County of Fairfax, Virginia

MEMORANDUM

DATE: March 13, 2006

TO: BOARD OF SUPERVISORS

FROM: Anthony H. Griffin
County Executive

SUBJECT: FY 2006 Third Quarter Review

Attached for your review and consideration is the *FY 2006 Third Quarter Review*, including Supplemental Appropriation Resolution AS 06057 and Amendment to the Fiscal Planning Resolution AS 06901. The Third Quarter Review includes recommended funding adjustments and the following attachments for your information.

Attachment I - A General Fund Statement reflecting the status of the Third Quarter Review. Also attached is a statement of Expenditures by Fund, Summary of All Funds.

Attachment II - A Summary of General Fund Revenue/Transfers In with a net increase of $6,955,181. Note: This is in addition to $67,952,522 in revenue adjustments for FY 2006 identified as part of the Fall Revenue Review.

Attachment III - A Detail of Major Expenditure Changes in Appropriated and Non-Appropriated Other Funds. Expenditure changes, excluding audit adjustments, in all Appropriated Other Funds and excluding Schools and the Federal/State Grant Fund, total a net increase of $103,893,718. Expenditures in Non-Appropriated Other Funds decrease a total of $454,955.

Attachment IV - Fund 102, Federal/State Grant Fund, detailing grant appropriation adjustments for a total net increase of $13,034,366.

Attachment V - Supplemental Appropriation Resolution (SAR) AS 06057, AS 05131 for FY 2005 adjustments to reflect the final audit, and Amendment to the Fiscal Planning Resolution (FPR) AS 06901.

Attachment VI - FY 2005 Audit Package including final adjustments to FY 2005 and the FY 2006 impact.

As the Board is aware, the Code of Virginia requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed $500,000. In addition, any amendment of $500,000 or more requires that the Board advertise a synopsis of the proposed changes. Since the *FY 2006 Third Quarter Review* recommends changes over the $500,000 threshold, the public hearing has been scheduled for April 3, 4 and 5, 2006. On April 24, 2006, the Board will take action on this quarterly review prior to marking up the FY 2007 Advertised Budget Plan.

The following is a summary of the current financial status as of the Third Quarter Review compared to the *FY 2006 Revised Budget Plan*.

SUMMARY OF GENERAL FUND STATEMENT
(Dollars in Millions)

	FY 2006 Revised Budget Plan	FY 2006 Third Quarter Estimate	Variance
Beginning Balance	$177.53	$177.53	$0.00
Receipts and Transfers In[1]	3,052.76	3,059.72	6.96
Total Available	$3,230.29	$3,237.25	$6.96
Direct Expenditures	$1,123.03	$1,127.01	$3.98
Transfers Out	1,974.52	2,016.56	42.04
Subtotal Disbursements	$3,097.54	$3,143.57	$46.03
Ending Balance	$132.75	$93.68	($39.07)
Managed Reserve	$61.95	$62.87	$0.92
Reserve for School Replacement Requirements (School Buses, Computers and Hurricane Katrina-Related)[2]	$1.00	$0.00	($1.00)
Reserve for Environmental Projects[3]	$0.50	$0.00	($0.50)
Reserve for *FY 2006 Third Quarter Review* [4]	$69.30	$0.00	($69.30)
Available Balance	**$0.00**	**$30.81**	**$30.81**
Revenue Stabilization Fund *(includes Managed Reserve)*	$0.00	$30.81	$30.81
Balance Available	**$0.00**	**$0.00**	**$0.00**

[1] *FY 2006 Revised Budget Plan* includes additional revenue of $67,952,522 identified as part of the Fall Revenue Review and noted as part of the FY 2007 Advertised Budget Plan. The FY 2006 Third Quarter estimate includes an additional $6,955,181 primarily due to higher than anticipated personal property and utility tax collections, reimbursement for expenses incurred by Fire and Rescue personnel deployed to the Gulf region as part of hurricane relief efforts, and increased revenue from the Commonwealth of Virginia anticipated for the Child Care Assistance and Referral Program. In addition, FY 2005 audit adjustments of $1.35 million are included as part of the FY 2006 beginning balance.

[2] Appropriated and transferred to Fund 192, School Grants.

[3] Appropriated from balance for various agencies and funds consistent with the Board-approved Environmental Excellence 20-Year Vision Plan.

[4] Appropriated from balance to various agencies and funds based on recommendations presented by the County Executive as part of the FY 2007 Advertised Budget Plan. This includes fully funding the County's Revenue Stabilization Fund, providing funding for previous board actions, protection and maintenance of the County's infrastructure and new facility requirements, as well as associated managed reserve adjustments.

FY 2006 General Fund revenue included in the *FY 2006 Third Quarter Review* is increased a net $6.96 million. This is in addition to $67.95 million that I noted in my December 30, 2005 memorandum to the Board, as well as in my presentation of the FY 2007 Advertised Budget Plan and the $1.35 million available as a result of FY 2005 audit adjustments. Total Disbursements are recommended to increase $46.03 million including $3.98 million in Direct Expenditures and $42.04 million in Transfers Out. This includes $1.5 million previously set aside by the Board of Supervisors and appropriated at the Third Quarter Review for School requirements and environmental projects. As shown on the table on the previous page, after an increase in reserves of $0.92 million, the available balance in the General Fund as a result of these adjustments is $30.81 million. As I indicated to the Board earlier, I have recommended using this amount to fully fund the Revenue Stabilization Fund.

Since the additional resources projected for FY 2006 primarily consist of one-time revenue or are already factored into the base for FY 2007, my intention is to use these funds for non-recurring purposes to the greatest extent possible in order to avoid a structural deficit. By far, the largest adjustment recommended is the use of the available balance of $30.81 million in order to meet the FY 2006 target of three percent of General Fund Disbursements for the Revenue Stabilization Fund (RSF). When the Board established the RSF as part of the *FY 1999 Carryover Review*, we did not envision that it would take this long to fund it. While Board policy has been to allocate a minimum of 40 percent of non-recurring balances identified at quarterly reviews to the RSF, we have only been able to fund it at $62.7 million, or less than 70 percent of its target through the *FY 2005 Carryover Review*. In FY 2006, three percent requires an RSF balance of $92.9 million. To fully fund the RSF would require an additional $30.2 million for the fund and $0.6 million for the associated managed reserve adjustment. Current year revenue provides the opportunity to bring this reserve up to its target. The hurricanes that struck the Gulf coast this past year unequivocally reinforced the need for local governments to maintain sufficient reserves to address such catastrophic curtailment in revenue, whether from natural disasters or manmade events.

