ATTACHMENT B:

MEMO AND ATTACHMENTS I – VIII TRANSMITTING THE COUNTY'S FY 2007 CARRYOVER REVIEW WITH APPROPRIATE RESOLUTIONS

County of Fairfax, Virginia

MEMORANDUM

DATE: August 6, 2007

TO: BOARD OF SUPERVISORS

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2007 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2007 Carryover Package, including Supplemental Appropriation Resolution AS 07143, AS 08014 and Amendment to the Fiscal Planning Resolution AS 08900. The document includes the following attachments for your information:

Attachment I	A General Fund Statement showing the status as of July 9, 2007, 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 2008
Attachment VII	A detailed description of significant changes in Other Funds
Attachment VIII	Supplemental Appropriation Resolution AS 07143, AS 08014 and Fiscal Planning Resolution AS 08900 for FY 2008 providing for the appropriation of outstanding encumbrances and unspent balances for federal/state grants, as well as prior commitments of the Board of Supervisors, such as unspent capital project balances

As 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 2007 Carryover Review* recommends changes to the FY 2008 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 10, 2007.

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FY 2007 End of Year Summary

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 9, 2007 to the final estimates of the *FY 2007 Revised Budget Plan*.

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

	FY 2007 Revised Budget Plan	FY 2007 Actual	Variance
Beginning Balance, July 1	$168.89	$168.89	$0.00
Receipts and Transfers In	$3,214.23	$3,228.26	$14.03
Total Available	$3,383.12	$3,397.15	$14.03
Expenditures	$1,210.21	$1,145.19	($65.01)
Transfers Out	$2,078.79	$2,078.79	$0.00
Total Disbursements	$3,289.00	$3,223.98	($65.01)
Ending Balance, June 30	$94.12	$173.16	$79.04
Managed Reserve	$65.78	$65.78	$0.00
Reserve for FY 2008 Budget Consideration	$28.34	$28.34	$0.00
Balance	$0.00	$79.04	$79.04

FY 2007 Commitments	
Outstanding Encumbered Obligations	($39.97)
Outstanding Unencumbered Commitments	($7.55)
Managed Reserve Adjustment	($0.96)
Balance after FY 2007 Commitments	**$30.56**
FY 2008 Administrative Adjustments	
Administrative Adjustments	($7.77)
Managed Reserve Adjustment	($0.23)
Balance after FY 2008 Administrative Adjustments	**$22.56**
Available Balance Recommended to be held in Reserve for FY 2009 Requirements	**$22.56**

NOTE: Carryover is defined as the reappropriation in FY 2008 of previously approved items such as outstanding encumbered obligations, unencumbered commitments and unexpended FY 2007 capital project balances.

Executive Summary

FY 2007 General Fund revenues came in only $14.03 million, or just over 0.4 percent over the budgeted estimate. In addition, expenditures were slightly below *FY 2007 Revised Budget Plan* projections. Netting out outstanding encumbrances, unencumbered commitments and net administrative adjustments associated with previously approved Board initiatives or other items of a critical nature, as well as the required Managed Reserve adjustments, the available balance is $22.56 million. This represents approximately 0.7 percent of the total FY 2007 General Fund Disbursements budget and is $3.24 million more than the FY 2006 ending balance of $19.32 million. This balance is comprised of the additional $14.03 million in General Fund revenues and a net savings of $16.53 million in expenditures after adjusting for outstanding encumbered and unencumbered obligations including the adjustment to the Managed Reserve, partially offset by $8.00 million for necessary administrative adjustments, including the Managed Reserve adjustment.

I also want to note for the Board that additional funding for the Revenue Stabilization Reserve is not required at this time. This reserve, which reflects 3 percent of General Fund (GF) disbursements, will be fully funded in FY 2008 through additional interest earnings. If in the future, interest earnings are not as robust as they are currently, a General Fund transfer may be necessary in order to keep this reserve fully funded.

As noted above, after the actions proposed in this *FY 2007 Carryover Review* package, a balance of $22.56 million remains for the Board's consideration. I recommend that this balance be held in reserve to meet FY 2009 requirements. In developing recommendations to the Board as part of the *FY 2007 Carryover Review*, I am mindful of current revenue forecasts for the upcoming fiscal year. As the Board is aware, slowing conditions in the real estate market and an overall moderation of the local economy is anticipated to result in significantly lower revenue growth for FY 2008, a trend that is projected to continue in FY 2009. In addition, initial information from the State indicates that a substantial shortfall is possible in the next biennium budget, the impact of which could be substantial for Fairfax County. 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, 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 been made aware of several issues that have had or will have an impact on the FY 2008 budget. As you may recall, the Board was notified of a potential Comprehensive Services Act (CSA) shortfall as part of the FY 2008 Add-on. Since that time, staff has reviewed the program and based on preliminary analysis and experience to date, CSA may need additional funding of $10.0 million in FY 2008, of which the County's share will be approximately $4.6 million. The additional funding is primarily needed to address the recent reinterpretation of state policy regarding foster care prevention. This reinterpretation was intended to prevent the relinquishment of custody by parents whose children are in need of mental health services, but for whom there is only limited non-mandated funding available to purchase services. By broadening the foster care prevention population, which is mandated, more youth can now receive services. Public comments on the Proposed Interagency Guidelines on Specific Foster Care Services for Children in Need of Services are being collected by the state Office of Comprehensive Services through July 20th, after which time additional guidance regarding definitions and implementation from the state is anticipated. The CSA Management Team and the Community Policy and Management Team (CPMT), in conjunction with the Deputy County Executive, have drafted comments on the guidelines which will be sent to the state. Other factors contributing to the potential shortfall include service increases, FY 2008 contract rate increases, and changes to treatment foster care due to federal changes in the allowable Medicaid reimbursement rate for case management services. Rather than getting reimbursed at a rate of $82 a day, the monthly reimbursement is now capped at $326.50, while case management costs have remained the same. As a result, the state and County are now required to cover the shortfall. Therefore, I have included a reserve of $3.0 million; however, additional funding may be necessary. I will update the Board when more definite operational and budgetary impacts are known.

