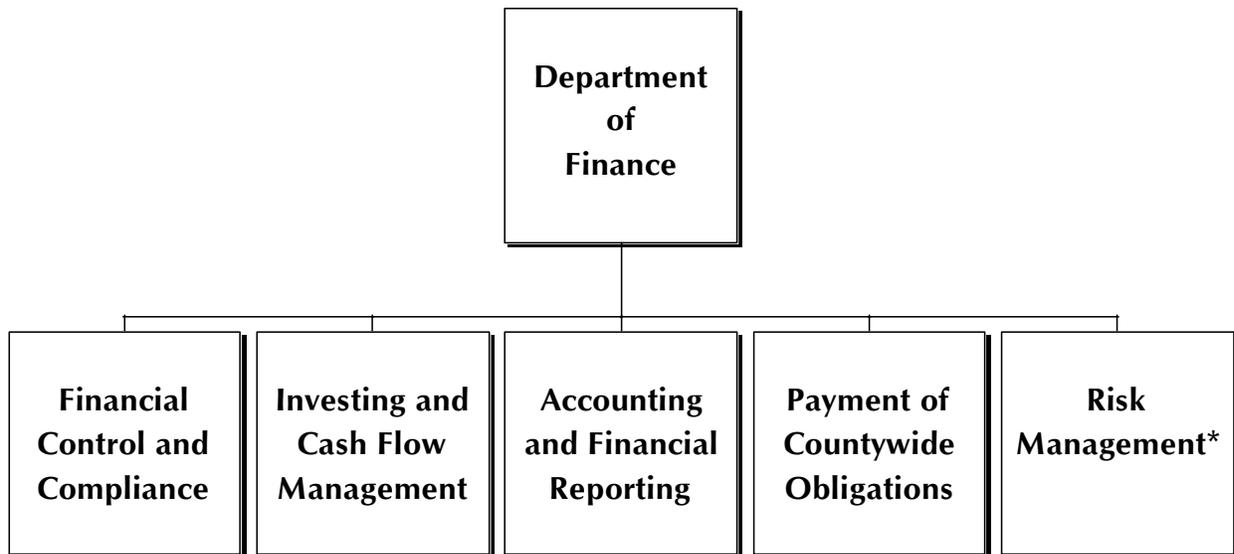


Department of Finance



* 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.

THINKING STRATEGICALLY

Strategic issues for the department include:

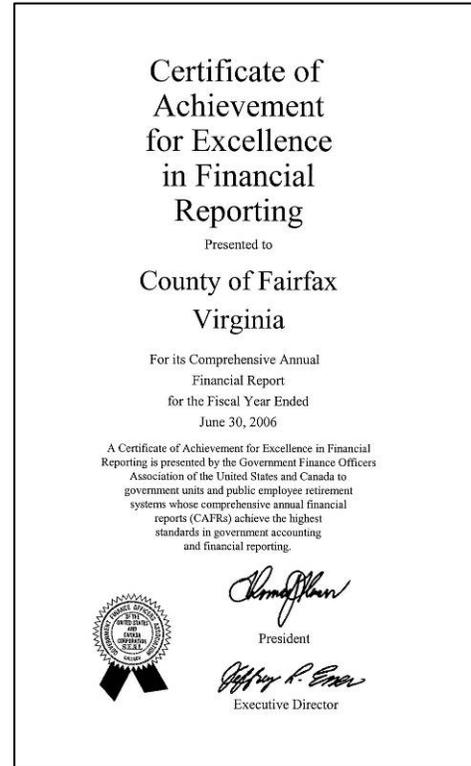
- o Enabling cost reductions in the payment of countywide obligations through implementation of invoice scanning and enhanced electronic document routing, approval, filing and retrieval systems;
- o Sharing technical expertise and assuring compliance with County policies and sound financial practices;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

Department of Finance

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

- ◆ Partnering with other County departments to make the most efficient use of resources is essential to achieving related objectives.
- ◆ 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;
- ◆ Changes in countywide requirements and priorities, federal and state legislation, and regulatory mandates require a flexible, responsive organization; and
- ◆ Customers expect and deserve high quality service and access to the most advanced technology available.