My proposed adjustments are described in greater detail below. However, before I discuss specific *FY 2006 Third Quarter Review* expenditure adjustments, I would like to briefly address factors affecting the County budget, particularly the economy and its impact on revenue.

Economic Trends

The national economy continued to show strength through the end of 2005. In late February 2006, the U.S. Commerce Department released a report stating that the gross domestic product (GDP) grew at a revised 4.1 percent annual rate in the final three months of last year. On March 1, 2006, the Commerce Department also reported that personal spending in January rose by 0.9 percent, the strongest gain in six months, while incomes increased a solid, but lower 0.7 percent. That meant Americans spent more of their after-tax incomes, forcing them to dip into savings or increase borrowing. For all of 2005, the U.S. savings rate registered (0.4) percent, the first time the savings rate has been in negative territory since the Depression years of 1932 and 1933. This could indicate a future slowdown in consumer spending, which would in turn, decrease sales tax revenue. Sales tax growth has moderated significantly over the past few months; however, a recent change in the state's computer system for sales tax could be part of the reason so staff is looking into this situation more closely.

Sales of new homes in the U.S. fell 5 percent in January to their lowest level in a year, while the number of homes on the market hit a record high according to the Commerce Department. Nationally, the number of new homes available for sale at the end of January 2006 rose to a record 528,000. At the current sales pace, that represents 5.2 months' supply – the largest inventory since November 1996. The U.S. housing market has been showing signs of cooling after a five-year rally that shattered sales and construction records, and sent prices soaring more than 50 percent on average nationwide. Home prices have been more resilient and economists attribute that to stubborn sellers determined to cash out at the market's highs.

As the Board is aware, much of the County's recent revenue growth has been driven by Real Estate taxes as well as Recordation and Deed of Conveyance taxes, due to the high volume of new home purchases, which drives up assessed value, as well as mortgage refinancing of existing homes that results in increased Recordation Taxes. The Federal Reserve has raised the federal funds rate fourteen times since June 2004 by a total of 350 basis points, which resulted in a rate of 4.50 percent. Additional rate increases are anticipated for March and May 2006, particularly if the inflation rate continues to grow. While this has the effect of increasing the interest that the County earns on its investments, it is also expected to slow mortgage refinancing.

The most recent data for Fairfax County's Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 108.6 in November for a gain of 1.23 percent, reversing two consecutive monthly losses. With this increase, the Index has been positive on a monthly over-the-year basis for 30 of the last 32 months. The Center for Regional Analysis at George Mason University continues to project relatively strong gains in 2006.

Budget Requirements
Even though the County is likely to enjoy a healthy economy in FY 2006 and perhaps into FY 2007, we anticipate a gradual slowing. Therefore, it would be prudent to use the additional FY 2006 resources to address infrastructure improvements or one-time facilities requirements, as well as adjustments based on previous Board action. The total increase in FY 2006 resources is $76.26 million, including $67.95 million in revenue as identified in the fall review, $6.96 million in additional Third Quarter revenue, and the availability of $1.35 million from FY 2005 audit adjustments. Spending recommendations at Third Quarter have been adjusted to reflect actual cost requirements. Among the more significant uses these additional resources that I am recommending as part of the *FY 2006 Third Quarter Review* are:

Fully fund the County's Revenue Stabilization Fund (RSF), which after six years, is still less than 70 percent of the reserve target. Standard and Poor's, in a recent review of Triple AAA counties nationally, found that Fairfax County had one of the lowest general fund reserves of AAA-rated counties in the nation. Fully funding the RSF requires an additional $30.8 million, including the Managed Reserve impact, and supports the County vision element of ***Exercising Corporate Stewardship***.

Provide funding for previous Board decisions for a total of $2.8 million including: deferred Carryover funding for the Wiehle Avenue/Reston Transportation Study and the Burke Centre Virginia Railway Express trail, both of which contribute to ***Connecting People and Places***; funding supporting the Child Care Assistance and Referral program to maintain current enrollment levels in the subsidized child care program even with the implementation of a waiting list of additional children, which supports ***Maintaining Safe and Caring Communities***; and $1.0 million resulting from the Board's acceptance of the Lorton Arts Foundation's financing plan, an initiative that will support the ***Building Livable Spaces*** vision element.

Finance maintenance and infrastructure improvements based on current requirements totaling $8.8 million. Additional FY 2006 resources provide an opportunity to address deferred maintenance and capital renewal projects in County facilities, address significant security and safety issues in the County's enterprise data center, and provide emergency funding in the event of HVAC or other large systems failures. Funding these needs also helps address the County's commitment to ***Exercising Corporate Stewardship***.

Allocate funding in the amount of $16.3 million in support of new facilities including: the second year of the book buy for the new Oakton and Burke libraries, which will further the County's vision elements of ***Connecting People and Places*** and ***Building Livable Spaces***; apparatus and equipment for the new Wolf Trap Fire Station, the transitional housing unit component of the new Katherine K. Hanley Homeless Shelter, and stabilization and maintenance requirements based on the County's assumption of the Burkholder and Belle Willard facilities to be transferred from the Schools in FY 2006, all of which support the vision element of ***Maintaining Safe and Caring Communities***. The Belle Willard facility provides an ideal, much-needed replacement site for the County's health laboratory, so funding is recommended in FY 2006 to renovate the site for the relocation of this lab from rented space. In addition, funding is recommended to accommodate the addition of the Dranesville District Supervisor's office as part of the Dolley Madison Library renovation, which will free up essential space for police station expansion where the current office is located. This last initiative contributes to the Board's priority of ***Public Safety and Gang Prevention***, but also furthers the vision element of ***Creating a Culture of Engagement*** as citizen participation will be enhanced with the location of the supervisor's office at a very accessible County facility where meeting space is more available.

