

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: BOARD OF SUPERVISORS

DATE: March 21, 2005

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2005 Third Quarter Review

Attached for your review and consideration is the *FY 2005 Third Quarter Review*, including Supplemental Appropriation Resolution AS 05076 and Amendment to the Fiscal Planning Resolution AS 05901. 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 \$24,928,662. Note: This is in addition to the \$44,239,242 in revenue adjustments for FY 2005 identified as part of the fall revenue review.
- Attachment III - A Detail of Major Expenditure Changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools and the Federal/State Grant Fund, total a net increase of \$102,613,428. Expenditures in Non-Appropriated Other Funds increase a total of \$739,433.
- Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of \$35,796,624.
- Attachment V - Supplemental Appropriation Resolution (SAR) AS 05076, AS 04094 for FY 2004 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 05901.
- Attachment VI - FY 2004 Audit Package including final adjustments to FY 2004 and the FY 2005 Impact.

As the Board is aware, the *Code of Virginia* 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 2005 Third Quarter Review* recommends changes over the \$500,000 threshold, the public hearing has been scheduled for April 4, 5 and 6, 2005. On April 18, 2005, the Board will take action on this quarterly review prior to marking up the FY 2006 Advertised Budget Plan.

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2005 Revised Budget Plan*.

SUMMARY OF GENERAL FUND STATEMENT
(Dollars in Millions)

	<u>FY 2005 Revised Budget Plan</u>	<u>FY 2005 Third Quarter Estimate</u>	<u>Variance</u>
Beginning Balance	\$152.34	\$152.34	\$0.00
Receipts and Transfers In ¹	<u>2,773.87</u>	<u>2,798.80</u>	<u>24.93</u>
Total Available	\$2,926.21	\$2,951.14	\$24.93
Direct Expenditures	\$1,051.21	\$1,061.41	\$10.20
Transfers Out	<u>1,758.31</u>	<u>1,802.88</u>	<u>44.57</u>
Subtotal Disbursements	\$2,809.52	\$2,864.29	\$54.77
Ending Balance	\$116.69	\$86.85	(\$29.84)
Managed Reserve	\$56.19	\$57.29	\$1.10
Reserve for School Replacement Requirements (School Buses and Computers) ²	\$5.00	\$0.00	(\$5.00)
Reserve for Environmental Projects ³	\$2.00	\$0.00	(\$2.00)
Reserve for <i>FY 2005 Third Quarter Review</i> - Public Safety and Transportation Operations Center (PSTOC) ⁴	\$30.29	\$0.00	(\$30.29)
Reserve for Board Consideration and Tax Relief as part of the FY 2006 Budget	<u>\$23.21</u>	<u>\$23.21</u>	<u>\$0.00</u>
Available Balance	\$0.00	\$6.35	\$6.35
Revenue Stabilization Fund (<i>includes Managed Reserve</i>)		\$6.35	\$6.35
Balance Available		\$0.00	\$0.00

¹ *FY 2005 Revised Budget Plan* includes additional revenue of \$44,239,242 identified as part of the Fall Revenue Review and noted as part of the FY 2006 Advertised Budget Plan. The FY 2005 Third Quarter estimate includes an additional \$24,928,662 due to higher than anticipated real estate tax collections and personal property tax, as well as recordation tax due to continued strong mortgage refinancing activity. In addition, FY 2004 audit adjustments of \$1.17 million are included as part of the FY 2005 beginning balance.

² Appropriated and transferred to Fund 192, School Grants.

³ Appropriated from balance for various agencies and funds consistent with the Board-approved Environmental Excellence 20-Year Vision Plan.

⁴ Appropriated from balance to Fund 312, Public Safety Construction, to fund the Public Safety and Transportation Operations Center as well as associated managed reserve adjustment.

FY 2005 General Fund revenue included in the *FY 2005 Third Quarter Review* is increased a net \$24.9 million. As noted in the FY 2006 Advertised Budget Plan, \$44.2 million in revenue adjustments for FY 2005 were made prior to Third Quarter during development of the FY 2006 Budget. Total Disbursements are recommended to increase \$54.77 million including \$10.20 million in Direct Expenditures and \$44.57 million in Transfers Out. As shown on the table on the previous page, after reserves, the available balance in the General Fund as a result of these adjustments is \$6.35 million. In order to build up the Revenue Stabilization Fund (RSF), I am recommending that this balance be allocated to the RSF, including \$6.22 million for the fund and \$0.13 million for the associated Managed Reserve adjustment. When the Board established the RSF in FY 2000, it was anticipated that we would be closer to meeting the target of 3.0 percent of General Fund Disbursements by now. However, due to smaller balances and other priorities in recent years, we are currently meeting only 1.5 percent, or half of that target. With this allocation, 1.7 percent of the target will be met. It is imperative that we continue to focus our efforts on strengthening the RSF in order to meet the target for this important financial tool.