In addition, the County was informed by the Virginia Department of Social Services that Fairfax County will see a FY 2008 revenue reduction of $2.6 million for the Child Care Assistance and Referral (CCAR) program on top of revenue reductions already incorporated into the program. This reduction is reflected in the FY 2008 Adopted Budget Plan of $29.8 million; however, County staff was directed by the Board to identify sufficient and sustainable funding to address this shortfall in FY 2008. Although the Department of Family Services did have a sufficient balance to cover this shortfall, staff is still identifying sustainable funding sources to address FY 2009 and beyond. Additionally, DFS was recently notified that a one-time state supplemental allocation of $0.5 million will be available in FY 2008. As a result of these adjustments, the total funding level in FY 2008 is $32.9 million, an increase of $3.1 million over the FY 2008 Adopted Budget Plan; however, this is still a decrease of $3.0 million from the *FY 2007 Revised Budget Plan*. It should be noted that with the additional funding, in FY 2008 the CCAR program can support 5,218 children.

As a result of the Fairfax County Public Schools (FCPS) implementation of full day kindergarten at an additional 21 elementary schools, the School-Age Child Care (SACC) program within the Department of Family Services no longer requires After Kindergarten programming at those schools. With the implementation of full day kindergarten, the County will realize a savings of $0.5 million and 10/8.1 SYE positions. This adjustment has been included as part of the *FY 2007 Carryover Review*. I anticipate additional savings in the coming fiscal years as FCPS continues implementing full day kindergarten at the remaining 46 elementary schools. Additionally, in order to maintain the current staffing structure, DFS, in cooperation with FCPS, will implement a pilot program utilizing SACC teachers as FCPS substitute teachers. This pilot program will help address retention and recruitment issues commonly encountered in the SACC program.

The staff savings associated with the SACC program changes provided me an opportunity to address an issue in the Department of Tax Administration (DTA). The changing real estate landscape in the County has significantly increased both the workload and complexity of the real estate appraisal process. The County's residential real estate market recently transitioned from a period of robust price appreciation and sales activity to one of stagnant or decreasing prices. Since FY 2002, the number of residential parcels assessed has risen by over 23,000 to just over 342,000 in FY 2008. In order to address this situation, partial-year funding of $0.7 million and 10/10.0 SYE positions are included for DTA to address increased workload and complexity in the real estate appraisal process. With the additional staff, DTA's residential parcels per appraiser will be reduced from over 6,800 in 2006 to approximately 5,700 for 2008, more in line with that of other local jurisdictions and more appropriate based on service level requirements.

In addition, the creation of the Code Enforcement Strike Team (CEST) has impacted the FY 2008 budget. Formally starting operations on June 1, 2007, the CEST has been established with the three-fold goal of stopping people or companies that are systematically violating zoning, building and safety ordinances by operating illegal boarding houses; protecting the health and safety of those being exploited by illegal boarding house owners and their neighbors and neighborhoods; and meeting community needs for protecting the integrity of neighborhoods while creating a sustainable, highly effective code enforcement system. Funding of $1.2 million and 10/10.0 SYE positions to support the countywide code enforcement effort are included as part of this package.

Finally, as discussed with the Board on July 30 and noted above, the FY 2009 budget is expected to be extremely tight as residential real estate growth is expected to decline further in FY 2009. Agencies have been informed that flexibility in expenditures for FY 2009 will be limited and that preliminary FY 2009 budget forecasts indicate a multi-million dollar shortfall after funding necessary adjustments. For these reasons, the two percent across-the-board reduction made to Personnel Services to General Fund and General Fund Supported agencies in FY 2008 will be maintained in the base, and an additional two percent reduction will be required in FY 2009. At this time, specific program reductions will not be requested, but may be necessary if new information and/or requirements necessitate that the original budget parameters be revisited**. I will keep the Board appraised of the situation as the year**

progresses and as noted previously, I recommend that the Board hold the available balance of $22.56 million in reserve to address FY 2009 requirements.

FY 2007 Revenues and the Economy

Before discussing specific FY 2008 Carryover adjustments, it is important to review the context of the Carryover balance and recommended adjustments. Actual FY 2007 General Fund Revenues and Transfers In were $3.228 billion, an increase of $14.03 million or 0.4 percent over the *FY 2007 Revised Budget Plan* estimate. This reflects a very close margin on a budget of over $3.2 billion and is less than one-third the level of FY 2006. The FY 2007 variance is primarily associated with a higher than anticipated collection rate on Personal Property Taxes due in part to the method in which State reimbursement is received and additional funding from the Commonwealth and Federal Government for public assistance programs associated with County expenditure increases.

As presented to the Board of Supervisors and the School Board on July 30, 2007, the local housing market has continued to cool through the first half of 2007. The number of homes sold has declined and sales prices are below last year's level. In addition, homes are staying on the market longer – an average of 91 days from January through June 2007 compared to an average of 55 days during the first half of 2006. Problems with the quality of consumer credit have led to rising foreclosures in the County.

Based on current market conditions, residential assessments are projected to decline 4.0 percent in FY 2009. 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 basically flat in FY 2009. It will be extremely difficult to support current operations, much less provide service enhancements in the FY 2009 budget with such restrictive growth. Consequently, I am recommending significant caution that we maintain as much of the FY 2007 balance as possible to apply it toward the FY 2009 budget and I would strongly urge Fairfax County Public Schools to do the same with their balance.

The FY 2007 net revenue increase of $14.0 million was primarily the result of a $10.6 million increase in Personal Property Tax collections resulting from a higher than projected collection rate. Real Estate Tax receipts were $2.6 million less than expected due to increased tax relief and a lower than anticipated collection rate. Other Local Taxes experienced a net increase of $2.2 million, largely due to increases in Business, Professional and Occupational Licenses, Deed of Conveyance and Recordation Taxes partially offset by decreases in the Communication Sales and Use Tax and Cigarette Tax collections. Revenue from the Use of Money and Property in FY 2007 was $4.0 million less than the *FY 2007 Revised Budget Plan* estimate due to a decrease in Interest on Investments associated with a lower than projected yield and average portfolio. Charges for Services increased $1.3 million over the *FY 2007 Revised Budget Plan* estimate primarily due to higher than anticipated receipts from County Clerk Fees, School Age Child Care Fees and Emergency Medical Transport Fees, partially offset by lower than projected police services reimbursement. Permits, Fees and Regulatory Licenses were $1.4 million less than estimated reflecting lower building activity in the County. Finally, a net increase of $7.5 million in Revenue from the Commonwealth and Federal Government is primarily associated with a net increase in public assistance program revenue.

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.

FY 2007 Disbursements

The General Fund disbursement variance totals $65.01 million. An amount of $48.48 million is carried forward for encumbered and unencumbered items, as well as the associated Managed Reserve adjustment, leaving a variance of $16.53 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 2007 Disbursements is included in the Carryover attachments.

Recommended FY 2008 Administrative Adjustments - Summary

This Carryover package includes a number of recommended adjustments, for a total net impact of $8.00 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. Several of the largest adjustments are briefly highlighted below along with the County vision element(s) supported by each, and are discussed in more detail in the Administrative Adjustments section of this letter.

