County of Fairfax, Virginia

MEMORANDUM

DATE: March 10, 2008

TO: BOARD OF SUPERVISORS

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2008 Third Quarter Review

Attached for your review and consideration is the *FY 2008 Third Quarter Review*, including Supplemental Appropriation Resolution AS 08107 and Amendment to the Fiscal Planning Resolution AS 08901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

Attachment I -	A General Fund Statement reflecting the status of the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.
Attachment II -	A Summary of General Fund Revenue/Transfers In with a net increase of $10,626,827. This is in addition to revenue reductions of $8,405,912 for FY 2008 identified as part of the Fall Revenue Review.
Attachment III -	A Detail of Major Expenditure Changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools and the Federal/State Grant Fund, total a net increase of $182,558,990. Expenditures in Non-Appropriated Other Funds increase a total of $6,065,766.
Attachment IV -	Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $7,383,081.
Attachment V -	Supplemental Appropriation Resolution (SAR) AS 08107, AS 07148 for FY 2007 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 08901.
Attachment VI -	FY 2007 Audit Package including final adjustments to FY 2007 and the FY 2008 impact.
Attachment VII -	Fairfax County Public Schools Third Quarter Review

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As the Board is aware, the Code of Virginia requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed $500,000. In addition, any amendment of $500,000 or more requires that the Board advertise a synopsis of the proposed changes. Since the *FY 2008 Third Quarter Review* recommends changes over the $500,000 threshold, the public hearing has been scheduled for March 31, April 1 and 2, 2008. On April 21, 2008, the Board will take action on this quarterly review prior to marking up the FY 2009 Advertised Budget Plan.

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2008 Revised Budget Plan*.

SUMMARY OF GENERAL FUND STATEMENT

(Dollars in Millions)

	FY 2007 Actual	FY 2008 Revised Budget Plan	FY 2008 Third Quarter Estimate	Variance
Beginning Balance	$168.89	$184.20	$184.20	$0.00
Receipts and Transfers In[1]	3,239.01	3,284.79	3,295.42	10.63
Total Available	$3,407.90	$3,468.99	$3,479.62	$10.63
Direct Expenditures	$1,144.91	$1,259.15	$1,262.59	$3.44
Transfers Out	2,078.80	2,117.22	2,119.98	2.76
Subtotal Disbursements	$3,223.71	$3,376.37	$3,382.57	$6.20
Ending Balance	$184.19	$92.62	$97.05	$4.43
Managed Reserve	$65.78	$67.53	$67.65	$0.12
Reserve utilized to balance the FY 2008 budget	$28.34	$0.00	$0.00	$0.00
Reserve for Board consideration as part of the FY 2009 budget[2]	$0.00	$22.46	$22.46	$0.00
Reserve for FY 2008 Third Quarter Requirements and/or FY 2009 Budget Development[3]	$0.00	$2.63	$6.94	$4.31
Available Balance	**$90.07**	**$0.00**	**$0.00**	**$0.00**

[1] The *FY 2008 Revised Budget Plan* reflects a net decrease in revenue of $8,405,912 based on revised revenue estimates as of November 2007 and noted as part of the FY 2009 Advertised Budget Plan. The FY 2008 Third Quarter estimate includes an additional $10,626,827 primarily due to higher than anticipated property tax collections and additional Department of Family Services revenue, offset by reductions in recordation and deed of conveyance revenues, General District Court fines, and lower than projected clerk fee receipts.

[2] As part of the *FY 2007 Carryover Review*, the Board of Supervisors set aside funding of $22.5 million to be held in reserve to address the development of the FY 2009 Budget. It should be noted that as part of the FY 2009 Advertised Budget Plan this reserve has been utilized to balance the budget.

[3] As part of the FY 2009 Advertised Budget Plan the County Executive recommended that net funding of $2.6 million as a result of audit adjustments offset by a net decrease in revenue as a result of the Fall Revenue estimate be set aside to address FY 2008 Third Quarter Requirements and/or FY 2009 Budget Development. As part of the *FY 2008 Third Quarter Review*, this reserve is recommended to increase to $6.9 million and the County Executive has recommended that this reserve be carried forward and utilized to balance the FY 2009 budget.

As a result of the FY 2008 Third Quarter Review adjustments, a balance of $6.94 million is available to address FY 2009 requirements. This balance results from three sources, all of which are estimated to be non-recurring.

