

Setting the Stage

The Challenge

- We continue to be in the midst of a multi-year, cyclical economic downturn.
- A combination of flat revenue growth and increasing requirements for services means that the County faces a projected budget shortfall of more than \$100 million in both FY 2014 and FY 2015.
- The demand for County services has also been impacted with more neighbors requiring assistance while options for helping are becoming more limited.
- Our ongoing challenge is to develop a budget with an appropriate level of services that are affordable, sustainable and acceptable to the community.
- One primary means of addressing this budget gap is through service reductions. We are seeking to identify which potential reductions are acceptable and unacceptable to the community, and then determining if there are other means, such as revenue increases, to balance the budget.

More Challenges Ahead

- The County faces several challenges ahead, including:
 - Slow economic recovery and its impact on the County's budget and our residents
 - Congressional showdown over the federal budget deficit (sequestration)
 - Funding implications of State budget issues



Actions Being Taken

- Agencies have been directed to identify reductions totaling 5% in each FY 2014 and FY 2015
- County staff continue to explore best practices to reduce costs and improve efficiencies and effectiveness in our programs and services
- The public and employees are encouraged to share their ideas and suggestions for cost-savings and priorities to focus on during the development of the FY 2014 - FY 2015 budget



How You Can Help Us With The Challenge

- County staff will use your input as a key factor to help guide and shape decisions in formulating a recommended balanced budget to present to the Board of Supervisors in Spring 2013.
- Today we will discuss:
 1. *What are the important priorities for County decision-makers to keep in mind when developing the multi-year budget?*
 2. *Ideas you have for meeting the budget challenges.*
- We then encourage you to consider what services are most important to you and go online at www.fairfaxcounty.gov/dmb/FY2014/survey (through November 30, 2012) to share your thoughts on options for balancing the budget to include revenue enhancement and services reductions or other cost savings.

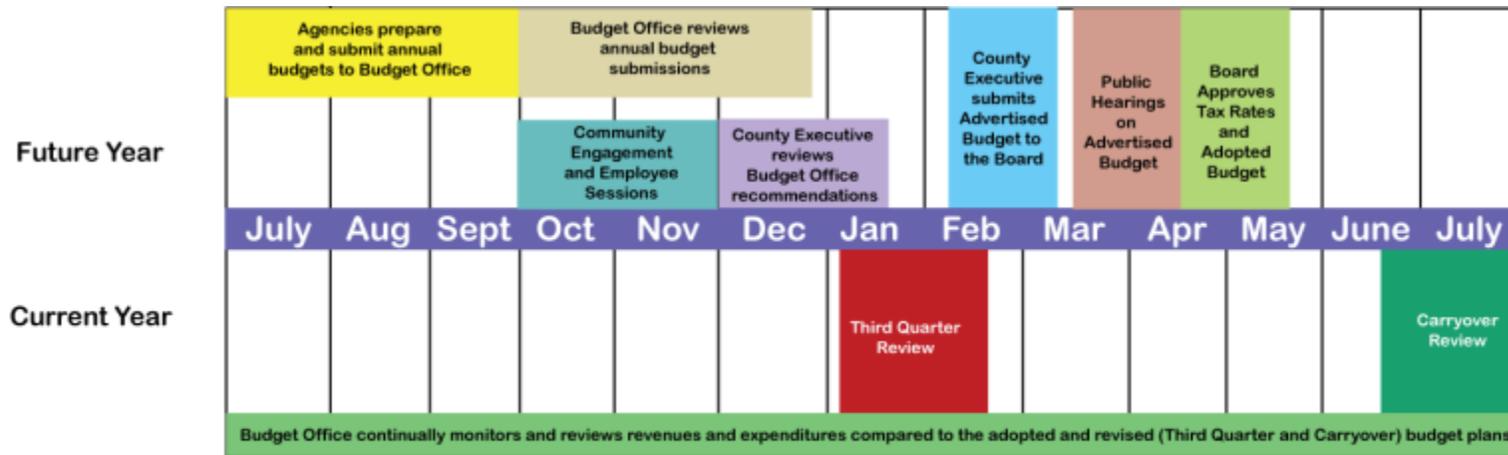
The Budget Process

The Art of Budgeting

- Among other things, a budget is:
 - a statement of priorities that reflects a vision of the County's collective future
 - a spending guide which reflects the County's spending priorities;
 - the art of juggling priorities and appropriately allocating resources;
 - a policy document indicating policy decisions and priorities through the allocation of funds to specific services and programs;
 - a communication device sharing these choices with residents;
 - an outline of anticipated revenues to support County services, including tax rates; and
 - a plan of objectives for the upcoming fiscal year.



Budget Calendar



Fiscal Year Begins
July 1

Fiscal Year Ends
June 30

July 2012

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



June 2013

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

And Remember...

Virginia is a Dillon Rule State

- Fairfax County operates under the urban county executive form of government, an form of Virginia county government, and like other Virginia local governments, Fairfax County has limited powers.
- More specifically, Virginia courts have concluded that local governments in Virginia have only:
 - Those powers that are specifically conferred on them by the Virginia General Assembly
 - Those powers that are necessarily or fairly implied from a specific grant of authority
 - Those powers that are essential to the purposes of government -- not simply convenient but indispensable
- This doctrine of limited authority for local governments is commonly called the Dillon Rule, a name that is derived from the writings of John Forest Dillon (1831-1914), who served as a judge, a law professor and an author of legal textbooks in the latter part of the nineteenth century. It is unique to a few states in the United States.
- Counties have only those powers expressly granted to them by the General Assembly
- Limits locality's flexibility to raise revenue and diversify tax base; the State limits/controls/caps about 90 percent of the County's non-real estate tax revenue



John F. Dillon

The Economic Situation

The Great Recession

- In February 2010, the Associated Press described the recession that began in December 2007 as “the longest and deepest since the Great Depression of the 1930s.”
- The ‘Great Recession’ significantly impacted the County’s residential real estate market as it did elsewhere in the country.
- The County is still responding to the slow recovery from this recession



