County of Fairfax, Virginia

MEMORANDUM

Attachment B

DATE: March 8, 2011

TO: BOARD OF SUPERVISORS

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2011 Third Quarter Review

Attached for your review and consideration is the *FY 2011 Third Quarter Review*, including Supplemental Appropriation Resolution AS 11123 and Amendment to the Fiscal Planning Resolution AS 11901. 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 reflecting an increase in FY 2011 revenue of $22.3 million over the *FY 2010 Carryover Review* estimate.

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, the General Fund, and the Federal/State Grant Fund, total a net increase of $19.14 million. Expenditures in Non-Appropriated Other Funds increase a total of $3.20 million.

Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $39.07 million.

Attachment V - Supplemental Appropriation Resolution (SAR) AS 11123, AS 10193 for FY 2010 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 11901.

Attachment VI - FY 2010 Audit Package including final adjustments to FY 2010 and the FY 2011 impact.

Attachment VII - Draft Fairfax County Public Schools (FCPS) Third Quarter Review (The School Board is not scheduled to act on the FCPS Third Quarter until March 18, 2011 so any adjustments from this draft will be provided to the Board of Supervisor's prior to their action on the *FY 2011 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 one percent of total expenditures. In addition, any amendment of one percent of expenditures or more requires that the Board advertise a synopsis of the proposed changes. A public hearing on the proposed changes included in the *FY 2011 Third Quarter Review* has been scheduled for March 29, 30 and 31, 2011. On April 12, 2011, the Board will take action on this quarterly review prior to marking up the FY 2012 Advertised Budget Plan.

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2011 Revised Budget Plan*.

SUMMARY OF GENERAL FUND STATEMENT
(Dollars in Millions)

	FY 2010 Actuals	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2011 Third Quarter Estimate	Variance
Beginning Balance	**$185.39**	**$137.05**	**$240.28**	**$240.28**	**$0.00**
Revenue [1, 2]	$3,350.61	$3,237.50	$3,247.64	$3,269.90	$22.26
Transfers In	$12.12	$6.73	$8.06	$8.06	$0.00
Total Available	**$3,548.12**	**$3,381.28**	**$3,495.98**	**$3,518.24**	**$22.26**
Direct Expenditures [1]	$1,161.44	$1,193.61	$1,259.27	$1,257.28	($1.99)
Transfers Out					
School Operating	$1,626.60	$1,610.33	$1,611.59	$1,611.59	$0.00
School Debt Service	163.77	160.71	160.71	160.21	(0.50)
Subtotal Schools	*$1,790.37*	*$1,771.04*	*$1,772.30*	*$1,771.80*	*($0.50)*
Revenue Stabilization	$16.21	$0.00	$0.00	$0.00	$0.00
Metro	7.41	7.41	7.41	7.41	0.00
Community Services Board	93.62	93.34	93.34	93.13	(0.21)
County Transit Systems	21.56	31.99	31.99	31.99	0.00
Capital Paydown	20.89	15.58	15.91	15.91	0.00
Information Technology	13.43	3.23	13.23	19.03	5.80
County Debt Service	110.93	121.87	121.87	121.66	(0.21)
OPEB	9.90	9.90	9.90	13.90	4.00
Other Transfers	62.08	60.15	69.04	69.95	0.91
Subtotal County	*$356.03*	*$343.47*	*$362.69*	*$372.98*	*$10.29*
Total Transfers Out	$2,146.40	$2,114.51	$2,134.99	$2,144.78	$9.79
Total Disbursements	**$3,307.84**	**$3,308.12**	**$3,394.26**	**$3,402.06**	**$7.80**
Ending Balance	**$240.28**	**$73.16**	**$101.72**	**$116.18**	**$14.46**
Less:					
Managed Reserve	$68.01	$66.16	$67.89	$68.05	$0.16
FY 2009 Audit Adjustments [3]	$0.73				0.00
Balances held in reserve for FY 2011 [4]	$12.97				0.00
FY 2010 Third Quarter Reductions [5]	$35.34				0.00