$3.0 million in additional funding is held in reserve to address a potential shortfall in the Comprehensive Services Act (CSA) program primarily needed to address the recent reinterpretation of state policy regarding foster care prevention. This funding supports the County vision element of *Maintaining Safe and Caring Communities.*

$1.2 million and 10/10.0 SYE positions are required to support the countywide code enforcement effort. This initiative supports the County vision element of *Maintaining Safe and Caring Communities* and the Board priority of *Public Safety and Gang Prevention.*

$1.1 million is included for Fund 317, Capital Renewal for critical corrective repairs at the Herndon Monroe Parking Garage and the Government Center roof. This investment supports the County vision elements of *Connecting People and Places* and *Maintaining Safe and Caring Communities*.

$0.7 million and 10/10.0 SYE positions are required for the Department of Tax Administration (DTA) to address increased workload and complexity in the real estate appraisal process. It should be noted that this increase is largely possible through the redirection of 10 School-Age Child Care (SACC) teacher positions and associated funding eliminated as a result of the expansion of full-day kindergarten at 21 additional elementary schools in FY 2008. This investment supports the County vision element of *Exercising Corporate Stewardship*.

$0.7 million is required for various contractual cost increases for the Office of the Sheriff. This initiative supports the County vision element of *Maintaining Safe and Caring Communities*.

$0.5 million is required to appropriate additional federal and state revenue and the required County match for the Child Care Assistance and Referral (CCAR) program. This funding supports the County vision element of *Maintaining Safe and Caring Communities.*

$0.4 million and 5/5.0 SYE positions is required for the County to assume responsibility for the Fairfax County Public Schools (FCPS) Municipal Separate Storm Sewer System (MS4) permit, thus eliminating the need for schools and the County to obtain and maintain separate permits. This supports the County vision element of *Practicing Environmental Stewardship.*

$0.2 million and 3/3.0 SYE positions is required for the Department of Transportation associated with the new West Ox Bus Operations Center and the County's takeover of the WMATA 12's and 20's non-regional bus routes, as approved by the Board on February 27, 2006. This investment supports the County vision element of *Connecting People and Places*.

FY 2007 Audit Adjustments

As the Board is aware, the financial audit of FY 2007 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2007 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board's approval as part of the *FY 2008 Third Quarter Review*.

Summary of Adjustments

The *FY 2007 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 2007 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of $7.77 million. This includes increased disbursements of $11.33 million in addition offset by a net increase of $3.56 million in revenue. Details are as follows:

Legislative-Executive Functions/Central Services

		RECURRING
	Revenue	$0
Agency 02, Office of the County Executive	Expenditure	$1,050,000
Agency 38, Housing and Community Development	Expenditure	($69,625)
Agency 87, Unclassified Administrative Expenses-Nondepartmental	Expenditure	($750,000)
Fund 340, Housing Assistance Program	General Fund Transfer	($420,375)
Fund 303, County Construction	General Fund Transfer	$190,000
Office of Community Revitalization and Reinvestment	**Net Cost**	**$0**

		NON-RECURRING
Fund 340, Housing Assistance Program	Transfer Out	$653,376
Fund 303, County Construction	Transfer In	$653,376
Revitalization Initiatives	**Net Cost**	**$0**

As anticipated within the FY 2008 Adopted Budget Plan, funding of $1,050,000, including $300,000 from the Department of Housing and Community Development (HCD) and $750,000 from Unclassified Administrative Expenses, will be redirected to the Office of the County Executive for the establishment of the new Office of Community Revitalization and Reinvestment (OCRR). A total of 9/9.0 SYE positions will support this office, including 5/5.0 SYE positions redirected from HCD and 4/4.0 SYE positions redirected by the County Executive to support this initiative. OCRR will implement the Board of Supervisors' April 2007 recommendations to better coordinate commercial and residential revitalization efforts in the County. The office will be responsible for coordinating efforts of County staff and community organizations related to the renovation and restoration of not only large commercial development, but also neighborhood commercial development and older residential areas and neighborhood capital improvements. In addition, a total of $843,376 will be redirected to Project 009800, Revitalization Initiatives, in Fund 303, County Construction. The redirected funding will be available for OCRR to support revitalization activities, marketing materials for countywide revitalization activities, consultant services and training.

			RECURRING
		Revenue	$0
Agency 06, Department of Finance		Expenditure	$400,000
Adjustment in Audit Contract		**Net Cost**	**$400,000**

Funding of $400,000 is required for the County's annual financial audit, which is due to be rebid during FY 2008. Increasingly complex accounting requirements involving greater compliance, oversight and corporate stewardship have generated an accounting industry demand for higher compensation. It is anticipated that this contract will go to the Board of Supervisors in fall 2007.

			RECURRING
		Revenue	$0
Agency 57, Department of Tax Administration		Expenditure	$524,633
Agency 89, Employee Benefits		Expenditure	$149,521
Additional Real Estate Appraisers		**Net Cost**	**$674,154**

Funding of $674,154 is required for the Department of Tax Administration (DTA) to add 10/10.0 SYE Real Estate Appraiser positions to address increased workload and complexity in the real estate appraisal process. The additional monies represent partial year funding for 10 months. The number of full-time merit appraiser positions included in the FY 2008 Adopted Budget Plan is 66/66.0 SYE positions. Of the 66/66.0 SYE positions, 49/49.0 SYE positions are currently allocated to residential appraisals. Since FY 2002, the number of residential parcels assessed has risen by over 23,000 from 319,395 to 342,433 in FY 2008. Data from a 2006 survey by the Virginia Association of Assessing Officers indicates the number of residential parcels per appraiser for Fairfax County is greater than many neighboring jurisdictions. The number of taxable residential parcels per appraiser in Fairfax County was more than 6,800 in 2006 whereas the average of other large Virginia jurisdictions that assess annually was approximately 6,000 parcels per appraiser. In addition, Fairfax County is well above the International Association of Assessing Officers' standard of between 3,000 to 3,500 residential parcels per appraiser. With the additional staff, DTA's residential parcels per appraiser will be reduced to approximately 5,700 for 2008. In order to complete the annual assessment in time for budgetary needs, maintain quality control and effectively deal with the appeals workload, DTA routinely pulls staff from its commercial section to assist with this heavy workload despite the continued expansion of the County's commercial real estate market. Between 2002 and 2006 the inventory of office space has increased nearly 4.1 million square feet, according to the Fairfax County Economic Development Authority (EDA). EDA also reports that 31 office buildings are scheduled to be delivered in the next two years. Due to the expansion of office inventories and increased complexity of the commercial work, the reallocation of staff to assist with the residential work is no longer feasible. Adding to the challenge of the high workload is the changing real estate landscape in the County. The County's residential real estate market recently transitioned from a period of robust price appreciation and sales activity to one of stagnant or decreasing prices. The additional appraisers will allow DTA to continue accurately assessing residential properties in the County despite the changing real estate market and will keep existing commercial staff focused on providing quality assessments of the commercial tax base. **The additional 10 positions are made possible through the redirection of 10 School Age Child Care (SACC) teacher positions eliminated as a result of the expansion of full-day kindergarten at 21 additional elementary schools in FY 2008**. **There will be no overall increase to the County's position count due to this redirection**.