My proposed adjustments are described in greater detail below. However, before I discuss specific *FY 2005 Third Quarter Review* expenditure adjustments, I would like to briefly address factors affecting the County budget, particularly the economy and its impact on revenue.

The Economy

The national economy's momentum at the end of 2004 was significantly stronger than was previously thought. In late February 2005, the U.S. Commerce Department released a report stating that the gross domestic product (GDP) grew at a revised 3.8 percent annual rate in the final three months of last year, instead of 3.1 percent reported the previous month. In addition, according to the Commerce Department, seasonally adjusted preliminary December 2004 retail sales estimates for the U.S. increased 8.7 percent over December 2003, further indicating a much stronger economy than this time last year. Of concern, however, is the continuing rise in oil prices that are projected to reach as high as \$55 a barrel based on high demand resulting from the cold weather. This is already having an impact on Fairfax County's budget through higher fuel costs and has the potential to slow economic growth, as well as curtail consumer spending.

Exceptionally strong economic growth in calendar year 2004 has contributed to robust growth of FY 2005 General Fund revenues. An additional \$24.9 million in net revenue adjustments are identified as part of the *FY 2005 Third Quarter Review*, as noted previously, \$44.2 million in revenue adjustments for FY 2005 were made prior to Third Quarter during development of the FY 2006 Budget, bringing the total increase for FY 2005 to \$69.1 million. The forces that are responsible for brisk economic growth in calendar year 2004 are anticipated to moderate in calendar year 2005. Unfortunately, the timing of this moderation is extremely difficult to predict, which leads to variation among projected and actual receipts.

An example is Sales Tax, which is highly reactive to economic conditions. From December through March alone, monthly Sales Tax revenue has ranged from a decrease of 1.4 percent to an increase of 14.8 percent. With such wide fluctuations, it is difficult to make precise projections.

As the Board is aware, much of the County's recent revenue growth has been driven by Real Estate taxes as well as Recordation and Deed of Conveyance taxes, due to the high volume of new home purchases, which drives up assessed value, as well as mortgage refinancing of existing homes that results in increased Recordation Taxes. The Federal Reserve has taken action to raise the federal funds rate six times since June 2004 by a total of 150 basis points, which resulted in a rate of 2.50 percent. Additional rate increases are anticipated during 2005. While this has the effect of increasing the interest that the County earns on its investments, it is also expected to reduce the level of mortgage refinancing. However, we have not yet seen any substantive slow-down in refinancings.

The most recent data for Fairfax County's Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, showed a one month loss of 1.68 percent in November. Still, the County's Leading Index continues to track higher, reflecting its eight month-to-month gains over the past twelve months. After a period of rapid acceleration, it appears that the Leading Index is now moderating, which indicates a pattern of more stable growth.

Budget Requirements

While the revenue picture has been brighter than previous years, we are faced with the dual challenges of balancing the County's requirements with the need for relief for taxpayers. In addition, as we have seen from previous economic cycles, growth is uneven and despite our best forecasting efforts, somewhat unpredictable. As noted in the FY 2006 Advertised Budget Plan, \$44.2 million in revenue adjustments were made prior to Third Quarter during development of the FY 2006 Budget and include increases in Recordation and Deed of Conveyance Taxes; Sales Tax; Business, Professional and Occupational License (BPOL) Tax; Investment Interest; and Revenue from the Commonwealth and Federal Government. As part of the *FY 2005 Third Quarter Review*, an increase of \$24.9 million is due to additional Real Estate Tax revenue based on refined estimates of exonerations, supplemental assessments and tax relief; Recordation Taxes and Clerk Fees due to strong real estate market activity; Current and Delinquent Personal Property Taxes and Mobile Telephone Tax based on year-to-date collections; and Revenue from the Commonwealth and Federal Government as a result of increased reimbursable expenditures.

As the Board is aware, we have a pressing need for a new Public Safety and Transportation Operations Center (PSTOC), which will house the Public Safety Communications Center (PSCC), the Emergency Operations Center (EOC) and the Forensics Facility, as well as a transportation center operated jointly with the Virginia Department of Transportation (VDOT). This facility, planned for the Camp 30 site, will ensure adequate space, technology, security and communications capability to manage over one million 911 emergency calls handled annually by the PSCC. As anticipated and communicated to the Board during presentation of the FY 2006 Advertised Budget Plan, the *FY 2005 Third Quarter Review* includes \$30.0 million, which, with the \$15.0 million included in the FY 2006 Budget, will complete the funding required for constructing and equipping the PSTOC. Funding for this facility has been identified over several years as one-time balances became available, and will strategically support the Board's ***Public Safety Priority*** as well as the County vision element of ***Maintaining Safe and Caring Communities***.