The FY 2009 Advertised Budget Plan included a total available of $2.63 million in FY 2008 as a reserve for "FY 2008 Third Quarter Requirements and/or FY 2009 Budget Development." This reserve was the result of a net revenue reduction of $8.40 million for FY 2008 as a result of Fall 2008 revenue adjustments as well as $11.03 million available as a result of FY 2007 audit adjustments.

An amount of $2.02 million is available from increased FY 2008 revenues. FY 2008 General Fund revenue included in the *FY 2008 Third Quarter Review* is increased a net $10.63 million, reflecting $8.61 million associated with commensurate expenditure increases and $2.02 million based on the most up to date data available on various revenue categories explained in more detail below.

Finally, as a result of across the board reductions to County agencies due to the acceleration of FY 2009 cuts, an amount of $2.41 million is available. Total disbursement adjustments total an increase of $6.2 million, made up of expenditure adjustments supported entirely by new revenue of $8.61 million and a net reduction in FY 2008 expenditures of $2.41 million due primarily to an across the board reduction in Personnel Services offset by increases noted later in this memo.

Total reserves of $7.06 million, less managed reserve adjustments of $0.12 million result in the $6.94 million balance available for FY 2009 requirements. As the Board is aware, the $22.46 million balance from the FY 2007 Carryover Review has already been utilized in the FY 2009 Advertised Budget Plan.

As part of the *FY 2008 Third Quarter Review*, I am only recommending adjustments that were previously approved by the Board or represent extremely critical needs that cannot be postponed. In addition, I want to bring a couple of issues to the attention of the Board. First, this proposal includes a savings of $7.1 million associated with an across-the-board reduction in agency Personnel Services budgets. This constitutes an acceleration of the additional 2 percent

Personnel Services Reduction already reflected in the FY 2009 Advertised Budget Plan, reducing agency Personnel Services budgets by a total of 3 percent in FY 2008. A portion of this savings has been used to offset other FY 2008 requirements with approximately $2.41 million available to help address FY 2009 shortfalls.

Second, the Board has previously noted a significant issue of recruitment and retention in the Office of the Sheriff. The Board directed that County staff evaluate the number, and causes, of staff vacancies and return with recommendations on how to address them. While this process is still ongoing, I want to note that the Office of the Sheriff is projecting a total FY 2008 expenditure shortfall of just over $2.0 million. Of this total, nearly $1.5 million is in Personnel Services primarily due to substantially higher than budgeted use of overtime and the remaining $0.5 million is primarily associated with a higher than projected average daily inmate population, higher hospital bills for inmates, pharmacy medications, and fuel costs.

As the Board is aware, effective July 2007, the County implemented a State approved increase in the Courthouse Security fee from $5.00 to $10.00 per case. The Board directed that these funds be held in reserve pending the development of specific strategies and policies to address the recruitment and retention issues in the Sheriff's Office. This funding is still being held in reserve. As a result of discussions with the Financial and Program Auditor, recruitment announcements for Deputy Sheriff I positions have been changed to reflect the full range of salary a recruit can earn and a cadet program is in the process of being established enabling the Sheriff's Office to hire high school graduates between the ages of 18 and 21. In addition, there were discussions on identifying other options for reducing the number of vacancies, such as hiring civilians to replace several positions now staffed by uniformed officers. For FY 2008, I recommend that the Courthouse Security fee revenue be applied at year-end to help cover the shortfall noted above; however, even with the application of this reserve, the Sheriff’s Department budget will still exceed appropriations by approximately $1.0 million.

Third, I want to bring to the Board’s attention a plan being developed by the Department of Public Safety Communication (DPSC) to phase out the Supplemental Staffing Program (SSP) in the department within the agency’s current appropriations. The SSP is composed primarily of firefighters and police officers serving overtime hours to cover shifts for which there are not available Public Safety Communicator (PSC) positions to cover. The current staffing level of 147 PSC positions has not proven to be sufficient to handle the amount of 9-1-1 and non-emergency calls without additional assistance. On an hour-for-hour basis, PSC positions are significantly less expensive than staffing from the SSP. The cost difference is over $22 per hour or approximately $50,000 per SYE per year. Operationally, DPSC would prefer to be more reliant on full-time professional PSC positions, as this addresses staffing issues in a more permanent way with individuals specifically trained to serve in this function without depending on costly overtime for police and firefighters. In addition, it is expected that both the number and complexity of calls will continue to increase in the future, further advocating for a full time dedicated staff for this function. Over the long term, this transition is anticipated to result in cost savings.

