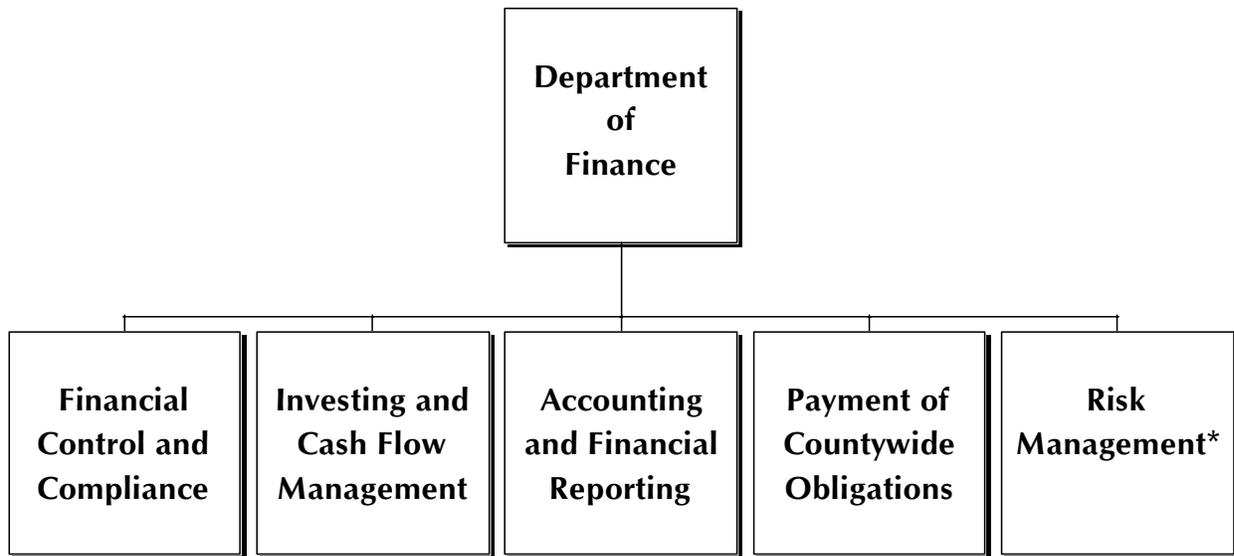


Department of Finance



* The Risk Management budget and program information are reported separately in Fund 501, the County Insurance Fund.

Mission

To protect and maintain the fiscal integrity and financial solvency of the County government.

Focus

The Department of Finance serves the residents of Fairfax County, its vendors and partners, and agencies throughout the County. The department's five business areas are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, Payment of Countywide Obligations and Risk Management, all of which work together to meet the department's core business functions. These functions include collecting non-tax revenue; ensuring accurate processing of financial transactions; investing County cash resources prudently and effectively; identifying and mitigating risk of loss of County financial resources; paying countywide obligations; and ensuring timely reporting of financial data to the governing body, rating agencies, and the public.

In order to provide optimal service to its customers, the department remains cognizant of the following:

- ◆ Internal resources must be leveraged to accomplish the department's mission. This may require analyzing and re-engineering business processes; improving support systems; and using cross-functional approaches and shared resources;
- ◆ Partnering with other County departments to leverage resources is essential to achieving related objectives;
- ◆ Changes in countywide requirements and priorities, federal and state legislation, and regulatory mandates requires a flexible, responsive organization; and
- ◆ Customers expect and deserve high quality service and access to the most advanced technology available.

THINKING STRATEGICALLY

Strategic issues for the department include:

- Enabling cost reductions in the payment of countywide obligations through implementation of invoice scanning and enhanced electronic document routing approval, filing and retrieval systems;
- Sharing technical expertise and assuring compliance with County policies and sound financial practices; and
- Reducing costs and increasing effectiveness of management reports through implementation of automated reporting capabilities.