	FY 2010 Actuals	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2011 Third Quarter Estimate	Variance
Retirement Reserve [6]	$20.00				0.00
Reserve for State Cuts [7]		$7.00			0.00
Reserve for FY 2011/FY 2012 [8]			$23.95	$23.95	0.00
FY 2010 Audit Adjustments [1]			$2.54	$2.54	0.00
Additional FY 2011 Revenue [2]			$7.34	$7.34	0.00
FY 2011 Third Quarter Reductions [9]				$9.58	9.58
Reserve for Board Consideration [10]				$4.72	4.72
Total Available	**$103.23**	**$0.00**	**$0.00**	**$0.00**	**$0.00**

[1] In order to appropriately reflect actual revenues and expenditures in the proper fiscal year, FY 2010 revenues are increased $1,890,845 and FY 2010 expenditures are decreased $648,394 to reflect audit adjustments as included in the FY 2010 Comprehensive Annual Financial Report (CAFR). As a result, the *FY 2011 Revised Budget Plan* Beginning Balance reflects a net increase of $2,539,239. Details of the FY 2010 audit adjustments are included in the FY 2011 Third Quarter package. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2012 budget.

[2] *FY 2011 Revised Budget Plan* revenues reflect a net increase of $7,339,516 million based on revised revenue estimates as of fall 2010. The *FY 2011 Third Quarter Review* contains a detailed explanation of these changes. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2012 budget.

[3] As a result of FY 2009 audit adjustments, an amount of $728,086 was available to be held in reserve in FY 2010 and was utilized to balance the FY 2011 budget.

[4] As part of the *FY 2009 Carryover Review*, $12,429,680 was identified to be held in reserve for FY 2011 requirements. As part of the *FY 2010 Third Quarter Review*, an additional amount of $542,445 was set aside and held in reserve for FY 2011 requirements. This balance was the result of decreased Managed Reserve requirements attributable to reductions taken as part of the *FY 2010 Third Quarter Review*. This reserve was utilized to balance the FY 2011 budget.

[5] As part of the *FY 2010 Third Quarter Review*, $35,340,186 in reductions were taken and set aside in reserve for FY 2011 requirements. This amount was assumed in the beginning balance for the FY 2011 Adopted Budget Plan and was utilized to balance the FY 2011 budget.

[6] As part of the *FY 2009 Carryover Review*, $20,000,000 was set aside in reserve in Agency 89, Employee Benefits, for anticipated increases in the FY 2011 employer contribution rates for Retirement. This amount was assumed in the beginning balance for the FY 2011 Adopted Budget Plan and was utilized to balance the FY 2011 budget.

[7] An amount of $7,000,000 was set aside in reserve as part of the FY 2011 Adopted Budget Plan to offset potential reductions in state revenue beyond those accommodated within FY 2011 revenue estimates. As part of the *FY 2010 Carryover Review*, $1,255,755 of this reserve was utilized to fund the Priority Schools Initiative for the Fairfax County Public Schools. The remaining balance was reallocated to a reserve for FY 2011 critical requirements or to address the projected FY 2012 shortfall.

[8] As part of the *FY 2010 Carryover Review*, $23,953,143 was identified to be held in reserve for critical requirements in FY 2011 or to address the projected budget shortfall in FY 2012. It should be noted that this reserve has been utilized to balance the FY 2012 budget.

[9] As part of the *FY 2011 Third Quarter Review*, $9,580,000 in reductions have been taken and set aside in reserve. This amount was assumed in the beginning balance for the FY 2012 Advertised Budget Plan and was utilized to balance the FY 2012 budget.

[10] As part of the *FY 2011 Third Quarter Review*, a balance of $4,722,358 is held in reserve for Board of Supervisors' consideration for the *FY 2011 Third Quarter Review*, the development of the FY 2012 budget, or future year requirements.

