ATTACHMENT B:

MEMO AND ATTACHMENTS I – IX
TRANSMITTING THE COUNTY'S
FY 2006 CARRYOVER REVIEW
WITH APPROPRIATE RESOLUTIONS

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO:	BOARD OF SUPERVISORS	**DATE:** July 31, 2006
FROM:	Anthony H. Griffin County Executive	
SUBJECT:	FY 2006 Actual Revenues, Expenditures and Carryover Supplemental Appropriation	

Attached for your review and consideration is the FY 2006 Carryover Package, including Supplemental Appropriation Resolution AS 06104, AS 07014 and Amendment to the Fiscal Planning Resolution AS 07900. The document includes the following attachments for your information:

Attachment I	A General Fund Statement showing the status as of July 10, 2006, 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, as well as anticipated revenues associated with those grants that are recommended for appropriation in FY 2007
Attachment VII	A detailed description of significant changes in Other Funds
Attachment VIII	Supplemental Appropriation Resolution AS 06104, AS 07014 and Fiscal Planning Resolution AS 07900 for FY 2007 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
Attachment IX	A copy of all fund statements and summaries of capital projects

As the Board is aware, the Code of Virginia requires that the Board of Supervisors 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 2006 Carryover Review* recommends changes to the FY 2007 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 11, 2006.

FY 2006 End of Year Summary

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 10, 2006 to the final estimates of the *FY 2006 Revised Budget Plan*.

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

	FY 2006 Revised Budget Plan	FY 2006 Actual	Variance
Beginning Balance, July 1	$177.53	$177.53	$0.00
Receipts and Transfers In	$3,059.72	$3,094.23	$34.52
Total Available	$3,237.25	$3,271.77	$34.52
Expenditures	$1,127.01	$1,068.24	($58.76)
Transfers Out	$2,046.76	$2,046.76	$0.00
Total Disbursements	$3,173.77	$3,115.01	($58.76)
Ending Balance, June 30	$63.48	$156.76	$93.28
Managed Reserve	$63.48	$63.48	$0.00
Balance	$0.00	$93.28	$93.28

FY 2006 Commitments	
Outstanding Encumbered Obligations	($32.91)
Outstanding Unencumbered Commitments	($8.67)
Managed Reserve Adjustment	($0.83)
Balance after FY 2006 Commitments	**$50.87**
FY 2007 Administrative Adjustments	
Administrative Adjustments	($31.10)
Managed Reserve Adjustment	($0.45)
Balance after FY 2007 Administrative Adjustments	**$19.32**
Available Balance Recommended to be Held in Reserve for FY 2008 Requirements	**$19.32**

NOTE: Carryover is defined as the reappropriation in FY 2007 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2006 capital project balances.

FY 2006 Carryover Review

Executive Summary

While FY 2006 revenues came in higher than anticipated, and expenditures were somewhat below the *FY 2006 Revised Budget Plan* amount, after netting out outstanding encumbrances, unencumbered commitments and net administrative adjustments associated with previously approved Board initiatives or other items of an emergency nature, as well as the required Managed Reserve adjustments, the balance is $19.32 million. This represents approximately 0.6 percent of the total FY 2006 General Fund Disbursements budget and is $4.68 million less than the FY 2005 ending balance of $24.0 million. This balance is comprised of an additional $34.52 million in General Fund revenues, an increase of just 1.1 percent over the budget estimate, and a net savings of $16.35 million in expenditures after adjusting for outstanding encumbered and unencumbered obligations including the adjustment to the Managed Reserve, partially offset by $31.55 million for necessary administrative adjustments, including the Managed Reserve adjustment.

Unlike previous quarterly reviews where, in accordance with the Board of Supervisors' policy, 40 percent of the balance was allocated to the Revenue Stabilization Fund (RSF), the significant investment that the Board made as part of the *FY 2006 Third Quarter Review* enabled full funding of this reserve, bringing the beginning balance for Fund 002, Revenue Stabilization Fund, to $94.39 million. In order to maintain this reserve at a level equal to 3.0 percent of total General Fund Disbursements, future adjustments will be made to correspond to growth in disbursements. However, since this fund has projected interest earnings for FY 2007 that should enable it to be fully funded based on the revised General Fund Disbursements amount as of the *FY 2006 Carryover Review*, I have not recommended additional funding for the reserve at this time. If in the future, interest earnings are not as robust as they are currently, a General Fund transfer will be necessary in order to keep this reserve fully funded.

As noted above, after the actions proposed in this *FY 2006 Carryover Review* package, a balance of $19.32 million remains for Board consideration. I recommend that this balance be held in reserve to meet FY 2008 requirements. My main objective in developing recommendations to the Board as part of the *FY 2006 Carryover Review* was to be mindful of the changing revenue picture. As the Board is aware, slowing conditions in the real estate market and an overall moderation of the local economy are anticipated to result in significantly lower revenue growth for FY 2008. Consequently, I have kept adjustments to a minimum and focused on those that are essential to public safety and health, represent a prior commitment by the Board, such as providing $8 million to Fairfax County Public Schools to support *No Child Left Behind* requirements, and/or contribute to an investment in the Board's priorities and the County's vision elements.

In just the past few months, we have experienced several events that have had or will have an impact on the FY 2007 budget. Among these was the record rainfall during the month of June, which in many areas exceeded 14 inches and caused severe flooding, especially in the Huntington area of the County. The response necessary both during and after this event had an impact on the budgets of a number of agencies, particularly those that provide public safety and solid waste removal services. I have included funding for post-storm clean-up to remove the considerable volume of waste and debris generated by the storms. Additional funding requirements for repair and replacement of County infrastructure may be necessary and will be addressed as part of the *FY 2007 Third Quarter Review* once costs are known.

Beyond Mother Nature, the County's budget has also been affected by the turmoil in the Mideast, which has resulted in even steeper fuel and utility prices. This carryover package includes the necessary adjustments for fuel and utilities based on current prices. However, as the Board is aware, this is a highly volatile issue that will be monitored throughout the year.

Additionally, we were informed by the Virginia Department of Social Services that Fairfax County will see a FY 2007 revenue reduction impact of $10.4 million for the Child Care Assistance and Referral (CCAR) program. This program provides subsidized child care to enable the working poor to achieve and maintain self-sufficiency. The County's <u>FY 2007 Adopted Budget Plan</u> included funding for the

CCAR program at an enrollment level of 6,750 children. However, the budget adopted by the General Assembly reduces the County's FY 2007 revenue for this program $10.4 million from the adopted budget level, requiring a corresponding decrease in expenditures and the need to reduce enrollment by 1,900 children. Fairfax County has never disenrolled children from the child care subsidy program and currently does not have a policy for doing so. Staff is considering different options for identifying the families for whom services will be terminated.

There are a number of child care centers and family child care providers that serve mainly low-income families. Such a massive disenrollment of families may result in these child care providers going out of business. Losing child care subsidies may also mean that parents will not be able to continue employment, and may go on or *return* to welfare programs. Without affordable child care, children may be left alone or placed in unsafe, unregulated child care settings, with families often making piecemeal arrangements. This is the population of at-risk children who need quality, consistent child care that supports their school readiness. The alternative is for Fairfax County to assume these costs to avoid having to reduce enrollment. However, based on the highly restrictive revenue outlook for FY 2008, I have not recommended General Fund resources for this program. We will continue to work with the Commonwealth to try to identify state resources that can be used to offset or at least reduce the deficit in order to avoid having to reduce enrollment in this critical program.

Finally, as the Board specified during adoption of the FY 2007 budget, several agencies were directed to try to identify FY 2006 savings with which to fund a number of critical initiatives. Among these, funding for health care for unsheltered homeless persons, planning and transportation studies, countywide security enhancements, prevention of youth violence and gang involvement, and support for environmental projects has been identified within the available balance. **And as noted previously, I recommend that the Board hold the available balance of $19.32 million in reserve to address FY 2008 requirements**.