Judicial Administration

		RECURRING
	Revenue	$0
Agency 85, General District Court	Expenditure	$9,079
Additional Funding for Magistrates' Supplements	**Net Cost**	**$9,079**

Funding of $9,079 is required for increased costs for the County supplement to magistrates' salaries based on state salary increases. Funding of $282,409 is included in FY 2008 to provide the 25 percent supplement to each salary, as originally implemented by the Board of Supervisors as part of the FY 2007 budget. However, effective December 1, 2007, the state will increase the salaries of magistrates by eight percent. As a result, an adjustment of $9,079 will be necessary to fund the corresponding increase in the County's supplement.

Public Safety

		RECURRING
	Revenue	$0
Agency 91, Office of the Sheriff	Expenditure	$650,000
Contractual Cost Increases	**Net Cost**	**$650,000**

Funding of $650,000 is required for various contractual cost increases for the Office of the Sheriff. Program costs such as food services and pharmaceutical requirements increased during FY 2007 and the FY 2008 requirements will be higher than budgeted in the FY 2008 Adopted Budget Plan. The average daily inmate population has increased from 1,236 in FY 2006 to 1,286 in FY 2007, a 4.0 percent increase. Additionally, in October 2006 the Adult Detention Center experienced its highest monthly average inmate population yet with 1,321 inmates. The contract costs for items such as food and pharmaceuticals are also increasing, with a cost-per-meal increase in FY 2007 and another 3 percent increase effective in September 2007. The drug costs incurred by the agency in FY 2007 were 23.5 percent higher than the FY 2008 Adopted Budget Plan.

		RECURRING
Agency 91, Office of the Sheriff	Revenue	$900,000
Agency 87, Unclassified Administrative Expenses	Expenditure	$900,000
Courthouse Security Fee	**Net Cost**	**$0**

Funding of $900,000 in both revenue and expenditures is required due to an increase in the Courthouse Security Fee. Between July 1, 2002 and June 30, 2007, the County imposed a fee of $5.00 on each criminal or traffic case in its district or circuit courts in which the defendant is convicted of a violation of any statute or ordinance. Virginia Senate Bill 1082, signed into law on March 15, 2007, authorized the Board to increase the fee to $10.00. After a public hearing on June 18, 2007, the Board of Supervisors approved the increase to $10.00, effective July 1, 2007. The total assessment is intended to support the Office of the Sheriff's costs associated with courthouse security personnel, as well as equipment used in connection with providing courthouse security. There is no maintenance of effort clause, so the assessment can be used towards currently funded courthouse security efforts. The types of security currently provided by Sheriff Deputies include security within the courtroom itself, security in moving and overseeing prisoners within the court facility, and general security control for the lobbies and courthouse building perimeter. The fee, which is directed to courthouse security costs, would free up funding that could be redirected to other needs, such as recruitment and retention issues in the Office of the Sheriff. As directed by the Board during the FY 2008 Budget Markup Process, the funding will be held in reserve pending the development of specific strategies and policies to address the recruitment and retention issues in the Office of the Sheriff. In addition, the Board directed the Board's Auditor and key County agencies, such as the Department of Human Resources, to work with the Office of the Sheriff to evaluate the number of staff vacancies and causes and return to the County Executive with recommendations on how to address these issues.

Public Works

		RECURRING
Agency 26, Office of Capital Facilities	Expenditure	($63,395)
Agency 29, Stormwater Management	Expenditure	$63,395
Position Realignment	**Net Cost**	**$0**

Funding of $63,395 is required for the transfer of one Accountant I position from the Office of Capital Facilities (OCF), Administration Support Branch to the Department of Public Works and Environmental Services (DPWES), Stormwater Planning Division (SWPD). This transfer supports the management of all stormwater related capital projects by SWPD, and better aligns the workload of the two agencies. The transfer of this position results in a net General Fund impact of $0.

		RECURRING
	Revenue	$0
Agency 29, Stormwater Management	Expenditure	$327,372
Agency 89, Employee Benefits	Expenditure	$93,301
Stormwater Positions for MS4 Permit	**Net Cost**	**$420,673**

Funding of $420,673 and 5/5.0 SYE positions is required for the County to assume responsibility for the Fairfax County Public Schools (FCPS) Municipal Separate Storm Sewer System (MS4) permit, thus eliminating the need for schools and the County to obtain and maintain separate permits. This funding level includes $327,372 for Personnel Services and $93,301 for Employee Benefits. The MS4 permit is one component of the National Pollutant Discharge Elimination System (NPDES) established in 1987 as an amendment to the Clean Water Act. This joint program would allow the County's MS4 permit to include all responsibilities for the planning, construction, maintenance, and operation of the stormwater facilities located on Fairfax County Public School properties. The potential benefits of a joint program include a more focused staff effort and the development of greater expertise, a more comprehensive program through a combined outreach and educational effort, as well as economies of scale through the combining of the parking lot sweeping efforts for FCPS with the sweeping efforts for all County facilities. Funding will support 5/5.0 SYE new positions in the Stormwater Management Division of the Department of Public Works and Environmental Services (DPWES), including 1/1.0 SYE Engineering Technician I, 1/1.0 SYE Engineering Technician III, 2/2.0 SYE Engineers III, and 1/1.0 SYE Ecologist III. The responsibilities of these positions include, but are not limited to, MS4 permit management, site inspections, data collection and verification, contractor oversight, water quality testing on local watersheds, coordination between state, County and school officials, coordination of public and community outreach programs, reviewing and providing design drawings for stormwater retro-fits, repairs and upgrades, and designing pond runoff control systems. County staff is currently developing a Memorandum of Understanding between Fairfax County and FCPS which will clarify responsibilities for stormwater facilities as related to the permit. DPWES staff will be responsible for obtaining and maintaining the MS4 permit, as well as ensuring permit compliance. DPWES will provide resources necessary to comply with permit conditions. FCPS staff will review and offer comment on permit conditions, support DPWES in implementing practices and procedures required by the permit, allow DPWES staff the access to staff and facilities required to insure permit compliance, assume financial responsibility for components of the required maintenance at school sites and provide physical office space for several County staff.