Opening the Oakton Community Library in August 2007 will support several County vision elements including ***Building Livable Spaces, Connecting People and Places, and Creating a Culture of Engagement***. In order to open this facility on time, the Fairfax County Public Library needs approximately one and one-half years in advance to order and catalog over 70,000 titles. One-time funding of \$3.5 million is included as part of the *FY 2005 Third Quarter Review* in order to accommodate the acquisition of materials in time for this library's opening. It should also be noted that the Burke

Community Library will be completed in 2009, requiring its advance book buy one and one-half years prior to that opening. Funding for the Burke book buy will be included in the FY 2007 Advertised Budget Plan next year.

Increased General Fund Transfers totaling \$6.73 million are associated with several adjustments for capital projects that support the ***Building Livable Spaces*** vision element. These include \$0.30 million for scope and design work for the possible relocation of the Dranesville District Supervisor's office within the planned renovation of the Dolley Madison Community Library; \$3.00 million for the land acquisition reserve to support open space preservation; \$0.08 million to complete a developer default project; \$0.50 million to widen Stonecroft Boulevard in front of the Sully Police Station; \$0.62 million for feasibility studies in advance of the Fall 2006 Public Safety Bond Referendum; \$1.82 million for capital renewal and security enhancements at several County facilities; and \$0.41 million to develop a Joint Operations Center for Police and Fire and Rescue staff adjacent to the Alternate Emergency Operations Center. These latter four initiatives also contribute to the ***Maintaining Safe and Caring Communities*** vision element.

As part of the *FY 2004 Carryover Review*, the Board of Supervisors approved \$2.0 million for environmental initiatives that support the Board's Environmental Excellence 20-Year Vision Plan. Specific initiatives to support this plan have since been identified and approved by the Board, and are included in this package for appropriation. In addition to supporting the Board's ***Environmental Protection Priority***, funding these initiatives promotes the countywide strategic vision element of ***Practicing Environmental Stewardship***.

During the *FY 2004 Carryover Review*, the Board also set aside \$5.0 million in reserve to address computer and bus replacement requirements for the Fairfax County Public Schools (FCPS) pending development of a collaborative plan. Since FCPS subsequently provided a plan for replacing 3,300 school computers during FY 2005 with this \$5.0 million and another 2,900 with existing funding in their FY 2005 budget, these funds held in reserve are being appropriated to the Schools as part of the *FY 2005 Third Quarter Review*. Funding the replacement of technology used to educate students further demonstrates the Board's commitment to a ***Strong Investment in Education***. By prudently setting aside balances that materialize to enable replacement of essential capital equipment, we are also fostering the County vision element of ***Exercising Corporate Stewardship***.

These are only a few of the factors that are affecting the FY 2005 budget. Others are detailed in the following sections of the *FY 2005 Third Quarter Review* package. This Third Quarter package also includes a number of recommended adjustments that are necessary based on previous Board action or are associated with public safety requirements, rising Workers Compensation costs, and one-time revenue receipts.

As the Board is aware, FY 2005 funding in the amount of \$8.1 million, identified as part of the *FY 2004 Carryover Review*, has been held in reserve for the FY 2006 Budget. In addition, the Board set aside an amount of \$10.6 million in August 2004. This \$10.6 million represents additional revenue resulting from increases to the County's Recordation and Cigarette Tax rates made possible by 2004 General Assembly action. Based on year-to-date receipts and activity in the local real estate market, the actual value of the increased Recordation and Cigarette Taxes in FY 2005 is \$15.1 million. This amount, rather than the \$10.6 million originally projected has been added to the Reserve for the FY 2006 Budget. As a result, a total of \$23.2 million has been held in reserve for FY 2006. It should also be noted that the FY 2006 impact of these tax increases is \$12.6 million. This amount takes into account the adopted increase for FY 2006 of a cigarette tax at 30 cents per pack and projected reductions in Recordation Tax receipts based on anticipated slowing of the refinance market.

