation associated with the tax liability was delayed until the *FY 2004 Carryover Review*.

	Fund Balance	\$17,500
<b>Fund 119, Contributory Fund</b>	Expenditure	<u>\$17,500</u>
<b>National Association of Counties (NACo) Dues</b>	<b>Net Cost</b>	<b>\$0</b>

Funding of \$17,500 is required for annual dues for the National Association of Counties (NACo). During FY 2002, NACo combined its dues requirements with the Virginia Association of Counties (VACo) in order to maximize both organizations' membership bases. As a result, Fairfax County has subsequently made one dues payment to VACo, which included the NACo membership. During the County's most recent budget adoption process, VACo affirmed that this arrangement would continue in FY 2005. However, as part of their own budget reductions, VACo changed that policy in May 2004, requiring counties to pay NACo dues separately. There is available fund balance in Fund 119, Contributory Fund, to address this requirement; therefore, no increase in the General Fund Transfer to this fund is necessary.

<b>Fund 144, Housing Trust Fund</b>	General Fund Transfer	<u>\$4,020,000</u>
<b>General Fund Transfer for Little River Glen II Construction</b>	Net Cost	<b>\$4,020,000</b>
<b>(Affordable Housing)</b>		

A General Fund transfer to Fund 144, Housing Trust Fund, in the amount of \$4,020,000 is provided for construction of Little River Glen II, a 60-bed assisted living facility for low and moderate income elderly and an adult day care center, to be constructed in the Braddock District adjacent to Little River Glen, a 120-unit residential housing facility for low-to-moderate income elderly. The total development and construction cost for the assisted living facility is estimated to be \$8,573,065. The County had previously allocated funding in the amount of \$4,011,010 to the assisted living project.

In addition to the assisted living facility expenses, construction of an adult day care center at Little River Glen is estimated to cost approximately \$3,510,516 and will be funded through a lease revenue bond with the County. The lease revenue payments for the adult day care center will be approximately \$301,805 for 20 years and will be funded from County appropriations.

The original proposed financing for the residential component of Little River Glen II included a combination of Low Income Housing Tax Credits (LIHTC) obtained by a partnership with Sunrise and INOVA, and a conventional mortgage to be repaid from revenues, as well as additional equity from other sources. However, based on federal tax credit restrictions, Sunrise and INOVA are no longer able to utilize the tax credit financing option. Other means of financing were explored; however, HCD concluded, in view of the potential need for significant ongoing operating support, that the project must be debt-free, similar to the Lincolnia assisted care facility developed in the late 1980s. In order to complete the financing package, additional equity is needed from the County to support this project and allow construction.

On January 9, 2004, an unsolicited proposal for the development of Little River Glen II was submitted to the Fairfax County Department of Purchasing and Supply Management (DPSM) by Olley Lane Assisted Living, LLC (Olley Lane), a joint venture between Sunrise Housing Foundation (Sunrise) and INOVA Health System Services (INOVA). Since submitting the proposal, Sunrise and INOVA have agreed that INOVA will transfer all of its membership interests in Olley Lane to Sunrise, but that this transfer will have no material effect on the proposal. The project would be developed by the private developer as a turnkey project to be turned over to the FCRHA upon construction completion. DPSM evaluated this proposal and accepted it subject to authorization and approval by both the FCRHA and the Board of Supervisors of a comprehensive agreement as required by the PPEA before construction can begin. Construction is estimated to take 12 months.

In addition to the construction funding requested, it should be noted that ongoing operating funds may be needed beginning in FY 2007.

<b>Fund 303, County Construction</b>	General Fund Transfer	<u>\$5,322,000</u>
<b>Laurel Hill</b>	Net Cost	<b>\$5,322,000</b>

The General Fund transfer to Fund 303, County Construction is increased by \$5,322,000 to provide building stabilization requirements at the Laurel Hill site. These structures require roof repairs, ventilation systems, and other stabilization efforts in order to remain serviceable until occupied. A condition assessment was conducted of all the contributing structures on the site that identified \$2,302,000 required for the Occoquan site and \$3,020,000 required for the Central/Max facility. The work involves replacing and repairing roofing throughout the campus, replacing/repairing exterior finishes to make the buildings water-tight, and providing passive ventilation systems. This work is in addition to the asbestos abatement requirements on both sites and is necessary to protect these historic structures.