The *FY 2011 Third Quarter Review* includes adjustments necessary to support the FY 2012 budget proposal and other miscellaneous adjustments primarily offset by intergovernmental revenue or reserves. Total FY 2011 revenue is projected to be $3,269,900,429 which includes a net increase of $12.5 million over the FY 2011 fall revenue estimates as well as state revenue increases with offsetting expenditure requirements in the amount of $9.8 million. A detailed description of both the fall and current revenue adjustments are noted in Attachment II and include increased revenue from personal property tax collections as a result of lower exonerations and a higher than anticipated vehicle levy, improved sales tax receipts and Building and Inspection Fees. These increases point to continued strengthening of the economy albeit at a very modest pace.

The FY 2012 budget proposal includes $9.58 million assumed as savings in FY 2011 as a result of the direction I gave to agencies at the beginning of FY 2011. Based on another year of hard work on the part of County agencies, total FY 2011 savings of $12.2 million has been identified. As a result, and in combination with revenues not required at the *FY 2011 Third Quarter Review*, the Board of Supervisors has an available balance of $4.72 million for additional requirements in FY 2011 or to hold for FY 2012 for additional flexibility. I would caution that multi-year reductions taken by agencies have been extensive and there is very little if any flexibility remaining in agencies to deal with unforeseen requirements, including weather incidents, spikes in clients seeking services or increased costs of commodities.

Cost increases included in the *FY 2011 Third Quarter Review* are minimal, reflecting actions previously approved by the Board including Self-Insurance requirements and additional audit costs; are for programs fully supported by additional revenues or reserves put in place in case of additional requirements such as for the Refugee Assistance Program, the Comprehensive Services Act, the Child Care Assistance and Referral Program; or for essential "costs of doing business" such as technology hardware or to meet our annual OPEB contribution. Details of these adjustments are included below.

Summary of General Fund Revenue

A brief summary of the $22.3 million increase in General Fund Revenues over the FY 2011 Revised estimate is provided below, while details concerning the increase are provided in Attachment II. Information regarding those midyear adjustments is also provided in Attachment II.

- Personal Property Taxes reflect an increase of $5.4 million based on a projected decrease in exonerations and higher vehicle levy.
- Sales Tax receipts and Recordation reflect an increase of $5.0 million.
- Land Development Services Building and Inspection fees reflect an increase of $2.0 million due to stronger permitting activity.
- Revenue from the Commonwealth/Federal Government increases $9.8 million as a result of additional state and federal funding primarily for the Comprehensive Services Act Program and the Child Care and Assistance Program. This revenue is entirely offset by increased expenditures.

Audit Adjustments

As a result of the FY 2010 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 $2.54 million to the FY 2011 beginning General Fund balance. This balance was used to offset FY 2012 budget requirements.

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 two County funds, Fund 403, Sewer Bond Parity Debt Service, and Fund 501, County Insurance, require a supplemental appropriation based on audit adjustments to reflect proper accounting treatments. Expenditures in Fund 403 were increased to recognize an interest payment resulting from a bond sale the prior year, while Fund 501 expenditures were increased to reflect the accrued liability for the County's self-insurance fund. 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 2011 Third Quarter Review*. It should be noted that the revenue adjustments included in the *FY 2011 Third Quarter Review* are described in detail in the Summary of General Fund Revenue, Attachment II.

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. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

ADMINISTRATIVE ADJUSTMENTS – GENERAL FUND IMPACT

		NON-RECURRING
	Revenue	$0
Agency 06, Department of Finance	Expenditure	$300,000
Increased Audit Costs	**Net Cost**	**$300,000**

Funding of $300,000 is required for increased costs for consultant and contractual services related to increased audit requirements. The Department of Finance (DOF) pays for the cost of the County's external audit which is conducted annually. However, two new requirements have surfaced which have increased FY 2011 costs this year. First, it has been determined that additional audit work is necessary to comply with federal requirements associated with stimulus funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) which increase audit costs. In addition, the department has also contracted to evaluate the new financial systems being developed to insure that sufficient internal controls exist and that they are easily auditable.

