

**FAIRFAX COUNTY, VIRGINIA**

**MEMORANDUM**

**TO:** BOARD OF SUPERVISORS **DATE:** August 1, 2005

**FROM:** Anthony H. Griffin *AHG*  
County Executive

**SUBJECT:** FY 2005 Actual Revenues, Expenditures and Carryover Supplemental Appropriation

Attached for your review and consideration is the FY 2005 Carryover Package, including Supplemental Appropriation Resolution AS 06014 and Amendment to the Fiscal Planning Resolution AS 06900. The document includes the following attachments for your information:

- Attachment I A General Fund Statement showing the status as of July 11, 2005, 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 and anticipated revenues associated with those grants that are recommended for appropriation in FY 2006
- Attachment VII A detailed description of significant changes in Other Funds
- Attachment VIII Supplemental Appropriation Resolution AS 06014 and Fiscal Planning Resolution AS 06900 for FY 2006 providing for the appropriation of outstanding encumbrances and unspent balances for federal/state grants, as well as prior commitments of the Board of Supervisors, such as unspent capital project balances
- Attachment IX A copy of all fund statements and summaries of capital projects

As the Board is aware, State law requires the Board to 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 2005 Carryover Review* recommends changes to the FY 2006 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 12, 2005.

### ***FY 2005 End of Year Summary***

A brief summary of the General Fund follows, comparing actual receipts and disbursements as of July 11, 2005 to the final estimates of the *FY 2005 Revised Budget Plan*.

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

	<b>FY 2005 Revised <u>Budget Plan</u></b>	<b>FY 2005 <u>Actual</u></b>	<b><u>Variance</u></b>
Beginning Balance, July 1	\$152.34	\$152.34	\$0.00
Receipts and Transfers In	<u>\$2,798.79</u>	<u>\$2,833.22</u>	<u>\$34.43</u>
Total Available	\$2,951.13	\$2,985.56	\$34.43
Expenditures	\$1,053.98	\$1,004.91	(\$49.07)
Transfers Out	<u>\$1,804.46</u>	<u>\$1,804.46</u>	<u>\$0.00</u>
Total Disbursements	\$2,858.44	\$2,809.37	(\$49.07)
Ending Balance, June 30	\$92.69	\$176.18	\$83.49
Managed Reserve	\$57.17	\$57.17	\$0.00
Reserve for FY 2006	<u>\$35.52</u>	<u>\$35.52</u>	<u>\$0.00</u>
Available Balance	\$0.00	\$83.49	\$83.49
<b>FY 2005 Commitments</b>			
Outstanding Encumbered Obligations			(\$23.80)
Outstanding Unencumbered Commitments			(\$12.36)
Managed Reserve Adjustment			<u>(\$0.72)</u>
<b>Balance after FY 2005 Commitments</b>			<b>\$46.61</b>
<b>FY 2006 Administrative Adjustments</b>			
Administrative Adjustments Deferred from Third Quarter			(\$9.28)
Net New Administrative Adjustments			(\$12.85)
Managed Reserve Adjustment			<u>(\$0.48)</u>
<b>Balance after FY 2006 Administrative Adjustments</b>			<b>\$24.00</b>
Revenue Stabilization Fund			(\$9.60)
Managed Reserve Adjustment			<u>(\$0.19)</u>
<b>Balance after 40 Percent Allocation to the RSF</b>			<b>\$14.21</b>
Additional Allocation for Revenue Stabilization Fund			(\$5.00)
Managed Reserve Adjustment			<u>(\$0.10)</u>
<b>Available Balance</b>			<b>\$9.11</b>

As shown on the previous table, the FY 2005 year-end balance, after netting out outstanding encumbrances and unencumbered commitments as well as associated Managed Reserve adjustments, is \$46.61 million. This represents approximately 1.6 percent of the total FY 2005 budget and is \$2.1 million less than the FY 2004 ending balance. This balance is comprised of an additional \$34.43 million in General Fund revenues, an increase of 1.2 percent over the budget estimate, and a net savings of \$12.18 million in expenditures including the adjustment to the Managed Reserve. In FY 2005, the net savings in expenditures represents 1.2 percent of the expenditure base. Net Administrative Adjustments of \$22.61 million including the Managed Reserve adjustment result in an available balance of \$24.00 million.

In accordance with the Board's policy, 40 percent of the balance after netting out FY 2006 administrative adjustments is allocated to the Revenue Stabilization Fund (RSF). This includes \$9.60 million for the RSF with an associated Managed Reserve adjustment of \$0.19 million. In conjunction with anticipated FY 2006 interest earnings, this will bring the total RSF to \$57.72 million or approximately 62.3 percent of the targeted amount, which represents 3.0 percent of total General Fund disbursements. Although I am pleased with the size of the allocation made possible by the Board's established policy, I am concerned about the length of time that it has taken us to move forward on our RSF funding goal. At the rate the RSF has been funded over the past few years, it will take an additional 4-5 years to fully fund it, assuming the availability of dollars at quarterly reviews. Given the size of this year's balance, it is prudent to set aside an additional amount beyond the 40 percent required for the RSF. Therefore, as part of the *FY 2005 Carryover Review*, I am recommending that an additional \$5.0 million be included for the fund. This will help speed the process of fully funding this reserve, particularly in light of the potential for a more moderate rate of growth projected in the future for real estate taxes. With the additional \$5.0 million, the RSF would increase to 67.6 percent of the targeted amount.

After the actions proposed in this *FY 2005 Carryover Review* package, a balance of \$9.11 million remains for Board consideration.

### ***FY 2005 Revenues and the Economy***

Before discussing specific FY 2005 Carryover adjustments, it is important to review the context of the Carryover balance and recommended adjustments. Actual FY 2005 General Fund Revenues and Transfers In were \$2.833 billion, an increase of \$34.43 million or 1.2 percent over the *FY 2005 Revised Budget Plan* estimate. The FY 2005 variance is primarily associated with revenue from Property Taxes, Other Local Taxes, and Revenue from the Commonwealth and Federal Government, and is due in large part to sustained economic growth. It is important to note that a significant portion of the revenue increase was generated in the last quarter of the fiscal year or resulted from the reallocation of state funding associated with public assistance programs. As the Board is aware, it is difficult to predict with total precision, the timing and magnitude of changes in the economy and the availability of additional federal and state dollars.