In FY 2009, 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 returns.



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

 Exercising Corporate Stewardship	Recent Success	FY 2009 Initiative
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.	☑	☑
Reduced costs by replacing labor-intensive payables processes with centralized, automated systems.	☑	
Increase revenue and reduce costs by utilizing electronic deposits of checks.	☑	☑
Reduce future costs by implementing a program to manage trust assets so as to preserve the ability of the trust to meet future obligations.	☑	☑
Increase the efficiency of administrative processes by developing a comprehensive plan to integrate personnel, budget, purchasing, and financial records in a single information management system.	☑	☑

Department of Finance

Budget and Staff Resources

Agency Summary					
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	69/ 69	69/ 69	69/ 69	69/ 69	69/ 69
Expenditures:					
Personnel Services	\$3,964,094	\$4,656,069	\$4,608,800	\$4,703,655	\$4,756,190
Operating Expenses	4,940,168	4,799,590	5,516,056	5,399,590	5,399,590
Capital Equipment	0	0	0	0	0
Subtotal	\$8,904,262	\$9,455,659	\$10,124,856	\$10,103,245	\$10,155,780
Less:					
Recovered Costs	(\$500,908)	(\$551,697)	(\$751,697)	(\$751,697)	(\$751,697)
Total Expenditures	\$8,403,354	\$8,903,962	\$9,373,159	\$9,351,548	\$9,404,083
Income:					
State Shared Finance Expenses	\$394,889	\$395,805	\$404,761	\$404,761	\$404,761
State Shared Retirement - Finance	12,132	12,245	12,435	12,435	12,435
Total Income	\$407,021	\$408,050	\$417,196	\$417,196	\$417,196
Net Cost to the County	\$7,996,333	\$8,495,912	\$8,955,963	\$8,934,352	\$8,986,887

FY 2009 Funding Adjustments

The following funding adjustments from the FY 2008 Revised Budget Plan are necessary to support the FY 2009 program:

- ◆ **Employee Compensation** **\$144,927**
 An increase of \$144,927 in Personnel Services associated with salary adjustments necessary to support the County's compensation program. As a result of budget constraints, compensation adjustments for County employees have been reduced. For FY 2009, employee increases as part of the pay for performance system have been discounted by 50 percent and the impact of the lower pay for performance funding is reflected above.
- ◆ **Personnel Services Reduction** **(\$97,341)**
 A decrease of \$97,341 in Personnel Services as part of an across-the-board reduction to meet budget limitations based on available revenues as a result of a continued softening of the residential real estate market.
- ◆ **Other Adjustments** **(\$116,466)**
 A decrease of \$116,466 in Operating Expenses due to the carryover of one-time expenses as part of the FY 2007 Carryover Review.

Department of Finance

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2009 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2008:

- ◆ **Pay for Performance** **\$66,043**
An increase of \$66,043 in Personnel Services is associated with the decision by the Board of Supervisors to eliminate the 50 percent reduction to employee increases as part of the pay for performance system. A reduction to pay for performance increases had been proposed in the FY 2009 Advertised Budget Plan due to budget constraints. However, as a result of the Board's decision, employees will be eligible for the full compensation increase for which they qualify based on performance.
- ◆ **Reduction in Limited-Term Funding** **(\$13,508)**
A decrease of \$13,508 in Personnel Services is associated with a reduction in funding for limited-term support based on budget limitations.

Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ **Carryover Adjustments** **\$516,466**
As part of the *FY 2007 Carryover Review*, the Board of Supervisors approved encumbered funding of \$116,466 in Operating Expenses. The remaining increase of \$400,000 is required for the County's annual financial audit, which is due to be rebid during FY 2008. Increasingly complex accounting requirements involving greater compliance, oversight and corporate stewardship have generated an accounting industry demand for higher compensation. It should be noted that this audit-related adjustment includes an increase of \$600,000 in Operating Expenses partially offset by an increase of \$200,000 in Recovered Costs.