The Economic Picture: National and Local

National Economy



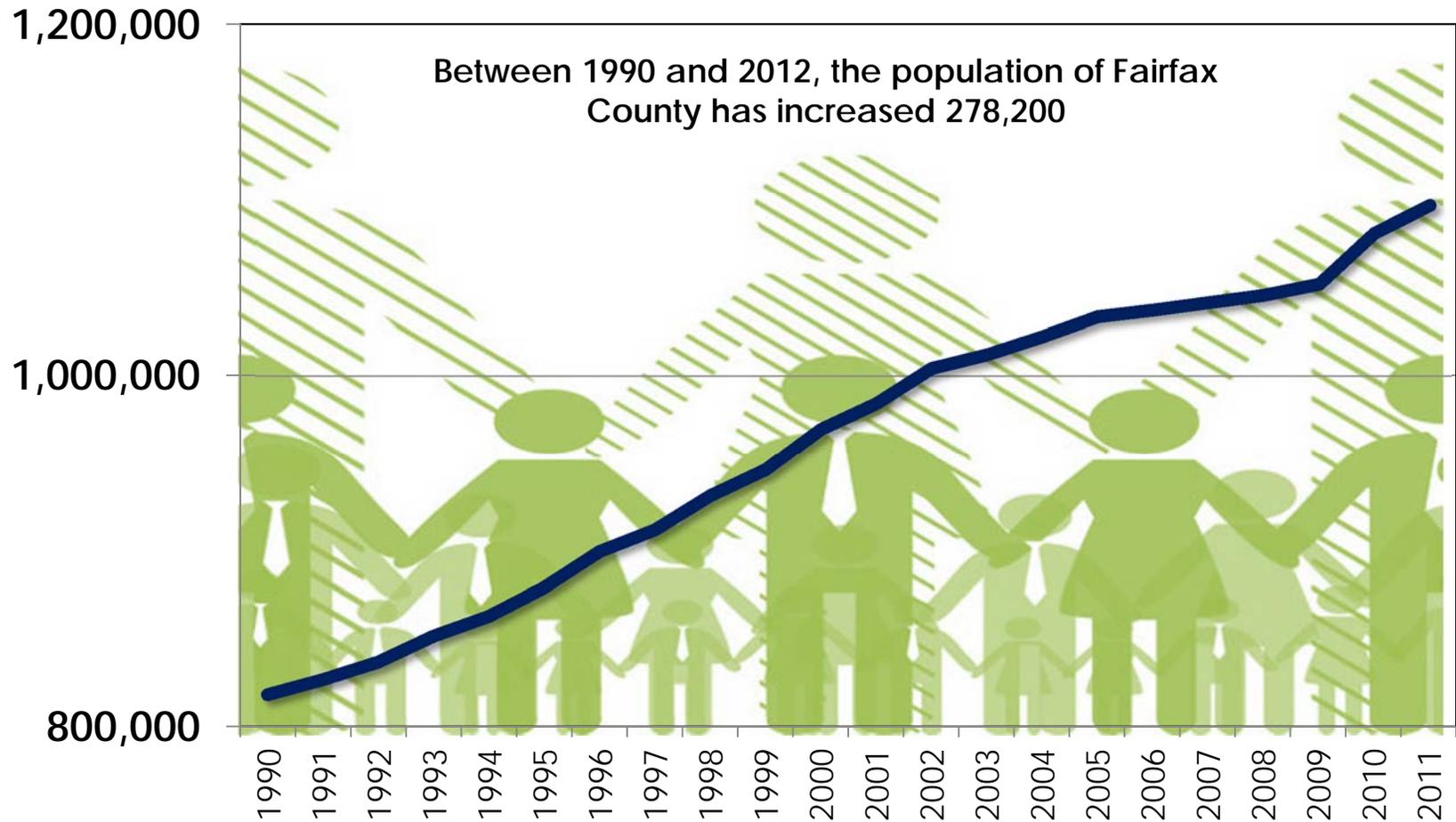
- Slow national recovery
- Unemployment rate of 7.8% as of September 2012
- Recovery in stock market
- Slight uptick in the national housing market
- Inflation remains in check, up 1.7% for the year.

Local Economy



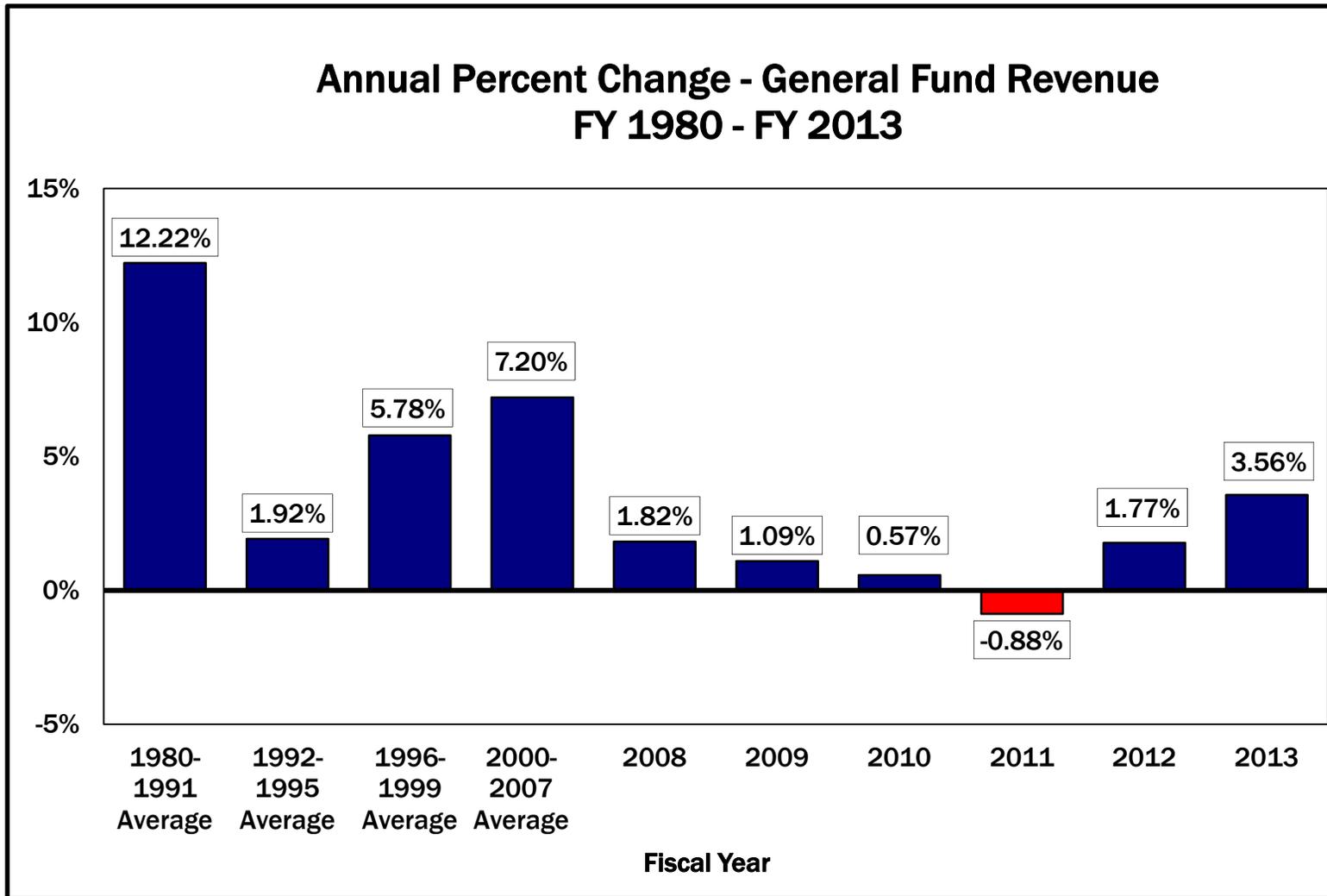
- Northern Virginia has more than regained jobs lost during the recession
- County's unemployment rate is 4.2% (July 2012)
- Housing market improving slightly
- Retail sales rising modestly