Real Estate Taxes increased \$2.9 million primarily due to higher than projected delinquent collections, while Personal Property Tax revenue increased \$5.5 million as a result of collection activity and enhancements to the system that links the County's collection operation to the state's Department of Motor Vehicles' database. Other Local Taxes, which include Business, Professional and Occupational License (BPOL) Taxes; Sales Taxes; and Recordation/Deed of Conveyance Taxes experienced a net increase of \$13.4 million, largely due to improvement in the economy where consumers continued a strong trend of buying or refinancing real estate, impacting Recordation and Deed of Conveyance tax revenue, as well as contributing to growth in business receipts. Since the Federal Reserve is expected to continue to raise short-term rates at a measured pace in order to contain inflation, some of the revenue associated with the real estate market, particularly refinancings, is anticipated to slow.

BPOL receipts were \$7.0 million more than projected. Federal spending and related job creation propelled FY 2005 growth in BPOL receipts to 12.9 percent, the highest rate of growth since FY 1989. Deed of Conveyance and Recordation taxes exceeded expectations by \$6.1 million as a result of

### ***FY 2005 Carryover Review***

continued strong real estate market activity. Sales Tax receipts, however, moderated during the latter part of FY 2005. While the first four months of FY 2005 experienced 7.6 percent growth over the same period in the prior year, the final four months of FY 2005 grew at a rate of only 4.4 percent, resulting in year-end FY 2005 growth of 5.5 percent over FY 2004.

Finally, a net increase of \$6.0 million in Revenue from the Commonwealth and Federal Government is primarily associated with a net increase in public assistance program revenue based on a year-end reallocation of unspent funding from other areas of the state.

According to economist Stephen Fuller, indicators for Northern Virginia and Fairfax County are still pointing to 2005 as the best year of the decade for job growth in this region following last year's peak gain. The Washington metropolitan area continues to lead the nation in job growth with 79,100 new jobs from May 2004 to May 2005. Northern Virginia's job gains are projected to be 56,000, somewhat higher than last year's total. Since Fairfax County generally accounts for approximately 50-55 percent of Northern Virginia's job gains, it is anticipated that approximately 30,000 jobs will be added in the County during 2005. Not surprisingly, job growth and consumer spending continue to be the key indicators for the County economy's current performance. Through April, the County's unemployment rate averaged a low 2.5 percent, considerably below the national average of over 5 percent. The area, and particularly Fairfax County, benefit from healthy personal income growth, robust consumer confidence, historically low interest rates, a high level of federal procurement spending and strong employment.

Both the national and local economies continue to expand, but at a more moderate pace than a year ago. For example, U.S. Gross Domestic Product has slowed to a rate of growth of 3.9 percent during the first quarter of 2005 compared to 2004's expansion of 6.6 percent. And while consumer spending nationally is up a healthy 3.8 percent in the first quarter of 2005, it had increased 6.0 percent in 2004. At the local level, Gross County Product is projected to increase 6.5 percent in 2005, slightly off the 7.6 percent rate of increase seen in 2004. Consumer spending in Fairfax County, as indicated by County Sales Tax receipts increased 8.7 percent in calendar year 2004, but is up a more moderate 5.1 percent through July.

On July 20, 2005, Federal Reserve Chairman, Alan Greenspan, addressed Congress at a semiannual hearing on Federal Reserve policies and the economy. He indicated that national employment has continued its upward trend and that retail spending and business investment were "firm." The Federal Reserve expects the U.S. economy to experience sustained growth and contained inflation. However, Greenspan warned that rising oil costs will continue to add upward pressure on consumer prices. He also warned that the "boom" in housing prices could reverse itself in some areas because home prices in a few local markets have risen to unsustainable levels.

As a result of the robust economy, the Commonwealth of Virginia finished FY 2005 with a surplus of \$544.4 million, an increase of 3.9 percent over estimate, due to stronger than expected individual and corporate income tax revenue and recordation tax receipts. The majority of the surplus, \$436.5 million, will be directed toward the state's rainy day fund. With this additional deposit, the fund will exceed \$1.1 billion, nearly the maximum level set by the Constitution. The surplus will also be used to add \$54.4 million to the Water Quality Improvement Fund and \$26.2 million will be returned to the Transportation Trust Fund. In addition, Governor Warner has pledged \$25 million for localities affected by the federal Base Realignment and Closure (BRAC) process. This state funding will be available to match local funds for infrastructure, environmental clean-up and other non-recurring costs for localities that may lose or gain personnel and facilities from the realignment.

Despite the positive economic picture, we remain cognizant that several factors could have a significant impact on the County's economy. These include:

- High consumer debt, which will likely result in consumers slowing their spending;
- High energy prices, which will also siphon discretionary spending;

- Increased potential for terrorist activity, both here and abroad;
- Rising health care costs that will take up more personal income; and
- The mounting federal deficit that will result in higher interest rates, thus slowing business expansion, home sales and personal spending.

Staff will continue to closely monitor both expenditure and revenue categories to identify trends and conditions impacting the budget, as well as determine if recent economic improvement is being sustained and its impact on the level of growth in County revenue. During the fall of 2005, all revenue categories will be reviewed after several months of FY 2006 collections have been received. Any necessary adjustments will be made as part of the fall review or during the *FY 2006 Third Quarter Review*.

### ***FY 2005 Disbursements***

The General Fund disbursement variance totals \$49.07 million. An amount of \$36.88 million is carried forward for encumbered and unencumbered items, as well as the associated Managed Reserve adjustment, leaving a variance of \$12.19 million or 0.4 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. It is also worth noting that no County agencies or funds exceeded their appropriation in FY 2005. More detailed information on FY 2005 Disbursements is included in the Carryover attachments.

### ***Recommended FY 2006 Administrative Adjustments - Summary***

This Carryover package includes a number of recommended adjustments, for a total net impact of \$22.61 million including the associated Managed Reserve adjustment, that are necessary based on previous Board action and priorities, as well as external factors such as growing service populations and requirements for new facilities. As part of the Carryover Review, I limited adjustments to only the most critical items for which the costs could not be absorbed within agency budgets. In addition, as the Board will recall, there were several items totaling \$9.28 million from the *FY 2005 Third Quarter Review* that were deferred and I was directed to address as part of the *FY 2005 Carryover Review*. These are highlighted below and discussed in more detail in the Administrative Adjustments section of this letter.