Provide funding for utilities, fuel costs and to supplement the County's disaster recovery and secure storage capacity totaling $8.2 million, which contributes to ***Exercising Corporate Stewardship***.

Allocate funding of $1.0 million previously approved by the Board for the Fairfax County Public Schools, which will be used for computer replacement and which supports the Board's priority of ***Strong Investment in Education***.

Address environmental priorities associated with the Board's Environmental Excellence 20-Year Vision Plan. As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved $0.5 million for environmental initiatives. Specific initiatives to support this plan have since been identified and approved by the Board, and are included in this package for appropriation. In addition to supporting the Board's priority of ***Environmental Protection***, these initiatives promote the countywide strategic vision element of ***Practicing Environmental Stewardship***.

These are only a few of the factors that are affecting the FY 2006 budget. Others are detailed in the following sections of the *FY 2006 Third Quarter Review* package. This Third Quarter package also includes a number of recommended adjustments that are necessary based on other previous Board actions or are associated with public safety requirements, rising Workers' Compensation costs, and other requirements.

Summary of General Fund Receipts/Transfers In

A brief summary of the $6.96 million increase in General Fund Receipts and Transfers In is provided below, while details concerning the increase are provided in Attachment II. It should be noted that these increases are in addition to a net revenue increase in FY 2006 General Fund revenue of $67.95 million made prior to the *FY 2006 Third Quarter Review,* which was discussed in the FY 2007 Advertised Budget Plan for a total increase of $74.91 million. Information regarding those midyear adjustments is also provided in Attachment II.

Personal Property Tax is increased a net $1.32 million as part of the *FY 2006 Third Quarter Review* due to a decrease of $5.67 million for Current Personal Property Taxes based on a dramatic slowdown in vehicle sales, offset by an increase of $6.99 million for Delinquent Personal Property Tax based on current economic conditions and staff collection efforts.

Other Local Taxes increase a net $1.64 million due to a decrease of $5.61 million in Local Sales Tax based on lower than anticipated growth, offset by $5.13 million for Recordation/Deed of Conveyance Taxes based continued mortgage refinancing activity through 2005, as well as $2.12 million in increased Consumer Utility Taxes associated with higher than anticipated growth for telephone and electric utility taxes.

Charges for Services increase $0.87 million due to increased revenue from Clerk Fees resulting from robust real estate market activity.

Revenue from the Commonwealth/Federal Government increases $2.19 million as a result of increased reimbursable expenses including $2.04 million for the Child Care Assistance and Referral Program and $0.15 million for the Community Services Block Grant, as well as the Foster Care and Adoption programs. These increases will be entirely offset by increased expenditures.

Recovered Costs increase $0.93 million for the anticipated reimbursement of Fire and Rescue Department personnel deployed to the Gulf region as part of hurricane relief efforts.

Audit Adjustments

As a result of the FY 2005 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 $1.35 million to the FY 2006 beginning General Fund balance, which was reflected in the FY 2007 Advertised Budget Plan.

In addition, several other adjustments to various funds are required, including Fairfax County Public Schools' funds and the Fairfax County Redevelopment Housing Authority Funds. Details of these audit adjustments are included in Attachment VI. It should be noted that one County fund, Fund 501, County Insurance, requires a supplemental appropriation resolution based on audit adjustments to reflect the proper accounting treatment for accrued liability for the County's self-insurance fund. The appropriation resolution is required to account for the accrual of payments to vendors 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 2006 Third Quarter Review*. As a result of these adjustments, the net impact to the General Fund is an increase of $42.91 million. This consists of direct expenditure increases of $0.86 million and transfer increases from the General Fund in the amount of $42.04 million. This includes the application of revenue associated with audit adjustments in the Department of Family Services and the Fire and Rescue Department.

In addition, there are various General Fund Supported and Other Fund expenditure adjustments, supported by both non-General Fund revenue and the use of fund balance. It should be noted that all of the revenue adjustments included in the *FY 2006 Third Quarter Review* are described in detail in the Summary of General Fund Receipts/Transfer In, Attachment II. Adjustments to Other Funds are reflected in the Other Funds Detail section, Attachment III.

ADMINISTRATIVE ADJUSTMENTS – GENERAL FUND IMPACT

		NON-RECURRING
Agency 08, Facilities Management Department	Expenditure	$394,284
Contract Rate and Lease Cost Increases	**Net Cost**	**$394,284**

Funding of $394,284 is required for personnel-based contract rate increases and additional lease costs in FY 2006. Of this total, $50,012 is necessary to support an increase in the security services contract and $162,492 is necessary to support an increase in the custodial services contract. Both of these contracts have been renegotiated at higher rates based on the current market for these services and therefore additional funding is required. In addition, $181,780 is necessary to fund higher than anticipated lease costs at County facilities for the Health Department, Fairfax-Falls Church Community Services Board, and Juvenile and Domestic Relations District Court. The FY 2007 impact of these adjustments has been included in the FY 2007 Advertised Budget Plan; therefore, the impact of this increase on the FY 2006 balance is noted as non-recurring.

		NON-RECURRING
Agency 11, Department of Human Resources	Expenditure	$50,000
Agency 13, Office of Public Affairs	Expenditure	62,000
Agency 85, General District Court	Expenditure	135,000
Additional Postage and Other Operating Costs	**Net Cost**	**$247,000**

Funding of $247,000 is required for additional postage and other operating costs for the Department of Human Resources, the Office of Public Affairs, and the General District Court. The increased costs result from an increase in the postage rate from $0.37 to $0.39 in January 2006, as well as an increased volume in mailings from the agencies. The General District Court has had other operating costs impacted by the increased volume of individuals served, requiring additional funding to meet these needs. Costs have exceeded budgeted totals primarily in printing, telecommunications, and other operating expenses. The FY 2007 impact of these adjustments has been included in the FY 2007 Advertised Budget Plan; therefore, the impact of this increase on the FY 2006 balance is noted as non-recurring.