Health and Welfare

		NON-RECURRING
	Revenue	$424,167
Agency 67, Department of Family Services	Expenditure	$471,297
Child Care Assistance and Referral Program	**Net Cost**	**$47,130**

Funding of $471,297 is required to appropriate additional federal revenue for the Child Care Assistance and Referral (CCAR) program. The expenditure increase is offset by an increase of $424,167 in state and federal revenues for a net impact to the County of $47,130. This funding will help preserve the child care infrastructure, including community-based programs, which enables low income families to work and become self sufficient. This funding has not been added to the FY 2009 base but staff will continue to work with the state to identify additional state funds for child care to address FY 2009 and beyond.

This adjustment, along with the $2.6 million available as a result of savings within the Department of Family Services, brings the total funding level in FY 2008 to $32.9 million, a decrease of $3.0 million from the *FY 2007 Revised Budget Plan*. It should be noted that with the additional funding, in FY 2008 the CCAR program can support 5,218 children.

		RECURRING
	Revenue	$584,363
Agency 67, Department of Family Services	Expenditure	$584,363
Comprehensive Services Act	**Net Cost**	**$0**

Funding of $584,363 is required to appropriate the state revenue match associated with a contract rate increase included in the FY 2008 Adopted Budget Plan for the Comprehensive Services Act (CSA). This adjustment allows the County to maximize revenue available from the state. CSA provides both community- and facility-based services to at-risk children and their families. The expenditure increase is fully offset by an increase in state funding with no net impact to the General Fund.

		RECURRING
	Revenue	$0
Agency 67, Department of Family Services	Expenditure	($414,456)
Agency 89, Employee Benefits	Expenditure	($70,291)
School-Age Child Care (SACC)	**Net Cost**	**($484,747)**

A decrease of $484,747 and 10/8.1 SYE positions is included to address the elimination of the After Kindergarten SACC program as a result of the implementation of full day kindergarten at 21 elementary schools. This brings the total elementary schools with full day kindergarten to 91 and it is anticipated that there will be additional savings in the coming fiscal years as FCPS continues implementing full day kindergarten. The implementation of full day kindergarten equates to the elimination of more than 18,000 staff hours of After Kindergarten SACC programming. This means 18,000 staff hours either need to be eliminated or re-directed. The majority of these hours are accounted for by the elimination of 10/8.1 SYE positions. However, in an effort to maintain the current staffing structure and program model, DFS, in cooperation with FCPS, will implement a pilot program utilizing SACC teachers as substitute teachers. FCPS will utilize 60 SACC teachers one day a week and will reimburse the County at the substitute rate of $13.68 per hour or approximately $250,000 per year. This additional revenue will offset the loss of SACC program revenue resulting from the elimination of After Kindergarten slots. This program will help address retention and recruitment issues commonly encountered in the SACC program. It should be noted that the 10 eliminated positions will be re-directed to the Department of Tax Administration through the abolish/establish process to address increased workload and complexity in the real estate appraisal process. Please see the Agency 57, Department of Tax Administration Administrative Adjustment write-up for additional information.

			NON-RECURRING
		Revenue	$163,139
Agency 67, Department of Family Services		Expenditure	$163,139
Program Adjustments		**Net Cost**	**$0**

Net funding of $163,139 is required to appropriate additional state and federal revenue for the following programs:

> Brain injury program funding of $150,925 will support long-term case management services in Fredericksburg, Prince William and Fauquier Counties.
> Respite Care program funding of $15,773 will be used to support a range of respite services to foster care families.
> Sibling Group Respite Care program funding of $5,265 is a pilot program that will enable siblings placed in separate foster care homes to have regular and consistent contact.
> Education and Training Voucher (ETV) program funding of ($8,824). The ETV program provides funding 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

Community Development

			RECURRING
		Revenue	$0
Agency 40, Department of Transportation		Expenditure	$152,276
Agency 89, Employee Benefits		Expenditure	$40,549
West Ox Bus Operations Center Positions		**Net Cost**	**$192,825**

Funding of $192,825, including $152,276 in the Department of Transportation and $40,549 in Agency 89, Employee Benefits is required for salaries, fringe benefits, and Operating Expenses associated with 3/3.0 SYE positions associated with the new West Ox Bus Operations Center and expansion of CONNECTOR services. On February 27, 2006, the Board of Supervisors approved 3/3.0 SYE positions for the support of the County's takeover of the WMATA 12's and 20's non-regional bus routes that will be operated from the new West Ox Operations Center now under construction and opening in mid-FY 2009. The positions were not funded at the time approved, pending the beginning of construction on the new operations center. A Transportation Planner III, Transportation Planner II, and a Transportation Planner I are now required to be established to provide the necessary up-front planning support associated with the new facility and new bus services. The positions will have the responsibility for planning optimal CONNECTOR bus routing from the West Ox location, negotiating and managing the details of agreements with WMATA for sharing space and costs at this County facility, negotiating and implementing a new bus operations contract for the new site, training of contractor personnel, and setting-up and testing of site equipment. The Transportation Planner III will serve as Senior Operations Coordinator for CONNECTOR service as a whole, monitoring service delivery and providing daily operational guidance for all three divisions. The Transportation Planner II will serve as Senior Fleet Coordinator, ensuring contract compliance with fleet maintenance requirements and standards. The Transportation Planner I will function as a Performance Monitor for a new and expanded bus operations contract in FY 2009. Together, these positions will help provide necessary oversight for the complex operations accompanying the growth of the CONNECTOR fleet and services. The funding included as part of this administrative adjustment will support the two positions necessary in FY 2008 for preparation for the CONNECTOR expansion, while the third position, in direct support of the expanded bus operations contract, will be funded a part of the FY 2009 Adopted Budget Plan.