The agency plan would allow for the reduction of overtime while staffing the DPSC at the same level with new PSC III positions. I will return to the Board as part of the *FY 2008 Carryover Review* with a formal request to add significant regular merit positions to accommodate this proposal. There will be a need to begin the recruiting and training aspects of this conversion late in FY 2008 and these costs will be absorbed by the agency. Again, before being implemented the proposal will be thoroughly reviewed to ensure that it can be absorbed within the agency's current appropriations.

Budget Requirements

The following section summarizes the adjustments recommended as part of the *FY 2008 Third Quarter Review*. Total FY 2008 disbursements are recommended to increase $6.2 million. The most notable adjustment is an across-the-board reduction in agency Personnel Services budgets resulting in a savings of $7.1 million. This constitutes an acceleration of the additional 2 percent Personnel Services Reduction already reflected in the FY 2009 Advertised Budget Plan, reducing agency Personnel Services budgets by a total of 3 percent in FY 2008. In addition, the FY 2008 Third Quarter Review includes increased expenditures of $8.61 million associated with increased revenues. Other Disbursements increases totaling $4.69 million are necessary at this time, are tied to the Board's priorities and the County vision elements, and are summarized below. All adjustments are described in greater detail in the Administrative Adjustments section beginning on page 7 of this memorandum.

Maintaining Safe and Caring Communities **–** The adjustments that support this vision element include $0.03 million for increased costs in the General District Court driven primarily by an approximately 60 percent increase in fees for court-appointed attorneys as well as associated telecommunications and postage charges. Also, an increase of $0.18 million is included in the Office of the Sheriff, for consultant costs associated with the State Criminal Alien Assistance Program (SCAAP). SCAAP provides federal payments to states and localities that incurred correctional officer salary costs for incarcerating undocumented criminal aliens with at least one felony or two misdemeanor convictions for violations of state or local law, and are incarcerated for at least 4 consecutive days during the reporting period. In FY 2008, an amount of $1.37 million in revenue was generated and has been included in FY 2008 Third Quarter revenue estimates.

Connecting People and Places **–** Funding of $0.73 million is included for the Office of Elections to purchase 239 additional voting machines. The machines to be purchased are optical scanning machines, with one machine located in each precinct. With the proposed optical scan system, the voter actually fills out a paper "standardized test" type of ballot and then it is run through a scanning machine that counts it, thus the need for only one per precinct in most cases. These machines are necessary based on projected voter turnout.

Creating a Culture of Engagement **–** Funding of $0.25 million is included 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. The revenue supporting this adjustment was accounted for in FY 2007.

__Exercising Corporate Stewardship__ –An increase of $3.5 million is included for increases in claims related to Workers' Compensation, as well as other requirements in the County Insurance Fund.

Summary of General Fund Receipts/Transfers In

A brief summary of the $10.63 million increase in General Fund Receipts and Transfers In is provided below, while details concerning the increase are provided in Attachment II. The majority of this increase is associated with additional expenditure requirements. It should be noted that in addition to this adjustment, a net decrease of $8,405,912 in revenue adjustments for FY 2008 were identified as part of the Fall Revenue Review. Information regarding those midyear adjustments is also provided in Attachment II.

Real Estate tax revenue is increased $2.98 million as part of the *FY 2008 Third Quarter Review* based on year-to-date supplemental assessments and exonerations.

Personal Property Tax revenue reflects an increase of $3.15 million resulting from year-to-date exonerations and a higher than projected collection rate in FY 2008.

Other Local Taxes reflect an estimated decrease of $3.36 million based on lower than anticipated Recordation, Deed of Conveyance and Cigarette Tax receipts.

Charges for Service reflect a decrease of $0.81 million due to lower than anticipated collections from County Clerk Fees.

Fines and Forfeitures reflect an estimated decrease of $1.31 million as a result of lower than anticipated revenue from General District Court Fines.

Revenue from the Commonwealth/Federal Government increases $9.98 million primarily as a result of $8.61 million in additional state and federal funding for the Comprehensive Services Act Program, Foster Care and Adoption services, and the Child Care and Assistance Program. This revenue is entirely offset by increased expenditures. In addition, the County received funding of $1.37 million in FY 2008 from the federal government's State Criminal Alien Assistance Program (SCAAP) for the incarceration of undocumented criminal aliens at the County's Adult Detention Center. The additional SCAAP revenue is partially offset by increased Office of the Sheriff expenditures.

