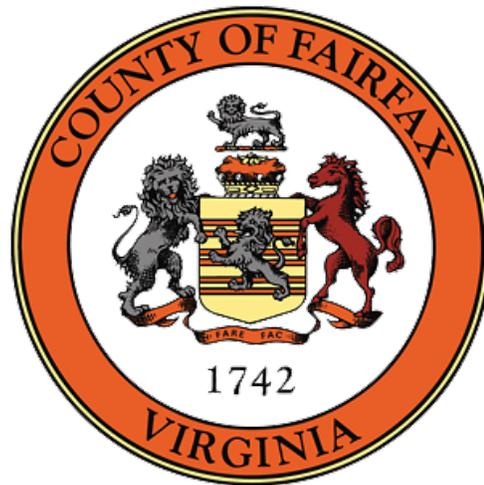


# OFFICE OF FINANCIAL & PROGRAM AUDIT



November 2012

Strategies to Reduce County General Fund  
Support of the Park Authority - FY 2014/2015

FAIRFAX COUNTY BOARD OF SUPERVISORS  
AUDITOR OF THE BOARD

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# County of Fairfax, Virginia

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**DATE:** November 29, 2012

**TO:** Fairfax County Board of Supervisors  
Fairfax County Park Authority Board

**FROM:** Michael B. Longhi  
Auditor of the Board

**SUBJECT:** Strategies to Reduce County General Fund Support of the Park Authority -  
Fiscal Years 2014/2015

On September 25, 2012, the Board of Supervisors, through the Audit Committee, directed the Office of Financial and Program Audit (OFPA) to identify potential strategies or alternative recommendations to reduce the County's General Fund support to the Park Authority without impacting citizen utilization of programs, facilities and services (see Appendix on page 7). The goal was a 5 percent reduction in General Fund support representing approximately \$1.13 million, which is consistent with the county-wide request for all agencies to submit recommendations for how a 5 percent reduction could be achieved. Our report details three potential strategies for reducing General Fund support by approximately \$3.5 million in the fiscal years 2014 and 2015 budget.

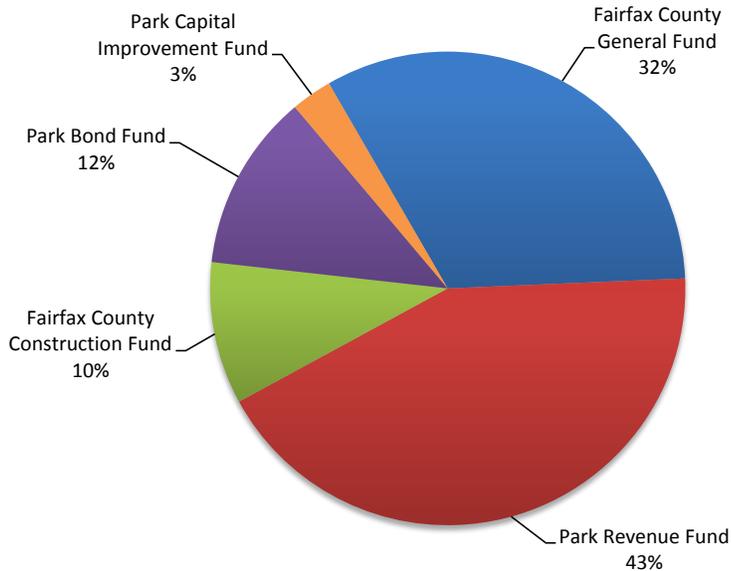
Thank you for the opportunity to provide this review. If you or your staff would like to discuss our findings further, or if we can be of any further assistance, please let me know.

## Overview of Park Authority Expenditures

The Fairfax County Park Authority is responsible for maintaining and operating public parks and recreational facilities. The Park Authority accounts for revenues and expenditures in five separate funds: (1) Fairfax County General Fund, (2) Park Authority Revenue Fund, (3) Fairfax County Construction Fund, (4) Park Authority Bond Fund, and (5) Park Capital Improvement Fund. Under the terms of a Memorandum of Understanding between the Park Authority and the Fairfax County Board of Supervisors, the Park Authority Board maintains fiduciary responsibility for the Park Authority Revenue Fund, the Park Authority Bond Fund, and the Park Authority Capital Improvement Fund.

In fiscal year 2012, the Park Authority's expenditures totaled approximately \$98 million. Fairfax County supported 42 percent of the Park Authority's total fiscal year 2012 expenditures (32 percent from the Fairfax County General Fund and 10 percent from the Fairfax County Construction Fund).