<b>Fund 303, County Construction</b>	General Fund Transfer	<u>\$2,000,000</u>
<b>Mott Community Center Expansion</b>	<b>Net Cost</b>	<b>\$2,000,000</b>

The General Fund transfer to Fund 303, County Construction is increased by \$2,000,000 to support the acceleration of the Mott Community Center Expansion project based on several significant recent events and changes, including increased programming needs, changing demographics of the community served by the center, designation of the center for a new computer clubhouse, and the anticipated development of the Popes Head Park site. The renovations will include the expansion of the gymnasium to a full court, construction of additional classroom space, and room to accommodate the regional teen center and a new computer clubhouse. This project was scheduled beyond the 5-year period in the FY 2005 – FY 2009 Capital Improvement Program, but has been accelerated based on recent changes and the development of Popes Head Park which will provide an opportunity to increase awareness of Mott and its program offerings.

<b>Fund 303, County Construction</b>	General Fund Transfer	<u>\$2,500,000</u>
<b>Prioritized County Projects</b>	<b>Net Cost</b>	<b>\$2,500,000</b>

The General Fund transfer to Fund 303, County Construction, is increased by \$2,500,000 to address critical unfunded capital needs, including storm drainage, streetlights, and walkways. This funding will be equally divided (\$250,000 per District) between Board members. Staff will provide the Board with required/requested storm drainage, trails/sidewalks and streetlight projects by magisterial district and work with each Board member and the Chairman to help prioritize projects within the respective districts and throughout the County.

<b>Fund 303, County Construction</b>	General Fund Transfer	<u>\$1,027,645</u>
<b>Other Capital Projects</b>	<b>Net Cost</b>	<b>\$1,027,645</b>

The General Fund transfer to Fund 303, County Construction, is increased by \$1,027,645 to support additional costs associated with the Katherine K. Hanley Family Shelter and reimbursement of funding for road development at Great Falls Nike Park. Funding of \$950,000 is included to support higher than anticipated costs associated with the Katherine K. Hanley Family Shelter based on changes in the construction market conditions; increases in steel, cement and petroleum product costs; higher than anticipated site work; the focus and expectation of the community and the installation of pedestrian improvements in the form of a trail along Route 29 to Stringfellow Road. The shelter project is currently in the design phase, is expected to proceed to construction in summer 2005 and is estimated to be complete in late fall 2006. In addition, an amount of \$77,645 is included to reimburse the Park Authority for funds utilized to satisfy road development escrow requirements at the Great Falls Nike Park.

<b>Fund 308, Public Works Construction</b>	General Fund Transfer	<u>\$196,000</u>
<b>Lake Martin Dredging and Emergency Road Repairs</b>	<b>Net Cost</b>	<b>\$196,000</b>

The General Fund transfer to Fund 308, Public Works Construction, is increased by \$196,000 for costs associated with dredging Lake Martin and funding to support emergency road repairs throughout the County. An amount of \$111,000 is necessary to support salaries for planning, design, survey work, land acquisition and construction administration associated with the dredging and restoration of Lake Martin. On October 28, 2003, the County was awarded \$625,271 in a lawsuit to mitigate damages to Lake Martin and identify stream channels within the watershed. This total was offset by \$356,400, which represents the proceeds from a letter of credit and the conservation deposit paid in 1997. The remaining balance of \$268,871 is not anticipated as the company is now out of business. The funding remaining from the letter of credit is insufficient and not available for staff work to complete design, perform survey work, obtain land rights and oversee construction. In addition, an amount of \$85,000 is included to fund immediate requirements at 27 service drives throughout the County to repair potholes, drive surface overlays, sidewalk, curb and gutters, storm drainage structure repairs, and signage, as noted to the Board of

Supervisors in a July 15, 2004 memorandum. The cost for these immediate safety repairs is \$50,000. In addition, annual funding of \$35,000 for safety repairs and maintenance is required; including \$15,000 for roadway safety repairs and \$20,000 for snow and ice removal.