Audit Adjustments

As a result of the FY 2007 Comprehensive Annual Audit, a number of adjustments to revenues and expenditures are necessary to reflect Generally Accepted Accounting Principles (GAAP) requirements. Revenue and expenditure adjustments result in a net increase of $11.03 million to the FY 2008 beginning General Fund balance, which was reflected in the FY 2009 Advertised Budget Plan.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. Details of these audit adjustments are included in Attachment VI. It should be noted that three County funds, Fund 501, County Insurance; Fund 601, Fairfax County Employees' Retirement; and

Fund 602, Police Officers' Retirement, require a supplemental appropriation resolution based on audit adjustments to reflect the proper accounting treatment for the accrued liability for the County's self-insurance fund and securities lending transactions for the retirement systems. The appropriation resolution is required to account for adjustments in the correct fiscal period, consistent with GAAP requirements.

Summary of General Fund/General Fund-Supported Adjustments

The following adjustments are made as part of the *FY 2008 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is an increase of $6.20 million. This consists of direct expenditure increases of $3.44 million and transfer increases from the General Fund in the amount of $2.76 million.

In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported by both non-General Fund revenue and the use of fund balance. It should be noted that the revenue adjustments included in the *FY 2008 Third Quarter Review* are described in detail in the Summary of General Fund Receipts/Transfer In, Attachment II. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

ADMINISTRATIVE ADJUSTMENTS – GENERAL FUND IMPACT

		RECURRING
Agency 02, Office of the County Executive	Expenditure	($320,269)
Agency 50, Department of Community and Recreation Services	Expenditure	$320,269
Transfer of Community Learning Center Partnership Program	**Net Cost**	**$0**

The Computer Learning Center Partnership (CLCP) program is being transferred to the Department of Community and Recreation Services (CRS) from the Office of Partnerships (OOP) in the Office of the County Executive. Realigning both programs within CRS will help facilitate the development of a comprehensive approach to delivering technology services to children and youth with the most needs. As a result, resources available within both programs will be shared and maximized, a continuum of computer based-learning and activities will be created, and partnerships and new resource development will be enhanced.

The programs are being combined under the direction of CRS effective March 31, 2008. As a result, FY 2008 funding of $320,269, including $261,449 in Personnel Services reflecting 2/2.0 SYE positions and associated limited term support, and $58,820 in Operating Expenses is being reallocated from OOP to CRS to operationalize this change. FY 2009 funding adjustments will be included as part of the add-on process and will be reflected in the FY 2009 Adopted Budget Plan. There is no net cost to the County associated with this realignment.

		NON-RECURRING
	Revenue	$0
Agency 15, Office of Elections	Expenditure	$725,000
New Voting Machines	**Net Cost**	**$725,000**

Funding of $725,000 is required for the purchase of 239 additional voting machines. The machines to be purchased are optical scanning machines, with one machine located in each precinct. With the proposed optical scan system, the voter actually fills out a paper "standardized test" type of ballot and then it is run through a scanning machine that counts it, thus the need for only one per precinct in most cases. The machines to be purchased are used. An equal number of new machines would cost over $1.7 million. Because of the uncertainty resulting from proposed federal legislation concerning voting machines, it is not prudent to invest in an entirely new system at this time.

The County currently owns approximately 1,170 Direct Recording Electronic (DRE) voting machines on which the voter actually casts his/her ballot. State legislation mandates that as of July 1, 2007, the County will no longer be able to buy new DRE machines to augment its current total or replace equipment which cannot be repaired. The Code of Virginia mandates that one machine for every 750 registered voters be present. Several DRE machines are needed per precinct with the actual number dependent on registered voters in each precinct. The agency indicates that while the current inventory meets the legal requirement, the current number of DRE machines is inadequate for the November 2008 Presidential election based on anticipated voter turnout. If no new machines are purchased, it could result in long lines and wait times at the polls. Purchasing optical scan machines will require both DRE and Optical Scan machines to be used for the 2008 Presidential election and will require two different sets of instructional materials, sample ballots, supplies and spare parts, as well as require election officers and staff to be trained on two different systems. While this may not be optimal, it is the best option given fiscal constraints.

No new federal legislation is anticipated prior to the Presidential election. Legislation was pending in the House and the Senate that would have required all machines to produce a paper trail in the 2008 Presidential election. No action has been taken and it is not anticipated that this will be enacted for the 2008 election.