**Fairfax County Park Authority  
Fiscal year 2012 Expenditures**



	Fairfax County General Fund	Park Authority Revenue Fund	Fairfax County Construction Fund	Park Authority Bond Fund	Park Authority Capital Improvements Fund	Total
Personnel*	29,658,629	25,985,677	1,649,763		218,976	57,513,045
Operating Expenditures	5,392,869	13,038,144	4,477,569	169,962	198,829	23,277,373
Capital Projects/Equipment	23,020	148,231	3,353,704	11,648,157	2,304,236	17,477,348
Debt Service		3,507,107				3,507,107
Recovered Costs**	(3,184,393)	(948,850)				(4,133,243)
<b>Total Expenditures</b>	<b>31,890,125</b>	<b>41,730,309</b>	<b>9,481,036</b>	<b>11,818,119</b>	<b>2,722,041</b>	<b>97,641,630</b>

**Sources:** Reports generated from Fairfax County's financial system (FOCUS) for fiscal year 2012 and the Park Authority's fiscal year 2012 draft Comprehensive Annual Financial Report (CAFR).

\*Personnel expenditures include fringe benefits. \*\* Recovered costs represent personnel expenditures that were reallocated to other funds.

## Recommended Strategies to Reduce General Fund Support

To develop strategies for reducing General Fund support, OFPA staff interviewed the Park Authority Director, Chief Financial Officer, and Fiscal Administrator. We also analyzed Park Authority expenditure and revenue transactions in the County’s financial system, reviewed the Park Authority’s budgets and carryover packages for the past ten fiscal years, analyzed the Park Authority’s Comprehensive Annual Financial Reports (CAFRs), and reviewed the Park Authority’s proposed budget reductions for fiscal years 2009, 2010, 2011, and 2012.

### 1. Strategy #1: Cost Recovery for County General Fund Support Services (Annual)

The County’s General Fund pays over \$3 million per year for administrative overhead and central services that support the Park Authority’s operations. Central services include information technology services, central building costs, telecommunications, vehicle services, and legal counsel. For example, the Fairfax County Department of Information Technology maintains the central data center and servers that host the Park Authority’s systems. The Park Authority currently allocates a portion of its County General Fund personnel costs to its other funds, thereby reducing (or recovering) those costs. On a limited basis, the Park Authority allocates some central support services costs to its other funds. Currently, all of the Park Authority’s annual \$3 million central support services and administrative overhead are paid for out of the General Fund.

**Park Authority Overhead Costs Supported by the Fairfax County General Fund  
Fiscal Years 2009 to 2013**

	2009	2010	2011	2012	2013 (Budget)
Information Technology Services	723,418	723,418	723,418	723,418	723,418
Assigned Agency Vehicles	641,230	692,572	537,395	677,720	726,087
Vehicle Replacement	362,306	352,287	343,304	391,354	342,537
Fuel (Central Vehicle Services)	310,372	266,934	362,927	442,118	358,900
County Legal Services	164,215	171,637	205,110	204,960	205,000
Telecommunications	254,970	254,182	227,197	281,612	302,690
Utilities	297,956	234,959	293,546	273,559	219,332
Refuse Disposal	256,108	262,586	256,973	229,999	177,800
Central Building Costs*	230,000	230,000	230,000	230,000	230,000
<b>Total Overhead Costs</b>	<b>3,240,575</b>	<b>3,188,575</b>	<b>3,179,870</b>	<b>3,454,740</b>	<b>3,285,764</b>