		NON-RECURRING
Agency 35, Department of Planning and Zoning	Expenditure	$152,387
Study of the Greater Springfield Area and Other Operating Costs	**Net Cost**	**$152,387**

Funding of $152,387 is required for the Department of Planning and Zoning (DPZ). This includes $100,000 to support a study of the Greater Springfield area, which requires considerable analysis with respect to transportation, land use and development, and design to ensure the appropriate plans are developed to accommodate the additional development projected for this area. This study will examine connectivity (roadways, trails, paths and overpasses) and other transportation aspects of the area. Urban design services will also be an integral part of the analysis of the Greater Springfield area as it transforms into an urban center. This project will involve the staff of DPZ, the Department of Housing and Community Development, and the Department of Transportation. An additional $45,000 is required to support the replacement of the County's multi-agency Urban Development Information System (UDIS). UDIS serves as a planning tool for County officials, agencies and the general public by producing meaningful reports from regularly collected population, land use and construction activity data. UDIS allows for long- and short-term population and housing forecasts. Due to current staff workloads and the time-sensitive nature of the UDIS replacement project, two exempt limited term positions are necessary to provide support for the review and update of data related to land use and the Comprehensive Plan. An amount of $7,387 is also included to support the payment of legal fees for the Board of Zoning Appeals as a result of recent court decisions.

		NON-RECURRING
Agency 40, Department of Transportation	Expenditure	$500,000
Reston/Wiehle Avenue Metrorail Station Transportation Study	**Net Cost**	**$500,000**

Funding of $500,000 is required to fund a transportation study of necessary bus, road and pedestrian improvements for the supporting transportation network of the Wiehle Avenue Metrorail Station. These funds were requested by the Board of Supervisors as part of the *FY 2005 Carryover Review* and deferred to the *FY 2006 Third Quarter Review*. Phase I of the Dulles Corridor Metrorail Project will extend rail into the Dulles Corridor, terminating at Wiehle Avenue in Reston. As an indicator of the increasing use and demand for transit in the Dulles Corridor, FAIRFAX CONNECTOR average weekday ridership in the past year has been 17,091, compared to 6,000 in 1999. With the extension of rail into the Dulles Corridor, it will be necessary to ensure that bus, road and pedestrian access to the Wiehle Avenue Metrorail Station are appropriately coordinated. This study will help ensure that transportation improvements needed in the area are identified for future planning.

		NON-RECURRING
Agency 52, Fairfax County Public Library	Expenditure	$3,882,843
Book and Materials Purchase/Oakton Library Start-up Expenses	**Net Cost**	**$3,882,843**

Funding of $3,882,843 is required for the Fairfax County Public Library. Of this total, funding of $3,452,500 is included for the purchase of 27,030 titles as part of the second half of a book and materials purchase for the Burke Community Library and the Oakton Community Library. Book buys are required at least one and one-half years in advance of the library opening to allow sufficient lead time to order, catalogue and stock the materials. The first half of the book and materials purchase was funded as part of the *FY 2005 Carryover Review*. The remaining $430,343 is provided for one-time, start-up operating and capital equipment expenses at the Oakton Library, including furniture and fixtures, PCs, software, scanners, printers, and telecommunications and copier equipment. It should be noted that the Oakton Library is scheduled to open in September 2007 and the Burke Library is scheduled to open in April

2008. In FY 2008, start-up operating and capital equipment expenses are anticipated for the Burke Community Library totaling $459,155. The slightly higher start-up costs for the Burke facility are due to a different floor plan that requires more furniture and shelving.

		NON-RECURRING
Agency 67, Department of Family Services	Revenue	$2,037,915
Child Care Assistance and Referral Program	Expenditure	2,037,915
	Net Cost	**$0**

An additional $2,037,915 in expenditure authority is necessary for the Department of Family Services for the Child Care Assistance and Referral (CCAR) program to support an enrollment level of 5,400 child care years. This enrollment level is based on July 2005 service levels and will provide services to approximately 400 more children compared to the FY 2006 Adopted Budget Plan. The increased enrollment is attributable to several demographic and social factors including low unemployment rates, greater numbers of TANF and VIEW cases, and growth in the County population. Additional program growth will be managed through the implementation of a waiting list. It should be noted that the projected shortfall totals $4,095,918, of which $1,200,000 is accommodated within the agency's Personnel Services funding and $858,003 is accommodated within savings achieved in the Comprehensive Services Act program. An additional CCAR revenue match from the state of $2,037,915 is associated with the projected shortfall. A similar adjustment has been made as part of the FY 2007 Advertised Budget Plan.

		NON-RECURRING
	Revenue	$83,397
Agency 67, Department of Family Services	Expenditure	83,397
Community Services Block Grant	**Net Cost**	**$0**

An increase of $83,397 in expenditures and revenue for the Community Services Block Grant is required due to an increase in funding allocated by the state.

		NON-RECURRING
	Revenue	$58,839
Agency 67, Department of Family Services	Expenditure	58,839
Healthy Families Program	**Net Cost**	**$0**

An increase of $58,839 in expenditures and revenue for the Healthy Families Program is required to bring the FY 2006 appropriation in line with the FY 2006 award from the General Assembly. This increase is in addition to a similar adjustment of $76,038 made during the *FY 2005 Carryover Review*.

		NON-RECURRING
	Revenue	$10,132
Agency 67, Department of Family Services	Expenditure	10,132
Foster Care and Adoption Program	**Net Cost**	**$0**

An increase of $10,132 in expenditures and revenue for the Foster Care and Adoption Program is required due to an increase in federal pass-through funding as a result of the increased number of children adopted from the foster care system during federal FY 2004.

		NON-RECURRING
Agency 92, Fire and Rescue Department	Expenditure	$615,000
Wolf Trap Fire Station Apparatus	**Net Cost**	**$615,000**

Funding of $615,000 is required for the purchase of equipment to be used at the Wolf Trap Fire Station, which is scheduled to open in FY 2008. The funding is for the purchase of the station's large apparatus. Due to the timeline necessary to research the specifications and take delivery of the apparatus, funding is necessary in FY 2006. The timeline for apparatus receipt is 12 to 24 months, which includes the Fire and Rescue Department's submission of specifications to the manufacturer, the manufacturer's review of the specifications for feasibility, design of the apparatus based on acceptable specifications and the manufacture of the equipment. The request includes funding for one engine unit and one medic unit at a cost of $435,000 and $180,000, respectively.