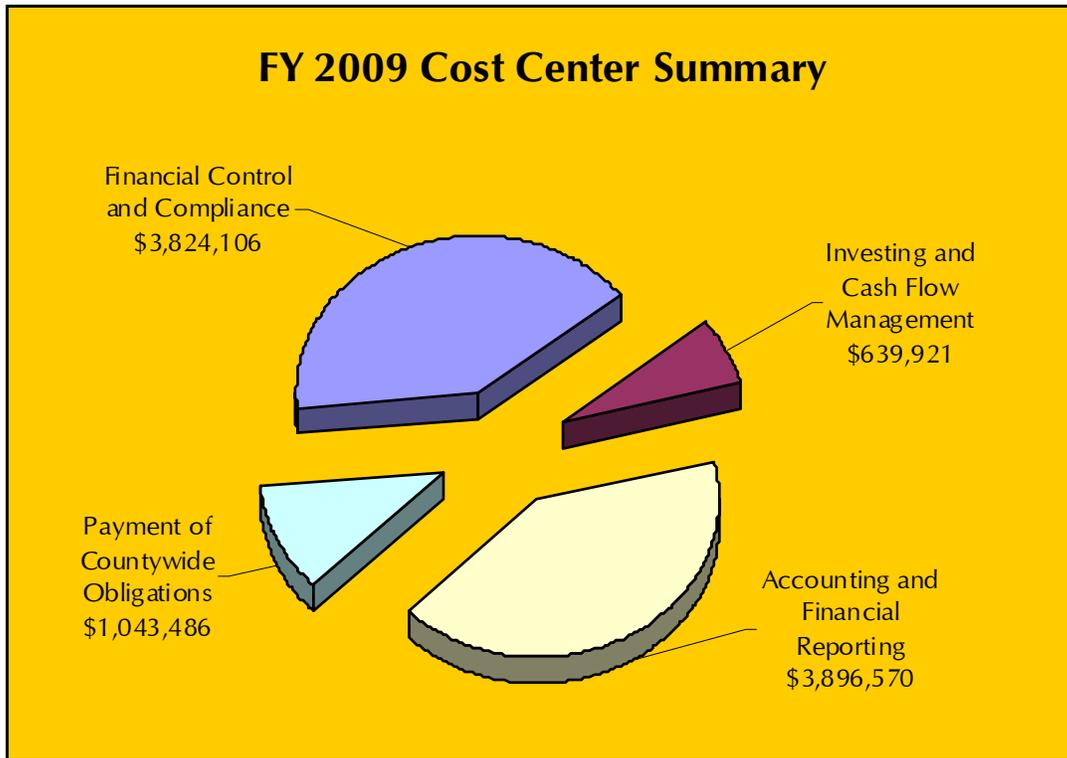
The following funding adjustments reflect all approved changes to the FY 2008 Revised Budget Plan from January 1, 2008 through April 21, 2008. Included are all adjustments made as part of the FY 2008 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **(\$47,269)**
As part of the *FY 2008 Third Quarter Review*, the Board of Supervisors approved a decrease of \$47,269 in Personnel Services as part of an across-the-board reduction necessary to address budget limitations resulting from declining revenues. This adjustment accelerated the Personnel Services reduction included for FY 2009 in the FY 2009 Adopted Budget Plan.