FY 2006 Revenues and the Economy

Before discussing specific FY 2006 Carryover adjustments, it is important to review the context of the Carryover balance and recommended adjustments. Actual FY 2006 General Fund Revenues and Transfers In were $3.094 billion, an increase of $34.52 million or 1.1 percent over the *FY 2006 Revised Budget Plan* estimate. This reflects a very close margin on a budget of over $3 billion and is consistent with the 1.2 percent increase for FY 2005. The FY 2006 variance is primarily associated with revenue from Property Taxes, Other Local Taxes, Revenue from the Use of Money/Property, and Revenue from the Commonwealth and Federal Government, and is due in large part to the area's economy, particularly during the first quarter of Calendar Year 2006, as well as rising interest rates. Based on past trends, we anticipate that this relatively healthy growth may represent the 'last hurrah' of an economy that is shifting downward.

As presented to the Board of Supervisors and the School Board on July 17, 2006, the housing market is exhibiting a cooling similar to 1990 with a declining number of home sales and a rising inventory, which is resulting in houses staying on the market longer – an average of 56 days from January-June 2006 compared to an average of 21 days in 2005. Average sales price appreciation showed a dramatic decrease to only 2.3 percent in June 2006 compared to 20.9 percent in June 2005. The difference between the even greater decrease in house values in the early 1990s when residential equalization actually decreased and present conditions is largely due to job growth in the current economy. As a result of the nationwide recession in the early 1990s, job growth decreased 0.7 percent and 1.3 percent, respectively, for 1990 and 1991, while the more recent healthy economy has resulted in an increase of jobs in 2005 and estimated for 2006 of 4.0 percent and 3.8 percent, respectively, according to Stephen Fuller of the George Mason University Center for Regional Analysis. Another difference that portends a less ominous impact on the local housing market is mortgage interest rates. They peaked around 10 percent in 1990, but are currently in the range of 6-7 percent.

Nevertheless, residential assessment growth is projected to be just 1 percent in FY 2008. Since Real Estate Taxes comprise nearly 60 percent of total General Fund revenue and other revenue categories are expected to grow only moderately, overall revenue growth is projected to be 3.3 percent in FY 2008. It will be extremely difficult to support current operations, much less provide service enhancements in the FY 2008 budget with such restrictive growth. Consequently, I am recommending significant caution that we maintain as much of the FY 2006 balance as possible to apply it toward the FY 2008 budget and I would strongly urge Fairfax County Public Schools to do the same with their balance.

FY 2006 revenue growth was largely due to Real Estate Taxes that increased $10.6 million primarily based on lower than projected exonerations and tax relief, as well as higher supplemental assessments, partially offset by a slightly lower than forecasted collection rate. Personal Property Tax revenue increased $2.7 million as a result of a higher than projected collection rate, partially offset by a slightly lower than anticipated levy. Other Local Taxes experienced a net increase of $5.6 million, largely due to increases in Business, Professional and Occupational Licenses, Deed of Conveyance and Recordation Taxes, the Mobile Telecommunications Tax, and the Bank Franchise Tax, partially offset by a decrease in Sales Tax receipts and Cigarette Tax collections. Since the Federal Reserve is expected to continue to raise short-term rates at a measured pace in order to contain inflation, we continue to see a slowing trend for revenue associated with the real estate market, particularly home sales and refinancings, which impact Deed of Conveyance and Recordation Taxes.

Those rising interest rates, however, are having a positive effect on the County's Revenue from the Use of Money and Property, which increased $8.1 million over the *FY 2006 Revised Budget Plan* estimate due to a higher than projected average portfolio, as well as increased yield associated with eight rate increases by the Federal Reserve during FY 2006.

Charges for Service increased $2.6 million over the *FY 2006 Revised Budget Plan* estimate primarily due to higher than anticipated receipts from Emergency Medical Transport Fees and School Age Child Care Fees, partially offset by lower than projected County Clerk Fees. Finally, a net increase of $5.3 million in Revenue from the Commonwealth and Federal Government is primarily associated with a net increase in public assistance program revenue.

Both the national and local economies continue to expand, but at a more moderate pace than a year ago. The Fairfax County Coincident Index, which represents the current state of the County's economy, increased to 139.61 in April for a gain of 1.88 percent. On a monthly over-the-year basis, the Coincident Index was up 5.9 percent, extending monthly gains to a third consecutive month. It has increased monthly over-the-year in 28 of the past 29 months (January 2006 was the sole negative month). However, the Fairfax County Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased to 109.91 in April for a loss of 0.09 percent. Since turning positive 37 months ago, the Leading Index has been up in 34 months and down in only three. The Leading Index is no longer accelerating but appears to be pointing to slower growth in the coming months. This is similar to the pattern that the Index followed during the mid-1990s after sustaining gains for three years. At that time, it tracked a more moderate trend for more than a year before re-accelerating for four more years.

Ongoing factors that are also expected to continue to have an impact on the County's economy include:

- High energy prices, which are contributing to inflation and reducing discretionary spending;
- Increasing inflation, which hits all consumers with higher prices and is causing the Federal Reserve to continue to raise interest rates and causing consumers to cut back spending;
- Higher interest rates that impact business expansion, home sales and refinancing, as well as consumer debt and also result in consumers slowing their spending; and
- Increased global political unrest with continued potential for terrorist activity, both here and abroad.

Staff will continue to closely monitor both expenditure and revenue categories to identify trends and conditions impacting the budget, and in particular, their effect on the level of growth in County revenue. The only adjustments to FY 2007 revenue recommended at this time are those associated with administrative adjustments for which there is offsetting revenue. During the fall of 2006, all revenue categories will be reviewed after several months of FY 2007 collections have been received. Any necessary adjustments will be made as part of the fall review or during the *FY 2007 Third Quarter Review*.

FY 2006 Disbursements

The General Fund disbursement variance totals $58.76 million. An amount of $42.41 million is carried forward for encumbered and unencumbered items, as well as the associated Managed Reserve adjustment, leaving a variance of $16.35 million or 0.5 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. In addition, the County's tight labor market is making it more difficult to fill vacant positions. More detailed information on FY 2006 Disbursements is included in the Carryover attachments.

Recommended FY 2007 Administrative Adjustments - Summary

This Carryover package includes a number of recommended adjustments, for a total net impact of $31.55 million including the associated Managed Reserve adjustment, that are necessary based on previous Board action and priorities. 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. In addition, as the Board will recall, there were several items that were deferred from the FY 2007 Adopted Budget Plan for which I was directed to address as part of the *FY 2006 Carryover Review*. These are highlighted below, along with other investments in Board priorities and/or County vision elements, and are discussed in more detail in the Administrative Adjustments section of this letter.

- $8.0 million is included to support the Board of Supervisors' commitment to provide one-time funding as part of the *FY 2006 Carryover Review* to address non-recurring items in the Schools' FY 2007 budget to free up $8.0 million in recurring funding in the County's FY 2007 transfer to the Schools in order to accommodate recurring *No Child Left Behind* requirements. This supports the Board's priority of a *Strong Investment in Education*.

- $4.6 million is recommended for Planning and Transportation Studies and related staff support to appropriately guide redevelopment opportunities in several areas of the County, as well as further the revitalization goals of these communities. This investment supports the County vision elements of *Building Livable Spaces* and *Connecting People and Places*.

- $5.0 million is recommended to continue to bolster the Reserve for Catastrophic Occurrences in Fund 501, County Insurance. The FY 2006 ending Reserve for Catastrophic Occurrences is $11.9 million; however, it has been determined that a reserve of approximately $15 million is a more appropriate target given the County's risk exposure and potential costs. This supports the County vision element of *Exercising Corporate Stewardship*.

- $1.0 million has been identified to continue to address the Board of Supervisors' priority of *Environmental Protection* and support the Board's Environmental Agenda. The projects to be addressed 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.

