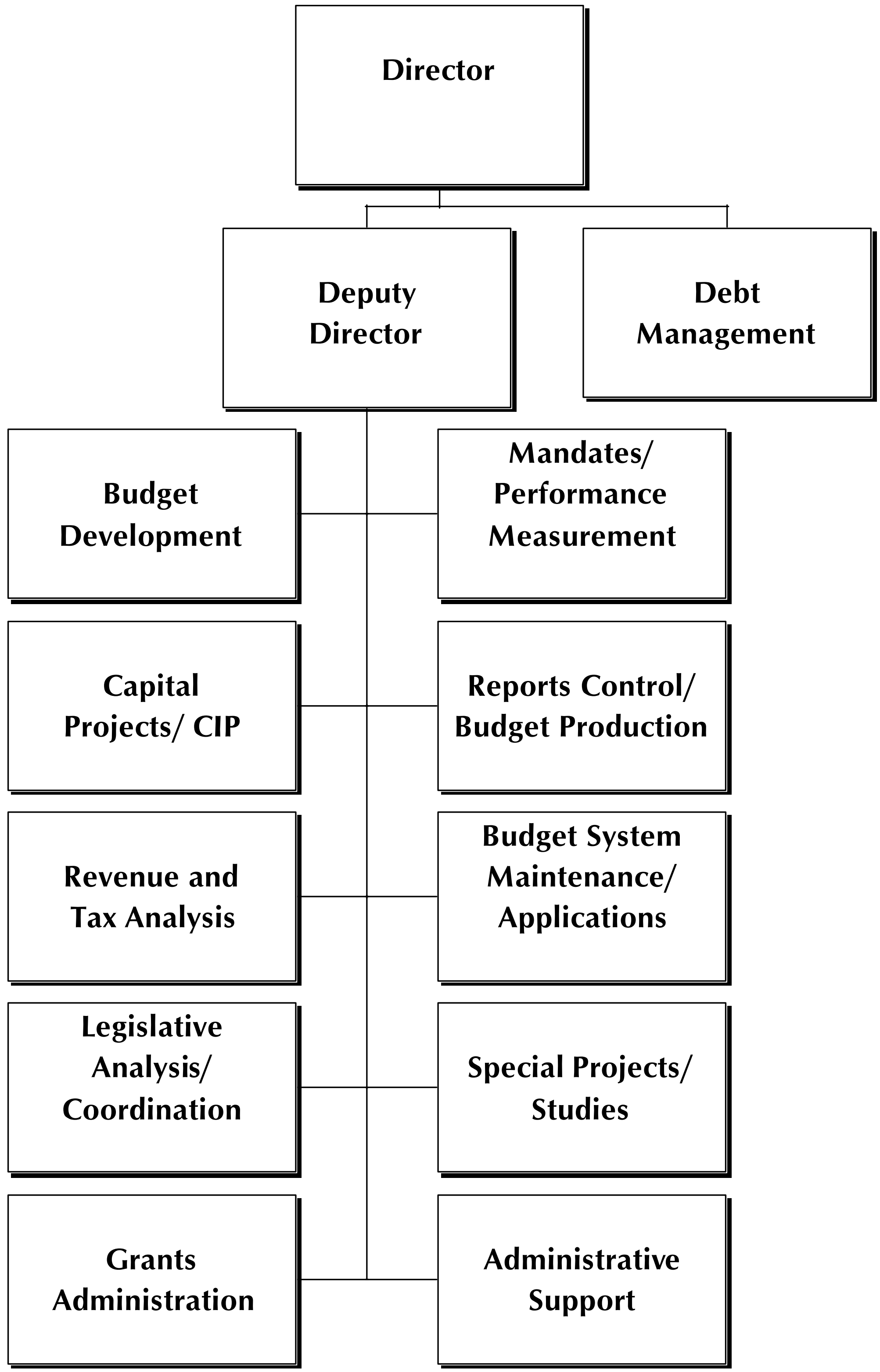
Department of Management and Budget



Mission

To provide financial and analytical consultant services; develop, implement and monitor a financial plan; and produce information for Fairfax County agencies, the Board of Supervisors, the County Executive and residents in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making.