The following summarizes the adjustments recommended as part of the *FY 2005 Third Quarter Review*:

- An increase of \$1.17 million in General Fund Beginning Balance as a result of audit adjustments detailed in Attachment VI;
- An increase of \$24.93 million in General Fund Revenue/Transfers In for FY 2005 as part of the Third Quarter Review that are detailed in Attachment II. In addition, \$44.24 million in revenue adjustments for FY 2005 were identified as part of the fall revenue review;
- An increase in Total Disbursements of \$54.77 million, the largest requirement of which is \$30.0 million for the Public Safety and Transportation Operations Center (PSTOC) for which the details of this adjustment and others are found under the Administrative Adjustments section of this letter; and
- An Ending Balance of \$86.85 million, of which \$57.29 million is required for the Managed Reserve based on the above adjustments.

As a result of these adjustments, the FY 2005 available balance is \$6.35 million. I recommend that the entire remaining balance be transferred to the Revenue Stabilization Fund as follows:

- Funding in the amount of \$6,223,682 of the available balance is allocated to the Revenue Stabilization Fund, with a corresponding managed reserve adjustment of \$124,474. The fund has a targeted balance of 3.0 percent of General Fund disbursements or approximately \$86 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 \$42,964,327. With this adjustment, the balance increases to \$49,188,009 or 1.7 percent of General Fund Disbursements.

Summary of General Fund Receipts/Transfers In

A brief summary of the \$24.93 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 increases are in addition to a net revenue increase in FY 2005 General Fund revenue of \$44.24 million made prior to the *FY 2005 Third Quarter Review*, which was discussed in the FY 2006 Advertised Budget Plan for a total increase of \$69.17 million. Information regarding those midyear adjustments is also provided in Attachment II.

- Real Estate Tax revenue is increased \$8.73 million as part of the *FY 2005 Third Quarter Review* due to refined estimates of exonerations and supplemental assessments.
- Personal Property Tax revenue is increased a net \$5.53 million as part of the *FY 2005 Third Quarter Review* due an increase of \$6.50 million in Delinquent Personal Property, partially offset by a decrease of \$0.97 million in Current Personal Property Taxes based on final state assessment of Public Service Corporation property.
- Other Local Taxes increase \$7.37 million due to increased Recordation Tax revenue and Mobile Telephone Taxes based on year-to-date collection trends.
- Charges for Services increase \$2.38 million due to increased revenue from Clerk Fees resulting from higher than anticipated home sales and mortgage refinancing based on year-to-date collection trends.

- Revenue from the Commonwealth/Federal Government increases \$0.91 million due to \$0.79 million for the Child Care Assistance and Referral Program and \$0.12 million for the Community Services Block Grant. These increases will be entirely offset by increases in expenditures.

Audit Adjustments

As a result of the FY 2004 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Net revenue and expenditure adjustments result in a net increase of \$1.17 million to the FY 2005 beginning General Fund balance, which was reflected in the FY 2006 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 three County funds, Fund 501, County Insurance; Fund 502, County Central Stores; and Fund 601, Fairfax County Employees' Retirement; require supplemental appropriation resolutions based on audit adjustments to reflect the proper accounting treatment for accrued liability for the County's self-insurance fund, the required inventory adjustment based on the close-out of the County Central Stores, and securities lending associated with retirement funds. The appropriation resolution is required to account for the accrual of payments to vendors in the correct fiscal period, consistent with GAAP requirements.

Summary of General Fund/General Fund-Supported Adjustments

The following adjustments are made as part of the *FY 2005 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is an increase of \$54.77 million. This consists of direct expenditure increases of \$10.20 million and transfer increases from the General Fund in the amount of \$44.57 million. The one-time transfer of \$30.0 million to Fund 312, Public Safety Construction, for the Public Safety and Transportation Operations Center (PSTOC), as discussed previously, accounts for the majority of this increase.

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 2005 Third Quarter Review* are described 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
Agency 02, Office of the County Executive	Revenues \$0
Office of Partnerships Adjustments	Expenditures <u>\$120,440</u>
	Net Cost \$120,440

An increase of \$120,440 is included for the Office of the County Executive, Office of Partnerships (OOP), including \$45,000 to fund the purchase of computers for the new Annandale Terrace Computer Learning Center Program (CLCP) scheduled to open in Spring 2005 and \$75,440 to support a contractual arrangement with Northern Virginia Family Service (NVFS) providing program management, case management and overall direction, as well as other ancillary services in support of the Medical Care for Children Partnership (MCCP) and the Adult Health Program. In FY 2004, NVFS served 5,832 children through the MCCP program and 3,087 adults through the Adult Health Program. This funding adjustment reflects a 10 percent increase over the amount allocated for the NVFS contract in the FY 2005 budget. It should be noted that the contract has not been increased in the previous three years, while the cost of contractor salaries and program operations has increased significantly. NVFS has been able to absorb this shortfall in previous years by using non-restricted grant funds; however, those funds are no longer available to cover increased costs. This situation was brought forward after approval of the FY 2005 Adopted Budget Plan and thus, the *FY 2005 Third Quarter Review* represents the first opportunity to address it.