Department of Finance

In FY 2008, the Department of Finance will continue to pursue its aggressive strategic plan that focuses on efficiency of operations through new technology and total customer satisfaction. The department will vigorously pursue automated tools and techniques in all business areas to reduce costs and increase productivity.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

|  Exercising Corporate Stewardship | Recent Success | FY 2008 Initiative |
|---|----------------|--------------------|
| Reduced costs associated with payment of County obligations through electronic payment systems. Increase revenue and reduce costs by utilizing electronic deposits of checks. | ☑ | ☑ |
| Convert costly manual record retention systems to digital imaging systems. | ☑ | ☑ |
| Reduce costs and improve effectiveness of management reports through implementation of new, automated reporting capabilities. | ☑ | ☑ |
| Improve access to County programs and services through expanded use of convenient methods of payment, such as by credit card and electronic check. | ☑ | ☑ |
| Reduce costs by replacing labor-intensive payables processes with centralized, automated systems. | ☑ | ☑ |

Budget and Staff Resources

| Agency Summary | | | | | |
|-----------------------------------|--------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Category | FY 2006 Actual | FY 2007 Adopted Budget Plan | FY 2007 Revised Budget Plan | FY 2008 Advertised Budget Plan | FY 2008 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 69/ 69 | 69/ 69 | 69/ 69 | 69/ 69 | 69/ 69 |
| Expenditures: | | | | | |
| Personnel Services | \$3,925,096 | \$4,547,279 | \$4,547,279 | \$4,656,069 | \$4,656,069 |
| Operating Expenses | 4,618,892 | 4,760,362 | 4,883,072 | 4,799,590 | 4,799,590 |
| Capital Equipment | 14,995 | 0 | 0 | 0 | 0 |
| Subtotal | \$8,558,983 | \$9,307,641 | \$9,430,351 | \$9,455,659 | \$9,455,659 |
| Less: | | | | | |
| Recovered Costs | (\$472,557) | (\$520,469) | (\$520,469) | (\$551,697) | (\$551,697) |
| Total Expenditures | \$8,086,426 | \$8,787,172 | \$8,909,882 | \$8,903,962 | \$8,903,962 |
| Income: | | | | | |
| State Shared Finance Expenses | \$378,580 | \$377,995 | \$388,044 | \$395,805 | \$395,805 |
| State Shared Retirement - Finance | 11,712 | 11,693 | 12,004 | 12,245 | 12,245 |
| Total Income | \$390,292 | \$389,688 | \$400,048 | \$408,050 | \$408,050 |
| Net Cost to the County | \$7,696,134 | \$8,397,484 | \$8,509,834 | \$8,495,912 | \$8,495,912 |

Department of Finance

FY 2008 Funding Adjustments

The following funding adjustments from the FY 2007 Revised Budget Plan are necessary to support the FY 2008 program:

- ◆ **Employee Compensation** **\$203,327**
An increase of \$203,327 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.
- ◆ **Personnel Services Reduction** **(\$94,537)**
A decrease of \$94,537 in Personnel Services as part of an across-the-board reduction to meet budget limitations based on available revenues as a result of a flattening residential real estate market.
- ◆ **Other Adjustments** **(\$114,710)**
A combined net decrease of \$114,710 in Operating Expenses and Recovered Costs due to the carryover of \$122,710 in one-time expenses in the *FY 2006 Carryover Review*, partially offset by an increase of \$8,000 in the PC Replacement Program based on the number of PCs scheduled to be replaced in FY 2008, according to the four-year replacement cycle.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2008 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2007:

- ◆ The Board of Supervisors made no adjustments to this agency.

Changes to FY 2007 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:

- ◆ **Carryover Adjustments** **\$122,710**
As part of the FY 2006 Carryover Review, the Board of Supervisors approved encumbered funding of \$122,710 for outstanding commitments for consultant services, supplies and office repairs.