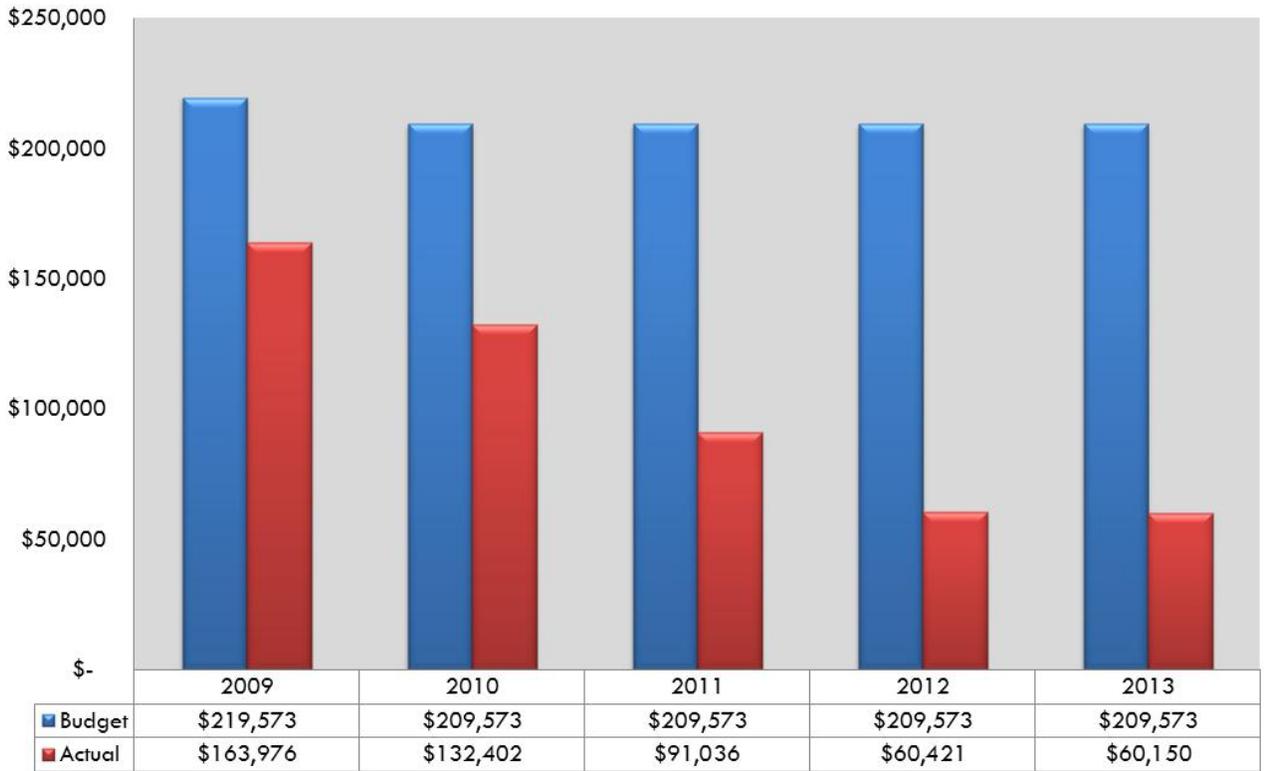
\*Central building costs are estimated based on the Facilities Management Department’s cost allocation factor applied to occupied square footage.

Based on an analysis of the Park Authority’s expenditure activity, OFPA recommends allocating a percentage of central support services and administrative overhead costs to two primary benefitting funds – the Park Revenue Fund (170) and the Park Capital Improvement Fund (371). This strategy is consistent with the Park Authority’s current practice of allocating a portion of County General Fund personnel costs to other funds and the County’s practice of allocating some General Fund costs on a limited basis (cost recovery) to other benefitting special revenue funds. For example, the Facilities Management Department charges the Cable Communications and Solid Waste special revenue funds for their proportionate share of the Government Center’s building costs.

**2. Strategy #2: Reduction in Underutilized County General Fund Budget Line-Items (Annual)**

The Park Authority currently receives General Fund support for fuel in three separate budget line-items. The primary budget line-item represents fuel provided through the Department of Vehicle Services. The fiscal year 2013 General Fund budget for this fuel line-item is \$358,900. There are two additional General Fund line-items for fuel that represent direct deliveries from the County’s fuel vendor. The fiscal year 2013 General Fund budgets for direct delivery unleaded fuel and diesel fuel are \$126,249 and \$124,082, making the Park Authority’s total combined fiscal year 2013 General Fund fuel budget \$609,239. However, for the past five fiscal years, the Park Authority has not spent substantially more than \$450,000 in General Fund fuel costs. Therefore, we are recommending a \$150,000 reduction in the Park Authority’s General Fund direct combined fuel budgets for fiscal year 2014. We are also recommending a \$109,000 reduction in the Park Authority’s underutilized General Fund budget for trips and tours based on prior year expenditures and trends for the past four fiscal years (see table below).

**Park Authority Trips and Tours General Fund Budget to Actuals  
Fiscal Years 2009 – 2013\***



\*Actuals for fiscal year 2013 represent an estimate based on prior year expenditure activity. Actual expenditures for fiscal year 2013 will be reported on June 30, 2013.

### 3. Strategy #3: One-time Transfers from Reserves

During the past 10 years, the County's General Fund has provided both direct and indirect financial support for the Park Authority's revenue operations. From fiscal year 2002 to fiscal year 2012, the Park Authority transferred over \$5.1 million from the Park Revenue Fund and \$465,000 from the County's General Fund to the Park Capital Improvement Fund. During that time, the Park Authority's Park Capital Improvement Fund has grown from \$10.9 million to over \$25 million. A substantial portion of the \$25 million Park Capital Improvement fund balance is committed, but unrestricted, and can be used to cover a variety of costs currently supported by the General Fund. Therefore, we are recommending two one-time transfers totaling \$1,085,000 from the Park Capital Improvement Fund.