Population Growth: Fairfax County



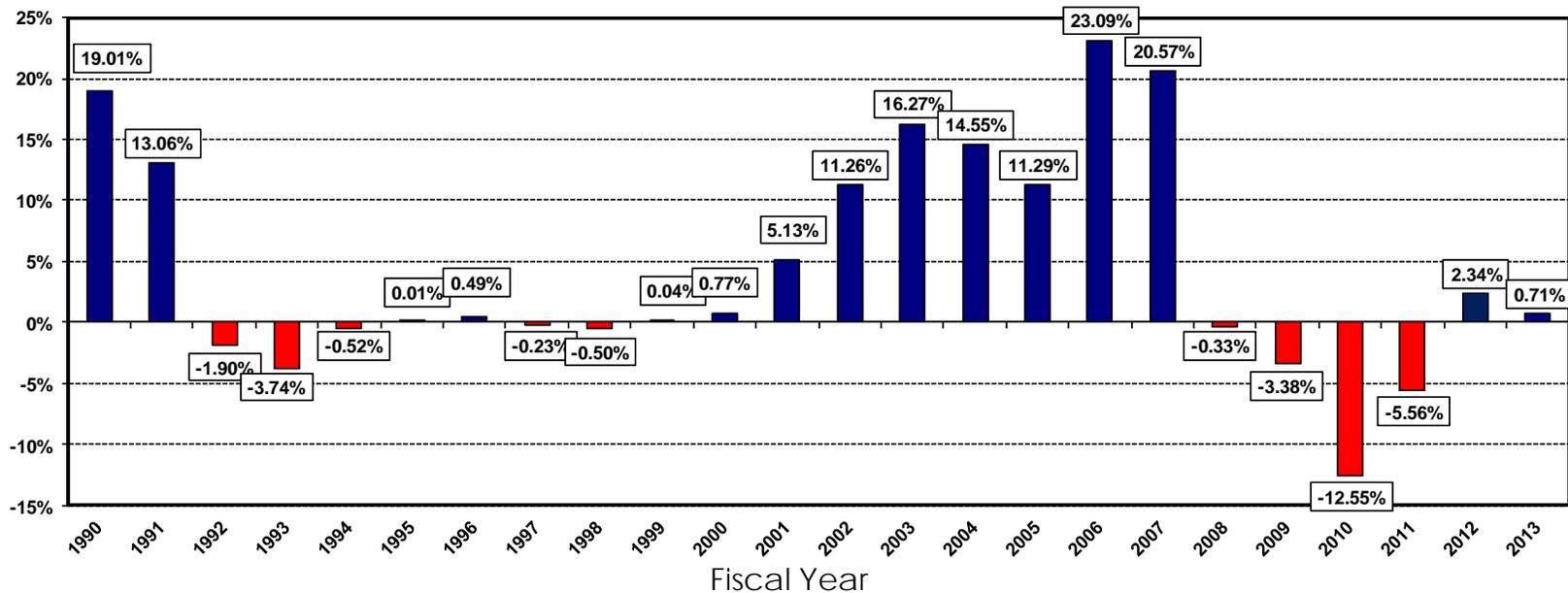
Where We Have Been

General Fund Revenue



Annual Changes in Residential Equalization: FY 1990 – FY 2013

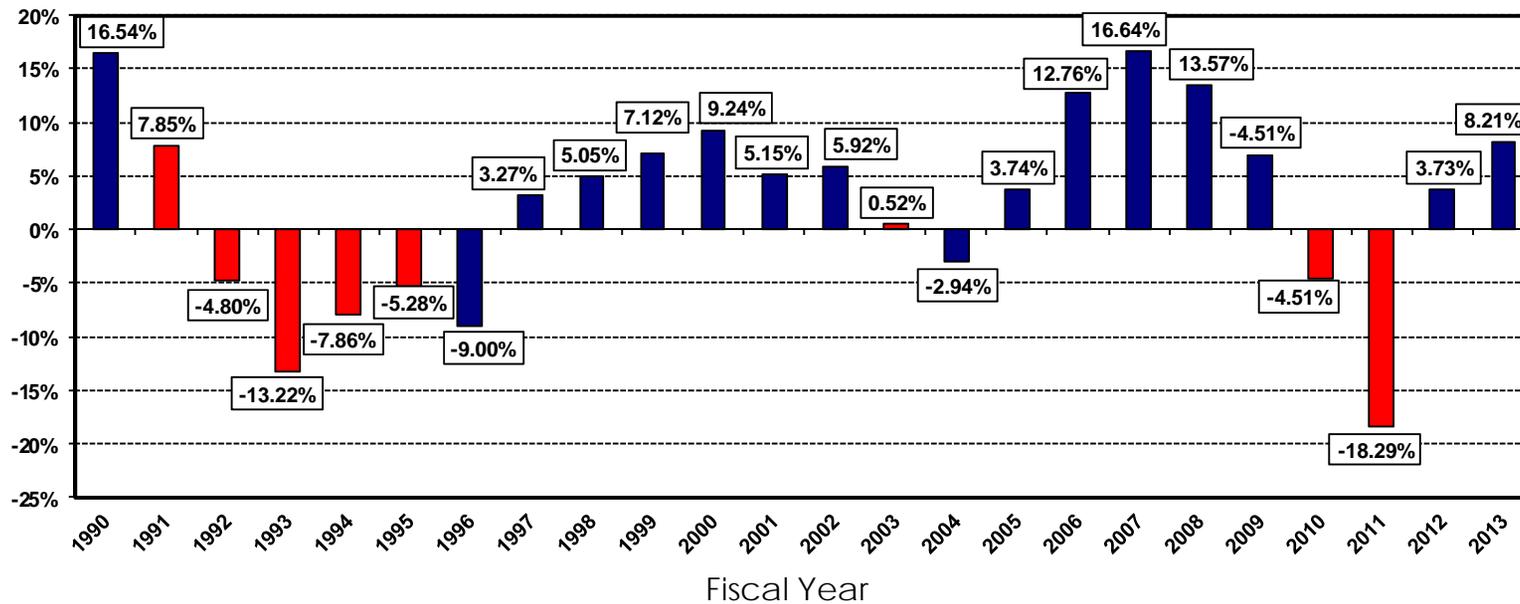
Residential Equalization



Note: Equalization is the annual assessment of real estate to ensure that assessments accurately reflect current market values. Equalization reflects the increase in value for property simply as a result of market value. It does not reflect an increase in value stemming from renovation, construction or expansion.