		NON-RECURRING
	Revenue	$0
Agency 11, Department of Human Resources	Expenditure	$200,000
Personnel Services	**Net Cost**	**$200,000**

Funding of $200,000 is required for personnel services expenditures in support of several complex initiatives to include the consolidation of the deferred compensation plan, implementation of new and evolving health care and IRS regulations, revisions to health care plan design and transition to a new automated personnel/payroll system. Several positions that the department had been able to hold vacant for budget reasons have been or are being filled to staff these initiatives.

		NON-RECURRING
	Revenue	$2,530,000
Agency 67, Department of Family Services	Expenditure	$5,000,000
	Cost	$2,470,000
Agency 87, Unclassified Administrative Expenses	Reserve	($2,470,000)
Comprehensive Services Act	**Net Cost**	**$0**

Funding of $5,000,000 is included to address an increase in the Comprehensive Services Act (CSA) funding requirements based on anticipated expenditures in FY 2011. The expenditure increase is offset by an increase in state funding of $2,530,000. Actual costs for the CSA program are dependent on the number of youth served and the complexity of services provided. Both of these factors can fluctuate significantly from year to year; therefore, a CSA reserve was established to address funding requirements in the CSA program as a result of these factors. An annual allocation from the reserve is made at a quarterly review once costs have been refined for the given fiscal year. Funding in the CSA reserve in Agency 87, Unclassified Administrative Expenses, is available for reallocation to Agency 67, Department of Family Services to support actual CSA costs. This funding will be used to offset the net cost of $2,470,000 resulting in no net impact to the County.

		NON-RECURRING
	Revenue	$1,445,259
Agency 67, Department of Family Services	Expenditure	$1,445,259
Child Care Assistance and Referral Program	**Net Cost**	**$0**

Funding of $1,445,259 is required to appropriate additional federal and state revenue for the Child Care Assistance and Referral (CCAR) program to provide child care services to the mandated population (i.e. those receiving services through TANF/VIEW/Head Start). The expenditure increase is fully offset by an increase in federal and state revenues for no net impact to the County.

		NON-RECURRING
	Revenue	$350,000
Agency 67, Department of Family Services	Expenditure	$350,000
Transfer of Funding as a result of redefinition of Grants	**Net Cost**	**$0**

Funding of $350,000 is included to support the transition of Fund 102, Federal/State Grant Fund, positions to the Department of Family Services General Fund. In July 2011, the County will implement an integrated finance, budget, purchasing and human resources computer system. As a result, some funding previously classified as a grant in Fund 102, Federal/State Grant Fund, no longer meets the grant definition of the new computer system and thus needs to be transferred to the General Fund and included in the Department of Family Services budget. The FY 2011 grants, currently accounted for in Fund 102, expire at the end of May 2011; therefore, additional expenditure authority of $350,000 is required in the Department of Family Services to support salaries for these positions for one month. Funding for the full year has been included in the FY 2012 Advertised Budget Plan. The expenditure increase is fully offset by an increase in federal revenue for no net impact to the County. It is anticipated that positions associated with this funding will be transferred as part of the *FY 2011 Carryover Review*.

		NON-RECURRING
	Revenue	$304,540
Agency 67, Department of Family Services	Expenditure	$304,540
Refugee Assistance Program	**Net Cost**	**$0**

Funding of $304,540 is required to appropriate additional federal revenue for the Refugee Assistance Program. This program provides cash and medical assistance to refugees who are deemed ineligible for all federal assistance programs. The expenditure increase is fully offset by increases in federal funding with no net impact to the County.

		NON-RECURRING
	Revenue	$3,196,358
Agency 87, Unclassified Administrative Expenses	Expenditure	$3,196,358
Child Care Assistance and Referral Reserve	**Net Cost**	**$0**

Additional funding of $3,196,358 has been received from the state in FY 2011 for the Child Care Assistance and Referral (CCAR) program. As the Board may recall, a reserve was started to replace CCAR funding that was originally eliminated as part of the FY 2010 Adopted Budget Plan. This reserve is funded with one-time funding available from the state for CCAR. Funding had been reallocated from Agency 87, Unclassified Administrative Expenses to Agency 67, Department of Family Services to fully fund FY 2011 requirements as part of the *FY 2010 Carryover Review.* Therefore, it was anticipated that any additional funding received in FY 2011 would be held in reserve to address future year requirements. Funding will be reallocated to Agency 67, Department of Family Services at a quarterly review.