	RECURRING
Agency 06, Department of Finance	Revenue \$0
Other Post-Employment Benefits (OPEB) Study	Expenditure <u>\$51,000</u>
	Net Cost \$51,000

Funding of \$51,000 is required by the Department of Finance to cover the cost of a FY 2005 contract for actuarial and consulting services to implement the Governmental Accounting Standards Board (GASB) Statement No. 45. That pronouncement calls for extensive work to determine the County's liability and funding levels for employee benefit programs, and suggests the need to examine and consider possible strategies for pre-funding those liabilities. This work is to enable full compliance with the requirements for acceptable financial reporting. As the Board is aware, the GASB 45 Statement will have a significant impact on the retiree health insurance subsidy in future years.

	NON-RECURRING
Agency 08, Facilities Management Department	Revenue \$0
Emergency Repairs and Lease Costs	Expenditure <u>\$304,351</u>
	Net Cost \$304,351

A net funding increase of \$304,351 is comprised of \$125,000 associated with emergency repairs and \$320,839 for expanded lease requirements and renovation costs, partially offset by an increase in Recovered Costs of \$141,488. Concrete repairs were necessary to the exterior front wall at the Massey Building to repair the failing exterior structure. Based on age and wear, small surface pieces of the exterior wall were falling off and posing safety and structural hazards. Higher than anticipated lease costs for a net increase of \$179,351 are due to the full-year cost of lease renewals. Net recurring costs of \$214,253 will be required in FY 2006.

	NON-RECURRING
	Revenue \$0
Agency 52, Fairfax County Public Library	Expenditure <u>\$3,485,958</u>
Oakton Book Buy	Net Cost \$3,485,958

One-time funding of \$3,485,958, comprised of \$3,418,556 in Operating Expenses and \$67,402 in Personnel Services, is required to acquire the opening collection of materials for the Oakton Community Library, which is scheduled to open in August 2007. Acquisition of materials for the opening of a new library needs to begin one to one-and-a-half years in advance to accommodate the ordering and cataloguing processes. The costs associated with the pre-opening book buy at the Oakton Community Library are one-time; however, ongoing material requirements of this facility will be included in the overall material budget in the future. These funds support the acquisition of approximately 70,000 titles and funding for limited term staff to order, catalog and process the materials before the library can be opened to the public.

	RECURRING
	Revenue \$0
Agency 67, Department of Family Services (DFS)	Expenditure <u>\$335,803</u>
Child Care Assistance and Referral (CCAR) Program	Net Cost \$335,803

An additional \$335,803 in expenditure authority has been provided to the Department of Family Services (DFS) for the Child Care Assistance and Referral (CCAR) program in order to fully fund the state-mandated market rate increase. Based on a previous DFS estimate, the current FY 2005 funding level includes a market rate increase of 5.5 percent. The actual market rate increase is 13.2 percent. It should be noted that the market rate adjustment required a total adjustment of \$1,585,822, of which \$1,250,019 is accommodated within the agency's Personnel Services funding. The state will provide a 50 percent CCAR match of \$792,911 associated with this increase. In addition, an adjustment associated with the 13.2 percent market rate adjustment for FY 2006 will be included as part of the Add-On process.

	NON-RECURRING
	Revenue \$119,205
Agency 67, Department of Family Services (DFS)	Expenditure <u>\$119,205</u>
Community Services Block Grant (CSBG)	Net Cost \$0

An increase of \$119,205 in expenditures and revenue associated with the Community Services Block Grant (CSBG) is required due to an increase in funding allocated by the state.

	NON-RECURRING
	Revenue \$0
Agency 85, General District Court	Expenditure <u>\$58,500</u>
Court-Appointed Attorneys	Net Cost \$58,500

Funding of \$58,500 is required for higher than anticipated costs for court-appointed attorneys. The number of defendants qualifying for legal representation in court has increased this past year and this trend is expected to continue. For the first half of this fiscal year, court-appointed attorneys were assigned 3,965 cases, an increase of 42 percent over the same period in FY 2004. Providing an attorney to those who qualify is mandated by the state and the County is required to fund court-appointed attorney fees for those defendants charged under County statutes. Based on expenditures for the past six months, increased expenditures are anticipated for the remainder of the year.