Annual Increases in Nonresidential Equalization: FY 1990 – FY 2013

Nonresidential Equalization



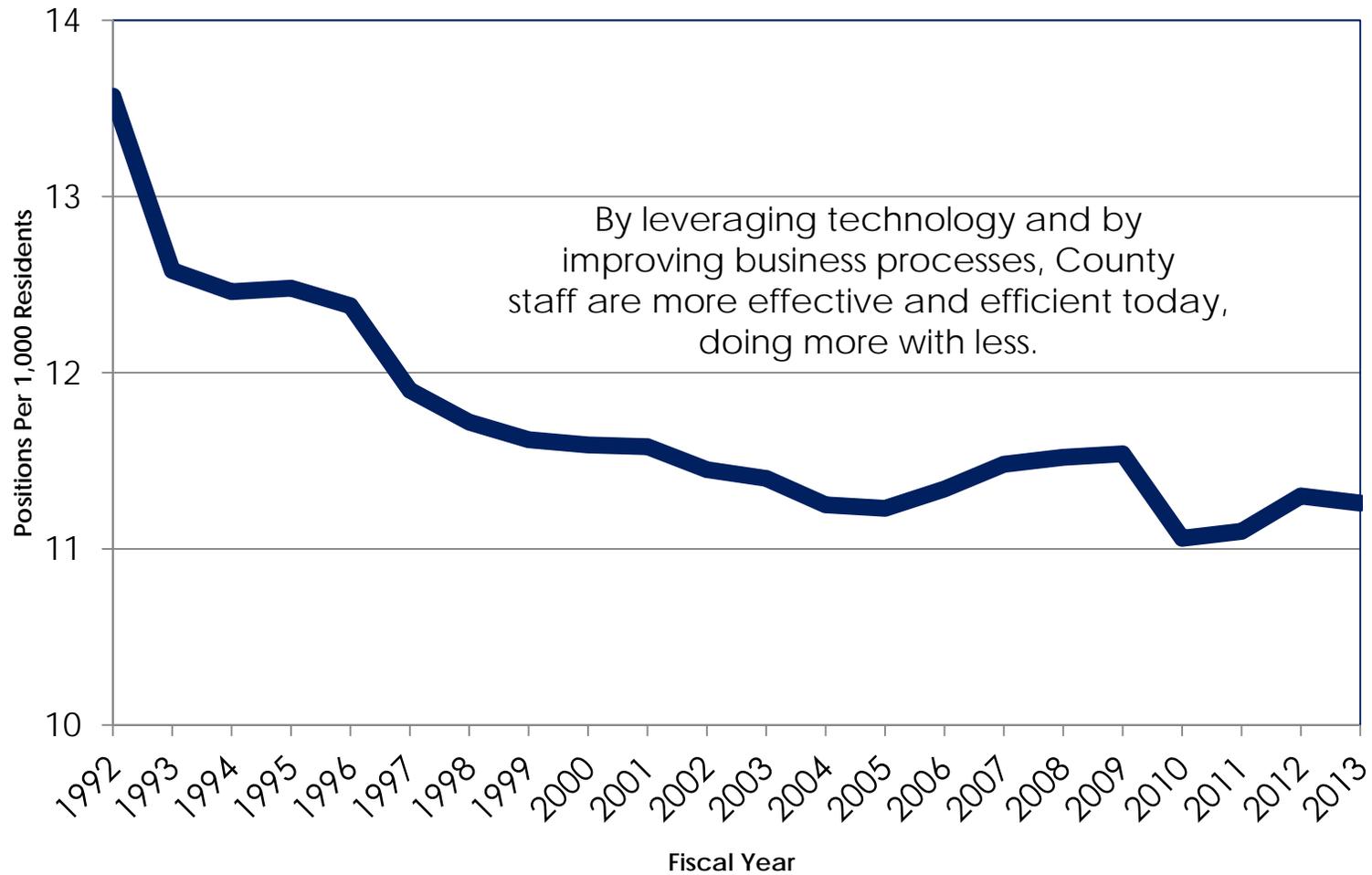
Impact on Typical Fairfax County Household



Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate Per \$100 of Assessed Value	Average Tax Per Household
FY 2004	\$321,238	\$1.16	\$3,726.36
FY 2005	\$361,334	\$1.13	\$4,083.07
FY 2006	\$448,491	\$1.00	\$4,484.91
FY 2007	\$544,541	\$0.89	\$4,846.41
FY 2008	\$542,409	\$0.89	\$4,827.44
FY 2009	\$525,132	\$0.92	\$4,831.21
FY 2010	\$457,898	\$1.04	\$4,762.14
FY 2011	\$433,409	\$1.09	\$4,724.16
FY 2012	\$445,533	\$1.07	\$4,767.20
FY 2013	\$448,696	\$1.075	\$4,823.48

County Workforce

Positions Per 1,000 Residents: FY 1992 - FY 2013

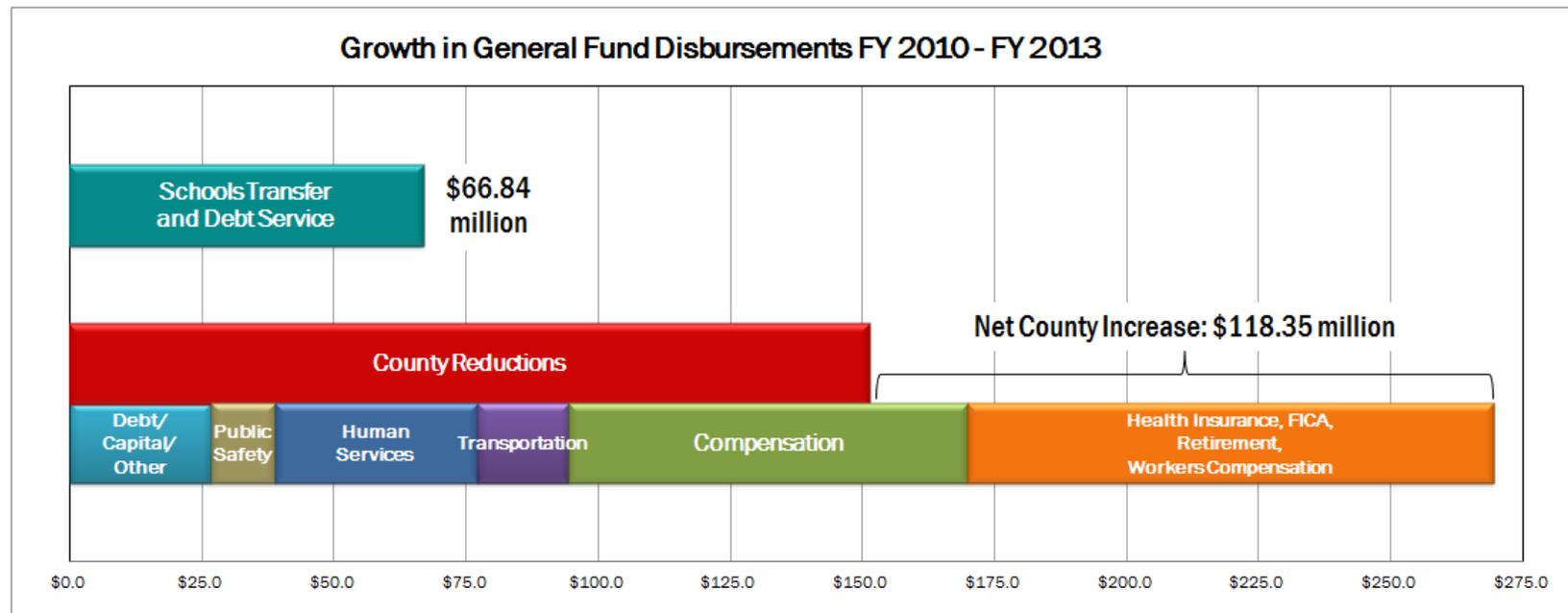


The County Budget: FY 2009 – FY 2013

- General Fund Disbursements have increased 5.5%, or only about **1.4% annually**
 - Total Disbursements decreased in both FY 2010 and FY 2011
- Disbursement reductions from FY 2010 through FY 2013 total **over \$150 million**
 - This total does not include cost avoidance savings, such as the elimination of compensation increases in both FY 2010 and FY 2011
 - If reductions taken as part of quarterly budget reviews are included, reductions total over \$200 million
- In the last 4 years, the County has eliminated **525 positions**