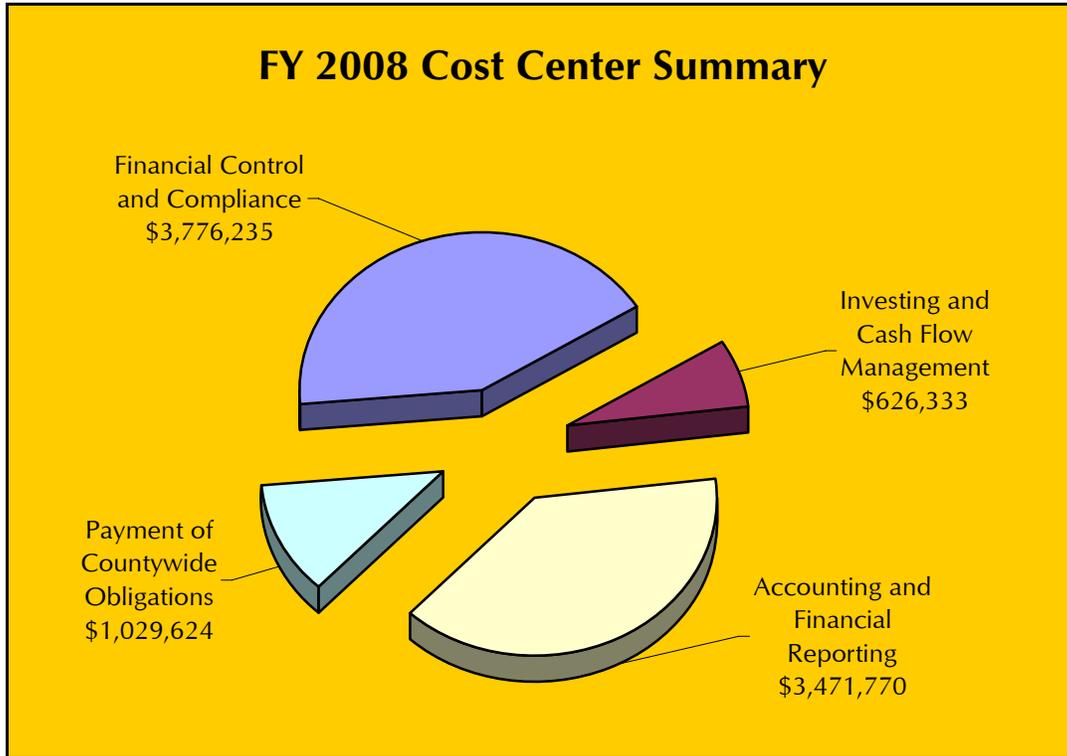
The following funding adjustments reflect all approved changes to the FY 2007 Revised Budget Plan from January 1, 2007 through April 23, 2007. Included are all adjustments made as part of the FY 2007 Third Quarter Review:

- ◆ The Board of Supervisors made no adjustments to this agency.

Department of Finance

Cost Centers

The four cost centers of the Department of Finance are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, and Payment of Countywide Obligations. These distinct program areas work to fulfill the mission and carry out the key initiatives of the Department of Finance.



Financial Control and Compliance



| Funding Summary | | | | | |
|----------------------------------|--------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| Category | FY 2006 Actual | FY 2007 Adopted Budget Plan | FY 2007 Revised Budget Plan | FY 2008 Advertised Budget Plan | FY 2008 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 27/ 27 | 27/ 27 | 26/ 26 | 26/ 26 | 26/ 26 |
| Total Expenditures | \$3,013,721 | \$3,715,936 | \$3,826,010 | \$3,776,235 | \$3,776,235 |

| Position Summary | | | | | |
|--|-------------------------|--------------------------------|--|--|--|
| 1 Director | 2 Accountants I | 1 Info. Tech. Prog. Mgr. I | | | |
| 1 Deputy Director | 1 Business Analyst IV | 1 Administrative Assistant IV | | | |
| 1 Chief, Finance Division | 3 Business Analysts III | 1 Administrative Assistant III | | | |
| 1 Management Analyst III | 2 Business Analysts II | 1 Administrative Assistant II | | | |
| 4 Accountants III | 1 Business Analyst I | 1 Administrative Associate | | | |
| 3 Accountants II | 1 Network Analyst I | | | | |
| TOTAL POSITIONS | | | | | |
| 26 Positions / 26.0 Staff Years | | | | | |

Department of Finance

Key Performance Measures

Goal

To continually maintain and improve the financial management systems used across the County in accordance with sound principles of internal control, minimizing inefficiencies or redundancies, and assuring the integrity of data used by the public, the governing body, and County managers.

Objectives

- ◆ To improve compliance and financial support activities in County agencies by facilitating the access to, and the implementation of, services and automated tools that resolve 88 percent of the issues identified as needing improvement.
- ◆ To ensure that 98 percent of bank accounts are reconciled within 30 days.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|---|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Output: | | | | | |
| Agency compliance and/or program support assessments completed (1) | 19 | 30 | 30 / 34 | 30 | 35 |
| Average monthly bank transactions reconciled and resolved within established timeframe (2) | 40,689 | 45,759 | 44,010 / 47,296 | 48,715 | 50,176 |
| Efficiency: | | | | | |
| Staff hours per agency compliance assessment and/or program support effort | 53 | 43 | 43 / 41 | 41 | 41 |
| Staff hours per 100 bank transactions | 1.66 | 1.32 | 1.40 / 1.20 | 1.20 | 1.15 |
| Service Quality: | | | | | |
| Average customer satisfaction rating of assessment and/or program support implementation effort | 91% | 90% | 90% / 95% | 92% | 92% |
| Percent change of items requiring reconciliation | (1.60%) | (0.60%) | 0.50% / 0.10% | 0.10% | 0.10% |
| Outcome: | | | | | |
| Percent of agency compliance assessment issues resolved and/or support efforts completed | 95% | 86% | 86% / 88% | 88% | 88% |
| Percent of bank accounts reconciled within 30 days | 93% | 96% | 96% / 98% | 98% | 98% |