	NON-RECURRING
	Revenue \$0
Agency 87, Unclassified Administrative Expenses	Expenditure \$2,802,794
Agency 89, Employee Benefits	Expenditure <u>\$724,802</u>
Workers' Compensation and Self Insurance Requirements	Net Cost \$3,527,596

Funding of \$3,527,596 is required to meet anticipated requirements in Workers' Compensation, Self Insurance Losses and Commercial Insurance Premiums. Workers' Compensation costs are projected to increase by \$724,802, while Self Insurance Losses are projected to increase by \$2,802,794. The Self Insurance increases include the settlement of automobile liability claims, the County's deductible for the insurance claim associated with reconstruction costs for the Mason Amphitheatre following the fire that destroyed it late last year, and costs related to restoration of the storm-damaged historic chimney at the Laurel Hill site. Commercial Insurance Premiums are also projected to increase due to the revaluation of certain properties and moderate market-driven premium renewal rates. 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 92, Fire and Rescue	Expenditure <u>\$2,000,000</u>
Apparatus Funding	Net Cost \$2,000,000

Funding of \$2.0 million is required for a one-time increase to the Fire and Rescue Large Apparatus Replacement Fund. During the FY 2003 Budget Process, the Fire and Rescue Department (FRD) identified the Large Apparatus Replacement Fund as a budget reduction, but one that was recognized as a short-term response to budget constraints. This reduction continued in FY 2004 and FY 2005, and has effectively limited the purchasing ability of the FRD by approximately \$4.5 million. Subsequently, the FRD identified approximately \$4.5 million in equipment that needs replacement based on established age and mileage criteria. Deferring the replacement of this apparatus will result in more frequent and costly repairs, reducing the availability of units to respond to emergency incidents. The apparatus to be replaced includes four engines/pumpers, two aerial tower trucks, one pumper/tanker, one aerial ladder truck and one rescue truck. Many of these apparatus pieces currently exceed their useful life based on the above criteria. The identified equipment requiring replacement constitutes 6.8 percent of the total large apparatus fleet. This one-time \$2.0 million General Fund contribution is in addition to \$1.0 million in identified FY 2005 savings within the FRD budget as well as an increase in contributions to the Large Apparatus Replacement Fund included as part of the FY 2006 Advertised Budget Plan and is sufficient to meet future vehicle replacement requirements.

	NON-RECURRING
Fund 104, Information Technology Projects	General Fund Transfer <u>\$500,000</u>
Feasibility Study for 311 Call Center	Net Cost \$500,000

The General Fund transfer to Fund 104, Information Technology Projects, is increased by \$500,000 to support a feasibility study for a client contact center, also known as a 311 Call Center. A 311 Call Center serves as a communication gateway for residents and businesses to access County information and request non-emergency services. A 311 Call Center allows citizens to interact with the County through a single, clear point of entry, eliminating the need to navigate through hundreds of telephone numbers to find the right department. It also reduces calls to 911 for non-emergency help and assistance. Through the use of technology, call-takers receiving calls on a 311 phone line do not have to be co-located, nor do they have to be stationed at a County desk to receive the call. The client contact center feasibility study will determine a comprehensive architecture that will use industry standard technologies and incorporate County automated

tracking systems for the new 311 Call Center. FY 2005 funding of the feasibility study will provide the information and analysis necessary to consider the implementation costs of a potential 311 Call Center as part of the FY 2007 budget process.

	NON-RECURRING
	Revenue \$0
Fund 192, FCPS Grants and Self-Supporting Fund	Expenditure <u>\$5,000,000</u>
Computer Replacement	Net Cost \$5,000,000

Funding of \$5,000,000 is required to appropriate funding that was placed in reserve during the *FY 2004 Carryover Review* by the Board of Supervisors for Fairfax County Public Schools (FCPS) to support the establishment of a school computer replacement program. FCPS currently has a computer inventory of more than 80,000 desktop computers, 40 percent of which are more than five-years-old and 20 percent of which are ten years and older. The County's \$5.0 million transfer will enable FCPS to replace approximately 3,300 school computers. FCPS anticipates replacing approximately 2,900 additional computers through their existing computer replacement program. Together, approximately 6,200 computers will be replaced in FY 2005. This replacement plan is consistent with the program outlined in the December 2004 memorandum to the Board of Supervisors.

	NON-RECURRING
Fund 302, Library Construction	General Fund Transfer <u>\$300,000</u>
Dolley Madison Community Library Renovations	Net Cost \$300,000

The General Fund transfer to Fund 302, Library Construction, is increased by \$300,000 to provide funding for scope and design work associated with the possible relocation of the Dranesville District Supervisor's office within the planned renovation of the Dolley Madison Community Library. Funding for the renovation and expansion of the Dolley Madison Community Library from 10,630 square feet to approximately 19,250 square feet was approved by voters as part of the fall 2004 Public Library Bond referendum. The design phase of the Dolley Madison Community Library is scheduled to begin in July 2005. If approved, the relocation of the District Supervisor's office would require additional construction funds.