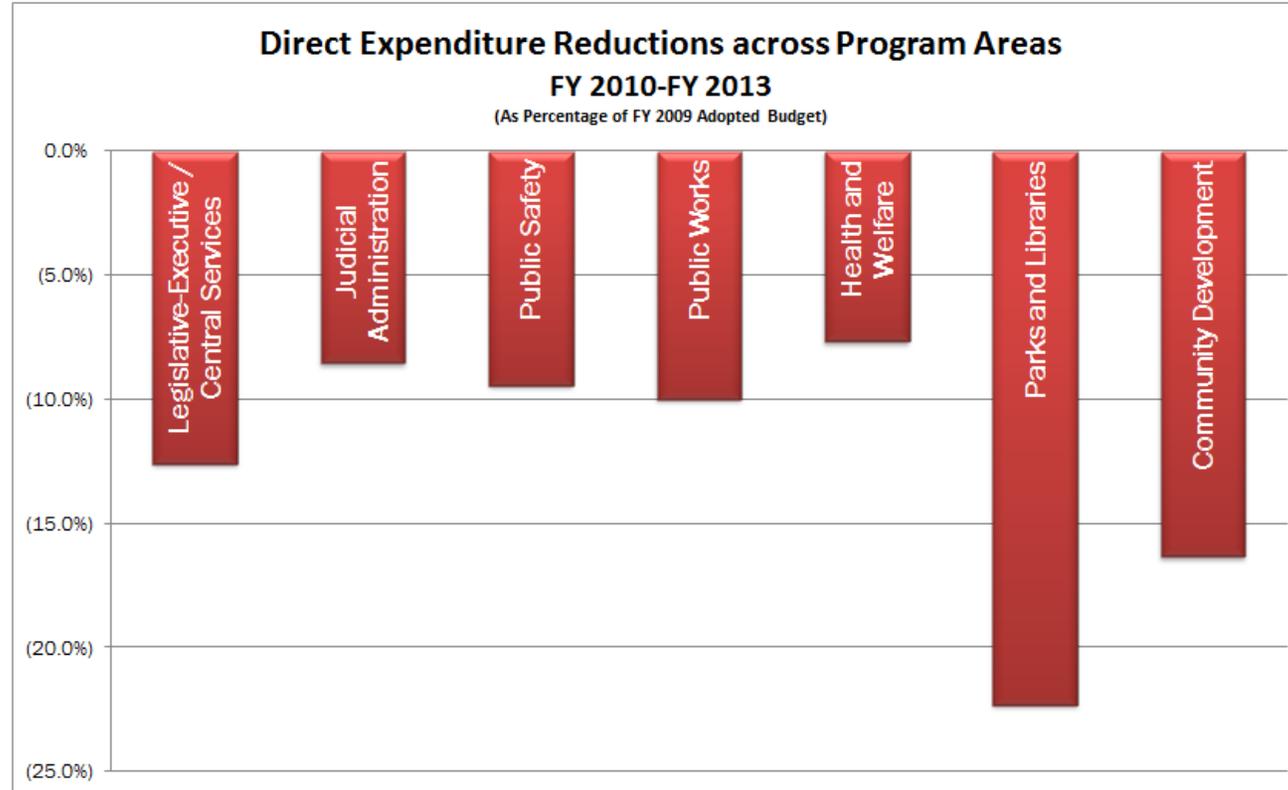
Growth in the County Budget since FY 2009

- Almost $\frac{3}{4}$ of funding increases have been due to growth in the transfer to Schools and increases for employee benefits and compensation



Reductions in the County Budget Since FY 2009

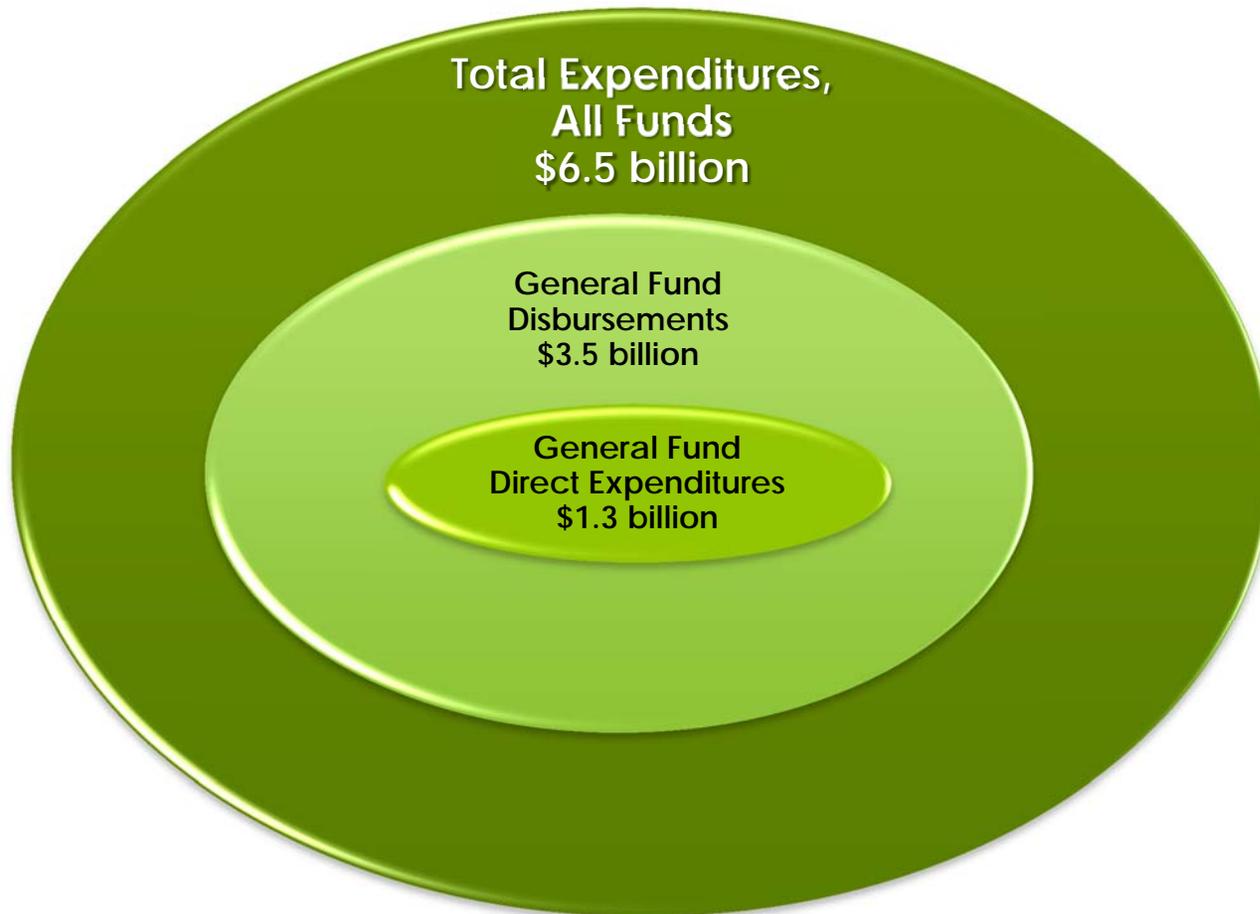
- Reductions over the past 4 years have been spread across all program areas



Where We Are Now

The County Budget in Total

(FY 2013 Adopted Budget Plan)



(More about the details of these budgets later in this presentation)

The Budget in Total

A. General Fund:

- The General Fund is the **County's primary operating fund**, and it is used to account for all revenue sources and expenditures which are not required to be accounted for in other funds.
- **Revenues are derived primarily from real estate and personal property taxes** as well as other local taxes, federal and state distributions, license and permit fees, charges for services, and interest from investments.
- **A significant portion of General Fund revenues are transferred to other funds** to finance the operations of the County's **public schools** (FCPS), Community Services Board (CSB), and debt service among other things.

The fund that most directly affects all residents is the General Fund. All other funds are critical to the successful operation of the County, but the General Fund represents the portion of the budget that supports all general purpose functions of County government.



The Budget in Total

B. Debt Service Funds:

- The debt service funds are used to account the payment of **general obligation debt service of the County** and for the **debt service of the lease revenue bonds and special assessment debt**.
- Included in this fund type is the **School Debt Service Fund** as the County is responsible for servicing the general obligation debt it has issued on behalf of Fairfax County Public Schools (FCPS).