		RECURRING
	Revenue	$3,039,779
Agency 67, Department of Family Services	Expenditure	$5,640,710
	Cost	$2,600,931
Agency 87, Unclassified Administrative Expenses	Reserve	($2,600,931)
Comprehensive Services Act	**Net Cost**	**$0**

Funding of $5,640,710 is included to address an increase in the Comprehensive Services Act (CSA) requirements, primarily attributed to the reinterpretation by the state of the foster care prevention population, an increase in the number of youth served, and an overall increase in the cost per youth associated with contract rate increases. The expenditure increase is offset by an increase in state funding of $3,039,779 for a net cost to the County of $2,600,931. As part of the *FY 2007 Carryover Review*, one-time funding of $3.0 million was held in reserve to address the anticipated shortfall in the CSA program. This program serves just over 1,100 children annually at an anticipated cost of $42.7 million to the County in FY 2008. As outlined for the Board as part of the *FY 2007 Carryover Review*, the state has instituted changes to its classification of service requirements related to mandated services. Based on the 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. Funds held in reserve in Agency 87, Unclassified Administrative Expenses, to address the CSA shortfall, are available for reallocation to Agency 67, Department of Family Services. This funding will be used to offset the net cost of $2,600,931 resulting in no net impact to the County. This leaves a balance in the reserve of $0.4 million in one-time funding which will be used to address the anticipated shortfall in FY 2009.

The County Executive's proposal for FY 2009 includes a reserve of $3.1 million to address the expenditure shortfall in FY 2009.

		RECURRING
	Revenue	$2,800,652
Agency 67, Department of Family Services	Expenditure	$2,800,652
Foster Care and Adoption	**Net Cost**	**$0**

Funding of $2,800,652 is required to appropriate additional federal and state revenue in the Foster Care and Adoption program. The expenditure increase is fully offset by state and federal revenues for no net impact to the County. Foster Care and Adoption services are mandated by Federal and Virginia codes. Foster care is the provision of substitute care and rehabilitative services for children temporarily separated from their parents. An example of adoption services includes counseling to birth parents and preparing and placing a child into an adoptive home when efforts to reunite the child with her/her birth family are unsuccessful. Since 2001, as a result of increasing caseloads and contract rate increases, the Foster Care and Adoption program has experienced a nearly 56 percent increase in County expenditures. These expenditures have been fully offset by additional revenue; however, no corresponding adjustments to expenditures and revenue had been requested. This funding has been previously accommodated within the department's budget but due to diminished savings in other program areas, DFS is no longer able to absorb this funding. This adjustment brings expenditures and revenue more in-line with actual experience.

		NON-RECURRING
	Revenue	$2,173,713
Agency 67, Department of Family Services	Expenditure	$2,173,713
Child Care Assistance and Referral Program	**Net Cost**	**$0**

Funding of $2,173,713 is required to appropriate additional federal revenue for the Child Care Assistance and Referral (CCAR) program. The expenditure increase is fully offset by an increase in federal revenues for no net impact to the County. Due to the timing of when Third Quarter is approved, it is estimated that DFS will have approximately $1.0 million in savings that will be available to carryover to FY 2009. This adjustment, excluding the $1.0 million in anticipated savings, brings the total funding level in FY 2008 to $34.0 million. It should be noted that with the additional funding, in FY 2008 the CCAR program can support 5,403 children.

In the spring of 2007, the Department of Family Services (DFS) was notified by the Virginia Department of Social Services that $2,591,187 in federal pass-through funds in FY 2008 will no longer be available. As part of the *FY 2007 Carryover Review*, savings identified by DFS fully funded the $2.6 million loss in FY 2008. The $2.6 million was fully funded as part of the FY 2009 Advertised Budget Plan with all County dollars. Due to the savings discussed above, the County is able to reduce the General Fund contribution by $1.0 million in FY 2009. This action will not result in the loss of services to children but will prevent program expansion to address the waiting list for services.

It should also be noted that since completion of the FY 2009 Advertised Budget Plan, the Governor released the 2008 Caboose bill and 2008-2010 Biennium Budget bill. As part of the Governor's Caboose bill, $6.0 million statewide in TANF funds has been included to support at-risk child care subsidies for low-income families. Additionally, as part of the 2008-2010 Biennium Budget, the Governor has included $8.5 million statewide in TANF funds each year to support at-risk child care subsidies for low-income families and Head Start wrap-around care. Budget amendments released by both the House and Senate maintain the funding as proposed by the Governor. As a result of these actions, it is anticipated that the County will receive additional funding to support at-risk child care subsidies for low-income working families in FY 2009. However, until the budget bills are passed by the General Assembly and signed by the Governor, it is unknown how much additional funding the County will receive.