	NON-RECURRING
Fund 303, County Construction	General Fund Transfer <u>\$625,000</u>
Public Safety Feasibility Studies	Net Cost \$625,000

The General Fund transfer to Fund 303, County Construction, is increased by \$625,000 for prioritized Public Safety feasibility studies. These studies are needed to establish accurate total project estimates in preparation for the Fall 2006 Public Safety Bond Referendum. Completing the feasibility studies in advance of the bond referendum is important in order to determine accurate costs and ensure that future projects will have adequate resources. Possible studies may include but are not limited to: the McLean, Reston and Fair Oaks Police Stations; Jefferson and Herndon Fire Stations; the Great Falls Volunteer Fire Station; the Pine Ridge Public Safety Communication Center; and the West Ox Animal Shelter.

	NON-RECURRING
Fund 303, County Construction	General Fund Transfer <u>\$1,817,000</u>
Capital Renewal and Security Enhancements	Net Cost \$1,817,000

The General Fund transfer to Fund 303, County Construction, is increased \$1,817,000 for costs associated with capital renewal requirements, security enhancements, and other facility improvements. Specifically, an increase of \$452,000 is necessary to fund maintenance requirements associated with the replacement

of HVAC rooftop units at the Willard Health Center, and the repair of a chiller and two hot water boilers at the Government Center, as well as HVAC repairs needed at various Board of Supervisors' Offices throughout the County. The Willard Health Center currently has severe air quality issues in the Early Childhood Development section of the building that need to be addressed promptly. The equipment in need of replacement at the Government Center has failed due to corrosive damage and cannot be repaired.

In addition, \$990,000 is included to support various security enhancements at both the Public Safety Center and various facilities countywide. Due to its proximity to the Massey Building and Courthouse, Garage A will be converted from public to employee and juror parking only. This will require the installation of security access controls in the garage and will increase overall security at the Public Safety Center. The public will continue to park in Garage B within the Public Safety Center complex. Reinforcements to the Massey Building will protect the public and employees in the event that security is compromised. Other physical security improvements at prioritized County facilities will include installing door contact alarms on exterior doors, glass break alarms on windows at ground-floor level, cameras on the exterior of facilities, and card readers for building entrances and secure areas.

Other facility enhancements include \$250,000 for Data Center Reconfiguration to increase the capacity of the electrical power distribution units at the Government Center in order to keep pace with the growing demands of the building's electrical requirements, and \$125,000 is included for a crematorium to support operations at the County's Animal Shelter. The new crematorium will alleviate disruptions associated with waiting for the current contractor to pick up animals at the shelter. Currently, euthanized animals are housed in a refrigerated area, which places a strain on the shelter's generator.

	NON-RECURRING	
Fund 303, County Construction	General Fund Transfer	<u>\$3,000,000</u>
Land Acquisition Reserve	Net Cost	\$3,000,000

The General Fund transfer to Fund 303, County Construction, is increased by \$3,000,000 to supplement the County's land acquisition reserve. This reserve supports the County's land acquisition program and open space preservation efforts.

	NON-RECURRING	
Fund 303, County Construction	General Fund Transfer	<u>\$500,000</u>
Stonecroft Boulevard Widening	Net Cost	\$500,000

The General Fund transfer to Fund 303, County Construction, is increased by \$500,000 to fund construction costs associated with the widening of Stonecroft Boulevard in front of the Sully Police Station. The adjacent section of Stonecroft Boulevard is being widened by developers, leaving a short section in front of the Sully Police Station as the last remaining section to be widened. The total project estimate is \$500,000.

	NON-RECURRING	
Fund 303, County Construction	General Fund Transfer	<u>\$411,025</u>
Joint Operations Center	Net Cost	\$411,025

An increase of \$411,025 is necessary to provide funding for the development of a Joint Operations Center (JOC), to be located in an area adjacent to the Alternate Emergency Operations Center (AEOC). The JOC will provide work space for Fire and Rescue Department and Police Department command staff, allowing them to be co-located at one site for the enhanced coordination and management of a public safety response to a significant emergency and subsequent activation of the AEOC. Funding will provide for the retrofit of space within the Government Center currently occupied by the Department of

Information Technology to house approximately 40 staff. Funding for furniture, as well as the necessary information technology and telecommunications equipment, including voice/data cabling, 30 flash telephones, wireless data access, data network connections, and the required hardware is also provided. In addition, the JOC will include a new Uninterrupted Power System (UPS) and connection to the AEOC's redundant mechanical system in the event of a switch to generator power/emergency power. This funding will be supplemented with grant funding in the amount of \$88,975. The total project estimate is \$500,000.