Based on the state's continued support of this program, staff will look to increase the number of children served; however, currently the additional funding received from the state is the result of one-time funds from the American Recovery and Reinvestment Act of 2009 and other localities returning to the state unspent funds. The state then re-directs those funds to the County but it is done so on a non-recurring basis. Due to the one-time nature of this funding and the County's continued fiscal constraints, staff wanted to ensure sufficient funding for the coming fiscal years before serving additional children.

		NON-RECURRING
	Revenue	$0
Agency 73, Office to Prevent and End Homelessness	Expenditure	$400,000
Agency 87, Unclassified Administrative Expenses	Reserve	($400,000)
Transfer from the Emergency Support of Community Organizations	**Net Cost**	**$0**

As part of the FY 2011 Adopted Budget Plan, the Board approved $1,000,000 to be held in reserve for community organizations that are in need of additional assistance as a result of economic stress. This funding was specifically identified to sustain the organizations' operations in order to provide adequate services to the community. Reserve funding in FY 2010 was used to leverage Temporary Assistance for Needy Families (TANF) Emergency/Contingency funding. This funding, administered through community organizations, provided emergency services and employment supports for families with minor children. In FY 2011, the Office to Prevent and End Homelessness has identified a need based on the number of individuals and families who remain at-risk of homelessness. Funding of $400,000 from this reserve is included to support financial assistance and stabilization for families and individuals who are at-risk of homelessness. These services were previously provided with funding received through the American Recovery and Reinvestment Act of 2009. Funding in the Emergency Support for Community Organizations reserve in Agency 87, Unclassified Administrative Expenses, is available for reallocation to Agency 73, Office to Prevent and End Homelessness for this purpose. It is anticipated that the balance of the reserve, $600,000 will be requested at the *FY 2011 Carryover Review* in order to provide financial assistance and stabilization services through December 2011.

		NON-RECURRING
	Revenue	$0
Fund 104, Information Technology	General Fund Transfer	$3,800,000
FOCUS Infrastructure Requirements	**Net Cost**	**$3,800,000**

Funding of $3,800,000 is required in Fund 104, Information Technology, for hardware and system infrastructure requirements of the FOCUS project. These funds will allow for the purchase of servers for the production environment, necessary systems operating software, enterprise storage, firewalls, County and FCPS security integration, and network switches, as well as an associated three year warranty. This investment is necessary to ensure a modern application platform and data architecture that provides both business productivity and technology architecture efficiencies and is projected to result in long-term return on investment.

This implementation is a critical step in the County's ongoing infrastructure modernization program and technological improvement strategy. This infrastructure investment is necessitated by the sophistication and scale of the SAP software and the complexity of the FOCUS project integration which requires a corresponding modern technology hardware platform.

		NON-RECURRING
	General Fund Revenue	$2,000,000
Fund 104, Information Technology	General Fund Transfer	$2,000,000
Additional Funding for Child Care Technology Systems Project	**Net Cost**	**$0**

The General Fund transfer to Fund 104, Information Technology is increased by $2,000,000. Funding will support the replacement of the Child Care Management System in the Child Care Division in the Department of Family Services. The increase to the General Fund Transfer is fully offset by additional General Fund revenue received from the state in FY 2011 for the Child Care Assistance and Referral (CCAR) program resulting in no net impact to the County.