		NON-RECURRING
	Revenue	$597,025
Agency 67, Department of Family Services	Expenditure	$597,025
Program Adjustments	**Net Cost**	**$0**

Funding of $597,025 is required to appropriate additional state and federal revenue for the following programs:

- Auxiliary grants funding of $298,720. Auxiliary grants help supplement incomes of recipients of Supplemental Security Income and other aged, blind or disabled individuals residing in a licensed assisted living facility or an approved adult foster care home.
- Brain Injury Services funding of $94,527 will provide case management services to individuals who have brain injury in Northern Virginia.
- Language Translation Services funding of $74,670 will be used to provide translation services to non-English speaking residents of Fairfax County.
- Healthy Families Fairfax program funding of $58,839. The Healthy Families Fairfax program provides education, therapeutic and supportive services to first-time parents to help prevent child abuse and neglect and to promote child health.
- Educational Transfer Voucher (ETV) program funding of $47,269. The ETV program provides funding to help youth in foster care with expenses related to college and vocational training programs.
- Refugee Resettlement program funding of $23,000. This program provides cash and medical assistance to refugees who are deemed ineligible for all federal assistance programs.

These expenditure increases are fully offset by increases in state and federal funding with no net impact to the General Fund.

		NON-RECURRING
	Revenue	$0
Agency 85, General District Court	Expenditure	$30,366
Increased Operating Expenses	**Net Cost**	**$30,366**

Funding of $30,366 is required for higher than anticipated costs associated with an increased number of court cases which cannot be controlled by the agency. The increased costs are driven primarily by an approximately 60 percent increase in fees for court-appointed attorneys as well as associated telecommunications and postage charges. Public Defender services must be provided for indigent defendants charged under the County Code, the majority of which are DUI cases.

		NON-RECURRING
Agency 91, Office of the Sheriff	Revenue	$1,372,583
State Criminal Alien Assistance Program (SCAAP)	Expenditure	$175,000
	Net Cost	**($1,197,583)**

An increase of $175,000 is included in Agency 91, Office of the Sheriff, associated with the State Criminal Alien Assistance Program (SCAAP) to pay the consultant working on the Sheriff's behalf to procure the County's share of funds available in this grant program. The FY 2008 Adopted Budget Plan included $125,000 for consultant-related fees, but the consultant is paid based on the size of the County Award. In FY 2008, an amount of $1,372,583 in revenue was generated, of which the consultant receives a 22 percent share, or $300,000. SCAAP provides federal payments to states and localities that incurred correctional officer salary costs for incarcerating undocumented criminal aliens with at least one felony or two misdemeanor convictions for violations of state or local law, and are incarcerated for at least four consecutive days during the reporting period.

		NON-RECURRING
Fund 119, Contributory Fund	General Fund Transfer	$248,256
Fairfax Convention and Visitors Corporation	**Net Cost**	**$248,256**

The General Fund transfer to Fund 119, Contributory Fund is increased by $248,256 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, an annual adjustment is necessary to reconcile actual Transient Occupancy Tax receipts resulting from the additional 2 percent Transient Occupancy Tax with the funding that is provided to the Convention and Visitors Corporation. Based on FY 2007 and prior year actual Transient and Occupancy Tax revenues received by the County, additional funding of $248,256 is required for the Fairfax Convention and Visitors Corporation. It should be noted that the additional Transient Occupancy Tax revenue received by the County that is necessitating this increase was reflected in the FY 2007 actual revenues.

		NON-RECURRING
Fund 303, County Construction	Transfer Out	$108,000
Fund 119, Contributory Fund	Transfer In	$108,000
Tree Canopy Organizations	**Net Cost**	**$0**

Approved funding of $108,000 is transferred from Fund 303, County Construction to Fund 119, Contributory Fund to reflect the designation of three organizations – Fairfax ReLeaf, Earth Sangha and the Center for Chesapeake Communities – as contributory agencies by the Board of Supervisors on September 24, 2007. In June 2007, the Board of Supervisors formally adopted a 30-year tree canopy goal based on the recommendations in the Tree Action Plan. The goal is to increase Fairfax County's tree cover to 45 percent by the year 2037. Fairfax ReLeaf was provided funding of $52,000 to increase its tree planting capacity; the Center for Chesapeake Communities was provided funding of $36,000 to develop a tree canopy tracking mechanism that will be used as a regional model to report tree planting for the DC/MD/VA Air Quality Management Plan (aka SIP); and Earth Sangha was provided $20,000 to collect native plant seeds and grow them in its native plant nursery in Franconia Park. Funding has been included in Fund 119 in the FY 2009 Advertised Budget Plan for these three agencies equal to the FY 2008 appropriation level.