		NON-RECURRING
	Revenue	$927,983
Agency 92, Fire and Rescue Department	Expenditure	927,983
Hurricanes Katrina and Rita Deployment	**Net Cost**	**$0**

Funding of $927,983 is required for a one-time increase in Operating Expenses for the Fire and Rescue Department, which is unable to absorb the full costs associated with the deployment of personnel to the Gulf States region to aid in the aftermath of Hurricanes Katrina and Rita. The Fire and Rescue Department, as part of an Emergency Management Assistance Compact mission, sent firefighting teams to Hancock County, Mississippi for approximately 10 weeks to provide firefighting capability, disaster relief and assist the jurisdiction with re-establishing basic firefighting services. In addition, Fire and Rescue Department personnel were sent to staff emergency operations centers in Louisiana, Florida and Mississippi. The Fire and Rescue Department has submitted reimbursement requests totaling $2,117,054 to the Virginia Department of Emergency Management for Personnel Services, Operating Expenses and Capital Equipment costs associated with the deployment. It should be noted that the Fire and Rescue Department participated in additional deployments to the Gulf region through the Federal Emergency Management Agency and the Office of Foreign Disaster Assistance. Reimbursement for these deployments will be made to Fund 102, Federal/State Grant Fund.

		NON-RECURRING
Fund 104, Information Technology Projects	General Fund Transfer	$3,382,881
Agency 91, Office of the Sheriff	Expenditure	(220,000)
Agency 92, Fire and Rescue Department	Expenditure	(3,162,881)
Transfer of IT Funding from General Fund Agencies	**Net Cost**	**$0**

The General Fund transfer to Fund 104, Information Technology Projects, is increased by $3,382,881 as a result of transferring existing funding from the Office of the Sheriff and the Fire and Rescue Department (FRD) to Fund 104. A portion of the transfer, $220,000, will ensure adequate funding to complete testing and training of the remaining modules (Booking, Inmate Records, and Classifications) of the Sheriff's Information Management System (SIMS). This funding, available from within the Office of the Sheriff's FY 2006 allocation, is necessary for project completion. In addition, an amount of $3,162,881 is associated with the FRD's Electronic Patient Care Reporting System (EPCRS), a system that will use hand-held computers to replace the existing paper patient care reporting system that is inefficient and obsolete. This system will interface with the FRD's records management system and will significantly improve the statistical data that is submitted to the state and is used by the department for research, review and analysis. In addition, it will interface with the transport billing vendor, providing improved information that will enhance revenue and records management. The EPCRS was approved as part of the FY 2005 Adopted Budget Plan; however, due to delays in the initial RFP process, funding was carried over into FY 2006 at the *FY 2005 Carryover Review*. The transfer of monies from the agencies to Fund 104 will combine information technology funding available for these agency initiatives, and enable better tracking of expenses.

Fund 119, Contributory Fund	**PARTIALLY NON-RECURRING**	
Increases for the Lorton Arts Foundation and	General Fund Transfer	$1,050,000
Fairfax Symphony Orchestra	**Net Cost**	**$1,050,000**

The General Fund transfer to Fund 119, Contributory Fund, is increased by $1,050,000, and includes $1,000,000 for the County's next contribution to the Lorton Arts Foundation, as well as an increase of $50,000 in the County's contribution to the Fairfax Symphony Orchestra.

As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved $500,000 to support the Lorton Arts Foundation (LAF) financing and capital renewal plan for operation of a center for the arts at the former Lorton Prison site. Subsequent contributions to the LAF are contingent upon continuing fund-raising efforts. These efforts are to be evaluated each year during annual Third Quarter Reviews or other regularly scheduled quarterly reviews, as appropriate. The Board of Supervisors met in January 2006 and approved the financial and fundraising plan set forth by LAF. At that time, the Board agreed to fund $1.0 million for the next County contribution to LAF as part of the plan to provide $4.5 million to the LAF over the next five years, for total County support of $5.0 million. Therefore, funding of $1,000,000 is provided for the LAF as part of the *FY 2006 Third Quarter Review* so that it will be available when the required matching funds have been raised.

In addition, one-time funding of $50,000 is included for the Fairfax Symphony Orchestra (FSO) in commemoration of its 50th anniversary season. The FSO has historically relied on corporate support to make up the difference between ticket revenue and actual concert costs. However, mergers and acquisitions of locally-based banks and other corporations have resulted in fewer corporate investments in the FSO as larger regional and national corporations look for marketing and commercial exposure beyond the local level. The FSO Board of Directors has taken several steps to diversify and broaden its base of support; however, this additional County funding is provided in FY 2006 to ensure that the FSO can celebrate its 50th anniversary while the new development plan is implemented. As a result, the County contribution to the FSO in FY 2006 increases by $50,000, for a total contribution of $302,518.

	NON-RECURRING	
Fund 192, FCPS Grants and Self-Supporting Fund	General Fund Transfer	$1,000,000
Computer Replacement	**Net Cost**	**$1,000,000**

Funding of $1,000,000 is required to appropriate the reserve approved by the Board of Supervisors during the *FY 2005 Carryover Review* for Fairfax County Public Schools (FCPS). The funding was to be held in reserve pending FCPS identification of one-time items such as computer and bus replacement priorities, as well as unexpected costs associated with Hurricane Katrina. FCPS has now requested that the entire reserve be dedicated to computer replacement.

		NON-RECURRING
Fund 192, FCPS Grants and Self-Supporting Fund	General Fund Transfer	$482,598
Emergency Generators	**Net Cost**	**$482,598**

Funding of $482,598 is required to fully fund the cost of a permanent emergency shelter generator system for Chantilly and Marshall High Schools. As outlined in the County Executive's memorandum dated January 3, 2006, FCPS received an award of $1.072 million to purchase communication and other equipment for two high school locations to serve as County shelters in the event of an emergency. The source of funding was the FY 2004 State Homeland Security Grant program. The low bid for the generators is $482,598 more than the funding available from the grant for this purpose. Based on the criticality of these shelters to the County's overall emergency preparedness plan, it is essential that the County fund the shortfall.