- $0.3 million was identified for the Health Care for Unsheltered Homeless Persons program. Funding will support four outreach teams, one for each of the four human service regions. This initiative supports the County vision element of *Maintaining Safe and Caring Communities*.

- $0.5 million is included for an objective review and analysis of the Fairfax-Falls Church Community Services Board's mental health programs to ensure that they meet County needs now and in the future. The Josiah H. Beeman Commission will include locally and nationally recognized experts, and will obtain input from a wide range of stakeholders to address community needs. The County vision element of *Maintaining Safe and Caring Communities* is supported by this effort.

- $0.5 million in savings from several human services agencies will enable the creation of a Prevention Fund to provide incentive funding for the development of programs to prevent youth violence and gang involvement. This supports the Board's priority of *Public Safety and Gang Prevention*, as well as the County vision element of *Maintaining Safe and Caring Communities*.

FY 2006 Audit Adjustments

As the Board is aware, the financial audit of FY 2006 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2006 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2007 Third Quarter Review*.

Summary of Adjustments

The *FY 2006 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 Adjustment Details

The Board should be aware of Administrative Adjustments, which are necessary at this time and are made as part of the *FY 2006 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of $31.10 million. This includes increased disbursements of $22.35 million in addition to a net decrease of $8.75 million in revenue. Details are as follows:

Public Safety

		RECURRING
Agency 29, Stormwater Management	Expenditure	($229,580)
Agency 91, Office of the Sheriff	Expenditure	$229,580
Bus Shelter Program	**Net Cost**	**$0**

As referenced in a County Executive memorandum to the Board of Supervisors dated March 21, 2006, a transfer in the amount of $229,580 from the Department of Public Works and Environmental Services' Stormwater Management Division to the Office of the Sheriff is required to support required equipment and supervision for the Community Labor Force (CLF) to assume certain responsibilities within the Bus Shelter Program. The CLF is a safe, low-risk offender labor force that performs maintenance services under the direct supervision of deputy sheriffs. The CLF will now be responsible for the bus shelters in the eastern portion of the County which accounts for 227 shelters, including Metro, Virginia Department of Transportation, and Fairfax CONNECTOR shelters. These services, previously performed through outsourced contracts, will deliver further benefits to the County including an enhanced level of service, additional services beyond what is previously provided by contractors, and improved responsiveness. The CLF will be tasked with maintaining all of these bus shelters, which includes removing trash within a 25-foot radius of the bus shelters, removing graffiti, and cleaning the windows, as well as removing unwanted signs and tape from the shelters.

			NON-RECURRING
		Revenue	$0
Agency 92, Fire and Rescue Department		Expenditure	$435,000
Tanker for the Wolf Trap Fire Station		**Net Cost**	**$435,000**

Funding of $435,000 is required for the purchase of equipment to be used at the Wolf Trap Fire Station, which is scheduled to open in FY 2008. The funding is for the purchase of a tanker to provide water in support of suppression activities. Based on an analysis conducted by the Fire and Rescue Department, the area that will be supported by the Wolf Trap Station has a high number of non-hydrant sections. The addition of the tanker at Wolf Trap will bring the total number of tankers in the County to five, focusing on the southern and northern portions of the County with limited hydrant coverage. The timeline for apparatus receipt is 12 to 24 months, which includes the Fire and Rescue Department's submission of specifications to the manufacturer, the manufacturer's review of the specifications for feasibility, design of the apparatus based on acceptable specifications and the manufacture of the equipment. Funding the tanker now is necessary to coincide with the station's opening. With the acquisition of this equipment, the complement of apparatus assigned to the Wolf Trap Fire Station will include an engine unit, a medic unit and a tanker.

			RECURRING
		Revenue	$0
Agency 93, Office of Emergency Management		Expenditure	$300,845
Funding for Emergency Planning and Management Positions		**Net Cost**	**$300,845**

Funding of $300,845 is required for the salary costs associated with 4/4.0 SYE positions transferred to the Office of Emergency Management (OEM) in FY 2006 as part of a redirection of positions by the County Executive. These positions were redirected to OEM to fulfill emergency planning, coordination and management functions.

Public Works

			NON-RECURRING
		Revenue	$0
Agency 26, Capital Facilities		Expenditure	$29,000
Inspection and Surveying Safety Equipment		**Net Cost**	**$29,000**

Funding of $29,000 is required for the Construction Management Division (CMD) to purchase safety equipment that reduces the need to enter confined spaces to perform various inspections and surveying tasks. Funding of $24,000 provides for two camera systems with pole extensions and monitors to be used by a staff of ten inspectors during their inspections of storm and sanitary structures. The camera systems will allow CMD staff to inspect the bottom of the structures, inverts and pipe sizes without having to enter the structure. In addition, funding of $5,000 provides for two safety winch systems to be used by a staff of 11 surveyors to assist with extraction of a crew member in instances where entry into confined space is required.

			RECURRING
		Revenue	$0
Agency 26, Capital Facilities		Expenditure	$251,497
Funding for Planning and Design Division Positions		**Net Cost**	**$251,497**

Funding of $251,497 is required for the salary costs associated with 5/5.0 SYE positions transferred to the Building Design Branch of the Planning and Design Division (PDD) in FY 2006 as part of a redirection of positions by the County Executive. Funding includes $348,616 for Personnel Services, offset by $97,119 in Recovered Costs that will be charged out to individual projects. These positions were redirected to Capital Facilities to assist with additional workload requirements associated with various public safety and human service facilities, as well as numerous transportation and pedestrian improvements.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$150,000
Agency 87, Unclassified Administrative Expenses-Public Works	Expenditure	$650,000
Post-Storm Clean-up/Future Clean-up Requirements	**Net Cost**	**$800,000**

Funding of $800,000 is required, of which $550,000 is required for costs associated with clean-up efforts from the storms in late June 2006 and an additional $250,000 is included for future clean-up requirements.

Of this amount, $650,000 is included in Agency 87, Unclassified Administrative Expenses, Public Works Contingencies. Record rainfalls inundated the area in late June. In addition to flooding in the Huntington area of the County, there was significant water and tree-related damage in various areas of the County. Daily pick-ups of debris have been provided to residents in the affected areas, and the estimated cost of $400,000 for storm-related clean-up efforts cannot be absorbed. In addition, an amount of $250,000 is included to provide a source of funding for clean-up requirements due to future unanticipated events. This amount will supplement the agency's approved FY 2007 budget of $108,325 for Community Clean-ups, Health Department Referrals, Evictions, and Court/Board-Directed Clean-ups.

In addition, funding of $150,000 is required in Fund 303, County Construction, for road maintenance and repairs associated with the storm. These funds are required to correct damage sustained by the storm events in order to provide minimum maintenance service for safe travel by both property owners and emergency vehicles. An amount of $65,000 will provide for countywide restoration of 54 roads, or approximately 4.5 miles of roadway currently maintained by the County. Many of these roads have been adversely impacted by the storms. Funding will support tree clearing, drainage ditch restoration, pavement repair and culvert cleaning/replacement. Additionally, an amount of $85,000 is required for one of the 54 maintained roads, Hickory Hollow Lane, which experienced severe erosion and extensive damage during the storms. Minimum restoration work has been performed to the damaged roadway and associated drainage ditches to permit vehicular access; however, more extensive drainage and roadway work must be completed to permit continued safe vehicular travel.