- \$3.5 million for half of the book buys for the Oakton and Burke Centre Libraries' collections for these new facilities that will come online in the future to serve the needs of these areas of the County. There is a significant lead-time in identifying, ordering and cataloging these resources. To make the process as efficient as possible, the Fairfax County Public Library will group these two libraries' orders to take advantage of volume discounts.
- \$2.0 million for the Fire and Rescue Department's Large Apparatus Replacement Fund to replace emergency response vehicles that have met age and mileage criteria for replacement in order to ensure availability of this essential apparatus for emergency incidents.
- \$1.9 million to continue to bolster the Reserve for Catastrophic Occurrences in Fund 501, County Insurance. This reserve had reached a level well below the \$10 million recommended for the self-insurance fund; however, with this transfer, the reserve will be \$8.7 million.
- \$0.5 million for prioritized security improvements including \$150,000 for security enhancements at various County-owned facilities and \$350,000 for the Massey Building to mitigate potential security threats. It should be noted that total funding of \$990,000 was requested as part of the *FY 2005 Third Quarter Review*. The Board approved \$490,000 at that time, leaving the remaining \$500,000 to be addressed as part of the *FY 2005 Carryover Review*.
- \$0.5 million for costs associated with the widening of Stonecroft Boulevard in front of the Sully Police Station as the adjacent section is being addressed by developers and this short section is the last remaining part to be widened.

### ***FY 2005 Carryover Review***

- \$0.5 million for a feasibility study for a client contact center, also known as a 311 Call Center. This will allow citizens to interact with the County through a single, clear point of entry, eliminating the need to navigate through many numbers to find the right agency, as well as reducing the number of calls to E-911 for non-emergency assistance. A feasibility study will determine the appropriate architecture and tracking system.
- \$0.3 million for prioritized public safety feasibility studies to establish accurate total project estimates in anticipation of the Fall 2006 Public Safety Bond Referendum. The Board approved the other half of this \$0.6 million requirement as part of the *FY 2005 Third Quarter Review*.

I am also recommending funding for several other major needs identified in order to support the County's vision elements. These are identified below with the vision element that they support.

- \$5.8 million is included to support the County's vision element of *Maintaining Safe and Caring Communities* by providing funding for various human services and public safety capital projects including the Katherine K. Hanley Family Shelter, the Forensics Facility and transportation improvements for the frontage at the Wolf Trap Fire Station. An amount of \$400,000 is included to address higher than anticipated construction requirements associated with the Katherine K. Hanley Family Shelter, which is a 20,000-square foot, 60-bed facility to accommodate up to 20 families needing temporary shelter. Recent construction cost escalations due to a strong local construction market, combined with skilled labor shortages, are also increasing the cost of the Forensics Facility to be co-located with the Public Safety and Transportation Operations Center at the West Ox Complex. The cost increased \$5.0 million after development of a formal estimate; however, this facility is projected to accommodate future growth through 2025. Lastly, an amount of \$400,000 is included for transportation improvements at the Leesburg Pike frontage of the Wolf Trap Fire Station including a third lane, streetlights, storm drainage requirements, and installation of a section of trail.
- \$3.0 million, including \$2.9 million to provide cabling and technology for the Judicial Center Expansion and Renovation Project and \$0.1 million for a detailed space planning study needed for the re-occupancy and future renovation of the Old Courthouse, support the *Maintaining Safe and Caring Communities* vision element by providing adequate judicial facilities to adjudicate criminal and civil cases.
- \$1.9 million in a General Fund Transfer to Fund 104, partially offset by a reduction of \$0.2 million in Circuit Court and Records, will be allocated to records imaging projects in the Department of Family Services and the Circuit Court's Land Records Imaging Project, to support the *Connecting People and Places* vision element by improving response times for consumer inquiries of case records and making public documents more readily accessible.
- \$1.3 million for capital renewal projects will contribute to the County's achievement of several vision elements including *Building Livable Spaces*, *Maintaining Safe and Caring Communities*, and *Exercising Corporate Stewardship*. An amount of \$1.0 million will provide for HVAC projects to replace aging systems at the Department of Vehicle Services' garage at West Ox Road as well as the outdated system at the Government Center. An amount of \$300,000 is needed to resurface the Police Driver Training Track which has deteriorated with age and poses a serious safety hazard for the high-risk training conducted at the site.

These Administrative Adjustments, along with the proposed allocations to the Revenue Stabilization Fund result in a balance of \$9.11 million, which remains available for the Board's consideration. This balance can be used for consideration items put forth by the Board shown on handwritten pages 19-20 or held in reserve for FY 2007 budget development.

***FY 2005 Audit Adjustments***

As the Board is aware, the financial audit of FY 2005 is currently being conducted. Necessary adjustments as a result of this work will be included in the FY 2005 Comprehensive Annual Financial Report (CAFR) and in the audit package that is presented for the Board’s approval as part of the *FY 2006 Third Quarter Review*.

***Summary of Adjustments***

The *FY 2005 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 2005 Carryover Review*. The net impact to the General Fund of these adjustments is an increase of \$22.13 million and a Managed Reserve adjustment of \$0.48 million. This includes increased disbursements of \$23.88 million offset by \$1.75 million in additional revenue. Details are as follows:

***Legislative-Executive Functions/Central Services***

	<b>RECURRING</b>
	Revenue \$0
<b>Agency 13, Office of Public Affairs</b>	Expenditure <u>\$100,000</u>
<b>Countywide Annual Report</b>	<b>Net Cost \$100,000</b>

Funding of \$100,000 is required in FY 2006 to create a countywide annual report that will provide information about County programs, services and activities to County residents and businesses. The report will include such information as County effectiveness in providing services, including benchmarks with other jurisdictions, and will highlight initiatives relating to the Board’s priorities. Funding will cover the cost of producing and distributing the report to residents of Fairfax County.

***Judicial Administration***

	<b>RECURRING</b>
	Revenue \$0
<b>Agency 80, Circuit Court and Records</b>	Expenditure <u>\$97,125</u>
<b>Law Clerks’ Salary</b>	<b>Net Cost \$97,125</b>

Funding of \$97,125 is required to increase the salaries of law clerks based on a recent market study. This study determined that judicial law clerks in Fairfax County are paid below the average market level of law clerks in neighboring jurisdictions. This has hindered the ability of judges to hire the most qualified candidates. Starting salaries for law clerks will be raised from \$41,325 to \$47,800, the average of the surveyed jurisdictions. Since many of the law clerks are new each year and therefore are hired at the new starting salary, the increase is necessary for the agency to fund these positions. These salaries are fully funded by the County.