C. Capital Project Funds:

- These funds are used to account for financial resources to be used for the **acquisition or construction of major capital facilities**
- The Capital Project Funds account for current construction projects, including improvements to and the construction of schools, roads and various other projects.

D. Special Revenue Funds:

- These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are **legally restricted to expenditures for specified purposes**.

The Budget in Total

E. Proprietary Funds:

- These funds account for County activities, which operate similarly to private sector businesses. Consequently, these funds measure net income, financial position, and changes in financial position. The two primary types of Proprietary Funds are **Enterprise Funds** and **Internal Service Funds**.
- The **Fairfax County Integrated Sewer System is the only enterprise fund of the County**. This fund is used to account for the financing, construction, and operations of the countywide sewer system.
- **Internal Service Funds** are used to account for the provision of general liability, malpractice, and workers' compensation insurance, health insurance for County employees and retirees, vehicle services, the County's print shop operations, and technology infrastructure support that are provided to County departments or agencies on an allocated cost recovery basis.

The Budget in Total

E. Fiduciary Funds:

- These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.
- **Pension Trust Funds** are the principal fiduciary funds used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plans – the Employees' Retirement System, the Police Officers Retirement System, and the Uniformed Retirement System.
- Also included in Fiduciary Funds are **Agency Funds** which are used to account for monies received, held, and disbursed on behalf of developers, welfare recipients, the Commonwealth of Virginia, the recipients of certain bond proceeds, and certain other local governments.

Major Services - General Fund

- Schools
- Fire and Rescue
- Police
- Family Services
- Building Review and Inspection Services
- Community and recreation services
- Connector Bus
- Courts
- E911
- Elections & Voter Registration
- Affordable Housing
- Fleet Management & Fuel
- Human Services
- IT Projects: Public access to Information, electronic records management, electronic transmission of information
- Jails
- Mental Health, Intellectual Disabilities, and Alcohol and Drug Services
- Metro: County Contribution
- Parks
- Planning and Zoning
- Public Health
- Public Libraries
- Revitalization
- Sheriff
- Support for nonprofits that provide services to County residents
- VRE Subsidy

All these services on this page are the focus of the budget balancing challenge.

Major Services - Other Funds

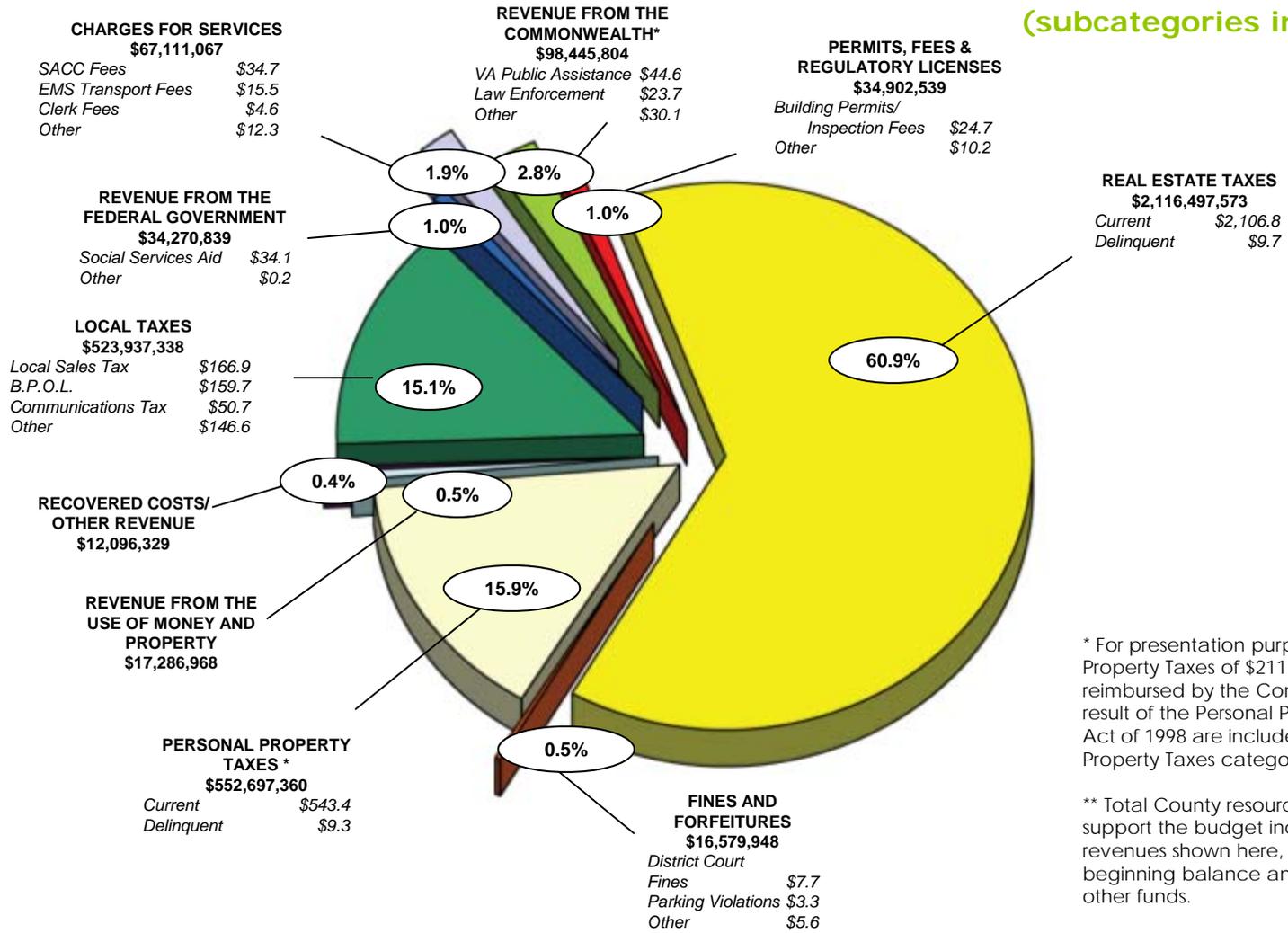
- Bond Funded Capital Projects
- Burgundy Village Community Center
- Community Development Block Grant
- Dulles Rail
- Housing Choice Voucher Program - Section 8
- Housing Loan & Rental Assistance Programs
- Leaf Collection
- McLean Community Center
- Park RECenters & Golf Courses
- Pest Management Program
- Public Housing
- Refuse Collection and Recycling
- Refuse Disposal
- Reston Community Center
- Route 28 Improvements
- Wastewater Management



**The
Commonwealth of
Virginia is
responsible for the
building and
maintenance of
public roads in
Fairfax County.**

General Fund Revenues: "Where It Comes From" – FY 2013 Adopted Budget

(subcategories in millions)



* For presentation purposes, Personal Property Taxes of \$211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