#### Park Capital Improvement Fund Transfers In and Fund Balances Fiscal Years 2002 – 2012

Fiscal Year	Direct Transfers In from the County General Fund	Direct Transfers In from the Park Revenue Fund	Fund Balance
2002	-	1,379,575	10,923,995
2003	-	922,720	13,317,025
2004	-	-	13,618,761
2005	465,000	900,000	14,805,853
2006	-	210,000	17,029,498
2007	-	-	20,302,732
2008	-	800,000	23,973,758
2009	-	-	21,791,894
2010	-	160,000	32,285,670
2011	-	800,000	25,481,870
2012	-	-	25,180,941
<b>Total Transfers In</b>	<b>465,000</b>	<b>5,172,295</b>	

**Sources:** Fairfax County budget documents for fiscal years 2002 to 2012 and the Park Authority's Comprehensive Annual Financial Reports (CAFRs). Approximately \$12 million of the \$25 million fund balance for fiscal year 2012 was committed, but unrestricted.

### Summary and Conclusion

The table on page 6 provides a summary of the proposed strategies and the corresponding line-items that compose a potential \$3.5 million reduction to the Park Authority's General Fund support. The three proposed strategies outlined in our report and in the following summary table are consistent with the county-wide request for agencies to submit recommendations for how a 5 percent budget reduction could be achieved. In addition, our proposed strategies provide the Park Authority with the flexibility to build upon their existing strategies during the fiscal years 2014 and 2015 budget process.

**Summary of Potential Strategies to Reduce County General Fund Support  
Park Authority - Fiscal Years 2014 and 2015 Budget**

<b>Strategy</b>	<b>Budget Line-Item</b>	<b>Estimated Reduction in General Fund Support</b>	<b>Occurrence</b>
Cost Recovery for Support Services/Allocation to Other Funds	Computer Services	506,393	Annual
	Telecommunications	211,883	Annual
	Central Building Costs	161,000	Annual
	Utilities	153,532	Annual
	Assigned Agency Vehicles	435,652	Annual
	Vehicle Replacement	205,522	Annual
	Fuel (Central Vehicle Services)	215,340	Annual
	Refuse Disposal	106,680	Annual
	County Legal Services	123,000	Annual
	<b>Total Cost Recovery</b>	<b>\$ 2,119,002</b>	<b>Annual</b>
Reductions in Underutilized General Fund Budget Line-Items	Unleaded Gasoline (Direct Delivery)	70,000	Annual
	Diesel Fuel (Direct Delivery)	80,000	Annual
	Trips and Tours	109,000	Annual
	<b>Total Line-Item Reductions</b>	<b>\$ 259,000</b>	<b>Annual</b>
One-Time Transfers from Reserves (see <b>Note</b> )	Park Contingency Project (#004534)	800,000	One-Time
	Site Information Management-ParkNet (#004749)	285,000	One-Time
	<b>Total Reserve Transfers</b>	<b>\$ 1,085,000</b>	<b>One-Time</b>
<b>TOTAL</b>		<b>\$ 3,463,002</b>	

**Note:** As of November 2012, the balance in the Park Contingency project was \$3,293,318 (composed of accumulated interest earnings). Although the reported fiscal year 2013 budget for the Site Information Management Project is \$693,885, the actual balance for this project as of November 2012 was \$978,886 (composed of budget carryover transfers).

## APPENDIX



SHARON BULOVA  
CHAIRMAN

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**Board Matter**  
**September 25, 2012**

**Referral to Audit Committee Work Plan**  
**Park Authority Reductions**

Recently, in response to the County Executive's request to all Fairfax County agencies and departments to submit recommendations for how a 5% reduction could be achieved, Fairfax County Park Authority staff released a list of potential cuts to members of the Park Authority Board. The deadline for Reductions to be submitted to the County Executive is September 28<sup>th</sup>.

At their meeting on September 12<sup>th</sup>, the Park Authority Board voted unanimously to request that the Board of Supervisors enlist the help of our Office of Financial & Program Audit (Auditor to the Board) to review that list of potential cuts and to identify other potential strategies or alternative recommendations to reduce General Fund support, without impacting citizen utilization of programs, facilities and services. This study should include a review of reserves that could assist in finding savings/reductions.

I would therefore move that the Board of Supervisors direct the Board's Audit Committee to include this review on the Committee's work plan and that results and any interim reports be shared with the Board and the Park Authority Board as development of the Fiscal Year 2014 Budget continues.