<b>Fund 312, Public Safety Construction</b>	General Fund Transfer	<u>\$2,829,210</u>
<b>Transfer to Support Judicial Center Expansion and Renovation</b>	<b>Net Cost</b>	<b>\$2,829,210</b>

The General Fund transfer to Fund 312, Public Safety Construction, is increased by \$2,829,210 to support the funding requirements to complete construction of the Judicial Center Expansion and Renovation. On June 7, 2004, the Board of Supervisors approved the contract award for the construction of the Judicial Center Expansion and Renovation. In order to award this contract, additional public safety bond funding was identified to be reallocated or appropriated at the *FY 2004 Carryover Review* and as well as General Fund monies to support final requirements based on construction contract award and total project costs. Additional funding will be required in future years for operating expenses including systems furniture, loose furnishings, information technology and equipment.

<b>Fund 340, Housing Assistance Program</b>	General Fund Transfer	<u>\$2,000,000</u>
<b>General Fund Transfer for Jefferson Manor Construction</b>	<b>Net Cost</b>	<b>\$2,000,000</b>

The General Fund transfer to Fund 340, Housing Assistance Program, is increased by \$2,000,000 to complete Jefferson Manor Public Improvements Phase II-B on Fort Drive, including land acquisition, utility relocation and construction. Design expenses for Phase II-B are fully funded. Phase I of this project provided for design, land acquisition and construction of road and storm drainage improvements on Farmington Drive, Farnsworth Drive, as well as part of Edgehill Drive. Phase II-A included road and storm drainage improvements on Jefferson Drive and part of Monticello Road. Phases I and II-A are complete.

<b>Fund 503, Department of Vehicle Services</b>	Revenue	\$1,020,000
<b>Appropriation of Virginia Electric Power Company Settlement</b>	Expenditure	<u>\$1,020,000</u>
	<b>Net Cost</b>	<b>\$0</b>

As approved by the Board of Supervisors on June 21, 2004, funding of \$1,020,000 is included as a result of the Virginia Electric Power Company (VEPCO) settlement to purchase and install diesel retrofits on school buses per the terms of a settlement between VEPCO, the Environmental Protection Agency (EPA), the Department of Justice and several northeastern states. There is no Local Cash Match required, or cost to the County associated with this action. The retrofit of school buses is the first phase of a comprehensive diesel emissions reduction program originally outlined in a Board Administrative Item on September 15, 2003.

It should be noted that in the *FY 2003 Carryover Review* and subsequent correspondence with the Board, the total cost of the diesel emissions reduction program was estimated at approximately \$9.4 million. This figure has now been reduced to \$7.5 million due to three factors. First, a revised estimate of the total cost of school bus retrofits is \$1.8 million instead of the \$3.0 million originally estimated. Second, almost 300 trucks will be removed from service rather than retrofitted. Third, rapidly escalating fuel costs and the still tenuous supply line have slowed the introduction of ultra-low sulfur diesel (ULSD) fuel, resulting in lower usage of the higher cost fuel over the next two years than originally projected. This will save \$0.5 million of the originally estimated \$1.6 million cost of early introduction of ULSD.

With this action on the VEPCO settlement and those taken as part of the *FY 2003 Carryover Review*, the Board's funding of the diesel emissions reduction program to date totals \$4.5 million, leaving an amount of \$3.0 million to be identified in the future. Additional grant opportunities to help fund this amount are being explored. It is anticipated that the majority of the school bus retrofits will be completed by the end of FY 2005. The next phase of the diesel emissions reduction program will be focusing on heavy-duty diesel trucks in the County fleet.

## Consideration Items

Three Consideration Items are included for the Board of Supervisors' decision. These items total \$430,000, are not currently funded and would decrease the available balance of \$4.55 million. They are as follows:

	Revenue	\$0
<b>Agency 40, Department of Transportation</b>	Expenditure	<u>\$400,000</u>
<b>Tysons Corner Traffic Modeling Analysis</b>	<b>Net Cost</b>	<b>\$400,000</b>

- As requested by the Board of Supervisors on July 12, 2004, funding of \$400,000 is requested to fund a traffic modeling analysis for the update of the Tysons Corner Transportation Plan. Due to the complexities of the transportation network in Tysons Corner, the imminent arrival of rail to the area, and the number of land use and transportation proposals that have already been identified, the traffic modeling analysis should be initiated in the late 2004/early 2005 timeframe. Other funding options such as seeking cash proffers from active zonings are being explored but have yet to be identified. The Department of Transportation would need to have funding identified by the end of calendar year 2004 to keep the Tysons Plan on its currently proposed schedule.