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 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	26/ 26	26/ 26	26/ 26	26/ 26	26/ 26
Total Expenditures	\$3,277,567	\$3,776,235	\$3,798,567	\$3,799,158	\$3,824,106

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	4 Business Analysts III	1 Administrative Assistant III			
1 Management Analyst III	2 Business Analysts II	1 Administrative Assistant II			
3 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 access to, and 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 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
Output:					
Agency compliance and/or program support assessments completed	30	34	30 / 33	34	41
Average monthly bank transactions reconciled and resolved within established timeframe (1)	45,759	47,296	48,715 / 43,540	41,581	39,710
Efficiency:					
Staff hours per agency compliance assessment and/or program support effort	43	41	41 / 42	42	39
Staff hours per 100 bank transactions	1.32	1.20	1.20 / 1.10	1.05	1.02
Service Quality:					
Average customer satisfaction rating of assessment and/or program support implementation effort	90%	95%	92% / 93%	92%	92%
Percent change of items requiring reconciliation (2)	(0.60%)	0.10%	0.10% / (0.30%)	0.10%	0.10%
Outcome:					
Percent of agency compliance assessment issues resolved and/or support efforts completed	86%	88%	88% / 87%	88%	88%
Percent of bank accounts reconciled within 30 days	96%	98%	98% / 100%	98%	98%

(1) The increased use of Automated Clearing House (ACH) services, which consolidates transactions, has resulted in a significant decrease in the number of bank transactions to be reconciled in FY 2007. The use of ACH services is anticipated to increase in future years.

(2) The substantial reduction in percentage of items requiring reconciliation in FY 2007 is the result of a concerted effort to train user departments on correct postings to the general ledger system.

Department of Finance

Performance Measurement Results

A multi-year program of decentralizing certain financial support functions, such as accounts payable operations, has produced cost savings and service enhancements. To assist County agencies in these functions, financial policies, procedures and forms have been introduced in electronic format, available to all users on desktop systems. A key element of decentralization is systematic and effective review of compliance with County policy and sound internal controls. A compliance team has exceeded its FY 2007 goals and is on course to do the same in FY 2008. Policies and procedures which facilitate management oversight are being delivered more timely through outreach efforts that enable agencies to adopt greater efficiencies through automation. A highly successful management information tool recently implemented to facilitate analysis of financial information is being expanded to deliver similar efficiencies to payroll, purchasing, and budget data analysis.

The department made additional progress in extending to residents convenient new payment methods. The ability to remit payments to the County by credit card and electronic check has been widely accepted and use of these tools is growing. In addition to user convenience, the County has captured significant efficiencies in recording payments and has strengthened controls in revenue collection processes.

Investing and Cash Flow Management

Funding Summary					
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	8/8	8/8	8/8	8/8	8/8
Total Expenditures	\$653,181	\$626,333	\$645,516	\$631,962	\$639,921

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 100 percent of industry-standard yield.
- ◆ To manage funds so that the target cash balance is met 100 percent of the time.

Department of Finance

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
Output:					
Banking service transactions processed	148	203	176 / 165	175	175
Annual portfolio return achieved	2.0%	4.2%	5.0% / 5.1%	3.0%	2.5%
Total cash payment transactions conducted	1,736	1,704	1,700 / 1,650	1,650	1,650
Efficiency:					
Staff hours per 100 banking service transactions	180	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	35.0	35.0	35.0 / 35.0	35.0	35.0
Service Quality:					
Percent of customer satisfaction	96%	98%	98% / 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	100%	100%	98% / 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	106%	104%	95% / 106%	100%	100%
Percent of days target cash balance was met	100%	100%	100% / 100%	100%	100%

Performance Measurement Results

The number of banking services transactions fluctuates year-to-year with little predictability. In FY 2006, for example, a large turnover of administrators in the public schools called for an unusually large number of account modifications. 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 was assured through rigorous compliance with policy prescribed by senior County management. In FY 2007, that policy was the subject of peer review by the Association of Public Treasurers of the U.S. and Canada and it was awarded the association's Investment Policy Certificate of Excellence. In late FY 2007, the investment climate was negatively affected by credit markets in general and the mortgage sector in particular. 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. Continued close management of the investment portfolio in FY 2007 produced revenue enhancement that is fully faithful to the tenets of sound financial stewardship.