		NON-RECURRING
Fund 303, County Construction	Transfer Out	$374,000
Fund 317, Capital Renewal Construction	Transfer In	$374,000
	Net Cost	**$0**

Funding of $374,000 is required to be transferred from Fund 317, Capital Renewal Construction to Fund 303, County Construction to support higher than anticipated costs associated with HVAC replacement and electrical support systems for a portion of the Government Center which includes the Enterprise and Technology Operation Center (data center). The Enterprise Technology and Operations Center (ETOC) houses the County mainframe computer and corporate servers and is essential to on-going County business and service to citizens. The current HVAC and electrical systems date back to 1992, and are due to be replaced. Adding to the strain of the aged system has been the evolution of the data center. There have been tremendous changes in the hardware, software, and communications infrastructure supporting County business, resulting in significant equipment additions to the ETOC as the County has kept pace with modern technology requirements. For example, the server farm has increased from 18 servers in 1998 to 1,005 in 2007. Along with the increase in applications, there have been tremendous demands for additional data storage which must be accommodated to keep from marginalizing the investment in applications. This equipment has put a strain on the supporting HVAC/Electrical facility infrastructure which is at, or over capacity. For the past 18 months, DIT has severely limited additional equipment such as new hardware to support applications, but it has not been enough to prevent failures of the existing HVAC system.

The 450 ton chiller serving the ETOC has had repeated failures and replacement parts are no longer available. One compressor is no longer functional; which means that there is only 225 tons of cooling available. This is insufficient even for the current needs of the ETOC. In order to compensate for this cooling deficiency, FMD is relying on the Government Center's primary chillers to supplement the cooling. However, the existing configuration will only accommodate partial transfer to the ETOC system; causing reduced cooling available to the primary building systems. Last December the air conditioning units went into alarm because they detected a temperature problem. When FMD staff responded, the coolest temperature observed via a portable thermometer in the room was 86 degrees. Other areas of the room were as high as 97 degrees. The current cooling infrastructure can not keep up with the additional heat sources. This level of temperature can severely damage systems and equipment.

The total cost of the HVAC replacement and electrical work is estimated to cost between $4 and $5 million. This level of funding includes the replacement and re-engineering of the 450 ton chiller, cooling tower, air handling units, piping, power, pumps, electrical switchgear and all associated mechanical and electrical work as well as a backup generator. This is all specialized equipment requiring a significant lead time for fabrication and delivery. Concurrently with all this HVAC and power work, FMD is also working on the new fire protection systems for the data center.

Funding in the amount of $2,000,000 is available within Project 009504, Enterprise and Technology Operations Center for this purpose and funding in the amount of $2,000,000 is available to be reallocated from Project 009444, Laurel Hill. Funding within the Laurel Hill project is available due to delays in project timelines associated with asbestos removal and building demolition. Lastly, funding in the amount of $374,000 is available in Fund 317 based on the completion of several projects, resulting in an amount of $4.3 million to fund expenditures associated with this critically required system upgrade.

		NON-RECURRING
Fund 312, Public Safety Construction	Transfer Out	$1,520,000
Fund 311, County Bond Construction	Transfer In	$1,520,000
Less Secure Shelter II	**Net Cost**	**$0**

Funding of $1,520,000 is transferred from Fund 312, Public Safety Construction to Fund 311, County Bond Construction to better align resources associated with bond premium received during the January 2007 bond sale. This bond premium was appropriated to a contingency project within Fund 312 and is now required in Fund 311 to offset higher than anticipated construction costs associated with the Less Secure Shelter II project. The Less Secure Shelter II project was approved as part of the fall 2004 Human Services Bond Referendum and includes a new 12-bed treatment facility to support short-term shelter care for youth who require out of home placement. Construction costs for the project have been significantly affected by cost escalation in the regional construction market as well as unanticipated utility relocations, and outstanding proffer commitments (traffic signal) from the latest rezoning of the Public Safety Center Complex. The total project estimate was approved at $4.48 million and the revised estimate is $6.0 million. The use of bond premium will better align resources to help offset this shortfall and complete the project.