The Child Care Management System determines client eligibility, tracks child enrollments, and processes approximately $3.0 million per month in provider payments for the CCAR program. This application processes over 2,500 home child care facility permits for Provider Services and connects families with child care providers participating in the CCAR system. The application tracks current market rates for providers and interfaces with the County's financial system. The Child Care Management System software runs on a server and technology platform, which are no longer supported by the vendors and have outlived its useful life. It is anticipated that the Request for Proposal (RFP) will be released in late spring 2011. Once bids have been received, staff will determine the Total Project Estimate. If the Total Project Estimate exceeds $2.0 million, it is anticipated that funding held in reserve in Agency 87, Unclassified Administrative Expenses will be available to address the additional funding requirements for no net impact to the County.

		NON-RECURRING
Fund 501, County Insurance Fund	General Fund Transfer	$1,870,000
Workers' Compensation and Self Insurance	**Net Cost**	**$1,870,000**

The General Fund transfer to Fund 501, County Insurance Fund, is increased by $1,870,000 in support of costs associated with anticipated increases in Workers' Compensation and self insurance losses. Based on the current outstanding and projected Workers' Compensation claims, it is projected that Workers' Compensation expenses in FY 2011 will require additional funding of $1,270,000. A large number of hospitalizations have occurred recently which are contributing to this increase, including costs for recent cases, as well as a number of prior year cases for which additional treatment has become necessary. Additionally, self insurance losses in FY 2011 are required to increase by $600,000, primarily attributable to the recent settlement approved by the Board of Supervisors. These adjustments represent significant increases and cannot be absorbed within the existing appropriation. It should be noted that these adjustments do not impact the Reserve for Catastrophic Occurrences, which stands at $7,072,471 for FY 2011.

		NON-RECURRING
Fund 603, OPEB Trust Fund	General Fund Transfer	$4,000,000
Annual Required Contribution	**Net Cost**	**$4,000,000**

The General Fund transfer to Fund 603, OPEB Trust Fund, is increased by $4,000,000 in order to meet the County's other post-employment benefit (OPEB) obligations. The latest actuarial valuation as of July 1, 2010 calculated the County's actuarial accrued liability at $489.2 million, with a $35.4 million annual required contribution (ARC). The ARC is funded each year through the combination of a General Fund transfer, contributions from other funds, a contribution credited for the implicit subsidy, and the carryover of any prior year asset. The *FY 2011 Revised Budget Plan* currently includes a $9.9 million General Fund transfer, contributions from other funds estimated at $3.1 million, and an implicit subsidy contribution estimated at $8.8 million. The carryover of the prior year net OPEB asset of $9.5 million is also applied against the FY 2011 ARC. It is important to note this will exhaust the remainder of the net OPEB asset that has been used for several years to offset ARC requirements.

With no change to the General Fund transfer, it is projected that the County may have an approximate $4.0 million net OPEB obligation at the end of FY 2011. As it is the County's policy to maintain a net OPEB asset, which demonstrates that the County has met its obligations to adequately fund the annual required contribution for each year, an increase in the General Fund transfer is required.

		NON-RECURRING
	General Fund	($10,130,000)
General Fund and Other Funds	General Fund Transfers	($2,066,562)
Reductions used to Balance FY 2012 and for FY 2011 Requirements	**Net Cost**	**($12,196,562)**

A number of reductions totaling $12,376,562 are included primarily reflecting the direction to County agencies early in FY 2011 to generate savings in FY 2011 to meet a portion of the projected deficit in FY 2012. Of this total, $9,580,000 in FY 2011 savings is included in the FY 2012 Advertised Budget Plan, and is necessary to balance the FY 2012 budget. The remaining $2,616,562 is available to the Board for use in FY 2011 or to provide added flexibility in the FY 2012 budget discussions.