		NON-RECURRING
Fund 302, Library Construction	General Fund Transfer	$2,885,000
Burke and Dolley Madison Libraries	**Net Cost**	**$2,885,000**

The General Fund transfer to Fund 302, Library Construction, is increased by of $2,885,000 to support the construction costs associated with the relocation of the Dranesville District Supervisor’s Office to the Dolley Madison Community Library, as well as construction escalation costs associated with the construction at the Burke Community Library. The Dolley Madison Community Library is currently being renovated and expanded, with space added to accommodate the relocation of the District Supervisor’s Office. This relocation will free up essential space for police station expansion where the Supervisor’s office is currently located. Funding of $300,000 was included in the *FY 2005 Third Quarter Review* to begin scope and design work. An amount of $2,510,000 will complete construction of the District Supervisor’s Office. In addition, $375,000 is required to fund project escalation costs resulting from the phased construction approach being implemented at the Burke Centre Community Library. Construction of the parking lot and building is being phased in order to provide interim commuter parking at the library site to enable continuity of commuter operations during construction of the Burke Virginia Railway Express (VRE) parking structure. As part of the *FY 2004 Third Quarter Review*, the Board of Supervisors approved funding of $585,000 to support pavement, shelters, signage and additional design costs associated with temporary satellite parking for Burke VRE commuters. It was anticipated that additional escalation costs due to the deferral of the construction of the library building would be required as part of the FY 2006 budget. The library is scheduled to open directly following the opening of the VRE garage, both estimated in the March/April 2008 timeframe.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$860,000
Burke VRE Trails and Pedestrian Bridge	**Net Cost**	**$860,000**

The General Fund transfer to Fund 303, County Construction, is increased by $560,000 to fund 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, and 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. As part of the *FY 2005 Carryover Review*, an amount of $136,000 was included in this project to support pedestrian and intersection improvements in the vicinity of the Burke VRE Station. An additional adjustment was anticipated as part of the *FY 2006 Third*

Quarter Review. In addition, $300,000 will support a feasibility study to examine the possibility of enhancing pedestrian access to the Burke Centre VRE Garage with a pedestrian bridge from the north side of the Norfolk Southern railroad.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$500,000
Feasibility Studies	**Net Cost**	**$500,000**

The General Fund transfer to Fund 303, County Construction, is increased by $500,000 to fund two feasibility studies. An amount of $350,000 will support a feasibility study for the renovation and expansion of the Newington Garage. This facility was built in 1968. Since then, the number of vehicles maintained and the type of services needed to meet state and federal requirements have increased significantly. Nearly 1,900 vehicles, including school buses, public safety vehicles and heavy equipment in support of the Department of Public Works and Environmental Services and other agencies are maintained at this site. An amount of $150,000 is also necessary to support a feasibility study to examine the possibility of expanding the North County Human Services Center.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$1,000,000
Katherine K. Hanley Transitional Housing Units	**Net Cost**	**$1,000,000**

The General Fund transfer to Fund 303, County Construction, is increased by $1,000,000 to partially fund the design and construction of two Great Houses with a total of six transitional housing units at the site of the Katherine K. Hanley Family Shelter. These units will be occupied by families leaving the shelter and awaiting permanent housing opportunities. Construction of the units will reduce the use of motels and address the critical need for temporary housing for homeless families. The project is in the early design phase. The total project is projected to cost $2,100,000. A total of $407,000 in federal HOME funds is also available for this project. The remaining funding of $693,000 will be identified by the Department of Housing and Community Development.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$500,000
Organizational Initiatives	**Net Cost**	**$500,000**

The General Fund transfer to Fund 303, County Construction, is increased by $500,000 to provide funding to allow the Board of Supervisors to make matching contributions for special programs or regional events of which the County is a participant. Opportunities for participation include contributions toward the National Association of Counties (NACo) Conference in Virginia in 2007, the Economic Development Authority's Conference on Creative Economies, a multi-year process to develop strategies for regional development as sponsored by the Potomac Conference, and the George Mason Center for the Arts. Requests for financial participation in these activities will be provided to the Board for consideration.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$1,130,000
Enterprise and Technology Center Renovation	**Net Cost**	**$1,130,000**

The General Fund transfer to Fund 303, County Construction, is increased by $1,130,000 to begin to address critical requirements in the Enterprise Technology and Operations Center (ETOC). The ETOC is the operational center of the County's electronic business solutions and houses critical components of the County's technical infrastructure including: mainframe computers, data communications, desktop servers, two Storage Area Networks (SANs), enterprise printers, intrusion detection equipment, firewall devices and related equipment that allows the ETOC to function as the hub of the County's network infrastructure in a secure environment. Two internal audits for data security identified critical areas in need of improvement including the security system, fire suppression system and environmental controls. Funding will specifically support redundant air conditioning units to provide fault-tolerant cooling, replace a wet pipe sprinkler system with a dry type pre-action system, and provide an Environmental Monitoring System for all server racks, electrical wiring improvements, and an under-floor cable management system for copper and fiber communications connections, as well as other needed corrections. Without the necessary improvements, there is a significant risk of data loss and disruption of County computer services.

		NON-RECURRING
Fund 303, County Construction	General Fund Transfer	$6,500,000
Health Department Laboratory	**Net Cost**	**$6,500,000**

The General Fund transfer to Fund 303, County Construction, is increased by $6,500,000 to support the proposed renovation of the Belle Willard school property in preparation for the replacement of the County's health lab. The lab provides timely delivery of specialized public health laboratory services, such as testing for rabies, communicable disease, food-borne illness, and environmental and substance abuse. After 20 years of use, the existing Department of Health laboratory is in critical need of a comprehensive upgrade to meet current government standards for health and safety, particularly for the ventilation and operation of the Bio-Safety Level 3 (BSL-3) tuberculosis laboratory. Currently, the health lab is in leased space which is in need of substantial renovations in order to keep it operational. In addition, security requirements for laboratory operations make it undesirable for the laboratory to be located in a public building. A replacement facility would enable the Health Department to comply with current safety standards and increase lab security. It would be more cost-effective to relocate the lab to provide a more secure facility with enhanced maintenance of special scientific equipment and ventilation systems. Replacing the lab will eliminate the need to invest in leased space, save the County future lease costs, and enable the lab to operate in a secure and safe environment.