Department of Finance

Accounting and Financial Reporting

Funding Summary					
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	14/ 14	14/ 14	15/ 15	15/ 15	15/ 15
Total Expenditures	\$3,309,605	\$3,471,770	\$3,863,952	\$3,882,060	\$3,896,570

Position Summary					
1	Chief, Finance Division	5	Accountants III	1	Accountant I
3	Financial Reporting Managers	5	Accountants II		
TOTAL POSITIONS					
15 Positions / 15.0 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 FY 2008	Future Estimate FY 2009
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual		
Output:					
Fund/agency accounts reviewed and analyzed	140	142	139 / 144	139	144
Mandated reports issued	6	6	6 / 6	6	6
Efficiency:					
Staff hours per report issued	1,195	1,074	1,075 / 1,030	1,075	1,200
Staff hours per account reviewed and analyzed	69	72	72 / 77	72	71
Service Quality:					
Percent of accounts requiring no year-end adjustment	96%	93%	95% / 94%	95%	95%
Awarded the Government of Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	Yes	Yes	Yes / Yes	Yes	Yes

Department of Finance

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
Outcome:					
Unqualified audit opinions	Yes	Yes	Yes / Yes	Yes	Yes
Percent of mandated requirements satisfied for all audited financial reports issued by the Department of Finance	100%	100%	100% / 100%	100%	100%

Performance Measurement Results

The County met all statutory, regulatory, and external mandates for timely, comprehensive financial reporting in FY 2007. The FY 2006 Comprehensive Annual Financial 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 30th consecutive year Fairfax County earned this distinction.

Payment of Countywide Obligations

Funding Summary					
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	21/ 21	21/ 21	20/ 20	20/ 20	20/ 20
Total Expenditures	\$1,163,001	\$1,029,624	\$1,065,124	\$1,038,368	\$1,043,486

Position Summary					
1 Chief, Finance Division	2 Accountants II	4 Administrative Assistants IV			
1 Financial Reporting Manager	1 Accountant I	3 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					
20 Positions / 20.0 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 the authorized payment date at least 99 percent of the time.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
Output:					
Adjustments or corrections to payment transactions	3,435	3,528	3,493 / 3,221	3,253	3,285
Checks and electronic payments initiated	309,208	331,484	334,799 / 300,008	303,008	306,038
Payments processed utilizing e-commerce initiatives	23,168	34,930	35,978 / 39,147	39,930	40,729
Efficiency:					
Staff hours of proactive data analysis per adjustment or correction	0.42	0.41	0.41 / 0.16	0.20	0.22
Cost per payment (check or transfer)	\$0.479	\$0.472	\$0.470 / \$0.460	\$0.520	\$0.520
Staff hours used to research, develop and implement e-commerce payments (1)	0.21	0.20	0.20 / 0.16	0.19	0.21
Service Quality:					
Percent of customers fully satisfied with service provided	96.0%	97.0%	97.0% / 97.0%	97.0%	97.0%
Percent of payments issued by due date	98.0%	95.0%	97.0% / 97.0%	97.0%	97.0%
Percent of agencies fully satisfied with e-commerce initiatives	96%	96%	97% / 100%	97%	97%
Outcome:					
Percentage of countywide obligations paid without requiring adjustment or correction	98.5%	95.0%	99.0% / 99.0%	99.0%	99.0%
Percent change in processing efficiency resulting from use of e-commerce	5.0%	4.3%	5.0% / 8.2%	5.0%	5.0%
Percent of payees rating payment system fully satisfactory	97%	100%	99% / 100%	99%	99%

(1) The significant reduction in staff hours per adjustment or correction in FY 2007 was the result of improvements in analysis of Automated Clearing House (ACH) exceptions.

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 2007, the department launched an initiative to streamline the routing and approval of invoices and other documents leading to payments. In addition to important processing efficiencies, the system will enhance the County's ability to pursue aggressively all available vendor discounts. Also in FY 2007, the Department implemented new processes to comply with Internal Revenue Service reporting regulations. These processes eliminate highly manual routines and avoid common errors that lead to delays, duplication, and unnecessary costs.