Health and Welfare

		RECURRING
	Revenue	($10,358,253)
Agency 67, Department of Family Services	Expenditure	($10,358,253)
Child Care Assistance and Referral (CCAR) Program	**Net Cost**	**$0**

The FY 2007 Adopted Budget Plan funded the Child Care Assistance and Referral (CCAR) program to support an enrollment level of 6,750 children. This included expenditure authority of $42,737,730 and federal and state revenues of $25,291,937. In February 2006, the Virginia Department of Social Services informed the County that federal and state revenue funds to Fairfax County's General Fund will be $14.9 million in FY 2007. This is a reduction of approximately $10.4 million from the FY 2007 Adopted Budget Plan. Based on a review of actual revenue received in FY 2006 ($26.7 million) to what is anticipated in FY 2007 ($14.9 million), the reduction is approximately $11.8 million. Please note, in addition to the General Fund reduction, the state also notified the County that child care revenue received through Fund 102, Federal/State Grant Fund, will be reduced to $0.3 million in FY 2007, a reduction of approximately $1.0 million. Therefore, revenue reduction from FY 2006 totals $13.0 million; however, because the FY 2007 budgeted amount is lower than FY 2006 actuals, a General Fund expenditure adjustment of $10.4 million is needed. Additionally, federal revenue will need to be adjusted to $14,933,684, a reduction of $10,358,253 from the FY 2007 Adopted Budget Plan. Based on these funding adjustments, the net cost to the County is $0.

To address this shortfall, DFS stopped enrolling children and began a waiting list in FY 2006. As of June 30, 2006 the program was serving 6,575 children and had a waiting list of 2,100 children. It should be noted that children on the waiting list are pre-screened for services but have not gone through the full eligibility determination process. Due to the state revenue reduction, a commensurate expenditure reduction of $10,358,253 from the FY 2007 Adopted Budget Plan is required. As a result, DFS will have to reduce enrollment by approximately 1,900 additional children in FY 2007. It is estimated that 200 children will leave through natural attrition, while services for the remaining 1,700 will need to be terminated effective October 15, 2006.

		NON-RECURRING
	Revenue	$28,282
Agency 67, Department of Family Services	Expenditure	$28,282
Program Adjustments	**Net Cost**	**$0**

Funding of $28,282 is required to appropriate additional state and federal revenue for the following programs:

- Respite Care program funding of $10,962 will be used to support a range of respite services to foster care families.

- Foster Care and Adoption program funding of $10,132 is the result of increasing the number of children adopted from the foster care system during federal FY 2004. The deadline for the completion of spending is September 30, 2006.

- Education and Training Voucher program funding of $7,188 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 state and federal funding with no net impact to the General Fund.

		NON-RECURRING
	Revenue	$0
	Expenditure	$112,000
	Net Cost	**$112,000**
		RECURRING
	Revenue	$0
Agency 71, Health Department	Expenditure	$134,062
Agency 89, Employee Benefits	Expenditure	$23,435
	Net Cost	**$157,497**
Health Care for Unsheltered Homeless Persons	**Total Cost**	**$269,497**

As communicated in a memorandum to the Board of Supervisors on July 21, 2006, funding of $269,497 is required to meet the needs of the unsheltered homeless by establishing four Unsheltered Homeless Health Care Outreach Teams, one for each of the County's four human service regions. These teams will provide mental/substance abuse and medical services, as well as referral for dental health care at emergency community shelters, drop-in sites, and in places that unsheltered homeless persons frequent. The total cost of this initiative is $499,497 and includes $150,000 for community-based contracts,

$112,000 for the one-time purchase of four mobile vans, $77,300 for 1/1.0 SYE Psychiatric Nurse Practitioner in the Fairfax-Falls Church Community Services Board (CSB), $56,762 for additional Psychiatrist hours, $50,000 for medical detoxification beds, $30,000 for a dental care contract, and $23,435 in fringe benefits funding. Since $230,000 is already included in the Health Department's baseline for this initiative as part of the FY 2007 budget process, the net cost of this initiative is $269,497. It should be noted that the $112,000 included to purchase four vans is one-time funding and the community-based contracts are funded for only nine months in FY 2007. In FY 2008, therefore, an adjustment of $184,062 will be necessary in the Health Department's baseline. In the related Hypothermia Response Program, 2/2.0 SYE positions are added in CSB to continue the pilot begun in FY 2006. The funding for the program in FY 2007 is available from the Department of Family Services' unencumbered carryover.

Parks, Recreation and Libraries

		RECURRING
	Revenue	($300,000)
Agency 50, Department of Community and Recreation Services	Expenditure	($300,000)
Club 78 Program	**Net Cost**	**$0**

Funding is reduced $300,000 in both revenue and expenditures for Club 78 as a result of termination of the program. As indicated in a May 25, 2006 memo to the Board, the Club 78 program is being terminated as a result of the expedited implementation of the after-school program begun in September 2005 and funded for all County middle schools as part of the FY 2007 Adopted Budget Plan. The goals, program structure and staffing levels of the two programs are comparable, with the only difference being that the Club 78 program charges a sliding fee and registration is limited, while the after-school initiative is open to all students with no enrollment fee.

Staff has taken steps to ensure the successful merger of participants from Club 78 into the middle school after-school initiative and to use those resources to enhance program offerings. Since students, parents and staff at the original Holmes Club 78 program have a longer established relationship, staff has developed a one-year transition plan and worked with school staff and parents to provide consistency during the transition. Also, as indicated in the May 25, 2006 memo, staff will redirect remaining Club 78 resources to support the implementation of evidenced-based prevention programs in after-school programs at middle schools, community centers, teen centers and community-based programs.

Community Development

		NON-RECURRING
	Revenue	$0
	Expenditure	$150,000
	Net Cost	**$150,000**
		RECURRING
	Revenue	$0
Agency 31, Land Development Services	Expenditure	$259,126
Agency 89, Employee Benefits	Expenditure	$60,983
	Net Cost	**$320,109**
Positions for Developer Default Program	**Total Cost**	**$470,109**

In response to the Board of Supervisors' March 2006 directive to the County Executive to identify staff resources needed to reduce the backlog of developer default projects, funding of $470,109 is included for the Developer Default Program, including $227,126 for Personnel Services and $60,983 for fringe benefits in Agency 89, Employee Benefits, to support the creation of 1/1.0 SYE Management Analyst II, 1/1.0 SYE Engineering Technician III and 2/2.0 SYE Assistant Supervising Engineering Inspectors. In addition, $32,000 is included as recurring funding for Operating Expenses; $100,000 as non-recurring funding for space reconfiguration and systems furniture; and $50,000 as non-recurring for the purchase of two vehicles to aid with field work.

Currently, there are 609 development projects considered in default and typically there are 50 default projects that are within one year of the statute of limitations which must be acted upon. The funded positions will work to reduce the backlog of projects in default and complete projects that have been in default for more than two years.

		RECURRING
Agency 35, Department of Planning and Zoning	Expenditure	$310,940
Agency 40, Department of Transportation	Expenditure	$70,970
Agency 89, Employee Benefits	Expenditure	$62,267
		$444,177
		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$4,130,000
		$4,130,000
Planning and Transportation Studies and Related Support Staff	**Total Cost**	**$4,574,177**

Funding of $4,574,177 is required for various transportation and planning studies and 3/3.0 SYE positions to provide related staff support. A total of $4,130,000 has been included in Fund 303, County Construction, for several studies in order to appropriately guide redevelopment opportunities existing in several areas of the County, as well as further the revitalization goals of these communities and proceed with studies that staff recommends as a result of the Area Plan Review process.

Funding of $160,940 is required for 1/1.0 SYE Planner IV and 1/1.0 SYE Planner III in the Department of Planning and Zoning (DPZ) to manage contracts and conduct oversight associated with new planning studies, and $70,970 is required for 1/1.0 SYE Transportation Planner III position in the Department of Transportation to manage the contracts, provide oversight of numerous transportation-related studies and help ensure that transportation improvements and issues identified by these studies are incorporated in future planning. Fringe benefits of $62,267 are included in Agency 89, Employee Benefits, to support these positions. In addition, limited term funding of $150,000 is required to support priority zoning ordinance amendments identified by the Board of Supervisors, and to review and update data related to land use and the Comprehensive Plan associated with the replacement of the County's multi-agency Urban Development Information System (UDIS). UDIS serves as a planning tool for County officials, agencies and the general public by producing meaningful reports from regularly collected population, land use and construction activity data. UDIS allows for long- and short-term population and housing forecasts. Funding is required to allow existing limited term staff to continue this activity through FY 2007.