(1) In FY 2005 a fuller range of efforts to improve compliance was documented, including training to improve compliance and facilitating access to financial services and automated tools. This change accounts for the significant increase in actual output for FY 2005.

(2) Increased banking activities have resulted in increased bank transactions reconciled and resolved within established timeframe.

Department of Finance

Performance Measurement Results

A multi-year program decentralizing certain financial support functions, such as accounts payable operations, has produced greater efficiency and service enhancements. To assist County agencies in these functions, the Department of Finance introduced financial policies, procedures and forms in electronic format and available to all desktop users. A key element of decentralization is systematic and effective review of compliance with County policy and sound internal controls. The department compliance team exceeded its FY 2006 goal and is on course to achieve similar results in FY 2007 and FY 2008. The department is delivering more timely policies and procedures facilitating management oversight to enable agencies to automate for improved efficiency. The National Association of Counties, in FY 2006, recognized one such effort involving travel support for its innovative approach.

Investing and Cash Flow Management

| Funding Summary | | | | | |
|----------------------------------|-------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Category | FY 2006 Actual | FY 2007 Adopted Budget Plan | FY 2007 Revised Budget Plan | FY 2008 Advertised Budget Plan | FY 2008 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 8/ 8 | 8/ 8 | 8/ 8 | 8/ 8 | 8/ 8 |
| Total Expenditures | \$646,074 | \$613,326 | \$619,510 | \$626,333 | \$626,333 |

| Position Summary | | | | | |
|--------------------------------------|-----------------|---|-----------------------------|---|---------------------|
| 1 | Deputy Director | 1 | Investment Manager | 3 | Investment Analysts |
| 2 | Accountants II | 1 | Administrative Assistant II | | |
| TOTAL POSITIONS | | | | | |
| 8 Positions / 8.0 Staff Years | | | | | |

Key Performance Measures

Goal

To manage all bank relationships and cash for County agencies in order to ensure the prudent and safe investment of financial assets, maximize interest income, and fund financial obligations.

Objectives

- ◆ To ensure that 98 percent of banking services fully meet customer expectations.
- ◆ To securely invest cash assets in order to meet daily cash flow requirements and to earn a rate of return that is at least 95 percent of industry-standard yield.
- ◆ To manage funds so that the target cash balance is met 100 percent of the time.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|---|--------------------|-------------------|----------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Output: | | | | | |
| Banking service transactions processed | 160 | 148 | 176 / 203 | 176 | 175 |
| Annual portfolio return achieved (1) | 1.0% | 2.0% | 3.6% / 4.2% | 5.0% | 4.5% |
| Total cash payment transactions conducted (2) | 1,823 | 1,736 | 1,625 / 1,704 | 1,700 | 1,650 |

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| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|--|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Efficiency: | | | | | |
| Staff hours per 100 banking service transactions | 183 | 180 | 180 / 180 | 180 | 180 |
| Work years per 100 investment transactions | 0.6 | 0.6 | 0.6 / 0.6 | 0.6 | 0.6 |
| Staff hours per 1,000 cash flow transactions | 36.0 | 35.0 | 35.0 / 35.0 | 35.0 | 35.0 |
| Service Quality: | | | | | |
| Percent of customer satisfaction | 95% | 96% | 96% / 98% | 98% | 98% |
| Percent of investment transactions in compliance with policy guidelines (i.e., without need of exception approval) | 100.0% | 100.0% | 99.5% / 100.0% | 99.5% | 99.5% |
| Percent of days the un-invested cash balance does not fall outside target range | 98% | 100% | 97% / 100% | 98% | 98% |
| Outcome: | | | | | |
| Percent of timely bank services fully meeting customer expectations | 98% | 98% | 98% / 98% | 98% | 98% |
| Percent of industry-standard yield achieved | 111% | 106% | 95% / 104% | 95% | 95% |
| Percent of days target cash balance was met | 100% | 100% | 100% / 100% | 100% | 100% |

(1) Increases achieved in annual portfolio return are directly linked to the rise in the Federal Funds rate.