## *Public Safety*

	<b>NON-RECURRING</b>	
<b>Agency 92, Fire and Rescue Department</b>	Revenue	\$0
<b>Funding for the Large Apparatus Replacement Fund</b>	Expenditure	<u>\$2,000,000</u>
	<b>Net Cost</b>	<b>\$2,000,000</b>

Funding of \$2.0 million is required for a one-time increase to the Fire and Rescue Department's Large Apparatus Replacement Fund. During the FY 2003 Budget Process, the Fire and Rescue Department (FRD) identified the FRD transfer to the Large Apparatus Replacement Fund as a potential budget reduction, but one that was recognized as a short-term answer to budget reduction requirements. This reduction continued in FY 2004 and FY 2005, and has effectively limited the purchasing ability of the FRD by approximately \$4.5 million. A revised replacement schedule indicates that 12 vehicles totaling \$5,735,000 will require replacement in FY 2006. Continued deferral of the equipment replacement will result in more frequent and costly repairs, hindering the equipment's reliability during responses to emergency incidents. Originally considered as part of the *FY 2005 Third Quarter Review*, this funding request was deferred to the *FY 2005 Carryover Review* by the Board of Supervisors. The one-time \$2.0 million General Fund contribution, in addition to \$1.0 million in identified FY 2005 savings within the FRD budget, and an increase in contributions to the Large Apparatus Replacement Fund as part of the FY 2006 Adopted Budget Plan will allow for the replacement of this equipment. As a result of the above actions, necessary revenue and expenditure authority adjustments will be made to Fund 503, Department of Vehicle Services, to allow for the purchase of this equipment in FY 2006.

## *Health and Welfare*

	<b>RECURRING</b>	
<b>Agency 67, Department of Family Services</b>	Revenue	\$0
<b>Northern Virginia Resource Center for the Deaf and Hard of Hearing</b>	Expenditure	<u>\$50,000</u>
	<b>Net Cost</b>	<b>\$50,000</b>

Funding of \$50,000 is included to support the Northern Virginia Resource Center for the Deaf and Hard of Hearing contract with the Department of Family Services. This funding will assist Fairfax County residents in gaining access to services and needed resources. The funding adjustment is based on the current number of existing clients and projected increase in service usage, as well as significant growth in outreach activities and the number of requests for information.

	<b>RECURRING</b>	
<b>Agency 67, Department of Family Services</b>	Revenue	\$169,977
<b>Program Adjustments</b>	Expenditure	<u>\$169,977</u>
	<b>Net Cost</b>	<b>\$0</b>

Funding of \$169,977 is required to appropriate additional state and federal revenue for the following programs:

- ◆ Healthy Families Fairfax program funding of \$76,038 will be used to provide educational, therapeutic and supportive services to first-time parents to help prevent child abuse and neglect, as well as promote child health.
- ◆ Emergency Shelter program funding of \$51,368 will enable Fairfax County to serve more individuals at the five shelters located throughout the County.
- ◆ Education and Training Voucher program funding of \$27,935 will be used to help foster youth with expenses associated with college and vocational training programs.



- ◆ Respite Care program funding of \$14,636 will be used to support a range of respite services to foster care families.

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

***Parks, Recreation and Libraries***

	<b>NON-RECURRING</b>	
	Revenue	\$0
<b>Agency 52, Fairfax County Public Library</b>	Expenditure	<u>\$3,519,802</u>
<b>Oakton and Burke Centre Community Libraries' Book Buys</b>	<b>Net Cost</b>	<b>\$3,519,802</b>

One-time funding of \$3,519,802, comprised of \$3,452,400 in Operating Expenses and \$67,402 in Personnel Services, is required to acquire half of the opening collection of materials for the Oakton and Burke Centre community libraries, which are scheduled to open in the fall 2007. Originally considered as part of the *FY 2005 Third Quarter Review*, this funding request was deferred to the *FY 2005 Carryover Review* by the Board of Supervisors. It is anticipated that the additional \$3,519,802 required to purchase the remaining half of the opening collections will be addressed with one-time funding as part of the *FY 2006 Third Quarter Review* or the *FY 2006 Carryover Review*. Acquisition of materials for the opening of a new library needs to begin one to one and a half years in advance to accommodate the ordering and cataloging processes. The costs associated with the pre-opening book buys at the Oakton and Burke Centre community libraries are one-time; however, ongoing materials requirements of the facilities will be included in the overall materials budget in the future. The book buy funding will provide for the acquisition of approximately 70,000 titles for each branch, which is consistent with the collection sizes of other community libraries. In addition, the funding will support 2/1.5 SYE limited term staff to order, catalog and process the materials before the libraries can open to the public.

***Community Development***

	<b>RECURRING</b>	
	Revenue	\$0
<b>Agency 38, Department of Housing and Community Development</b>	Expenditure	<u>\$200,000</u>
<b>Additional Resources for Affordable Housing Support</b>	<b>Net Cost</b>	<b>\$200,000</b>

Funding of \$200,000 is required for Agency 38, Department of Housing and Community Development (HCD), including: \$100,000 to support an ombudsman position within Housing to coordinate the implementation of the Affordable Housing Preservation Committee's recommendations; \$90,400 for limited term staff support to provide relocation counseling to households being displaced due to demolition of existing affordable housing and an increasing number of condo conversions occurring in the County; and \$9,600 for a portion of the salary of an activities coordinator that provides enrichment activities for youth at the affordable units at Kingsley Park and Kingsley Commons, in a public/private partnership with the private sector efforts already underway in the community. This funding will provide support for HCD's efforts to preserve and increase opportunities for affordable housing in Fairfax County without impacting the funding dedicated to the preservation of actual units of affordable housing.

	<b>NON-RECURRING</b>
	Revenue \$0
<b>Agency 38, Department of Housing and Community Development</b>	Expenditure <u>\$150,000</u>
<b>Transitional Budget for Project-Based Budgeting</b>	<b>Net Cost \$150,000</b>

Funding of \$150,000 is required to provide “gap” funding for maintenance salaries during FY 2006 as the agency begins a transition to project-based budgeting, which will be required by the federal government of all Public Housing Authorities (PHA) by January 2007. As a result of this transition, the U.S. Department of Housing and Urban Development (HUD) will only reimburse PHAs for billable work hours. The Department of Housing and Community Development is implementing a work order billing/charge back system that will involve billing projects for actual labor hours accumulated on each work order. Staff is anticipating that the implementation of a project-based billing and budgeting program will take approximately two years to complete with no projected funding support by HUD.

***General Fund-Supported***

	<b>NON-RECURRING</b>
	Fund Balance (\$709,183)
<b>Fund 100, County Transit Systems</b>	Expenditure <u>\$709,183</u>
<b>Expenditure Adjustment to Reflect 2005 Amended Contract</b>	<b>Net Cost \$0</b>

An increase of \$709,183, from available balance in Fund 100, County Transit Systems, is required to fund service in the Huntington Division associated with the South County expansion. In March 2005, the County reopened its contract with the County's contractor for the provision of bus service as a result of the large South County expansion and the increase in the number of hours of service now projected to be 260,000 in FY 2006. The number of hours of service in the original contract could not exceed 225,000 hours per fiscal year. The negotiated rate to accommodate the added hours increased contract costs. The Department of Transportation immediately began identifying savings in their FY 2005 budget in order to generate enough balance to cover the costs associated with this contract issue. This has been accomplished as there is no additional General Fund support required as part of this action. It should be noted that a new Request for Proposal is being prepared to rebid the Huntington bus service contract. It is anticipated that this process will be completed in spring 2006.