Specific studies included in the $4,130,000 are described below:

- $1,200,000 to support the Tysons Transportation and Urban Design Study as supported by the Board of Supervisors on July 10, 2006. This amount will complete the current portion of the study and also support a 'world class' urban planning consultant as recommended by the Tysons Task Force and accepted by the Board of Supervisors for funding consideration at Carryover.

- $300,000 in consultant services to assist in incorporating Travel Demand Management and associated parking requirements for Transit Oriented Developments (TOD) and Transportation Management

Districts (TDM). The request to examine how to incorporate TDM as an integral part of the land use and development process in the County was first requested by the Board of Supervisors on December 6, 2004. The completion of this project will immediately benefit the County by assisting Department of Transportation staff in optimizing TDM proffers and associated parking requirements for developments including Metro station area developments.

- $750,000 to fund a study of the Greater Springfield area. As part of the *FY 2006 Third Quarter Review*, an amount of $100,000 was included to begin this study. An additional $750,000 is required to fully fund this initiative. The study will provide considerable analysis with respect to transportation, land use and development, as well as design to ensure the appropriate plans are developed to accommodate the additional development projected for this area. The study will examine connectivity (roadways, trails, paths and overpasses) and other transportation aspects of the area. Urban design services will also be an integral part of the analysis of the Greater Springfield area as it transforms into an urban center. This project will involve the staff of the Department of Planning and Zoning, the Department of Housing and Community Development, and the Department of Transportation.

- $150,000 to support Tysons Station Area Design and RZ Applications, and design assistance at Kings Crossing. This funding will allow staff to contract with architectural/landscape firms for urban changes in instances where staff is not successful in encouraging developers to improve the land design for proposed high density, mixed use developments such as providing a more desirable interface of buildings with the pedestrian environment and incorporating public plazas and pocket parks, which create places for people to gather in an urban setting. Since the County is unable to retain this kind of expertise on staff, and the quality of the County's urban development requires this expertise, the use of consulting services is necessary. Areas where expertise is currently needed or anticipated to be needed, include the Tysons Corner Metro Station area rezoning proposal and Kings Crossing on Richmond Highway.

- $230,000 to fund an Urban Land Institute study (ULI) for the Annandale and Baileys areas. These national ULI Panel Reviews will bring expertise in finance, urban design and transportation to the areas and result in recommendations for the future which will provide community consensus, staff guidance and creative ideas to further direct the nature, extent and focus of the more detailed community plans that will follow.

- $1,000,000 for special studies for the Annandale and Baileys areas. These studies would begin after the ULI Panels for Annandale and Baileys are complete in December 2006. The Annandale Annual Plan Review (APR) and the Baileys APR process, as well as revitalization initiatives, suggest that more detailed studies of the future development of each area should be initiated. These studies will be informed by County staff and the ULI Panel, and will extensively plan for the future of the County's community business centers.

- $500,000 to support consultant services to aid staff in taking the results of a community planning effort and developing specific recommendations for the Comprehensive Plan regarding Lake Anne. This effort will promote the revitalization of Lake Anne and assist affordable housing efforts in the area.

		RECURRING
	Revenue	$0
Agency 40, Department of Transportation	Expenditure	$104,220
Fairfax County Employees Transportation Benefit Program	**Net Cost**	**$104,220**

Funding of $104,220 is required to support an increase in the Fairfax County Employees Transportation Benefit Program (FCETB) approved by the Board Personnel Committee on July 17, 2006. In FY 2006, the FCETB provided $60 a month toward employee commuting costs for those employees using a van-pool, bus or rail to get to work. The goal of the program is to improve air quality, reduce congestion and help in employee recruitment, as well as make it easier for employees to pay their commuting costs. The program is open to all Fairfax County government employees, working at any location, as long as they are in the County payroll system. Approximately 120 County employees are currently enrolled in the program. On July 17, 2006, the Board Personnel Committee approved an increase in the FCETB subsidy level to $105 per month, consistent with the maximum reimbursement authorized by the federal government. Therefore, in order to provide sufficient funding to accommodate this higher subsidy level and to allow for up to 25 percent growth in employee participation in the program in FY 2007, an amount of $104,220 is included as part of the *FY 2006 Carryover Review*.

General Fund-Supported

		NON-RECURRING
Fund 090, Schools Operating Fund	General Fund Transfer	$8,000,000
Support of Non-Recurring Expenditures	**Net Cost**	**$8,000,000**

Funding of $8,000,000 is required as a result of the Board of Supervisors' commitment to provide one-time funding at the *FY 2006 Carryover Review* to support non-recurring items in the Schools' FY 2007 budget. As agreed to as part of the FY 2007 Adopted Budget Plan, $8.0 million in recurring funding, freed up as a result of this action and included in the transfer from the County to Schools, is being used to accommodate the recurring funding for *No Child Left Behind* requirements.

		NON-RECURRING
Fund 104, Information Technology Projects	General Fund Transfer	$960,000
Agency 91, Office of the Sheriff	Expenditure	($280,000)
Agency 92, Fire and Rescue Department	Expenditure	($350,000)
Information Technology Funding	**Net Cost**	**$330,000**

The General Fund Transfer to Fund 104, Information Technology Projects, is increased by $960,000, which is partially offset by a reduction of $280,000 in the Office of the Sheriff and $350,000 in the Fire and Rescue Department. The remaining $330,000 was made available from FY 2006 unexpended balances in the Police Department. The transfer of monies from the agencies to Fund 104 will combine information technology funding available for the following agency initiatives, as well as allow better tracking of expenses. A portion of the transfer, $280,000, will enable the agency to add a jail incident component to the Sheriff's Information Management System (SIMS). This application will provide an accurate summary of an inmate's discipline history, assign restrictions to the inmate and automatically eliminate privileges if necessary. This data will increase staff safety and aid in identifying potential conflicts with other inmates.

In addition, $350,000 will be used for specialized consulting support for the implementation of the Fire and Rescue Department's Electronic Patient Care Reporting System (EPCRS), a system that will use hand-held computers to replace the existing paper patient care reporting system that is inefficient. This system will interface with the Department's records management system and will significantly improve the statistical data that is submitted to the state and is used by the Department for research, review and analysis. In addition, it will interface with the transport billing vendor, providing improved information that will enhance revenue and records management. The complexity of effectively initiating a large and mission-critical information technology program with multiple layers of interface and security protections requires specialized technical assistance to support successful program implementation.

The $330,000 from the Police Department will enable Automated Field Reporting (AFR) software to interface with existing Police applications, allowing for reports to be automatically transferred from one program to another, rather than having to be hard-entered by central records management. This functionality will improve the accuracy of data entry and result in time and resource savings.

		NON-RECURRING
	General Fund Transfer	$500,000
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	$500,000
Josiah H. Beeman Commission	**Net Cost**	**$0**

In response to the Board of Supervisors' motion on June 5, 2006, funding of $500,000 is required to conduct an objective review and analysis of the Fairfax-Falls Church Community Services Board (CSB) mental health organization, operation and effectiveness to improve and ensure that CSB mental health services meet community needs currently and in the future. The Commission will consist of locally and nationally recognized mental health service administrators/providers and community stakeholders, including at least two mental health service consumers. These funds will support the collection, analysis and publication of information for the Commission, as well as pay for nationally recognized consultants to participate in the work of the Commission. Input will be received from a wide array of stakeholders. Since the scope of this review will encompass both the public and private sectors, as well as numerous complex public policy issues, it is anticipated that the work of the Commission could take up to 12 months.

		NON-RECURRING
	Revenue	$22,902
	Expenditure	($22,098)
Fund 106, Fairfax-Falls Church Community Services Board	General Fund Transfer	($45,000)
Various Program Adjustments	**Net Cost**	**$0**

A total net decrease of $22,098 in funding is required for the following adjustments:

- $463,502 increase for the Jail Diversion Program with commensurate increases in state funding.