		RECURRING
	Revenue	$0
Agency 92, Fire and Rescue Department	Expenditure	$150,000
Agency 90, Police Department	Expenditure	$100,000
Agency 91, Office of the Sheriff	Expenditure	$100,000
Agency 17, Office of the County Attorney	Expenditure	$100,000
Agency 31, DPWES, Land Development Services	Expenditure	$140,000
Agency 71, Health Department	Expenditure	$50,000
Agency 35, Department of Planning and Zoning	Expenditure	$280,000
Agency 89, Employee Benefits	Expenditure	$260,000
Code Enforcement Strike Team	**Net Cost**	**$1,180,000**

In the FY 2008 Budget Guidelines, the Board noted the neighborhood zoning enforcement effort was being supported in the short term within existing resources; however "an effective, unified and vigorous response" might require a more permanent and sustained solution and directed the County Executive to return at the *FY 2007 Carryover Review* with a longer term plan including enhanced community empowerment and engagement.

While working towards a long-term solution, it is important to note that much work has already begun in support of this program. Formally starting operations on June 1, 2007, the Code Enforcement Strike Team has been established with the three-fold goal of stopping people or companies that are systematically violating zoning, building and safety ordinances by operating illegal boarding houses; protecting the health and safety of those being exploited by illegal boarding house owners and their neighbors and neighborhoods; and meeting community needs for protecting the integrity of neighborhoods while creating a sustainable, highly effective code enforcement system. The two actual strike teams each consist of five staff members dedicated full-time to this effort, including individuals from Planning and Zoning, Public Works, Health Department and the Fire and Rescue Department. In addition, County staff from numerous disciplines have been brought together in a collaborative way to not only address current enforcement complaints but to begin the process of redesigning the zoning enforcement process and also deal with the underlying issues that contribute to the situation. There are over 15 county agencies involved in the effort, including: the County Executive's Office, the County Attorney's Office, Housing and Community Development, Information Technology, Management and Budget, Police, Public Affairs, Sheriff, and Tax Administration, in addition to those noted above.

As of July 16, the team has already investigated 143 properties, averaging more than 20 per week. In each case, access has been gained which has allowed the team to perform its work and seek compliance if any violations are noted. Resulting from this work, 27 cases have been closed and 116 cases are still active. Of the active total, civil and criminal action has been undertaken against 8 of these properties. It should be noted that contact has been made with all complainants in these cases. By magisterial district, the breakdown is as follows:

District	Investigated	In Litigation
Braddock	9	0
Dranesville	2	0
Hunter Mill	1	0
Lee	72	6
Mason	29	1
Mt. Vernon	9	0
Providence	9	0
Springfield	4	1
Sully	8	0
TOTAL	**143**	**8**

The strike teams investigate properties based on complaints. As additional complaints come in and are identified as appropriate for the Strike Team, they are being added to the list for action. In addition, several properties identified by Board Members as well as homeowner/civic associations have been added to the list for immediate action. The number of cases cited above represents only a fraction of the overall cases that will be addressed by the Strike Team. An online tool is available to County residents to allow them to make a complaint about suspected illegal activity at www.fairfaxcounty.gov/striketeam. Additional information about the team and codes related to overcrowding is also available at this address.

Cases are being prosecuted based on the most effective method for shutting down illegal activity - civil or criminal prosecutions or both, depending on the circumstances. The team is also continuing to work on integrating government databases, such as FIDO, CARS, and tax and human services records, with information from private sources, such as Lexis/Nexis, to more effectively identify suspected violators and has received training in health and safety, infectious diseases, search and seizure, FIDO, parking and towing, gangs, human services, and several other related topics.

The workload previously handled by staff now assigned to the Strike Team is proving very challenging to absorb by other existing staff. Currently, agencies are absorbing the personnel-related costs by paying them out of their existing budgets and no funds have been provided to backfill or otherwise help cover the costs of ongoing business. Based on early indications from what has already been found and the growing list of complaints being received, a long-term commitment is going to be required to address the numerous issues noted above. As a result, FY 2008 funding of $1,180,000 and 10/10.0 SYE positions are requested to support the countywide code enforcement effort. Based on the Strike Team experience to date, it is anticipated that the positions will be assigned as follows and budgeted as such.

Fire and Rescue Department – 1/1.0 SYE position and limited term support / $150,000
Police Department – 1/1.0 SYE position / $100,000
Office of the Sheriff – 1/1.0 SYE position / $100,000
Office of the County Attorney – 1/1.0 SYE position / $100,000
Department of Public Works and Environmental Services – 2/2.0 SYE positions / $140,000
Health Department – limited term support / $50,000
Department of Planning and Zoning – 4/4.0 SYE positions / $280,000
Employee Benefits - $260,000

Staff will return to the Board with a detailed position breakout and timeframe for how these positions and associated funding will be detailed during fall 2007. In addition, as part of that report staff will update the Board on the community empowerment and engagement aspects of this program that are critical to long term success

Non-Departmental

		RECURRING
	Revenue	$0
Agency 87, Unclassified Administrative Expenses	Expenditure	$3,000,000
Comprehensive Services Act (CSA)	**Net Cost**	**$3,000,000**

A reserve of $3.0 million is included to address potential shortfalls in the CSA program. The CSA program provides both community-and facility-based services to at-risk children and their families. The program serves just over 1,000 children annually at a cost of approximately $33.0 million to the County. As outlined for the Board as part of the FY 2008 Add-On Review, the state has instituted changes to its classification of service requirements related to mandated services. Based on a recent reinterpretation of state policy regarding foster care prevention, the State has placed children in need of mental health services in the mandated services category. This reinterpretation was intended to prevent the relinquishment of custody by parents whose children are in need of mental health services, but for who there is now only limited non-mandated funding available to purchase services. By broadening the foster care prevention population, for which services are mandated, more youth must now receive services. Staff has reviewed the program and based on a preliminary analysis as well as experience during the first quarter of policy change, the CSA program may need additional funding of $10.0 million in FY 2008. The net cost to the County as a result of this change and based on the County's 46 percent match requirement could be as high as $4.6 million annually.

In addition, federal government reductions in allowable Medicaid reimbursement rates for case management services from $82/day to a monthly cap of $326.50, increases in average monthly services costs of 10-12 percent based on actual case requirements, and the impact of both the FY 2007 and FY 2008 negotiated contract rates for CSA services through private service providers have also increased the cost of the County's CSA program. Staff is currently reviewing the program capacity and evaluating cost reduction strategies to reduce the cost implications of these changes and will report back to the Board as more information becomes available. The reserve of $3.0 million has been identified, based on these requirements and the likely increase associated with the State policy changes noted above. These funds will be held in Agency 87, Unclassified Administrative Expenses, for reallocation to Agency 67, Department of Family Services, once requirements are fully known.