	Revenue	\$0
<b>Agency 90, Police Department</b>	Expenditure	<u>\$20,000</u>
<b>Traffic Safety Camp Scholarships</b>	<b>Net Cost</b>	<b>\$20,000</b>

- As requested by the Board of Supervisors on April 16, 2004, funding of \$20,000 is requested to support scholarships for the Police Department's Traffic Safety summer camp. The camp provides a four-week program to school-age children on pedestrian safety and other issues. County support of \$91,005 for the camp was eliminated in the FY 2004 Adopted Budget Plan, but the Police Department has been able to continue the program through donations, a fee charged to parents and the use of police association facilities. Funding will provide scholarships to children who would otherwise be unable to attend due to the current fee structure.

	Revenue	\$0
<b>Fund 119, Contributory Fund</b>	Expenditure	<u>\$10,000</u>
<b>Wildlife Rescue League Contribution</b>	<b>Net Cost</b>	<b>\$10,000</b>

- As requested by the Board of Supervisors on May 24, 2004, funding of \$10,000 is requested to support the Wildlife Rescue League (WRL). The WRL, founded in 1984 and headquartered in Northern Virginia, is a non-profit organization that provides care for sick, injured and orphaned wildlife in order to return them to the wild. They work with licensed rehabilitators throughout Virginia and suburban Maryland, as well as with animal shelters, humane societies, wildlife groups, nature centers and veterinary hospitals to provide care. The WRL operates a hotline in Northern Virginia and surrounding areas to assist the public in obtaining information and help in locating a wildlife rehabilitator. They also educate the public about the natural history of native wildlife and how to coexist with it, as well as how to prevent the need for wildlife rehabilitation.

The majority of the League's \$48,620 annual budget is spent on food, medicine and vaccines for rehabilitated animals, as well as education for the public and rehabilitators. An amount of \$7,500 is used to operate a hotline to take calls about animals needing care. Currently, the WRL does not receive any local government contributions. Their budget depends on private contributions including Combined Federal Campaign (CFC) donations. Due to a decrease in contributions in recent years, the WRL has had to reduce rehab supplies and utilize \$9,870 of its \$40,000 reserve despite an increase in calls of 117 percent from 1999 to 2003. Approximately 75 percent of the 19,236 calls they received in 2003 were from Fairfax County residents. An annual contribution of \$10,000 would enable them to fund their mission without having to operate at a deficit, cut services and/or deplete their reserve.

## **Summary of FY 2004 Receipt and Disbursement Variances**

The following summarizes FY 2004 receipt and disbursement variances.

### **Receipts**

Actual FY 2004 General Fund Receipts and Transfers In are \$2.632 billion, an increase of \$33.7 million or 1.3 percent over the *FY 2004 Revised Budget Plan* estimate of \$2.598 billion. Major changes in General Fund Receipts are summarized below. Greater detail is available in Attachment II, Summary of General Fund Receipts.

- Actual FY 2004 Real Estate Taxes reflect an increase of \$1.7 million over the *FY 2004 Revised Budget Plan* due to lower than anticipated exonerations and tax relief, partially offset by a reduction in the projected collection rate of 99.65 percent to an actual rate of 99.60 percent.
- Total Personal Property Taxes in FY 2004 are \$473.0, a net increase of \$1.3 million over the *FY 2004 Revised Budget Plan*. Delinquent Personal Property Tax revenue increased \$4.1 million primarily due to a June 2004 payment from a Public Service Corporation that was in bankruptcy in FY 2003. This increase was partially offset by a decrease of \$2.8 million in Current Personal Property Taxes due to lower than anticipated collections from Public Service Corporations due to current year bankruptcies and an actual collection rate on local (non-PSC) properties that was lower than projected.
- FY 2004 Other Local Taxes were \$18.1 million higher than anticipated primarily due to categories that experienced accelerated growth during the latter part of FY 2004. Local Sales Tax receipts were \$5.0 million higher than projected. Deed of Conveyance and Recordation Taxes increased \$3.9 million and Mobile Telecommunications Tax collections were up \$2.8 million over the *FY 2004 Revised Budget Plan*. In addition, Business, Professional and Occupational License (BPOL) receipts were \$6.2 million higher than anticipated. Since businesses file and pay concurrently on March 1 each year, there was little information on which to base an adjustment to this estimate as part of the *FY 2004 Revised Budget Plan*. Growth in FY 2004 BPOL receipts reflects strong or improving sectors of the economy particularly Real Estate Brokers and Money Lenders; Retail; and Consultants.
- Revenue from Permits, Fees and Regulatory Licenses in FY 2004 was \$28.7 million, an increase of \$1.8 million over the *FY 2004 Revised Budget Plan* and is primarily the result of higher than anticipated fees for planning, building and site permits.
- Actual FY 2004 Charges for Services reflect an increase of \$0.6 million or 1.4 percent over the *FY 2004 Revised Budget Plan*. This increase is primarily attributable to higher than anticipated County Clerk fees associated with recording deeds.
- A net increase of \$9.7 million in Revenue from the Commonwealth and Federal Government is largely associated with public assistance programs that are linked to County expenditures.