- $77,226 increase for programs that deferred receipt of revenue to FY 2007 within State Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) guidelines and a commensurate increase in state and/or federal Block Grant revenues in Alcohol and Drug Services regional co-occurring disorders funding for Cornerstones and postpartum women funding.

- $46,000 increase for food expenses at participating residential treatment sites to appropriate a commensurate increase in federal revenue for Food Stamp/Paypoint electronic benefit program.

- $40,000 increase for substance abuse/mental health co-occurring residential treatment at Cornerstones to appropriate a commensurate increase in federal Substance Abuse Prevention and Treatment (SAPT) Block Grant revenues.

- $23,000 increase for Virginia Service Integration Program (VASIP) training and consultative projects to appropriate a commensurate increase in federal Co-Occurring State Incentive Grant (COSIG) revenues.

- ♦ $23,000 increase for the contracted Homeless Services initiative at Russell Road to appropriate a commensurate increase in Medicaid State Plan Option fee revenues.

- ♦ $22,077 increase for the contracted Mental Health intensive community residential treatment program to appropriate a commensurate increase in state General Fund revenues representing five months of the State Discharge Assistance Program cost of living adjustment.

- ♦ $3,500 increase for the MH Comprehensive Treatment and Recovery program that deferred receipt of revenue to FY 2007 within DMHMRSAS guidelines and a commensurate increase in state revenues for American Health Professions (AHP) Provider training.

- ♦ $440,311 decrease due to the relocation of Alcohol and Drug Services' Sunrise II consumers as a result of a renovation of the facility with a commensurate decrease in Comprehensive Services Act (CSA) fee revenues.

- ♦ Net $235,092 decrease for Woodburn Place, that is comprised of a $504,478 expenditure increase to meet regional mental health needs, a $739,570 increase in recovered costs paid by the Regional Crisis Stabilization grant program, and a decrease of $235,092 in program fee revenue due to changes in other covered services by the regional committee.

- ♦ $45,000 decrease for Maury Place rental payments with a commensurate decrease to the County General Fund Transfer. Please note that Facilities Management Department will ensure that the County will still have access to this leased space for other County programs.

		RECURRING
Fund 112, Energy Resource Recovery Facility	General Fund Revenue	$1,365,637
Covanta Tax Liability	General Fund Transfer	$1,365,637
	Net Cost	**$0**

The General Fund Transfer to Fund 112, Energy Resource Recovery Facility, is increased by $1,365,637 for real estate tax liability. 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 $1,365,637 in FY 2007. 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 $1,365,637. As a result, the net impact to the County is $0.

		RECURRING
	General Fund Revenue	$512,051
Fund 119, Contributory Fund	General Fund Transfer	$590,801
Convention and Visitors Corporation Contribution Adjustment	**Net Cost**	**$78,750**

The General Fund transfer to Fund 119, Contributory Fund, is increased by $590,801 for the Fairfax County Convention and Visitors Corporation. Based on enabling legislation approved by the 2004 General Assembly, the County was granted the authority to impose an additional 2 percent Transient Occupancy Tax beginning July 1, 2004. As required by the legislation, no less than 25 percent of the additional revenue is to be designated for and appropriated to a nonprofit convention and visitors corporation located in the County. As a result, it is anticipated that an annual adjustment will be necessary to reconcile actual Transient Occupancy Tax receipts resulting from the additional two percent tax and subsequently, the funding that is provided to the Convention and Visitors Corporation. Based on

FY 2006 actual Transient and Occupancy tax receipts, additional funding of $428,036 is required for the Fairfax Convention and Visitors Corporation. Moreover, FY 2007 revised projections for the Transient and Occupancy tax revenues based on actual receipts require an additional appropriation of $162,765 for the Convention and Visitors Corporation. The General Fund Transfer increase of $590,801 is offset by a projected increase in FY 2007 revenue of $512,051 based on higher than anticipated Transient and Occupancy Tax receipts in FY 2006.

		NON-RECURRING
Fund 141, Elderly Housing Programs	General Fund Transfer	$245,000
Emergency Generators for Lincolnia	**Net Cost**	**$245,000**

The General Fund Transfer to Fund 141, Elderly Housing Programs, is increased by $245,000 for additional back-up power generators at the Lincolnia Senior Living Facility, a County-owned assisted and independent living facility serving up to 52 frail elderly persons. Lincolnia currently has a back-up generator that activates automatically during a power failure. However, it supplies power to a limited number of common areas and outlets. It does not supply power to the air handling system, commercial kitchen appliances, medical equipment, basement sump pumps or office equipment, all of which are needed to keep the facility operational during a sustained power failure. Funding of $245,000 in Capital Equipment will provide an adequate level of generator support at the Lincolnia facility.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$450,000
Emergency Management Initiatives	**Net Cost**	**$450,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $450,000 to support an update to the County's current Emergency Operations Plan (EOP). The Commonwealth of Virginia requires that each emergency management agency update its EOP every five years. The current EOP was adopted in July 2002 and must be updated by the end of FY 2007. Funding is required to complete the rewrite, which will include additional annexes in response to new federal requirements and to provide for a more comprehensive plan.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$150,000
Government Center Amphitheatre	**Net Cost**	**$150,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $150,000 to support the design and conceptual development of a performing arts stage to be located on the ellipse at the Government Center. This funding is necessary to fully fund the needs assessment, market study and evaluation of conceptual design alternatives for the proposed Government Center Amphitheatre. The study will determine if the amphitheatre will be self-supporting, the types of venues that can be expected, the size of the amphitheater, the exact location at the Government Center property, and the conceptual design. Financing and partnership opportunities for the construction and operation of the amphitheatre are being explored.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$1,000,000
Countywide Security Enhancements	**Net Cost**	**$1,000,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $1,000,000 to support security enhancements at public safety facilities based on recommendations resulting from the Physical Security Threat Assessment conducted by the Virginia Crime Prevention Association (VCPA) in response to the May 8th event at the Sully Police Station. Prioritized enhancements will include several radio/cell phone amplifiers to increase radio and cell phone coverage in and around public safety facilities, as well as other high priority enhancements. Other enhancements may include: remote locking capabilities for facilities in lockdown mode; fencing modifications; improved "no trespassing" signage; installation of access card readers at gated facilities; and pedestrian/parking modifications at the Massey Building/Public Safety Center.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$100,000
Lorton Community Center	**Net Cost**	**$100,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $100,000 to resume and update previous feasibility study work for the proposed Lorton Community Center. During the Board of Supervisors' adoption of the FY 2007 Capital Improvement Program, staff was directed to return to the Board as part of the *FY 2006 Carryover Review* with information and recommendations as to the appropriate timing for construction of the project and funding requirements for planning and design of the facility. However, a complete and thorough re-evaluation of the original feasibility study needs to be conducted in order to verify the scope, location and cost of the project. The previous feasibility study, conducted in 1997, identified an approximately 17,000 square foot scope for the project and was based on the pre-existing Lorton Library site as the location for this new facility. Due to a new Comprehensive Plan, environmental requirements, and new agency scope requirements, additional updates and review are required. This facility will house the Lorton Community Action Committee and the Lorton Senior Center and is anticipated to serve over 100 participants daily. Services will include program activities, a congregate meal program, and community services. Currently, the Lorton Community Action Committee meets on property owned by the Park Authority adjacent to the Lorton Library. An average of 30-60 citizens visit the Senior Center each day. The total project estimate is currently projected to be $3.7 million; however, this figure will need to be adjusted to reflect construction cost escalation.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$2,500,000
Providence District Community Center and Supervisor's Office	**Net Cost**	**$2,500,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $2,500,000 to support the Providence District Community Center, an element of the recently approved Metro West rezoning case in the Providence District. The approved rezoning case includes a proffered condition under which the developer will donate the project site and develop a Community Center of approximately 30,000 square feet. The proposed Community Center will include space for a new Providence District Supervisor's office, allowing for vacation of the existing office at the Merrifield Fire Station site. This move will facilitate incorporation of the vacated space into Fire and Rescue Department programs. The developer's financial obligation under the approved proffer is limited to $6,000,000. An additional $2,500,000 is required to fully fund the Community Center and Supervisor's Office.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$250,000
Athletic Field Maintenance	**Net Cost**	**$250,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $250,000 to support maintenance of the 90' and 60' diamond athletic fields at high school facilities. As directed by the Board during the FY 2007 budget development process, County and Fairfax County Public Schools (FCPS) staff has begun working to identify shared fiscal responsibility for field maintenance that would ensure consistent field standards and greater access for community use. To ensure the development of a plan, the requested funds would only be made available if agreement can be reached via Memorandum of Understanding (MOU) with FCPS that identifies the contributions and responsibilities of the Schools, boosters, County and community groups.