(2) Measures transfer activity. In FY 2008 a minor reduction is anticipated as the agency implements new tools for moving money between accounts.

Performance Measurement Results

The number of banking services transactions fluctuates year-to-year with little predictability. The department responds to numerous requests for banking services, ranging from establishment of deposit accounts to creation of complex credit card acceptance agreements. Regardless of the number of actions, County agencies expect and receive timely and thorough responses to their needs.

Prudent management of invested funds has been assured through rigorous compliance to the policy prescribed by senior County management. In FY 2006, the Association of Public Treasurers of the U.S. and Canada certified that policy, making Fairfax County the only county in the U.S. to receive certification in that year. In FY 2006, the investment climate was more robust than the market expected. Following the County's primary focus on safety and liquidity, investment operations successfully met all cash flow requirements while assuring that available funds were invested productively within carefully monitored policy guidelines. The department's continued close management of the investment portfolio in FY 2006 enhanced County revenue while being fully faithful to the tenets of sound financial stewardship.

Department of Finance

Accounting and Financial Reporting

| Funding Summary | | | | | |
|----------------------------------|--------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Category | FY 2006 Actual | FY 2007 Adopted Budget Plan | FY 2007 Revised Budget Plan | FY 2008 Advertised Budget Plan | FY 2008 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 14/ 14 | 14/ 14 | 14/ 14 | 14/ 14 | 14/ 14 |
| Total Expenditures | \$3,325,522 | \$3,448,030 | \$3,448,030 | \$3,471,770 | \$3,471,770 |

| Position Summary | | | | | |
|--|-------------------|----------------|--|--|--|
| 1 Chief, Finance Division | 4 Accountants III | 1 Accountant I | | | |
| 3 Financial Reporting Managers | 5 Accountants II | | | | |
| TOTAL POSITIONS | | | | | |
| 14 Positions / 14.0 Staff Years | | | | | |

Key Performance Measures

Goal

To provide technical accounting oversight and guidance to County agencies to ensure that generally accepted accounting procedures, legal requirements, and County policies and procedures are consistently applied; to maintain the integrity of the County's accounting records; and to satisfy fully all reporting requirements.

Objectives

- ◆ To provide technical oversight of accounting records by reviewing and analyzing financial records of all County agencies so that the County earns an unqualified audit opinion.
- ◆ To satisfy 100 percent of mandated requirements for all audited financial reports compiled, completed and issued by the Department of Finance.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|---|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Output: | | | | | |
| Fund/agency accounts reviewed and analyzed | 138 | 140 | 143 / 142 | 139 | 139 |
| Mandated reports issued | 6 | 6 | 6 / 6 | 6 | 6 |
| Efficiency: | | | | | |
| Staff hours per report issued (1) | 1,532 | 1,195 | 1,200 / 1,074 | 1,075 | 1,075 |
| Staff hours per account reviewed and analyzed | 62 | 69 | 68 / 72 | 72 | 72 |
| Service Quality: | | | | | |
| Percent of accounts requiring no year-end adjustment | 95% | 96% | 95% / 93% | 95% | 95% |
| Awarded the Government of Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting | Yes | Yes | Yes / Yes | Yes | Yes |
| Outcome: | | | | | |
| Unqualified audit opinions | Yes | Yes | Yes / Yes | Yes | Yes |

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| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|--|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Outcome: | | | | | |
| Percent of mandated requirements satisfied for all audited financial reports issued by the Department of Finance (2) | 100% | 100% | NA / 100% | 100% | 100% |

(1) Through continued automation and extensive planning, the time required to produce financial reports has been greatly reduced since FY 2004.

(2) New indicator.

Performance Measurement Results

The County met all statutory, regulatory, and external mandates for timely, comprehensive financial reporting in FY 2006. The FY 2005 Comprehensive Annual Financial Report (the most recent report) was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the U.S. and Canada, a peer review recognition of the high quality of this product. This was the 29th consecutive year Fairfax County earned this distinction.