	<b>RECURRING</b>
<b>Fund 103, Aging Grants and Programs</b>	General Fund Transfer <u>\$133,801</u>
<b>Herndon Harbor House Senior Center Congregate Meal Program</b>	<b>Net Cost \$133,801</b>

The General Fund transfer to Fund 103, Aging Grants and Programs, is increased by \$133,801 for the Herndon Harbor House Senior Center Congregate Meal program due to higher than projected per meal costs as a result of current contract requirements. This increase provides meals to 60 new participants at the Herndon Harbor Senior Center, as well as 179 participants from the Herndon Harbor Adult Day Health Center and participants from the Reston Senior Center who have been relocated to this new site. A total of 44,460 meals are anticipated to be served per year.

	<b>NON-RECURRING</b>
<b>Agency 80, Circuit Court and Records</b>	Expenditure (\$231,456)
<b>Fund 104, Information Technology Projects</b>	General Fund Transfer <u>\$2,371,456</u>
<b>Information Technology Funding</b>	<b>Net Cost \$2,140,000</b>

The General Fund transfer to Fund 104, Information Technology Projects is increased by \$2,371,456, which is partially offset by a reduction of \$231,456 in Circuit Court and Records as a result of realigning information technology funding. This realigned funding will be appropriated to Project IT0020, Land

Records Imaging, to support necessary software design requirements. In addition, included at the *FY 2005 Third Quarter Review* but deferred by the Board of Supervisors, is \$500,000 to support a feasibility study for a client contact center, also known as a 311 Call Center. A 311 Call Center can serve as a communication gateway for residents and businesses to access County information and request non-emergency services. A 311 Call Center allows citizens to interact with the County through a single, clear point of entry, eliminating the need to navigate through hundreds of telephone numbers to find the right department and reducing calls to E-911 for non-emergency help and assistance. The client contact center feasibility study will determine a comprehensive architecture that will use industry standard technologies and incorporate County automated tracking systems for the new 311 Call Center.

Also, included in the FY 2006 Advertised Budget Plan, but deferred by the Board of Supervisors, is \$1,640,000, available from greater than anticipated FY 2005 federal and state revenues, to be used to support the Department of Family Services (DFS) document workflow and imaging efforts in their Children, Youth and Family, and Child Care divisions. This includes \$712,000 to continue efforts to provide a reliable system from which sensitive Human Services documents can be retrieved to fulfill case management needs of County residents and improve response times for consumer inquiries of case records; preserve and manage DFS records in accordance with state and federal mandates, and avoid non-compliance issues associated with the degradation, damage or loss of paper files; and alleviate a critical records storage space issue by imaging appropriate and/or key case records, thus freeing up scarce physical space in the Pennino building for more productive uses. The remaining \$928,000 will provide for the second phase of the Office for Children’s (OFC) electronic record management system. The agency expects to transition Community Education and Provider Services, Head Start and the School-Age Child Care program to document imaging technology. The Community Education and Provider Services division currently processes and stores approximately 6,300 documents each month for all home child care business and the USDA food program; Head Start maintains files for over 500 children and families in multiple locations that could more efficiently be reviewed electronically by field staff and auditors; and the School-Age Child Care program provides direct services to over 14,000 children in 131 centers.

	<b>RECURRING</b>
<b>Fund 112, Energy/Resource Recovery Facility</b>	General Fund Revenue \$1,578,057
<b>Covanta Tax Liability</b>	General Fund Transfer <u>\$1,578,057</u>
	<b>Net Cost \$0</b>

The General Fund transfer to Fund 112, Energy/Resource Recovery Facility, is increased by \$1,578,057 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 \$1,578,057 in FY 2006. 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 \$1,578,057. As a result, the net impact is \$0 to the County.

	<b>NON-RECURRING</b>
<b>Fund 120, E-911</b>	Fund Balance (\$200,000)
<b>800 MHz Rebanding Start-Up Requirements</b>	Expenditure <u>\$200,000</u>
	<b>Net Cost \$0</b>

Funding of \$200,000 is required to provide initial support to the County’s response to the Federal Communications Commission (FCC) mandate on 800 MHz rebanding. Based on the FCC allocation of channels in the 800 MHz radio spectrum over time, a commercial carrier, Nextel, has been interfering with some public safety communications across the United States. To resolve this, the FCC has mandated that existing channels along the spectrum be reorganized to consolidate public safety channels apart from

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Nextel. This is a very serious proposition, as it requires the rebanding to occur without interruptions to operations or system performance. The FCC has created a Transition Administrator to outline the process and oversee the activities. As noted to the Board during the June 27, 2005 Board of Supervisors' Information Technology Subcommittee meeting, the County is expecting to incur fairly sizeable costs to protect and preserve the integrity of the County Public Safety Radio System. The FCC is requiring Nextel to pay/reimburse all reasonable costs, the details of which have not yet been worked out. As indicated to the Board earlier, County staff will return with a complete cost estimate later this year.

	<b>NON-RECURRING</b>
<b>Fund 303, County Construction</b>	General Fund Transfer <u>\$500,000</u>
<b>Prioritized Security Improvements</b>	<b>Net Cost \$500,000</b>

The General Fund transfer to Fund 303, County Construction, is increased by \$500,000 to support prioritized security improvements throughout the County. An amount of \$150,000 is necessary to provide security enhancements at various County-owned facilities. These improvements include security enhancements such as installing door contact alarms on exterior doors, glass break alarms on windows at ground level, cameras on the exterior of facilities, and card readers for building entrances and secure areas. An increase of \$350,000 is also necessary to provide funding for security enhancements to the Public Safety Center. These improvements include securing the Massey Building to mitigate potential security threats. Reinforcements to the Massey Building will protect the public and employees in the proximity of the building in the event security is compromised. Total funding for both of these projects of \$990,000 was identified as part of the *FY 2005 Third Quarter Review*, while funding of \$490,000 was approved. The remaining \$500,000 was deferred until the *FY 2005 Carryover Review*.