The high school diamond facilities represent a majority of the community use inventory of lighted 90' baseball game fields and 60' girls' fast pitch softball fields. To increase availability of these fields for community use, a year-round standard of care maintenance plan is required. Currently, the Schools provide care and maintenance of the fields during the primary scholastic seasons and the County mows and prepares the game fields during non-scholastic seasons. However, no one entity is responsible for providing a turf management program that ensures a consistent standard of athletic field quality at high schools across the County. This leads to a decrease in the playability of fields through multiple seasons of play.

County responsibilities may include execution of the turf management plan and off-season field maintenance, whereas Schools' responsibilities may include in-season field maintenance, as well as repair and replacement of fencing, irrigation systems, base pads and other amenities such as scoreboards. If approved, the additional funds would establish consistent standards of high school diamond field quality across the County and thus increase the availability of game time for community groups, while also ensuring shared responsibility among all users.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$1,500,000
Enterprise, Technology and Operations Center Renovation	**Net Cost**	**$1,500,000**

The General Fund Transfer to Fund 303, County Construction, is increased by $1,500,000 to begin to address critical requirements in the Enterprise, Technology and Operations Center (ETOC). The ETOC houses all County mainframe computers and corporate servers and is essential to ongoing County business and service to citizens. Without the necessary corrections and improvements, there is a real risk of data loss and disruption of computer services.

Critical areas in need of improvement include the security system, fire suppression system and environmental controls. Funding will specifically support redundant A/C units to provide fault-tolerant cooling; replace a wet pipe sprinkler system with a dry-type pre-action system; upgrade the emergency generation system; and provide a redundant Uninterruptible Power Supply (UPS), additional power distribution units to accommodate growth of the server system, an Environmental Monitoring System for all server racks, electrical wiring improvements, and an under-floor cable management system for copper and fiber communications connections; as well as enable other needed improvements. This funding is also required to support the upgrades of the mechanical and electrical systems, piping and dedicated generators for the ETOC. Most systems in the center are at or exceeding capacity. Since the opening of the Center, there have been tremendous changes in the hardware, software and communications infrastructure supporting County business, resulting in significant additions to the ETOC.

Preliminary cost estimates indicate that the total project estimate is $4,200,000. To date, funding in the amount of $1,680,000 has been approved to begin the design and to implement prioritized modifications. It is anticipated that an additional $1,020,000 will be included in the FY 2008 Advertised Budget Plan in order to fully fund this project.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$500,000
Savings from Human Services Agencies	Expenditures	($500,000)
Prevention Fund	**Net Cost**	**$0**

The General Fund Transfer to Fund 303, County Construction, is increased by $500,000 to implement a proposed Prevention Fund to provide incentive funding for the development of programs to prevent youth violence and gang involvement. As outlined in the July 20, 2006 memorandum to the Board of Supervisors, this fund will provide a pool from which competitive awards will be made to community-based organizations to implement evidence-based prevention programs that have demonstrated effectiveness in reducing gang involvement. Funding for the Prevention Fund has been made available through FY 2006 savings in several human services agencies as addressed in the Unencumbered Carryover Section of this package.

		NON-RECURRING
Fund 312, Public Works Construction	General Fund Transfer	$750,000
Space for Court Records in Judicial Center	**Net Cost**	**$750,000**

The General Fund Transfer to Fund 312, Public Works Construction, is increased by $750,000 to support design and construction costs associated with additional filing space for court records in the lower level of the Judicial Center Expansion. Approximately 3,000 square feet of shelled space previously held for future expansion will be completed to house approximately 1,500 square feet of regular file space and 1,500 square feet of high density files that are best suited for lower level space due to their weight and size. Space will accommodate Circuit Court, General District Court and Juvenile and Domestic Relations District Court files, which can no longer be accepted at the off-site location now at capacity. The completion of this work will be timed appropriately with the completion of the entire Courthouse project scheduled for Spring 2008.

		NON-RECURRING
Fund 501, County Insurance	General Fund Transfer	$5,000,000
Reserve for Catastrophic Occurrences	**Net Cost**	**$5,000,000**

The General Fund Transfer to Fund 501, County Insurance, is increased by $5,000,000 in order to continue to bolster the Reserve for Catastrophic Occurrences, bringing it to a total of $15,733,924. The FY 2006 ending Reserve for Catastrophic Occurrences is $11,921,437. However, it has been determined that a reserve of approximately $15 million is a more adequate target in order to prepare for a potential catastrophic event. Although the County has an excess liability insurance program for automobile liability, general liability, and workers' compensation, it is possible that the County could exhaust its limits of up to $10 million for each type of coverage. This is very likely for an organization of this size should an event occur that includes multi-level exposures, e.g., several public safety response units, emergency response equipment at any given location, weather-related catastrophes, etc. Increasing the reserve to $15,733,924 will also allow flexibility in order to cover any change in the reserve for accrued liability for FY 2006. The liability accrual reserve estimate for FY 2006 is currently based on last year's actuarial evaluation. The actuarial study to determine the FY 2006 accrued liability is currently in progress and will be completed in August.

		NON-RECURRING
Agency 08, Facilities Management Department	Expenditure	$50,000
Agency 29, Maintenance and Stormwater Management	Expenditure	$50,000
Agency 31, Land Development Services	Expenditure	$50,000
Agency 50, Department of Community and Recreation Services	Expenditure	$100,000
Agency 51, Fairfax County Park Authority	Expenditure	$100,000
Agency 90, Police Department	Expenditure	$100,000
Agency 91, Office of the Sheriff	Expenditure	$50,000
Agency 92, Fire and Rescue Department	Expenditure	$100,000
Fund 100, County Transit Systems	General Fund Transfer	$900,000
Vehicle Fuel Increases	**Net Cost**	**$1,500,000**

Funding of $1,500,000 is required to provide additional funding for the General Fund and General Fund-supported agencies that use the greatest amount of fuel and are being impacted the most by higher fuel prices. Though prices fluctuate significantly from month to month, the average cost of unleaded and diesel fuel is projected to be 15 to 20 percent higher than budgeted in the FY 2007 Adopted Budget Plan, and may even increase further during the remainder of FY 2007. In order to proactively address this situation, an adjustment is being made at this time to those General Fund and General Fund-supported agencies with annual DVS fuel billings of over $100,000. This situation will continue to be monitored closely and if additional adjustments are required, they will be made as part of the *FY 2007 Third Quarter Review*.

		NON-RECURRING
Agency 26, Capital Facilities	Expenditure	$200,000
Agency 51, Fairfax County Park Authority	Expenditure	$200,000
Fund 303, County Construction	General Fund Transfer	$160,009
Utilities Increases	**Net Cost**	**$560,009**

Funding of $560,009 is required due to higher than projected costs for utilities associated with the Office of Capital Facilities, the Fairfax County Park Authority, and in the Athletic Field Maintenance Project in Fund 303, County Construction. Of this total, $200,000 is required for Capital Facilities to fund the projected FY 2007 shortfall in the Streetlights Program. This shortfall is due to the significant rise in the fuel factor value, which increased an average of 55 percent in FY 2006 and is expected to remain at this high level in FY 2007. An additional $200,000 is required for the Park Authority as rates for electricity and natural gas have increased significantly since the beginning of FY 2006, with additional increases of approximately 20 percent for electricity and 40 percent for natural gas anticipated in FY 2007. Both utilities are expected to remain at this high level for the foreseeable future. The remaining $160,009 will address shortfalls for both water and electricity in Project 005009, Athletic Fields Maintenance, in Fund 303, County Construction.