### **Disbursements**

The initial General Fund Disbursement balance totals \$54.35 million. As part of the *FY 2004 Carryover Review*, an amount of \$38.63 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes \$29.59 million for encumbered, legal obligations of the General Fund which were incurred in FY 2004, and \$9.04 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV).

After adjusting for encumbered and unencumbered commitments, a variance of \$15.72 million or 0.6 percent of total estimated disbursements was realized. This represents a 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 2005 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase \$700.52 million over the FY 2005 Adopted Budget Plan. This amount includes \$645.17 million in carryover of unspent balances and an increase of \$55.35 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling \$31.54 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 2005 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total \$497.80 million, excluding debt service, over the FY 2005 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

Carryover is defined as the reappropriation in FY 2005 of previously approved items such as unexpended FY 2004 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 05014 and Fiscal Planning Resolution AS 05900 to provide expenditure authorization for FY 2004 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve including the following:

- Board appropriation of \$29.59 million in General Fund encumbrances from FY 2004 as noted in the Combined General Fund Statement.
- Board appropriation of General Fund unencumbered Board commitments totaling \$9.04 million as detailed in Attachment IV.
- Board appropriation of General Fund net administrative adjustments totaling \$31.2 million as detailed earlier in this memorandum.
- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund, totaling \$112.7 million or an increase of \$57.00 million as detailed in Attachment VI. Of this amount, \$13.64 million represents funding adjustments for existing, supplemental, and new grant awards for Emergency Preparedness, the Capital Facilities division of the Department of Public Works and Environmental Services, the Fairfax County Public Library, the Department of Family Services, the Health Department, the Juvenile and Domestic Relations Court, the Police Department, and the Fire and Rescue Department. In addition, an increase of \$44.51 million represents the carryover of unexpended FY 2004 balances for grants that were previously approved by the Board of Supervisors. It should be noted that the local cash match reserve for grant awards in Agency 87, Unclassified Administrative Expenses is decreased by \$1.15 million based on new grant awards in Capital Facilities and the Department of Family Services, as funding was moved from the reserve directly to these grants.

- Board appropriation of remaining Other Funds Carryover of \$1,141.32 million, which includes \$497.80 million in School expenditures and \$393.22 million for Capital Construction funds, and \$250.30 million in other funds. Of this total, \$1,069.59 million is in encumbered items, \$16.38 million is in unencumbered commitments, and \$55.35 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 2004 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 set aside \$5.0 million for FCPS vehicle and replacement requirements pending development of a clear approach subject to Board of Supervisors' approval and matching funds from the school system.
- Board approval to set aside \$2.0 million as a reserve for environmental projects identified by the County Executive and approved by the Board.

**SUMMARY OF FY 2004 CARRYOVER REVIEW  
FUNDED CONSIDERATION ITEMS**

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<b>#</b>	<b>Consideration Item</b>	<b>Net Cost</b>
1.	Tysons Corner Traffic Modeling Analysis	\$400,000
2.	20 additional LIDAR (Light Detection and Ranging) Units for the Police Department	\$80,000
3.	Traffic Safety Camp Scholarships	\$20,000
4.	Wildlife Rescue League Contribution	\$10,000
5.	Parking at Burke Library to Support the Burke VRE	\$585,000
6.	Permanent Site for the Franconia Museum	\$50,000
7.	Storm Drainage Deficiencies in the Clements Court/Annandale Acres area of Mason District	\$585,000
8.	Metropolitan Washington Ear	\$10,000
<b>TOTAL GENERAL FUND IMPACT</b>		<b>\$1,740,000</b>

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