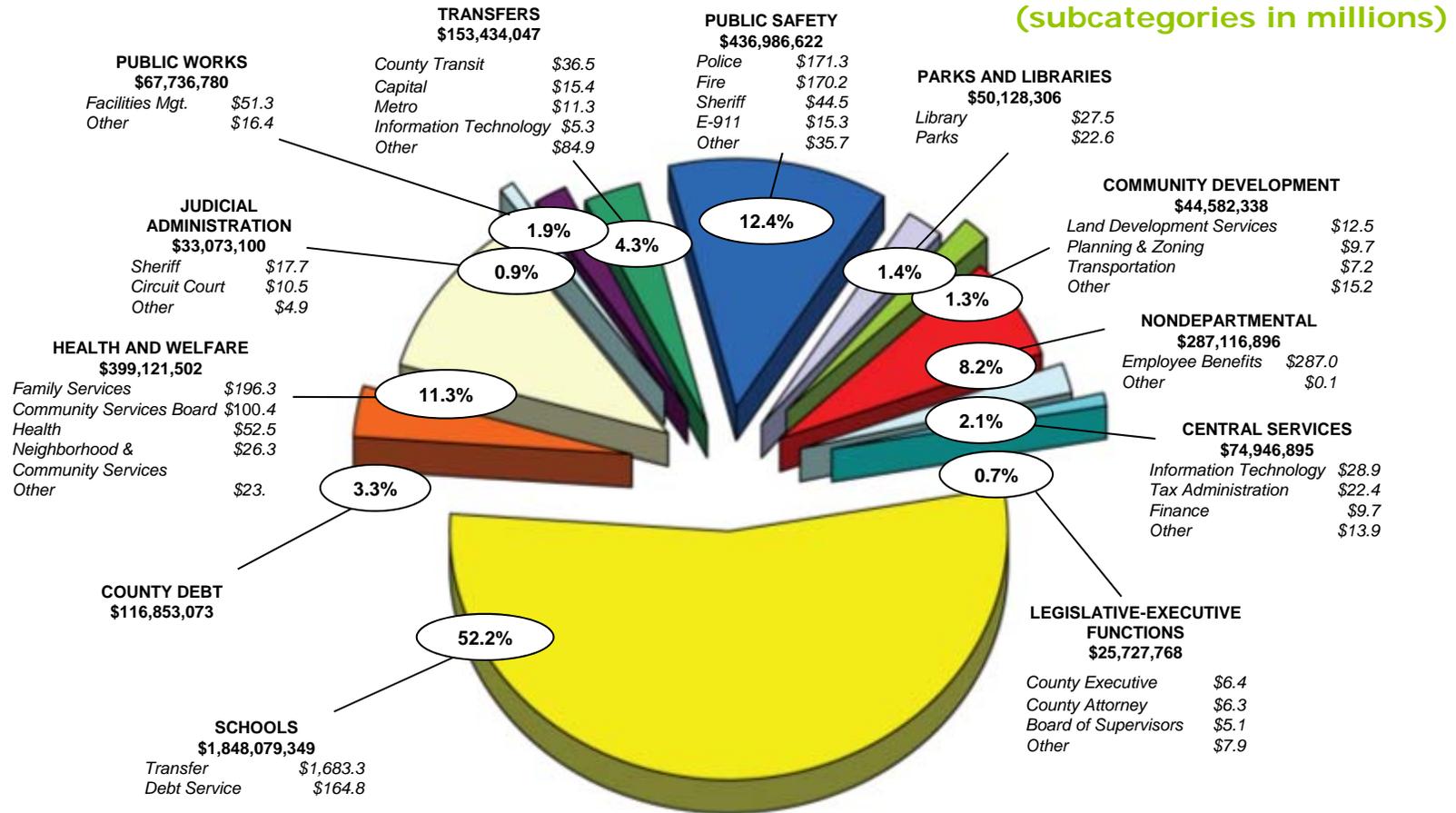
FY 2013 GENERAL FUND RECEIPTS = \$3,473,825,765**

More on “Where It Comes From”

❖ **County’s Tax Structure is:**

- Over-reliant on Real Estate Taxes, which make up nearly 61% of total General Fund revenue
 - Nearly 75% of Real Estate Tax revenue comes from Residential property
- State limits/controls/caps nearly 90% of the County’s non-real estate tax revenue
- State levies and collects all income taxes
 - Local city and county governments cannot levy personal income tax in the Commonwealth of Virginia

General Fund Expenditures: "Where It Goes" – FY 2013 Adopted Budget



FY 2013 GENERAL FUND DISBURSEMENTS = \$3,537,786,676 *

* In addition to FY 2013 revenues, available balances and transfers in are also utilized to support disbursement requirements.

How to Learn More About the Budget

- County Budget Primer
- Budget Documents
 - "Where It Comes From" Pie Chart
 - "Where It Goes" Pie Chart
- Comprehensive Annual Financial Report (CAFR)
- Demographics
- Taxes and Revenue Information
- County Organizational Chart
- Budget Glossary
- Contact Your Board Member
- Online Budget and Cost-Savings Suggestions



www.fairfaxcounty.gov/budget

FY 2014 and FY 2015

Budget Drivers

Some of the major factors contributing towards the projected budget shortfalls in FY 2014 and FY 2015:

- Population Growth
- School Enrollment Growth
- School ESOL Growth
- Reduced funding from the State
- Federal Sequestrations
- Public Safety requirements
- Fairfax-Falls Church Community Services Board (CSB):
 - Infant Toddler Connection (ITC) program growth
 - Intellectual Disabilities (ID) program growth
- Safety Net programs
- One-Time Balances used in FY 2013
- Utility Costs
- Inflation
- Operations of the Silver Line
- Contractual obligations
- Contract rate increases
- Slow economic recovery
- Compensation and benefits
 - Pay adjustments
 - Health benefits
 - Employer contribution for retirement benefits

Fairfax County's Housing Market

Residential Values are
Projected to increase 2.5% in FY 2014 – FY 2015



- Home prices rising moderately – up 3.9% through August
- The number of homes sold has increased 9.2% in 2012 from 8,551 to 9,336 through August 2012
- Average number of days to sell a home is back to normal (42 days as of August 2012)
- Foreclosures have fallen to a new record low in each of the last 9 months
 - 459 homes, owned by the lender in July 2012, down 35% from July 2011 and down 80% since the peak of 2,257 in September 2008

Nonresidential Real Estate Stable

Nonresidential Values are Projected to increase just 0.7% in FY 2014 – FY 2015

- Office property values are rising modestly
- Vacancy rates at of year-end 2011 13.7%, 15.6% with sublets
- Economic uncertainty over government reductions impacts demand for office space
- 113.6 million square feet of office space in the County
 - 1.5 million square feet under construction as of year-end 2011
- Multi-family rental property values are increasing robustly
- Rents are rising and apartment vacancies are down



The Forecast

- Preliminary revenue estimates project increase of less than 3%
- One-time balances were used in prior years
- Forecasted expenditures needs, based on drivers mentioned previously, are anticipated to increase at approximately 5%
- So an imbalance of more than \$100 million needs to be addressed

The Context of Budget Decisions

Fairfax County's Management Philosophy

- Ten Principles of Sound Financial Management
- Fiscal discipline by Board
- Strong financial management of reserves, balances and long-term liabilities
- Well managed debt program
- Transparent budget process
- Robust planning process

Reserves

- Sound fiscal policies
- Reserves in place to absorb impact from federal and state actions or inactions
- Adequate fiscal reserves:
 - Managed Reserve
 - Litigation Reserve
 - Transportation Reserve
 - Reserve for Federal/State Cuts and potential Federal Sequestration Cuts

Investing in Our Community

- In order to sustain County services and quality of life, it is imperative that the County continues to protect its investments in a timely and sufficient manner:
 - Staff (compensation and benefits)
 - Capital assets (buildings, equipment, etc.)
 - Other