		NON-RECURRING
Fund 312, Public Safety Construction	General Fund Transfer	$900,000
Public Safety Feasibility Studies	**Net Cost**	**$900,000**

The General Fund transfer to Fund 312, Public Safety Construction, is increased $900,000 for costs associated with two public safety feasibility studies. Specifically, an increase of $600,000 will support a Public Safety Master Plan feasibility study and needs assessment to identify and prioritize the County's long-term needs for all public safety agencies. The study is intended to focus on, but is not limited to, identifying the size, location and cost of a new public safety headquarters building to replace the Massey Building facility. An additional $300,000 will fund a Pine Ridge Feasibility Study to examine the future needs of the existing facility after it is partially vacated due to operations moving to the Public Safety and Transportation Operations Center (PSTOC). This study will develop a conceptual design for the existing Pine Ridge facility site. Requirements for additional facilities required to house specialized Police Department equipment, vehicles and evidentiary vehicles will also be evaluated. These feasibility studies will provide important information and recommendations on public safety facility requirements for the next several years and will address funding alternatives for these long-term infrastructure projects.

		NON-RECURRING
Fund 317, Capital Renewal Construction	General Fund Transfer	$6,044,000
Capital Renewal	**Net Cost**	**$6,044,000**

The General Fund transfer to Fund 317, Capital Renewal Construction, is increased by $6,044,000 to support ongoing capital renewal projects. The Facilities Management Department (FMD) recently refined and prioritized the comprehensive facility assessment lists and classified projects into four categories. Projects funded as part of the *FY 2006 Third Quarter Review* have all been classified by FMD as Category A and B projects, those that present safety concerns where critical systems are in danger of possible failure. This amount specifically funds replacement of the 14-year-old Government Center roof ($723,000). The Government Center membrane roof has experienced significant deterioration and there are multiple roof leaks. The roofing system is at the end of its useful life and is no longer under warranty. Funding is necessary at this time in order to replace the roof during the summer months in 2006.

The amount also supports parking lot and garage repairs for the Herrity/Pennino Garage and the Government Center parking lot ($941,000). Funding is needed to correct numerous structural deficiencies at the Herrity/Pennino Garage including failed concrete, damaged expansion joints and extensive damage caused from rust. Pavement and roadway repairs at the Government Center are needed due to significant deterioration in several areas of the expansive asphalt surface. The asphalt is badly cracked in many locations, which will lead to pavement failures if not corrected. Funding is also included to support HVAC/electrical systems repairs and replacements at facilities countywide where systems have outlived their useful life and are in danger of failure ($4,380,000). Facilities in need of improvements include the Sherwood Library, the Centreville Library, the Reston Library, the John Marshall Library, the Jermantown Radio Shop, the Annandale Center, the Adult Detention Center, the Springfield Warehouse, and New Beginnings.

		NON-RECURRING
Fund 317, Capital Renewal Construction	General Fund Transfer	$2,000,000
Emergency Replacement of Failed Systems	**Net Cost**	**$2,000,000**

The General Fund transfer to Fund 317, Capital Renewal Construction, is increased by $2,000,000 for emergency repairs and replacements to County facilities in the event of a major system failure such as a large HVAC system, or other unforeseen event. Currently, the County has no capacity to deal with potential system failures. Capital renewal funding is encumbered quickly because it is earmarked for specific projects. As a result, specific project balances are unavailable for emergencies. If a system failure should occur, there is the potential that a County facility may have to be shut down, suspending services to residents and disrupting County business. Although the County's emphasis on capital renewal and preventative maintenance is intended to ensure these kinds of interruptions are avoided, this funding will enable any disruptions to be corrected immediately.

		NON-RECURRING
Fund 317, Capital Renewal Construction	General Fund Transfer	$1,400,000
Transferred Facility Stabilization	**Net Cost**	**$1,400,000**

The General Fund transfer to Fund 317, Capital Renewal Construction, is increased by $1,400,000 to support the first year of maintenance, custodial services, utilities and capital renewal activities associated with school sites transferred to the County from Fairfax County Public Schools (FCPS). HVAC, lighting and electrical systems at the sites being transferred in FY 2006 are well past their normal life expectancies, requiring equipment replacement and upgrades before the facilities can be re-occupied.

Years of deferred maintenance have resulted in multiple systems in substandard condition, beyond their useful life and approaching failure.

		NON-RECURRING
Agency 89, Employee Benefits	Expenditure	($2,884,726)
Fund 501, County Insurance	General Fund Transfer	4,747,018
	Net Cost	**$1,862,292**

The General Fund transfer to Fund 501, County Insurance Fund, is increased by $4,747,018 for increased costs associated with Workers' Compensation, Self Insurance Losses, Commercial Insurance Premiums, and Administration, as well as an effort to continue to restore the Reserve for Catastrophic Occurrences to the recommended $10 million level. An increase of $2,261,203 in Workers' Compensation is required primarily due to rapidly rising medical costs, coupled with significant employee injuries. Workers' Compensation costs vary from year to year and in FY 2006 include costs associated with 11 particularly serious employee claims involving major medical and surgical expenses such as heart catheterization, knee reconstruction, lung transplant, and total hip replacement. An increase of $623,523 primarily for Self Insurance Losses includes the settlements of high property claims for losses such as the development of a sink hole and lightning damage at the Laurel Hill property and the destruction of a bridge at Lake Accotink, as well as police liability claims. The remaining amount of $1,862,292 will increase the Reserve for Catastrophic Occurrences from its current level of $8,137,708 to its target level of $10 million. The Reserve for Catastrophic Occurrences is an integral part of the County's Insurance Fund supporting the self insurance program that the County employs for a significant portion of its loss exposures. The net General Fund impact of these adjustments is $1,862,292, as the General Fund transfer will be offset by a reduction of $2,884,726 in Agency 89, Employee Benefits, primarily due to lower than projected premium increases and enrollment choices effective January 2006, resulting in projected savings.