		NON-RECURRING
Agency 308, Public Works Construction Developer Defaults	General Fund Transfer	<u>\$80,500</u>
	Net Cost	\$80,500

Funding of \$80,500 is required to support the Meadowmere developer default project. This project includes the correction of roadway and drainage deficiencies in the area, required to enable the roadway to be accepted into the Virginia Department of Transportation (VDOT) system for maintenance. Estimated costs to complete the project exceed the amount of the developer bond. A General Fund transfer of \$80,500 is necessary to complete this project.

		NON-RECURRING
Agency 312, Public Safety Construction Public Safety and Transportation Operations Center	General Fund Transfer	<u>\$30,000,000</u>
	Net Cost	\$30,000,000

Funding of \$30,000,000 is required to complete the financing necessary for the construction of the Public Safety and Transportation Operations Center (PSTOC), which will house the County's Public Safety Communications Center (PSCC), the Emergency Operations Center (EOC) and the Forensics Facility. The PSTOC will provide the County with a state-of-the-art public safety communications center and emergency operations center. By the time this facility is completed, the current center at the former Pine Ridge Elementary School will be over 20-years-old and will not be adequate to address the 21st century needs of over 1 million County residents. The total cost of the PSTOC including construction, equipment, information technology, furnishings, and related equipment is projected to be \$102.5 million. Funding for this facility has been identified over several quarterly reviews as one-time balances became available. A total of \$57.5 million has been appropriated to date. The FY 2005 Third Quarter allocation of \$30 million, along with funding of \$15 million proposed as part of the FY 2006 Advertised Budget Plan, will completely fund this facility, which is scheduled to open in November 2007.

		NON-RECURRING
Fund 504, Document Services Division Increase in the General Fund Transfer	General Fund Transfer	<u>\$537,000</u>
	Net Cost	\$537,000

The General Fund transfer to Fund 504, Document Services Division, is increased by \$537,000 to support FY 2005 operations, as revenues are projected to decrease by 18 percent or \$829,770 from the projected *FY 2005 Revised Budget Plan* amount of \$4,591,980. Partially offsetting the projected decrease in revenues is savings of \$164,261 in Operating Expenses and the use of \$128,509 from fund balance. Operating Expense savings are primarily attributable to a new contract for multi-functional digital devices (copier machines). It should be noted that the revenue shortfall is primarily due to a reduction in printing requests received from both County agencies and the Fairfax County Public Schools (FCPS). As technology advances and more documents are available on CD-ROM and the Internet, fewer printing requests are being made. In FY 2004, the number of print jobs from the County and the FCPS declined by 15 percent from FY 2003. In FY 2005 year-to-date, print jobs are down another 8 percent. Staff from the Department of Cable Communications and Consumer Protection and the Department of Management and Budget are working together to determine appropriate operational adjustments to resolve this issue.

Environmental Projects	NON-RECURRING
Agency 08, Facilities Management Department	Expenditure \$105,000
Agency 13, Office of Public Affairs	Expenditure 15,000
Agency 71, Health Department	Expenditure 80,000
Fund 100, County Transit	Expenditure 150,000
Fund 109, Refuse Collection and Recycling	Expenditure 210,000
Fund 307, Sidewalk Construction	Expenditure 375,000
Fund 308, Public Works Construction	Expenditure 600,000
Fund 371, Park Capital Improvement Fund	Expenditure <u>465,000</u>
	\$2,000,000

Funding of \$2,000,000 is required to appropriate funds to various agencies and funds in order to implement critical environmental initiatives. Funding for these initiatives was set aside in reserve as part of the *FY 2004 Carryover Review* to support the Environmental Excellence 20-year Vision Plan (Environmental Agenda). A summary of projects recommended to support the Environmental Agenda was provided to the Board on November 18, 2004. These projects directly support each of the Agenda's six topic areas, including: Growth and Land Use; Air Quality and Transportation; Water Quality; Solid Waste; Parks, Trails and Open Space; and Environmental Stewardship. Funding is appropriated as part of the *FY 2005 Third Quarter Review* to the above agencies and funds for project implementation.

Summary

In summary, I am recommending that 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 \$6.35 million, an increase of \$102.61 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds and adjustments for School funds as requested by the School Board. Details are provided in the Schools' Recommended *FY 2005 Third Quarter Review* package (Attachment VII).
 - Supplemental Appropriation Resolution AS 05076
 - Supplemental Appropriation Resolution AS 04094
 - Amendment to Fiscal Planning Resolution AS 05902
- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of \$35.80 million.
- Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2005 Third Quarter Review*.