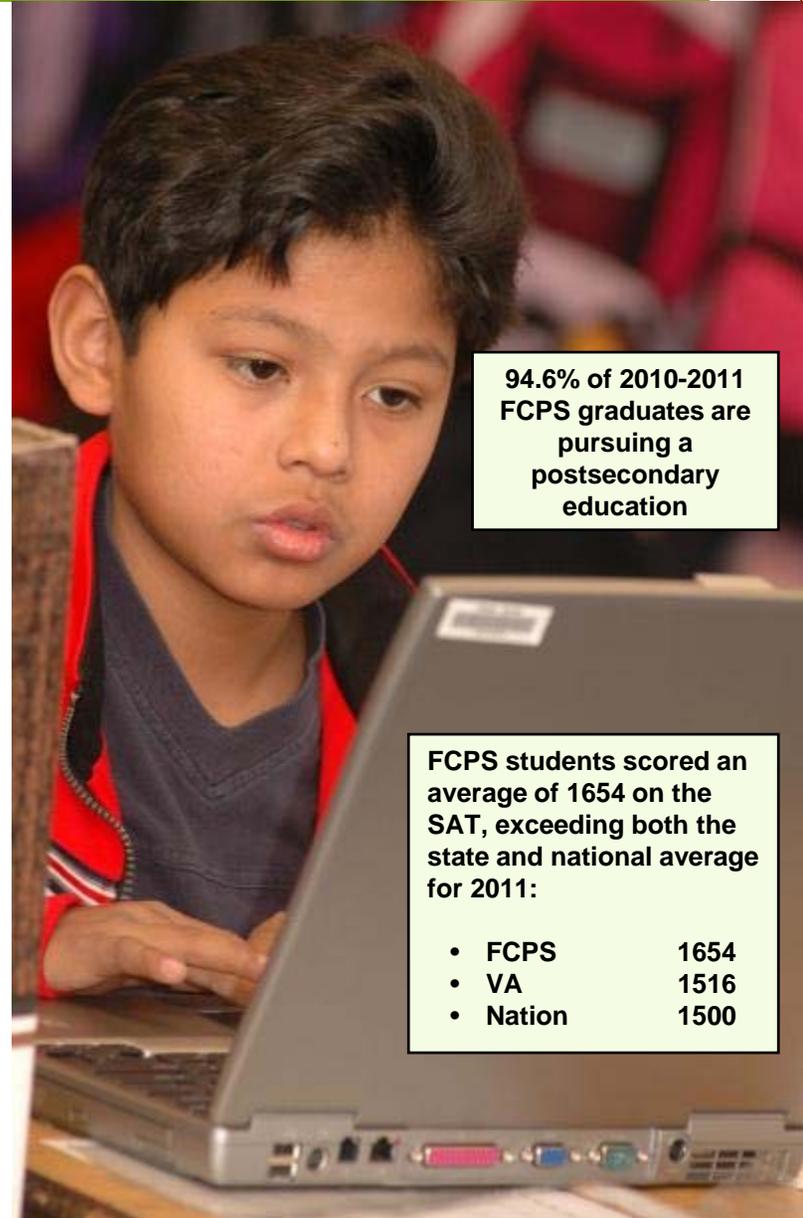
Performance Benchmarks

Key County Indicators	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Ratio of Group A Index Crimes (Violent Criminal Offenses) to 100,000 County Population (Calendar Year)	77.45	86.44	79.13
Percent of time Advanced Life Support (ALS) transport units on scene within 9 minutes	NA ²	82.60%	88.0%
Fire suppression response rate for engine company within 5 minutes	NA ²	41.0%	60.0%
Percent of low birth weight babies (under 5 lbs 8 oz)	7.4%	7.0%	NA ³
Immunizations: completion rates for 2 year olds	79.0%	70.0%	69.0%
Virginia Department of Education (VDOE) On-Time Graduation Rate	86.91%	86.91%	91.40%
Percent of restaurants operating safely	95.4%	97.0%	97.5%
Acres of parkland held in public trust	40,347	40,322	38,507
Miles of trails and sidewalks maintained by the County	640	644	647
Annual number of visitations to libraries, park facilities and recreation and community centers	12,325,902	11,963,753	11,485,816
Library materials circulation per capita	13.0	12.9	12.0
Unemployment rate (not seasonally adjusted)	4.9%	4.9%	4.3%
Percent of persons living below the federal poverty line (Calendar Year)	4.8%	5.6%	5.8%
Percent of Tree Coverage in County	40.5%	40.5%	41%
County direct expenditures per capita	\$1,153	\$1,089	\$1,096
County (merit regular) positions per 1,000 citizens	11.54	11.06	11.10
Cumulative savings from both County bond sales as compared to the Bond Buyer Index and County refundings (in millions)	\$394.91	\$434.23	\$486.30

Board Priorities

Quality Educational System

- Education is Fairfax County's highest priority.
- We will continue the investment needed to protect and enhance this primary community asset.
- Because of our excellent schools, businesses are eager to locate here and our children are able to find good jobs.
- A well-educated constituency is best able to put back into their community.



**94.6% of 2010-2011
FCPS graduates are
pursuing a
postsecondary
education**

**FCPS students scored an
average of 1654 on the
SAT, exceeding both the
state and national average
for 2011:**

- | | |
|----------|------|
| • FCPS | 1654 |
| • VA | 1516 |
| • Nation | 1500 |

Board Priorities

Safe Streets and Neighborhoods

- Fairfax County is the safest community of our size in the U.S.
- We continue to invest in public safety:
 - to respond to emergency situations
 - to prevent and intervene in destructive behaviors, such as gang activity and substance abuse.



Board Priorities

Clean, Sustainable Environment

- Fairfax County will continue to protect our drinking water, air quality, stream valleys and tree canopy through responsible environmental regulations and practices.
- We will continue to take a lead in initiatives to address energy efficiency and sustainability and to preserve and protect open space for our residents to enjoy.



Board Priorities

Living, Caring and Affordable Communities

- As Fairfax County continues to grow we will do so in ways that address **environmental** and **mobility** challenges.
- We will encourage housing that is affordable to our children, seniors and members of our workforce.
- We will provide compassionate and efficient services to members of our community who are in need.
- We will continue to protect and support our stable lower density neighborhoods. We will encourage and support participation in community organizations and other activities that address community needs and opportunities.



Board Priorities

A Vibrant Economy

- Fairfax County has a well-earned reputation as a business-friendly community.
- We will vigorously pursue **economic development** and **revitalization** opportunities.
- We will support the business community and encourage this healthy partnership.
- We will continue to be sensitive and responsive to the needs of our corporate neighbors in the areas of **workforce development** and **availability, affordable housing, regulation and taxation**.



More than
90 percent of the
companies in Fairfax
County are small
businesses with fewer
than 50 employees.

Board Priorities

Efficient Transportation Network

- Fairfax County makes it a priority to connect People and Places.
- We will continue to plan for and invest in transportation improvements to include:
 - comprehensive bicycle and pedestrian initiatives;
 - bus and para-transit;
 - road and intersection improvements; and
 - expansion of Metrorail and VRE.



Board Priorities

Recreational and Cultural Opportunities

- A desirable community is one where there is a lot going on that residents can enjoy.
- Fairfax County will continue to provide for athletic, artistic, intellectual and recreational activities, in our communities, parks, libraries and schools.



Board Priorities

Taxes That Are Affordable

- The property tax is Fairfax County's primary source of revenue to provide services.
- We will ensure that taxes are affordable for our residents and businesses, and we will seek ways to diversify County revenues in order to make our tax base more equitable.
- We will ensure that County programs and services are efficient, effective and well run.