General Fund-Supported

		RECURRING
	Revenue	$184,566
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	$184,566
Medicaid Grant Positions	**Net Cost**	**$0**

An increase of $184,566 in funding is required to support 3/3.0 SYE Medicaid grant positions to address additional staffing needs at three directly-operated Mental Retardation group homes. These programs are serving individuals who are aging-in-place, experiencing declining health, and/or have been diagnosed with dementia or Alzheimer's. The additional positions are necessary for consistent compliance with state licensing requirements in the provision of the requisite higher-level care.

		NON-RECURRING
	Revenue	($175,193)
Fund 106, Fairfax-Falls Church Community Services Board	Expenditure	($175,193)
Various Program Adjustments	**Net Cost**	**$0**

A total net decrease of $175,193 in funding is required for the following adjustments:

- $80,000 increase for substance abuse/mental health co-occurring regional residential treatment at Cornerstones to appropriate a commensurate increase in Federal Substance Abuse Prevention and Treatment (SAPT) Block Grant revenues.
- $77,790 increase for Alcohol and Drug Services' non-grant programs (Virginia Service Integration Program (VASIP), ADS regional co-occurring disorders funding for Cornerstones, SAPT IV Drug, and Post Partum Women) that deferred cash to FY 2008 within State Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) guidelines to appropriate a commensurate increase in state and/or federal Block Grant revenue.
- $27,778 increase for CSB System Transformation Consultant and CSB Priority Area Initiatives to appropriate the unexpended balances of Mental Health Block Grant projects and federal pass-through revenue.
- $25,000 increase for limited term staff in A New Beginning to appropriate an increase in State Substance Abuse Residential Purchase of Service (SARPOS) funding.

$23,099 increase for VASIP training and consultative projects to appropriate a commensurate increase in federal Co-Occurring State Incentive Grant (COSIG) revenue.
$9,750 increase for the Mental Retardation Services' court guardianship project that deferred cash to FY 2008 within DMHMRSAS guidelines and a commensurate increase in state revenues.
$3,240 increase for Post Partum Women case management services to appropriate an increase in state general funds.
$421,850 net decrease for My Friend's Place and a commensurate net decrease in state initiative and CSA fee revenue as a result of suspended services due to program dependency on CSA revenues generated by occupancy, reduced caseloads, and a systemwide review of youth service needs.

		RECURRING
Fund 112, Energy Resource Recovery Facility	General Fund Revenue	$1,491,162
Covanta Tax Liability	General Fund Transfer	$1,491,162
	Net Cost	**$0**

The General Fund Transfer to Fund 112, Energy Resource Recovery Facility, is increased by $1,491,162 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 $1,491,162 in FY 2008. 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 $1,491,162. As a result, the net impact is $0 to the County.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	($1,000,000)
Agency 71, Health Department	Expenditure	$1,000,000
Countywide Senior Initiatives	**Net Cost**	**$0**

The General Fund Transfer to Fund 303, County Construction, is reduced by $1,000,000 as a result of redirecting the balances remaining in three countywide senior initiatives projects (Project 009496, Fairfax Family CARE Fund; Project 009497, Strategic Planning for Long Term Care; and Project 009498, Fairfax County Incentive Fund) to the Health Department. The redirected funding will better align senior services to support the County's Long Term Care Strategic Plan and continue to be used to increase affordable assisted living options for low-income seniors and adults with disabilities; to support CareFaxLTC to integrate the various long term care support programs in the community, build capacity, and develop a single, coordinated long term care system for the County; and to provide grants to community organizations to stimulate the development of self-sustaining initiatives that will build additional long term care options for seniors and adults with disabilities in underserved communities. In addition, $400,000 in FY 2007 balances available in the Health Department has been included as unencumbered Carryover for a total of $1,400,000 available to Senior Initiatives in FY 2008.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$107,120
Environmental Projects	**Net Cost**	**$107,120**

The General Fund Transfer to Fund 303, County Construction, is increased by $107,120 to support the Board of Supervisors' Environmental agenda. Specific funding will provide for lighting retrofits and upgrades at Fairfax County Park Authority facilities for energy efficiency and conservation. Upgrades include: lighting retrofits such as the installation of LED exit signs; replacement of 400-watt High Intensity Discharge (HID) lamps with 300-watt lamps; replacement of florescent lamps with incandescent lamps; and occupancy sensors at targeted locations. These energy saving retrofit replacements will reap long term, system-wide environmental and cost benefits. Annual savings are estimated at $60,358 per year.

		NON-RECURRING
Fund 311, County Bond Construction	General Fund Transfer	$500,000
Gregory Drive Treatment Facility	**Net Cost**	**$500,000**

The General Fund transfer to Fund 311, County Bond Construction, is increased by $500,000 to support the construction of the Gregory Drive Treatment Facility. The Gregory Drive Treatment Facility project includes the renovation and expansion of an 11,800 square foot, 16-bed treatment facility at the existing facility site, to support mental health and substance use treatment services. The site will be redeveloped with a newly constructed barrier-free facility to meet physical accessibility requirements under federal law and will expand the space for participants. This project was approved by the voters as part of the fall 2004 Human Services Bond Referendum and is included in the Adopted FY 2008 – FY 2012 Capital Improvement Program. An increase of $1,600,000 is required to fully fund the revised total project estimate of $5,400,000. The increase is attributable to significant cost escalation in the regional construction market, delays related to the public outreach and public hearing process, and a slight change in scope from approximately 10,000 square feet to 11,800 square feet to accommodate critical user agency requirements. This project is currently in the design phase, with construction drawings anticipated to be complete in September 2007. A transfer in the amount of $1,100,000 is available from balances in Fund 106, Fairfax-Falls Church Community Service Board. These savings are due primarily to non-grant payroll savings in Alcohol and Drug Services, Mental Retardation Services and Early Intervention Services; Leadership and Resiliency Program and Student Assistance Program savings; and, other operating cost savings and were projected to fall to fund balance as part of the *FY 2007 Carryover Review*. An additional amount of $500,000 is required from the General Fund.

		NON-RECURRING
Fund 317, Capital Renewal	General Fund Transfer	$1,075,000
Herndon Monroe Parking Garage and Government Center Roof	**Net Cost**	**$1,075,000**

The General Fund transfer to Fund 317, Capital Renewal, is increased by $1,075,000 for critical corrective repairs at the Herndon Monroe Parking Garage and the Government Center roof. The Herndon Monroe Parking Garage provides 1,745 parking spaces for commuters in Fairfax County. Currently, 100 parking spaces are closed due to structural beam damage and pieces of concrete falling. An amount of $300,000 will provide for remedial work to ensure the immediate structural integrity and safe operations at the facility. An in-depth structural study is currently underway to conduct a more thorough condition assessment of the entire structure as well as concrete testing and laboratory analysis. The study is expected to be complete by September 2007 and will provide funding estimates and a prioritized list of work that will be required in the future. The Government Center membrane roof has experienced significant deterioration and multiple roof leaks. The roofing system is at the end of its useful life and is no longer under warranty. An amount of $775,000 will support the replacement of the main roof area only. Partial funding for this roof was provided in the *FY 2006 Third Quarter Review*; however, actual estimates have exceeded original projections due to construction escalation in the metropolitan area. Replacement of the terraces at the Government Center will be considered as part of the FY 2009 budget to allow the time necessary to program and design them as green roofs in support of the Board of Supervisors' Environmental Agenda.