		NON-RECURRING
Fund 504, Document Services Division	General Fund Transfer	$250,000
Increase in the General Fund Transfer	**Net Cost**	**$250,000**

The General Fund transfer to Fund 504, Document Services Division, is increased by $250,000 to support FY 2006 operations. This increase is required as a result of the net impact of an FY 2005 audit adjustment, and revenue and expenditure adjustments required in the Print Shop based on projections for the remainder of the fiscal year. The FY 2005 audit adjustment, in the amount of $180,045, was made to appropriately account for FY 2005 expenses. This adjustment increased FY 2005 actual expenditures and therefore reduced the amount available in FY 2006. The net effect of this reduced beginning balance in FY 2006 created a shortfall in the fund, requiring the increase in the General Fund Transfer for this year. In addition, there is an adjustment of $929,137 for revenues and $993,284 for expenditures, primarily based on the anticipated work required of the Print Shop to support County agencies and the Fairfax County Public Schools (FPCS) for the remainder of the year. The amount of work received by both County agencies and FCPS is an increase over this same time period from last year, and the results of a user survey indicate that the printing requirements will remain constant or actually increase in the remaining five months of the year.

		NON-RECURRING
Fund 505, Technology Infrastructure Services	General Fund Transfer	$4,700,000
Disaster Recovery and Storage	**Net Cost**	**$4,700,000**

The General Fund transfer to Fund 505, Technology Infrastructure Services, is increased by $4,700,000, including $3,000,000 to initiate a disaster recovery program for non-mainframe applications and $1,700,000 for the replacement of high-speed data storage. As part of the County's Continuity of Operations Plan (COOP), the $3.0 million will be used to develop and implement a disaster recovery process for the critical server-based applications that must remain operational in order for the County to perform its essential functions. Examples of these types of applications include the document imaging and automated clearing house payment applications in the Department of Finance, wireless applications supporting inspectors in the Department of Public Works and Environmental Services and GIS applications across the County.

An additional $1.7 million, including $1.2 million for hardware, will be used to replace the County's primary high-speed storage area network (SAN) that will not allow for further expansion. The technical design of this unit is approaching obsolescence; its inefficiencies and age have resulted in high annual maintenance costs. The Department of Information Technology is experiencing an increase in the demand for on-line data storage, and agencies want to maintain this on-line storage capability for longer periods. A SAN technology refresh will allow the data storage infrastructure to keep pace with business requirements, as well as medium-level growth in demand. As new applications come on-line, e.g., through Fund 104, Information Technology Projects, or other means, the need for storage capacity is increased. Projections for growth are that 100 percent more capacity is needed within the next year based on server-based applications. This storage capability enhances productivity as increased information can be accessed quickly, resulting in improved levels of service.

		NON-RECURRING
Agency 13, Office of Public Affairs	Expenditure	$15,000
Agency 71, Health Department	Expenditure	15,000
Fund 303, County Construction (Park Authority Projects)	General Fund Transfer	260,000
Fund 109, Refuse Collection and Recycling	General Fund Transfer	210,000
Environmental Projects	**Net Cost**	**$500,000**

Funding of $500,000 is required to appropriate funds to various agencies and funds in order to implement critical environmental initiatives. Funding for these initiatives was set aside in a reserve as part of the *FY 2005 Carryover Review* to support the Environmental Excellence 20-year Vision Plan (Environmental Agenda). A summary of projects recommended to support the Environmental Agenda was provided to the Board of Supervisors on September 15, 2005. These projects include: Air Quality Education brochures and outreach materials; continued media sponsorship with Clean Air Partners to provide comprehensive public outreach; comprehensive trail mapping to assist the Park Authority in managing their trail system; removal of invasive plants that threaten native plant communities; landfill gas utilization at the I-66 complex; and five remote Household Hazardous Waste collection events. These projects directly support each of the Agenda's six topic areas, including: Growth and Land Use; Air Quality and Transportation; Water Quality; Solid Waste; Parks, Trails and Open Space; and Environmental Stewardship.

		NON-RECURRING
Agency 51, Fairfax County Park Authority	Expenditure	$125,000
Agency 92, Fire and Rescue Department	Expenditure	290,000
Fund 100, County Transit Systems	General Fund Transfer	2,242,379
Vehicle Fuel Increases	**Net Cost**	**$2,657,379**

Funding of $2,657,379 is required for vehicle fuel needs in the Fairfax County Park Authority, Fire and Rescue Department, and for FAIRFAX CONNECTOR. Other agencies have been affected by higher fuel prices; however, they have been able to absorb the increases within their current budget allocations. Though prices fluctuate significantly from month to month, the average cost of unleaded fuel in FY 2006 is nearly 36 cents per gallon higher than budgeted in the *FY 2006 Revised Budget Plan* and diesel fuel is nearly 74 cents per gallon higher than budgeted. It is projected that prices will at least remain at these high levels and possibly even increase during the final months of FY 2006.

		NON-RECURRING
Agency 08, Facilities Management Department	Expenditure	$669,000
Agency 26, Office of Capital Facilities	Expenditure	130,000
Agency 51, Fairfax County Park Authority	Expenditure	95,000
Utilities Increases	**Net Cost**	**$894,000**

Funding of $894,000 is required due to higher than projected costs for utilities in the Facilities Management Department, Office of Capital Facilities, and Fairfax County Park Authority. Rates for electricity and natural gas have increased significantly over the past year, with electricity increasing 13 percent and natural gas increasing by 71 percent. Both utilities are expected to remain at these high levels in the final months of FY 2006.

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 $0.0 million, an increase of $103.89 million in Appropriated Other Funds expenditures excluding Federal and State Grants, audit adjustments and Schools' funds and adjustments for School funds as requested by the School Board. Details are provided in the Schools' Recommended *FY 2006 Third Quarter Review* package (Attachment VII).

  Supplemental Appropriation Resolution AS 06057

  Supplemental Appropriation Resolution AS 05131

  Amendment to Fiscal Planning Resolution AS 06901

- Board appropriation of Federal/State grant adjustments in Fund 102, Federal/State Grant Fund totaling an increase of $13.03 million.

Board approval of adjustment to the Managed Reserve to reflect the adjustments included in the *FY 2006 Third Quarter Review*.

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