	<b>NON-RECURRING</b>
<b>Fund 303, County Construction</b>	General Fund Transfer <u>\$312,500</u>
<b>Prioritized Feasibility Studies</b>	<b>Net Cost \$312,500</b>

The General Fund transfer to Fund 303, County Construction, is increased by \$312,500 to support funding for prioritized feasibility studies. These studies are needed to establish accurate total project estimates in preparation for the fall 2006 Public Safety Bond Referendum. Completing the feasibility studies in advance of the bond referendum is important in assessing accurate costs and ensuring that future projects have sufficient resources. Possible studies may include but are not limited to: the McLean, Reston and Fair Oaks Police Stations, Jefferson and Herndon Fire Stations, the Great Falls Volunteer Fire Station, the Pine Ridge Public Safety Communications Center, and the West Ox Animal Shelter. Total funding of \$625,000 was identified as part of the *FY 2005 Third Quarter Review*; however, funding of \$312,500 was approved. The remaining \$312,500 was deferred until the *FY 2005 Carryover Review*.

	<b>NON-RECURRING</b>
<b>Fund 303, County Construction</b>	General Fund Transfer <u>\$5,800,000</u>
<b>Other Capital Projects</b>	<b>Net Cost \$5,800,000</b>

The General Fund transfer to Fund 303, County Construction, is increased by \$5,800,000 to support additional costs associated with the Katherine K. Hanley Family Shelter, the Forensics Facility, and Road Improvements in front of the Wolf Trap Fire Station. An amount of \$400,000 is included to support higher than anticipated construction requirements associated with the Katherine K. Hanley Family Shelter. This shelter is projected to be a 20,000 square-foot, 60-bed facility to accommodate up to 20 homeless families needing temporary shelter. Recent construction escalations can be attributed to the increases in construction materials costs and a strong local construction market, combined with skilled labor shortages. An amount of \$5,000,000 is included to accommodate the full scope of the proposed Forensics Facility as identified in the consultant's Needs Assessment Report. The Facility will be co-located with the Public Safety and Transportation Operations Center (PSTOC) at the West Ox Complex, and is projected to accommodate future growth through 2025. It should be noted that a savings of

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\$1,426,177 was identified in the Police Department's FY 2005 operating budget to help offset these anticipated Forensics Facility requirements. In addition, an amount of \$400,000 is included to support transportation improvements required at the Leesburg Pike frontage of the Wolf Trap Fire Station site. Improvements include adding a third lane, providing required street lights and associated storm drainage requirements, and installing a section of trail.

	<b>NON-RECURRING</b>
<b>Fund 308, Public Works Construction</b>	General Fund Transfer <u>\$330,844</u>
<b>Developer Defaults and Route 123 Bridge Lighting</b>	<b>Net Cost \$330,844</b>

The General Fund transfer to Fund 308, Public Works Construction, is increased by \$330,844. This amount includes \$300,844 to support critical developer default projects where developer contributions are not sufficient to complete construction. This funding will support road improvements and drainage repairs for the following projects: Airston at Fox Mill, Skyline Homes, Lee Brook, Bonnett Property, and Heron Pines. An additional amount of \$30,000 will support construction of streetlights on half of the pedestrian/bicycle walkway over the Route 123/Occoquan bridge, currently under construction by the Virginia Department of Transportation. This bridge will include a pedestrian/bicycle walkway that will be separated from the roadway by a concrete sound barrier. Prince William County has proposed funding the six lights within their County and assuming the responsibility for the operational and maintenance costs required for the six lights. In order to complete the lighting of the bridge, Fairfax County will need to provide for the installation of the remaining six lights within Fairfax County, as well as assume responsibility for the subsequent operational and maintenance requirements.

	<b>NON-RECURRING</b>
<b>Fund 312, Public Safety Construction</b>	General Fund Transfer <u>\$3,545,000</u>
<b>Various Projects</b>	<b>Net Cost \$3,545,000</b>

The General Fund transfer to Fund 312, Public Safety Construction, is increased by \$3,545,000. Of this total, \$2,895,000 will support cabling and technology for the Judicial Center Expansion and Renovation Project, and an amount of \$150,000 will support a detailed space planning study necessary for the re-occupancy and future renovation of the Old Courthouse. In addition, \$500,000 is for costs associated with the widening of Stonecroft Boulevard in front of the Sully Police Station. The adjacent section of Stonecroft Boulevard is being widened by developers, leaving a short section in front of the Sully Police Station as the last remaining section to be widened. This amount will fully fund the County's portion of the project. An agreement will be developed for the developer's contractor to complete all sections in one construction contract. An amount of \$500,000 for Stonecroft Boulevard was identified as part of the *FY 2005 Third Quarter Review*; however, funding was deferred until the *FY 2005 Carryover Review*.

	<b>NON-RECURRING</b>
<b>Fund 317, Capital Renewal Construction</b>	General Fund Transfer <u>\$1,300,000</u>
<b>Capital Renewal Projects</b>	<b>Net Cost \$1,300,000</b>

Funding of \$1,300,000 is required for critical Capital Renewal needs in FY 2006. Of this total, \$300,000 is required to resurface the Police Driver Training Track. The Police Driver Training Track was built in 1993 to provide the Police Department with an adequate facility to conduct driver training courses. The track is used for high-speed driving training 4 days a week, 50 weeks a year. The high speeds and extensive use of the track result in extra wear on the surface. Currently, over 10,000 feet of cracks present a serious safety hazard. The condition of the asphalt track is highly deteriorated and poses a severe safety hazard for the high-risk training conducted at the site. This project cannot be deferred given the serious safety concerns.

An additional amount of \$1,000,000 will support HVAC projects in FY 2006. Specifically, an amount of \$600,000 is required for the replacement of aged and deteriorated electrical, plumbing, and HVAC

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systems at the West Ox DVS Garage built in 1976. A condition assessment conducted in 2001 recommended system components be replaced. Over the last several years, staff has implemented measures such as increasing the frequency of cyclic maintenance and service calls to prolong the life of existing systems; however, they have become extremely unreliable, requiring replacement prior to the next heating season. An amount of \$400,000 is also required for replacement of the Government Center Building Automation System. This system maintains computerized control of all the equipment in the building, managing temperature set points and air flow. Although the building was first occupied in the early 1990s, this system was designed using 1980s technology, and parts are no longer readily available to keep the outdated system in service.