Focus

The Department of Management and Budget (DMB) is chiefly responsible for coordination of the County's annual budget process, which includes the financial forecast, development of budget guidelines, review of agency requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors and preparation of the Adopted Budget Plan, which exceeds $5 billion for all funds, including over $3 billion for General Fund Disbursements.

However, the role of the agency extends considerably beyond budget preparation. DMB oversees the sale of bonds to fund the majority of the County's capital program, including school construction. Staff coordinates special financings in order for the County to take advantage of opportunities to provide critical facilities in a timely, cost-effective manner. In addition, the department is the lead agency responsible for coordination and development of the County's Capital Improvement Program (CIP). Providing fiscal impact analysis for proposed legislation and coordinating requests for federal legislation are other important functions that this agency addresses.

THINKING STRATEGICALLY

Strategic issues for the department include:

- Enhancing service to both internal and external customers, taking into account changing demographics and technology improvements;
- Promoting effective communication both within and outside of County government;
- Developing collaborative relationships to improve performance;
- Providing consultation in areas of DMB expertise;
- Leveraging technology to improve operations as well as support customers;
- Continuing to evaluate and streamline processes; and
- Supporting efforts to attract and retain talented individuals to meet future workforce needs of a high performance organization.

DMB also coordinates the County's performance measurement program and other managing for results activities. This includes overseeing the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 14 service areas are benchmarked annually and comparisons of efficiency and effectiveness are included in the annual budget document. In October 2007, Fairfax County was awarded ICMA's Certificate of Distinction, their highest level of recognition. Only 24 of more than 200 jurisdictions participating in ICMA's Center for Performance Measurement earned the prestigious Certificate of Distinction in 2007. In addition, Fairfax County was one of only 21 jurisdictions in the United States and Canada that received the Government Finance Officers Association (GFOA) "Special Performance Measures Recognition" in 2007.

Based on direction from the Board of Supervisors, DMB took steps to develop an even more robust mandates program in order to collect and share information regarding the impact of federal and state mandates on Fairfax County's budget. The trend continues to be one of increasing directives from the federal and state governments, with no corresponding increase in revenue to support those mandates.

DMB continues to partner successfully with the Department of Human Resources and all agencies to integrate workforce planning into County business operations in order to ensure that appropriate staffing resources are available to achieve strategic goals and objectives. This proactive focus enables the County to anticipate needs and collaborate on the most cost-effective means of meeting those needs. To further support future workforce needs, DMB coordinates a countywide college internship program to attract talented students and provide training and development opportunities that will both encourage and position these individuals to pursue a career with Fairfax County. Trends indicate that the County will face a significant loss of staff over the coming years as "baby boomers" retire, so it is necessary to take steps now to increase the pool of dedicated professionals who view a career with Fairfax County as a desirable alternative to other options such as the private sector.

As a growing and increasingly diverse community, Fairfax County faces significant budget challenges regarding increasing demands for services, as well as how to fund them. The County's population exceeds that of seven states, while its budget is larger than four states. In addition to requirements associated with population growth, Fairfax County's budget has been impacted by external factors such as restrictions on revenue diversification that severely limit the County's flexibility in addressing budget requirements and also continue to place a disproportionate burden on property owners, particularly residential taxpayers. At the same time, the County faces the dual challenges of maintaining an aging infrastructure, while addressing the needs of a growing population that requires additional facilities.

As a result of budget reductions in the past decade, DMB's authorized staffing level has been reduced by over 17 percent since FY 1996, presenting additional challenges to formulate the budget given the increasingly complex fiscal environment. To meet those challenges, DMB has leveraged technology extensively, redesigned and streamlined the budget process, and has also focused resources on expanding public access to essential information in order to afford residents a better understanding of their County government, as well as the services it offers and the role they can play in the budget process.