Consideration Item

One Consideration Item is included for the Board of Supervisors' decision. There is no funding impact for this item which requests authorization to increase compensation for Fairfax County Water Authority Board members. The details of this item are as follows:

		RECURRING
	Revenue	$0
Fairfax County Water Authority	Expenditure	$0
Compensation for Fairfax County Water Authority Board Members	**Net Cost**	**$0**

As requested by the Board of Supervisors on July 23, 2007, consideration to authorize an increase in the compensation for Fairfax County Water Authority Board members is requested. The increase would adjust compensation for Board members from $7,500 to $12,000 and for the Chair from $10,000 to $15,000 annually. This adjustment would have no impact on the County budget as all compensation for Water Authority Board members is funded from the Fairfax County Water Authority budget.

Summary of FY 2007 Receipt and Disbursement Variances

The following summarizes FY 2007 receipt and disbursement variances.

Receipts

Actual FY 2007 General Fund Receipts and Transfers In are $3.228 billion, an increase of $14.03 million or 0.4 percent over the *FY 2007 Revised Budget Plan* estimate of $3.214 billion. Major changes in General Fund Receipts are summarized below. Greater detail is available in Attachment II, Summary of General Fund Receipts.

Actual FY 2007 Real Estate Taxes reflect a decrease of $2.6 million or 0.1 percent from the *FY 2007 Revised Budget Plan* due to higher than anticipated tax relief, a slightly lower collection rate, as well as, lower than estimated delinquent tax collections.

Total Personal Property Taxes in FY 2007 were $521.3 million, a net increase of $10.6 million or 2.1 percent over the *FY 2007 Revised Budget Plan*. This increase is primarily the result of a higher than anticipated collection rates due in part to the change in the method of receiving the State's share of the tax. The *FY 2007 Revised Budget Plan* was based on an overall collection rate of 97.41 percent; however, in FY 2007, the State share was capped and 100 percent was received prior to payment by the taxpayer. In addition, the collection rate on the taxpayer's portion of the tax was 98.07 percent.

FY 2007 Other Local Taxes were $2.2 million or 0.5 percent higher than anticipated primarily due to increases in Business, Professional and Occupational Licenses; Deed of Conveyance and Recordation Taxes; partially offset by a decrease in collections from the Communications Sales and Use Tax and taxes on cigarettes.

Revenue from Permits, Fees and Regulatory Licenses was $1.4 million or 4.3 percent lower than the estimate in the *FY 2007 Revised Budget Plan* primarily due to lower than projected construction activity in the County.

Revenue from the Use of Money and Property was $4.0 million or 4.0 percent lower than estimated in the *FY 2007 Revised Budget Plan* and is primarily the result of lower than projected average portfolio size and average yield, partially offset by a higher General Fund Percentage.

Actual FY 2007 Charges for Services reflect an increase of $1.3 million or 2.4 percent over the *FY 2007 Revised Budget Plan.* This increase is primarily attributable to higher than projected County Clerk Fees, which fell from the FY 2006 level but not to the extent expected. In addition, receipts for School-Age Child Care Fees and Emergency Medical Services Transport Fees were slightly higher than anticipated.

A net increase of $7.5 million or 6.1 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 $65.01 million. As part of the *FY 2007 Carryover Review*, an amount of $48.48 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes $39.97 million for encumbered, legal obligations of the General Fund which were incurred in FY 2007, $7.55 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV) and $0.96 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 $16.53 million or 0.5 percent of total estimated disbursements are 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 2008 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase $889.63 million over the FY 2008 Adopted Budget Plan. This amount includes $854.61 million in carryover of unspent balances and an increase of $35.02 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling $29.04 million in Non-Appropriated Other Funds. Details of Fund 102, Federal/State Grant Fund, are discussed in Attachment VI, while details of FY 2008 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total $392.81 million, excluding debt service, over the FY 2008 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

It should also be noted that Supplemental Appropriation Resolution AS 07143 is required for an additional appropriation of $0.7 million to Agency 91, Office of the Sheriff and $0.2 million to Fund 700, Route 28 Tax District.

Summary of Recommended Actions

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

Approve Supplemental Appropriation Resolutions AS 07143 and AS 08014, as well as Fiscal Planning Resolution AS 08900 to provide expenditure authorization for FY 2007 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve including the following:

- Board appropriation of $39.97 million in General Fund encumbrances from FY 2007 as noted in the General Fund Statement.

- Board appropriation of General Fund unencumbered Board commitments totaling $7.55 million as detailed in Attachment IV.

- Board appropriation of net General Fund administrative adjustments totaling $7.77 million as detailed earlier in this memorandum.

- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund, totaling $141.87 million or an increase of $83.28 million as detailed in Attachment VI. Of this amount, $6.60 million represents non-local cash match funding adjustments for existing, supplemental, and new grant awards the Office of the County Executive, Fairfax County Public Library, Department of Family Services, Police Department, and Fire and Rescue Department, as well as for an emergency preparedness award in the Police Department. In addition, an increase of $76.68 million represents the carryover of unexpended FY 2007 balances for grants that were previously approved by the Board of Supervisors. It should be noted that the local cash match reserve for grant awards is increased by $4.99 million. The increase includes $5.62 million carried over from the FY 2007 balance of the reserve and $0.20 million in local cash match returned to the reserve and carried over as the result of closeouts, offset by a $0.43 million decrease due to the local cash match requirement of a new award in the Department of Family Services and the Fire and Rescue Department, and a $0.40 million decrease due to local cash match requirements for FY 2007 awards administratively approved prior to Carryover.

- Board appropriation of remaining Other Funds Carryover of $1,199.17 million, which includes $392.81 million in School expenditures and $522.40 million for Capital Construction funds, and $283.96 million in other funds. Of this total, $1,152.34 million is in encumbered items, $11.81 million is in unencumbered commitments, and $35.02 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 2008 Final Budget Review and Appropriation Resolutions.

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