	<b>RECURRING</b>
	Revenue           \$484,000
<b>Fund 500, Retiree Health Benefits</b>	Expenditure <u>\$484,000</u>
<b>CMS Medicare Part D Subsidy</b>	<b>Net Cost           \$0</b>

Funding of \$484,000 is included for a 25 percent increase to the retiree health benefit subsidy to make the County plan actuarially equivalent to the new Medicare Part D prescription drug benefit, which becomes effective January 1, 2006, for individuals covered by Medicare. It is anticipated that Board action on this issue will occur on August 1, 2005. Employers who offer an actuarially equivalent program are eligible to receive a subsidy from the Centers for Medicare and Medicaid Services (CMS) based on retiree enrollment in their plans. The purpose of the subsidy is to encourage employers to offer a standard prescription drug benefit at a moderate cost to retirees. The federal subsidy provides a unique opportunity to respond to the new Medicare Part D program by increasing the retiree health benefit subsidy at no cost to the County and with no impact on GASB 45 liabilities, while helping to alleviate the burden of rising health care costs for retirees. By increasing the County's retiree subsidy, the County qualifies to receive the CMS subsidy on retirees and spouses enrolled in the self-insured health insurance plan who do not enroll in Medicare Part D and will receive federal funding from CMS to completely cover the cost of the increase. Retirees will experience increases in the health benefit subsidy ranging from \$5 to \$55 depending on their age and years of service. In addition, retirees will no longer receive a reduced subsidy upon reaching the age of Medicare eligibility. The subsidy structure that will go into effect on January 1, 2006, assuming Board approval, is outlined below.

<b>Retiree Health Benefit Subsidy</b>	
<b>Years of Service at Retirement</b>	<b>Monthly Subsidy</b>
5 to 9	\$30
10 to 14	\$65
15 to 19	\$155
20 to 24	\$190
25 or more	\$220

	<b>NON-RECURRING</b>
<b>Fund 501, County Insurance</b>	General Fund Transfer <u>\$1,948,408</u>
<b>Reserve for Catastrophic Occurrences</b>	<b>Net Cost           \$1,948,408</b>

Funding of \$1,948,408 is required to continue to bolster the Reserve for Catastrophic Occurrences in Fund 501, County Insurance. This recommendation had been included in the *FY 2005 Third Quarter Review*; however, the Board of Supervisors deferred it until the *FY 2005 Carryover Review*. The Reserve for Catastrophic Occurrences is an integral part of the County's Insurance Fund, supporting the self-insurance program that the County uses for a significant portion of its loss exposures. This reserve had reached a level well below the \$10 million that staff recommended for the self-insurance fund. However, with this transfer, the reserve will be \$8,674,542.

**Other Funds**

	<b>NON-RECURRING</b>
	Fund Balance (\$800,000)
<b>Fund 105, Cable Communications</b>	Expenditure <u>\$800,000</u>
<b>County Obligation to Reston Area I-Net, Based on Franchise Agreement</b>	<b>Net Cost \$0</b>

Funding of \$800,000 is required for the County’s portion of the Reston area Institutional Network (I-Net) construction cost. The Board approved a renewal of Comcast’s cable television franchise for the Reston franchise area at its meeting on May 23, 2005. Comcast’s franchise agreement requires Comcast to construct a fiber optic I-Net to 25 County locations in Reston that will link County and Fairfax County Public School (FCPS) facilities, and to interconnect the Reston I-Net with the Cox Communications I-Net. The completed system will allow for uniform connectivity of video, voice and data applications between all designated County and FCPS facilities throughout Fairfax County. Comcast’s franchise agreement requires the County to pay for half of the Reston I-Net construction cost, up to \$800,000. Comcast will pay for the other half of the construction cost, and if the total construction cost should exceed \$1.6 million, then Comcast will pay any additional amount. The Reston I-Net construction is scheduled to take place during FY 2006.

**Consideration Items**

Two Consideration Items are included for the Board of Supervisors’ decision. These items total \$1,196,000, are not currently funded and if funded, would decrease the available balance of \$9.11 million. The details of these items are as follows:

	<b>NON-RECURRING</b>
<b>Fund 303, County Construction</b>	Expenditure <u>\$696,000</u>
<b>Burke Centre VRE Trails</b>	<b>Net Cost \$696,000</b>

As requested by the Board of Supervisors on July 25, 2005, funding of \$696,000 is requested to support pedestrian and intersection improvements in the vicinity of the Burke Virginia Railway Express (VRE) Station. These improvements include a series of trail connections and stream crossings between the VRE Station and the Burke Centre communities to the south, as well as pedestrian improvements at the Burke Centre Parkway and Roberts Parkway intersection. The trails and trail improvements identified will provide better pedestrian access to the station, making it easier for VRE riders to walk or bike to the station instead of driving their cars and parking at the site. This funding will be supplemented by an amount of \$150,000 in existing capital project funds, and \$154,000 in revenue from the Virginia Department of Transportation (VDOT). The balance of General Fund monies required for the project is \$696,000.

	<b>RECURRING</b>
	Revenue \$0
<b>Fund 303, County Construction</b>	Expenditure <u>\$500,000</u>
<b>Lorton Arts Foundation</b>	<b>Net Cost \$500,000</b>

As requested by the Board of Supervisors on July 11, 2005, funding of \$500,000 is requested in FY 2006 to support the Lorton Arts Foundation (LAF) financing and capital renewal plan for operation of a center for the arts at the Occoquan facility of the former Lorton Prison. The Board has previously approved the negotiation of the lease of the former prison facility at Occoquan with the Lorton Arts Foundation in order to support the development of a center for the arts on the site of the old prison complex. The LAF proposed to use funds generated by leasing the various facilities to individual artists and performing arts groups in order to support a financing plan for renovating and upgrading the former prison for cultural

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uses. The LAF plan included creation of sites for public restaurants, residential facilities for artists in residence, and a prison museum in addition to artist studios and a small theater. Initially, the LAF believed that the project would be self-sustaining and could operate without additional resources or contributions from the County. After subsequent review and financial analysis by outside consultants knowledgeable in the creation and operation of facilities of this type, the LAF found an underwriter willing to undertake the financing of the renovations, but determined that County support would be needed during the first few years of renovation and operational start-up. The LAF has requested County support to qualify for the loan of approximately \$25 million that will be needed for the renovations. The LAF has requested the County consider providing a sum of not more than \$1,000,000 per year as maintenance support. The LAF also has requested that the County agree to lease back a portion of the rental space, if other tenants are not available, for a timeframe and lease rate to be negotiated between the County and the LAF.

The project relies upon significant fundraising and outside contributions for financial success over and above the requested County support. Therefore, in order to allow this project to move forward, a partnership is proposed in which the County would provide initial start-up and limited ongoing maintenance support while LAF demonstrates its ability to achieve significant fundraising capability from outside sources.