		NON-RECURRING
Agency 13, Office of Public Affairs	Expenditure	$15,000
Agency 71, Health Department	Expenditure	$15,000
Agency 08, Facilities Management Department	Expenditure	$260,000
Agency 31, Land Development Services (Urban Forestry Management)	Expenditure	$170,000
Fund 303, County Construction (Park Authority Projects)	Expenditure	$450,000
Fund 109, Refuse Collection and Recycling	Expenditure	$90,000
BOS Environmental Agenda	**Net Cost**	**$1,000,000**

Funding of $1,000,000 is required to continue to address the Board of Supervisors' Environmental agenda. Projects include: outreach materials for air quality awareness; continued participation in the Clean Air Partners regional effort; the continuation of the purchase of five percent of the County's energy from wind energy; removal of invasive plants that threaten native plant communities; an additional five household hazardous waste events; the expansion of the stewardship brochure series, as well as overall environmental stewardship campaign efforts; an increase to the tree canopy at government facility parking lots, including approximately 200 shade trees at parking areas and 20 associated educational signs; and an increase to the tree canopy at County facility buildings including approximately 300 shade trees and 20 associated educational signs. 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.

Summary of FY 2006 Receipt and Disbursement Variances

The following summarizes FY 2006 receipt and disbursement variances.

Receipts

Actual FY 2006 General Fund Receipts and Transfers In are $3.094 billion, an increase of $34.52 million or 1.1 percent over the *FY 2006 Revised Budget Plan* estimate of $3.059 billion. Major changes in General Fund Receipts are summarized below. Greater detail is available in Attachment II, Summary of General Fund Receipts.

Actual FY 2006 Real Estate Taxes reflect an increase of $10.6 million or 0.6 percent over the *FY 2006 Revised Budget Plan* due to lower than anticipated exonerations and tax relief, as well as higher than estimated supplemental assessments and delinquent tax collections.

Total Personal Property Taxes in FY 2006 were $496.4 million, a net increase of $2.7 million or 0.6 percent over the *FY 2006 Revised Budget Plan*. This increase is primarily the result of a higher than anticipated collection rate, partially offset by slightly lower than projected levy. The *FY 2006 Revised Budget Plan* was based on an overall collection rate of 97.41 percent; however, the actual FY 2006 collection rate is 97.88 percent, the highest rate in at least 25 years. Collection efforts were enhanced in order to collect as much vehicle levy as possible before year-end in order to request reimbursement before state funds were depleted.

FY 2006 Other Local Taxes were $5.6 million or 1.1 percent higher than anticipated primarily due to increases in Business, Professional and Occupational Licenses; Deed of Conveyance and Recordation Taxes; the Mobile Telecommunications Tax; and the Bank Franchise Tax; partially offset by a decrease in Sales Tax revenue and Cigarette Tax collections.

Revenue from Permits, Fees and Regulatory Licenses was $0.5 million or 1.5 percent lower than the estimate in the *FY 2006 Revised Budget Plan* primarily due to lower than projected construction activity in the County.

Revenue from the Use of Money and Property was $8.1 million or 12.5 percent higher than estimated in the *FY 2006 Revised Budget Plan* and is primarily the result of a higher than projected average portfolio and increased yield based on the Federal Reserve raising interest rates eight times during FY 2006.

Actual FY 2006 Charges for Services reflect an increase of $2.6 million or 4.8 percent over the *FY 2006 Revised Budget Plan.* This increase is primarily attributable to higher than anticipated Emergency Medical Services Transport Fees due to a higher than projected collection rate partially associated with a higher than expected percentage of County residents covered by supplemental insurance and increased School-Age Child Care fees based on lower subsidy levels for reduced fee participants, partially offset by lower than anticipated County Clerk Fees mainly due to the slowdown in mortgage refinancing and home sale activity.

A net increase of $5.3 million or 4.1 percent 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 $58.76 million. As part of the *FY 2006 Carryover Review*, an amount of $42.41 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes $32.91 million for encumbered, legal obligations of the General Fund which were incurred in FY 2006, $8.67 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV) and $0.83 million for the required Managed Reserve adjustment.

After adjusting for encumbered and unencumbered commitments, as well as the associated Managed Reserve adjustment, a variance of $16.35 million or 0.5 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 2007 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase $901.46 million over the FY 2007 Adopted Budget Plan. This amount includes $863.83 million in carryover of unspent balances and an increase of $37.63 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $22.20 million in Non-Appropriated Other Funds. Details of Fund 102, Federal/State Grant Fund, are discussed in Attachment VI, while details of FY 2007 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total $513.90 million, excluding debt service, over the FY 2007 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

It should also be noted that Supplemental Appropriation Resolution AS 06104 is required for an additional appropriation of $1,665,499 in Fund 309, Metro Operations and Construction. This amount is required as part of the *FY 2006 Carryover Review* for Metro Matters capital-related requirements as expenditures exceeded the *FY 2006 Revised Budget Plan* total by 8.4 percent over the approved funding level of $19,892,541. This shortfall was entirely offset by revenue, in the form of additional General Obligation Bond sales, so there is no net impact to Fund 309, Metro Operations and Construction.

Summary of Recommended Actions

In summary, I am recommending that the Board take the following actions:

Approve Supplemental Appropriation Resolutions AS 06104 and AS 07014, as well as Fiscal Planning Resolution AS 07900 to provide expenditure authorization for FY 2006 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve including the following:

- Board appropriation of $32.91 million in General Fund encumbrances from FY 2006 as noted in the Combined General Fund Statement.
- Board appropriation of General Fund unencumbered Board commitments totaling $8.67 million as detailed in Attachment IV.
- Board appropriation of net General Fund administrative adjustments totaling $31.10 million as detailed earlier in this memorandum.

- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund, totaling $159.94 million or an increase of $92.59 million as detailed in Attachment VI. Of this amount, $6.38 million represents non-local cash match funding adjustments for existing, supplemental, and new grant awards for the Department of Family Services, Health Department, Police Department, Fire and Rescue Department, and Office of Emergency Management. In addition, an increase of $87.01 million represents the carryover of unexpended FY 2006 balances for grants that were previously approved by the Board of Supervisors. These increases are slightly offset by a $0.80 million decrease, reflecting a necessary adjustment to replace bond funds in Fund 304, Transportation Improvements (formerly Primary and Secondary Road Bond Construction), to be utilized for local cash match requirements associated with Federal Transit Administration grants for the Richmond Highway Public Transportation Initiative and the Burke VRE Station Parking Expansion projects, approved by the Board of Supervisors on July 10, 2006. It should be noted that the local cash match reserve for grant awards is increased by $2.24 million. The increase includes $3.49 million carried over from the FY 2006 balance of the reserve and $0.10 million in local cash match returned to the reserve and carried over as the result of closeouts, offset by a $0.08 million decrease due to the local cash match requirement of a new award in the Fire and Rescue Department, a $0.47 million decrease due to local cash match requirements for FY 2007 awards administratively approved prior to Carryover, and the $0.80 million reduction discussed above.

- Board appropriation of remaining Other Funds Carryover of $1,322.78 million, which includes $513.90 million in School expenditures and $558.10 million for Capital Construction funds, and $250.78 million in other funds. Of this total, $1,260.84 million is in encumbered items, $24.31 million is in unencumbered commitments, and $37.63 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 2007 Final Budget Review and Appropriation Resolutions.

- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.