As a result of the across the board and focused reductions in County agencies over the last several years, the amount of flexibility remaining is relatively small. A number of agencies have no additional reduction in FY 2011 or FY 2012 recognizing the significant impact on services and funding flexibility that have already been made in the last several years. Agencies with reduction targets were directed to generate modest savings in FY 2011 by managing vacancies and making programmatic adjustments with limited impact on service delivery and without eliminating positions. It should be noted that in many cases targets have been modified based on current funding needs within agencies, in most cases reducing targets from the original level but in a number of cases increasing them as agencies continue to manage their expenditures prudently. The agencies with reductions in FY 2011 are:

Agency	Reduction Description	Net Reduction
Cable and Consumer Services	Operating expenditure efficiencies	$10,000
Facilities Management	Operating Expenses associated with architectural and design services, moving expenses and payoffs of master equipment leases.	$350,000
Purchasing and Supply Management	Position vacancies	$20,000
Elections	Position vacancies	$20,000
County Attorney	Position vacancies	$100,000
Management and Budget	Position vacancies	$10,000
DPWES - Land Development Services	Position vacancies and related operating expenses due to reduced permit processing	$1,050,000
Planning and Zoning	Position vacancies	$10,000
Human Rights and Equity Programs	Reduction based on historical spending patterns	$10,000
Civil Service Commission	Primarily as a result of reduced caseload	$100,000
Family Services	Position vacancies and program efficiencies	$1,000,000
Information Technology	Reduced telecommunications support	$135,000
Health	Position vacancies	$700,000
Juvenile and Domestic Relations District Court	Position vacancies due to reduced Juvenile Detention placements	$180,000
Commonwealth's Attorney	Position vacancies	$20,000
Unclassified Administrative Expenses	Three specific reductions including the elimination of the reserve to accommodate anticipated changes in the State's funding treatment of prisoners which did not occur, the increased use of the Sheriff's Community Labor Force and corresponding reduction in contracted Park and Ride and bus shelter clean-up and the remaining unneeded balance in the Comprehensive Services Act Reserve.	$2,530,000
Police	Managed overtime and operating expense efficiencies	$1,000,000
Sheriff	Personnel services primarily overtime	$1,500,000
Fire and Rescue	The savings will be generated as a result of the decommissioning of Medic 407 and the conversion of two Basic Life Support (BLS) units to peak staffing.	$975,000

Agency	Reduction Description	Net Reduction
Emergency Management	Operating expenses	$10,000
Code Compliance	Savings in one time start up funding for the new agency	$400,000
Aging Grants and Programs	Closeout of grants	$952,071
Community Services Board	Increased Medicaid revenue collection offsetting General Fund support	$400,000
Debt Service	Savings as a result of the 2011A General Obligation Bond Sale	$714,491
	TOTAL	**$12,196,562**

		NON-RECURRING
Agency 87, Unclassified Administrative Expenses	Expenditure	($750,000)
Agency 68, Human Services Administration	Expenditure	$460,840
Fund 106, Community Services Board	General Fund Transfer	$189,160
Agency 73, Office to Prevent and End Homelessness	Expenditure	$70,000
Agency 38, Housing and Community Development	Expenditure	$30,000
Human Services Transition Reserve	**Net Cost**	**$0**

Funding of $750,000 is reallocated from the reserve established at the *FY 2010 Carryover Review* to fund transition and implementation costs associated with the Human Services System reorganization initiatives included in the FY 2011 budget. In addition, the entire Human Services System is addressing significant increases in clients seeking services, revenue stresses from both the state and clients in pay for service programs and the significant redesigns that are underway.

The establishment of the reserve was consistent with the recommendation of the Human Services Council made during deliberations on the FY 2011 budget, and the Board of Supervisors approved the establishment of a transition reserve, to be funded with balances available from Human Services agencies at the end of FY 2010, as part of the Budget Guidance for FY 2011 and FY 2012 approved on April 20, 2010. All of the agencies within the Human Services system identified FY 2010 balances for use in meeting these requirements including the Department of Family Services, the Fairfax-Falls Church Community Services Board, the Health Department, the Department of Community and Recreation Services, the Juvenile and Domestic Relations District Court, the Department of Housing and Community Development, the Department of Administration for Human Services and the Department of Systems Management for Human Services.