Payment of Countywide Obligations

| Funding Summary | | | | | |
|----------------------------------|--------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| Category | FY 2006 Actual | FY 2007 Adopted Budget Plan | FY 2007 Revised Budget Plan | FY 2008 Advertised Budget Plan | FY 2008 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 20/ 20 | 20/ 20 | 21/ 21 | 21/ 21 | 21/ 21 |
| Total Expenditures | \$1,101,109 | \$1,009,880 | \$1,016,332 | \$1,029,624 | \$1,029,624 |

| Position Summary | | | | | |
|--|-------------------------------|---------------------------------|--|--|--|
| 1 Chief, Finance Division | 2 Accountants II | 4 Administrative Assistants IV | | | |
| 1 Financial Reporting Manager | 1 Accountant I | 4 Administrative Assistants III | | | |
| 1 Management Analyst III | 1 Business Analyst II | 1 Administrative Assistant II | | | |
| 1 Accountant III | 3 Administrative Assistants V | 1 Administrative Associate | | | |
| TOTAL POSITIONS | | | | | |
| 21 Positions / 21.0 Staff Years | | | | | |

Key Performance Measures

Goal

To provide guidance and oversight in fiscal management practices in order to maintain the highest level of accountability and to provide accurate and timely financial performance information to County agencies and external customers.

Objectives

- ◆ To provide analysis, training and customer support to decentralized accounts payable operations to ensure payments initiated by County agencies comply with County policies; to obtain available discounts for prompt payments; and to ensure that at least 99 percent of obligations are paid accurately and on time.
- ◆ To increase processing efficiency by at least 5 percent by developing and implementing electronic commerce initiatives associated with accounts payable and payment production programs.

Department of Finance

- ◆ To produce checks and electronic transfers in payment of County obligations on or before the authorized payment date at least 99 percent of the time.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|--|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2004 Actual | FY 2005 Actual | FY 2006 Estimate/Actual | FY 2007 | FY 2008 |
| Output: | | | | | |
| Adjustments or corrections to payment transactions | 3,932 | 3,435 | 3,378 / 3,528 | 3,493 | 3,423 |
| Checks and electronic payments initiated | 324,274 | 309,208 | 299,932 / 331,484 | 334,799 | 338,147 |
| Payments processed utilizing e-commerce initiatives (1) | 11,491 | 23,168 | 27,802 / 34,930 | 35,978 | 37,777 |
| Efficiency: | | | | | |
| Staff hours of proactive data analysis per adjustment or correction | 0.36 | 0.42 | 0.41 / 0.41 | 0.41 | 0.41 |
| Cost per payment (check or transfer) | \$0.489 | \$0.479 | \$0.515 / \$0.472 | \$0.470 | \$0.464 |
| Staff hours used to research, develop and implement e-commerce payments | 0.45 | 0.21 | 0.21 / 0.20 | 0.20 | 0.20 |
| Service Quality: | | | | | |
| Percent of customers fully satisfied with service provided | 94.0% | 96.0% | 97.0% / 97.0% | 97.0% | 97.0% |
| Percent of payments issued by due date (2) | 99.8% | 98.0% | 99.0% / 95.0% | 97.0% | 99.0% |
| Percent of agencies fully satisfied with e-commerce initiatives | 95% | 96% | 97% / 96% | 97% | 97% |
| Outcome: | | | | | |
| Percent change of countywide obligations paid without requiring adjustment or correction | 98.3% | 98.5% | 99.0% / 95.0% | 99.0% | 99.0% |
| Percent change in processing efficiency resulting from use of e-commerce | 4.3% | 5.0% | 5.0% / 4.3% | 5.0% | 5.0% |
| Percent of payees rating payment system fully satisfactory | 96% | 97% | 98% / 100% | 99% | 99% |

(1) FY 2005 experienced a significant increase in the use of electronic payments as a result of the new travel policy requirement to pay travel reimbursements electronically.

(2) Data for FY 2004 and FY 2005 are not directly comparable to that of current collection systems; a restatement for these earlier years' results would show somewhat lower on-time payment rates.

Performance Measurement Results

The accounts payable and check-writing operations are joined in a common business area to capture the benefits of enhanced teamwork and to facilitate future process reengineering. In FY 2006, the department continued to expand its initiatives of converting invoice processing and check issuance to more efficient electronic image handling and electronic payment methods. Significant progress was made on a project to further automate the accounts payable process, reducing costs of invoice processing and improving efficiency. In addition to increasing customer acceptance of these modern payment techniques, opportunities were identified to introduce electronic payments as a standard rather than an option.