		NON-RECURRING
Fund 303, County Construction	Transfer Out	$6,500,000
Fund 312, Public Safety Construction	Transfer In	$6,500,000
Courthouse Expansion and Renovation	**Net Cost**	**$0**

Funding of $6,500,000 is required to be transferred from Fund 303, County Construction, Project 009510, Construction Inflation Reserve to Fund 312, Public Safety Construction, Project 009209, Courthouse Expansion and Renovation to support a negotiated settlement associated with construction contractor claims and higher than anticipated construction costs. The increase in construction costs is associated with additional easement requirements, delays in construction affecting the cost of materials and labor, higher than anticipated contract change orders, additional part time, on-site resident architectural support required to proactively address design issues, additional legal counsel support, higher than anticipated critical structures and quality control inspection costs, and added security elements. The design and construction of the expansion project includes an approximately 316,000-square foot addition including courtrooms, chambers, office space, necessary support spaces and site improvements. The project also includes the renovation of the existing 230,000-square foot courthouse. The total project estimate of the Courthouse Expansion and Renovation project after this adjustment is $123,236,000. The Construction Inflation reserve was funded as part of the FY 2007 Adopted Budget Plan in the amount of $8,000,000 in order to begin to address escalation in the regional construction market effecting construction projects in progress. The balance in the construction reserve after this action is $1,500,000.

		NON-RECURRING
Fund 501, Risk Management	General Fund Transfer	$3,504,516
Worker's Compensation and Self Insurance Increases	**Net Cost**	**$3,504,516**

The General Fund transfer to Fund 501, County Insurance Fund, is increased by $3,504,516 in support of $3,504,516 in increased costs. Funding of $2.3 million is required to address the FY 2008 shortfall in Workers' Compensation due primarily to multiple serious cancer and cardiac cases. Funding in other self insurance areas is also needed for a total $1.2 million due to significant losses which have already been paid in FY 2008 or are pending for various liability incidents. It should be noted that these adjustments represent significant increases in both Workers' Compensation and Self Insurance and cannot be absorbed within the existing appropriation. The Workers' Compensation adjustment is a 28.0 percent increase and the Self Insurance adjustment is a 56.6 percent increase over the *FY 2008 Revised Budget Plan* of $8.2 million and $2.1 million respectively.

		NON-RECURRING
	General Fund	($6,103,033)
General Fund and Other Funds	General Fund Transfers	($996,050)
Additional Across-the-Board Personnel Services Reduction	**Net Cost**	**($7,099,083)**

An across-the-board reduction in agency Personnel Services budgets of $7,099,083, of which $6,103,033 is from General Fund agencies and $996,050 is from General Fund-supported funds. This constitutes an acceleration of the additional 2 percent Personnel Services Reduction already reflected in the FY 2009 Advertised Budget Plan, reducing agency Personnel Services budget by a total of 3 percent in FY 2008. This is consistent with the County Executive memo dated November 29, 2007. The affected agencies are shown on the table provided on the right.

Agencies have been directed to manage resources in a way to minimize direct service impact on consumers and maintain the integrity of programs. Many agencies are managing the reduction by holding vacant positions that would otherwise be filled. Several agencies have indicated unavoidable service impacts resulting from the additional personnel services reduction.

Depending on the agency, this may result in increased wait and response times, lengthened waiting lists, limited ability to perform additional proactive enforcement, reduced quantity or variety of programming, and reduced or deferred routine maintenance. Additional reduction in FY 2009 will further impact service delivery and result in more noticeable degradation of services.

AGENCY	Additional 1% in FY 2008
County Executive	(59,485)
Cable Communications and Consumer Protection	(20,463)
Finance	(47,269)
Facilities Management Division	(112,403)
Human Resources	(52,534)
Purchasing	(13,288)
Public Affairs	(13,630)
Economic Development Authority	(30,545)
Management and Budget	(54,135)
Stormwater Management	(78,415)
Land Development	(222,218)
Planning and Zoning	(99,871)
Housing	(45,585)
Human Rights	(12,502)
Transportation	(56,083)
Recreation	(101,576)
Park Authority	(229,206)
Library	(243,002)
Tax Administration	(178,290)
Family Services	(700,439)
Human Services Admin	(23,062)
Systems Management	(54,982)
Information Technology	(208,305)
Health	(327,211)
Circuit Court	(84,783)
Juvenile Court	(187,049)
Commonwealth's Attorney	(22,677)
Police	(1,392,945)
Fire	(1,431,080)
CSB	(773,384)
E-911	(198,065)
Elderly Housing	(11,245)
Risk Management	(13,356)
TOTAL	**(7,099,083)**

Summary

In summary, I am recommending that the following actions be taken:

- Board approval of the funding and audit adjustments contained in this package which result in a General Fund Available Balance of $6.94 million, an increase of $182.56 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds and adjustments for School funds as requested by the School Board. Details are provided in the Schools' Recommended *FY 2008 Third Quarter Review* package (Attachment VII).

  Supplemental Appropriation Resolution AS 08107

  Supplemental Appropriation Resolution AS 07148

  Amendment to Fiscal Planning Resolution AS 08901

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of $7.38 million.

- Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2008 Third Quarter Review.*