Reallocation of funds from the transition reserve are as recommended by the Human Service Leadership Team and included for approval by the Board of Supervisors as part of the *FY 2011 Third Quarter Review*. The funds are requested to be used as follows:

1. Funding of $375,000 for the Department of Administration for Human Services (DAHS) for personnel services costs. This adjustment is consistent with the inclusion of $350,000 in the FY 2012 Advertised Budget Plan which was based on actual programmatic requirements and current vacancy rates. The agency supports critical activities within the Human Services system and it does not have sufficient resources to meet ongoing and emergency requirements, including revenue collection and contract administration. This increased funding will enable the agency to fill positions adequately to meet its mission in FY 2011, and the baseline increase in FY 2012 will provide recurring funding.

DAHS is actively participating in the transformational change underway across the Human Services System. This cross-system work is crucial to successfully linking and focusing the strategic areas that are most critical to our community.

2. Funding of $100,000 for the Fairfax-Falls Church Community Services Board (CSB) for Medical Detoxification Services. The Fairfax Detoxification Center is experiencing a severe shortage of medical detoxification beds as evidenced by having turned away more than 400 individuals in need of medical detoxification services this past year. A long wait-list for medical detoxification services exists and individuals in acute situations are forced to wait long periods of time prior to admission. At a contracted per-diem cost of $750-$800, funding of $100,000 will purchase critical medical detoxification treatment for approximately 33 individuals. The additional funding of $100,000 from the Transition Reserve will help meet some of the short-term need while the CSB is developing a plan for staffing and funding an expansion of its own medical detoxification bed capacity at a lower per-diem cost.

3. Funding of $89,160 for the CSB is included for Electronic Health Record Transition. Consistent with a recommendation of the Josiah H. Beeman Commission to implement a shared electronic medical record, one-time funding for the Electronic Health Record (EHR) purchase is budgeted in the CSB in FY 2011. However, as this process has developed the need for part time staff support to assist with a significant data migration effort beginning in late February 2011 and the required purchase of 10 desktop computers and 15 laptops/mobile devices have been identified and this additional funding is required to meet these needs.

4. Funding of $85,840 to fund training needs associated with the transition of the Human Services System. After accounting for the aforementioned items, the balance remaining in the Human Services Transition Fund will be $85,840. The Human Services Leadership Team agreed that this funding should be retained to address training needs required as a result of the reorganization, redesign, realignment, and restructuring initiatives throughout the Human Services System. This funding will be appropriated in DAHS for coordinated training efforts throughout the System.

5. Funding of $70,000 for the Office to Prevent and End Homelessness (OPEH) is included for data management requirements of HMIS. OPEH is continuing to make changes within the HMIS system and to load data from nonprofit providers in order to better manage county wide sheltering and basis need resources. All emergency fund resources will be directed toward providing basic needs, employment supports, emergency housing and case management. With the loss of ARRA funds, the HS Transition Reserve funds will help improve capacity of the HMIS to management data and provide regular reports so that resources can be shifted and service needs addressed quickly. OPEH does not have the capacity to manage the data, make additional changes to the HMIS system.

6. Funding of $30,000 for the Department of Housing and Community Development (HCD) to develop Non-Profit Homeownership Outsourcing. As the Board is aware, HCD is changing the operation of the Homeownership Program so that HCD staff will be more focused on compliance with program rules and zoning ordinance requirements by home purchasers. Much of the transactional work the staff currently performs will be outsourced to a nonprofit organization. Since this new structure will require planning and development of processes and procedures, development of an RFP and selection criteria, and training of a nonprofit, funding of $30,000 will be used to hire a consultant to assist in the planning and early implementation stages.

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 $4.72 million, an increase of $19.14 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds. Details regarding adjustments for School funds as requested by the School Board in Draft are provided in the Schools' Recommended *FY 2011 Third Quarter Review* package (Attachment VII).

  - Supplemental Appropriation Resolution AS 11123

  - Supplemental Appropriation Resolution AS 10193

  - Amendment to Fiscal Planning Resolution AS 11901

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of $39.07 million.

- Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2011 Third Quarter Review.*