A payment of \$500,000 to the LAF is requested in FY 2006 for site and building maintenance. In exchange, the LAF is asked to raise a matching amount of \$500,000 or more in FY 2006. Under the proposal the County Executive is also directed to include an annual maintenance contribution of \$1,000,000 in the County Executive's FY 2007 budget proposal for the Board's consideration. Subsequent contributions will be dependent on continued fundraising efforts and the terms of the lease currently under negotiation with LAF. The lease will provide for reducing or eliminating the County's cash support commensurate with the Foundation's ability to become self-sustaining. Staff will return to the Board for approval of the lease including the terms of the rental support prior to disbursement of funds.

## ***Summary of FY 2005 Receipt and Disbursement Variances***

The following summarizes FY 2005 receipt and disbursement variances.

### ***Receipts***

Actual FY 2005 General Fund Receipts and Transfers In are \$2.833 billion, an increase of \$34.4 million or 1.2 percent over the *FY 2005 Revised Budget Plan* estimate of \$2.799 billion. Major changes in General Fund Receipts are summarized below. Greater detail is available in Attachment II, Summary of General Fund Receipts.

- Actual FY 2005 Real Estate Taxes reflect an increase of \$2.9 million or 0.2 percent over the *FY 2005 Revised Budget Plan* due to higher than anticipated delinquent collections.
- Total Personal Property Taxes in FY 2005 were \$473.5 million, a net increase of \$5.5 million or 1.2 percent over the *FY 2005 Revised Budget Plan*. This increase is primarily the result of a higher than projected collection rate. The *FY 2005 Revised Budget Plan* was based on an overall collection rate of 97.00 percent; however, the actual FY 2005 collection rate is 97.77 percent, the highest rate ever achieved. Collections have benefited from a system enhancement that enables an automated link to the Virginia Department of Motor Vehicles.
- FY 2005 Other Local Taxes were \$13.4 million higher than anticipated primarily due to increases in Business, Professional and Occupational Licenses; Deed of Conveyance and Recordation Taxes; the

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Mobile Telecommunications Tax; and the Bank Franchise Tax; partially offset by a decrease in Sales Tax Revenue.

- Revenue from Fines and Forfeitures in FY 2005 was \$15.5 million, an increase of \$2.6 million over the *FY 2005 Revised Budget Plan* and is primarily the result of increased collections for General District Court fines.
- Actual FY 2005 Charges for Services reflect an increase of \$2.0 million or 4.6 percent over the *FY 2005 Revised Budget Plan*. This increase is primarily attributable to higher than anticipated County Clerk fees associated with recording deeds and School-Age Child Care fees.
- A net increase of \$6.0 million in Revenue from the Commonwealth and Federal Government is largely associated with public assistance programs that are linked to County expenditures or the year-end allocation of additional state dollars.

### ***Disbursements***

The initial General Fund Disbursement balance totals \$49.07 million. As part of the *FY 2005 Carryover Review*, an amount of \$36.88 million is required to be carried forward to provide for outstanding encumbrances and unencumbered items reflecting previous Board of Supervisors' commitments. This amount includes \$23.80 million for encumbered, legal obligations of the General Fund which were incurred in FY 2005, \$12.36 million for unencumbered, previously approved requirements of the General Fund (detailed in Attachment IV) and \$0.72 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 \$12.19 million or 0.4 percent of total estimated disbursements was realized. This represents a small percentage of total disbursements and is the result of a variety of miscellaneous adjustments as detailed in Attachment III, Summary of Significant General Fund Expenditure Variances by Agency.

### ***Additional Adjustments in Other Funds***

Total FY 2006 expenditures in Appropriated Other Funds, excluding appropriations to Fairfax County Schools, are requested to increase \$849.83 million over the FY 2006 Adopted Budget Plan. This amount includes \$708.31 million in carryover of unspent balances and an increase of \$141.52 million in other adjustments. In addition to the adjustments in Appropriated Funds, there are adjustments totaling \$24.78 million in Non-Appropriated Other Funds. It should be noted that details of Fund 102, Federal/State Grant Fund, are discussed in Attachment VI. Details of FY 2006 adjustments in Appropriated and Non-Appropriated Other Funds other than Federal and State Grants are found in Attachment VII. School Board adjustments total \$419.23 million, excluding debt service, over the FY 2006 Adopted Budget Plan. Details of School Board actions are available in Attachment C.

Carryover is defined as the reappropriation in FY 2006 of previously approved items such as unexpended FY 2005 capital project balances and encumbered and unencumbered items.

## ***Summary of Recommended Actions***

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

Approve Supplemental Appropriation Resolution AS 06014 and Fiscal Planning Resolution AS 06900 to provide expenditure authorization for FY 2005 Carryover encumbrances, unexpended balances, administrative adjustments and the associated adjustments to the Managed Reserve including the following:

- Board appropriation of \$23.80 million in General Fund encumbrances from FY 2005 as noted in the Combined General Fund Statement.
- Board appropriation of General Fund unencumbered Board commitments totaling \$12.36 million as detailed in Attachment IV.
- Board appropriation of General Fund administrative adjustments totaling \$23.88 million as detailed earlier in this memorandum.
- Board appropriation of Federal/State grants in Fund 102, Federal/State Grant Fund, totaling \$158.38 million or an increase of \$88.59 million as detailed in Attachment VI. Of this amount, \$5.46 million represents non-Local Cash Match funding adjustments for existing, supplemental, and new grant awards for the Office of the County Executive, Fairfax County Public Library, Department of Family Services, Commonwealth's Attorney, and Police Department. In addition, an increase of \$81.33 million represents the carryover of unexpended FY 2005 balances for grants that were previously approved by the Board of Supervisors and an increase of \$1.80 million represents additional anticipated required funding for FY 2006, primarily for Congestion Mitigation Air Quality (CMAQ) awards. It should be noted that the local cash match reserve for grant awards in Agency 87, Unclassified Administrative Expenses, is decreased by \$0.35. A decrease of \$1.02 million represents FY 2006 awards administratively approved prior to Carryover and a decrease of \$1.12 million is based on Local Cash Match requirements for new grant awards in the Department of Family Services and the Police Department as funding was moved from the reserve directly to these grants. These decreases are partially offset by the \$1.80 million in increases discussed above.
- Board appropriation of remaining Other Funds Carryover of \$1,180.47 million, which includes \$419.23 million in School expenditures and \$530.12 million for Capital Construction funds, and \$231.12 million in other funds. Of this total, \$1,013.44 million is in encumbered items, \$29.57 million is in unencumbered commitments, and \$137.46 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 2006 Final Budget Review and Appropriation Resolutions.
- Board approval of the allocation of \$9.6 million or 40 percent of the balance after my recommendations, as well as an additional allocation of \$5.0 million for the Revenue Stabilization Fund.
- Board approval of adjustments to the Managed Reserve to reflect all carryover adjustments.
- Board decision on the Consideration Items.