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

Building Livable Spaces	**Recent Success**	**FY 2009 Initiative**
Beginning with the FY 2008 Capital Improvement Program (CIP) process, DMB assumed the lead agency responsibility for coordination and development of the County's CIP. DMB staff will continue to work with County agencies seeking to build new or renovate existing facilities, and will coordinate with the Department of Planning and Zoning regarding the linkage between the CIP and the County's Comprehensive Plan, as well as ensure successful interface of the CIP with the County's annual budget.	☑	☑
Creating a Culture of Engagement	**Recent Success**	**FY 2009 Initiative**
Increased the number of meetings with community groups to enhance residents' understanding of the budget and the County's fiscal condition. Continued participation in Neighborhood Colleges sponsored by the Department of Systems Management for Human Services in order to provide an overview of the County's budget to citizens, as well as provide information on how they can more fully participate in the process.	☑	☑

Exercising Corporate Stewardship	Recent Success	FY 2009 Initiative
Recognizing the tremendous impact that federal and state mandates have on the County budget, DMB continued its efforts to track the costs of agency mandates. Furthermore, DMB continues to look for opportunities to minimize their impact on the County budget.	☑	☑
Supported Fairfax County's efforts to identify and successfully request funding in the federal budget to enhance the County's efforts in areas such as homeland security, transportation and public safety, among other countywide needs.	☑	☑

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	38/ 38	38/ 38	39/ 39	38/ 38	38/ 38
Expenditures:					
Personnel Services	$2,450,380	$2,869,876	$2,815,741	$2,719,191	$2,754,989
Operating Expenses	434,843	319,622	472,854	319,622	319,622
Capital Equipment	0	0	6,537	0	0
Total Expenditures	**$2,885,223**	**$3,189,498**	**$3,295,132**	**$3,038,813**	**$3,074,611**

Position Summary

0 Deputy County Executive (-1 T)	6 Budget Analysts IV	1 Programmer Analyst III
1 Director	1 Assistant Debt Manager	1 Network/Telecom. Analyst II
1 Deputy Director	1 Program & Procedures Coordinator	6 Budget Analysts II
1 Debt Manager	9 Budget Analysts III	2 Administrative Assistants V
4 Management and Budget Coordinators	2 Business Analysts III	2 Administrative Assistants III

TOTAL POSITIONS
38 Positions (-1 T) / 38.0 Staff Years (-1.0 T) **(T) Denotes Transferred Position**

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** **$87,964**

An increase of $87,964 in Personnel Services associated with salary adjustments is 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** **($60,004)**

A decrease of $60,004 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.

- **Position Realignments** **($178,645)**
  A decrease of $178,645 in Personnel Services associated with the transfer of 1/1.0 SYE Deputy County Executive position to the Office of the County Executive. Although this position continues to oversee the Department of Management and Budget, it is appropriate to reflect it in the Office of the County Executive to acknowledge the breadth of responsibility of the position, including its role as Chief Financial Officer of the County and the continued oversight of numerous County agencies.

- **Carryover Adjustments** **($159,769)**
  A decrease of $159,769 due to the carryover of one-time expenses as part of the *FY 2007 Carryover Review.*

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** **$42,344**
  An increase of $42,344 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** **($6,546)**
  A decrease of $6,546 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** **$159,769**
  As part of the *FY 2007 Carryover Review*, the Board of Supervisors approved encumbered carryover of $153,232 in Operating Expenses and $6,537 in Capital Equipment.

- **Position Adjustment** **$0**
  During FY 2008, the County Executive approved the redirection of 1/1.0 SYE position to the Department of Management and Budget to assist with the County's legacy system replacement project.

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** **($54,135)**
  As part of the *FY 2008 Third Quarter Review*, the Board of Supervisors approved a decrease of $54,135 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.

Key Performance Measures

Objectives

- To maintain a variance of 2.0 percent or less between estimated and actual General Fund revenues and expenditures.

- To achieve an interest rate of no greater than 5.00 percent on General Obligation bond sales, comparing favorably to other jurisdictions' sales.

Indicator	Prior Year Actuals FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	Current Estimate FY 2008	Future Estimate FY 2009
Output:					
Dollar value of budgets reviewed (in billions)	$4.62	$5.05	$5.25 / $5.42	$5.77	$6.07
Special financings conducted	5	1	3 / 3	3	3
Dollar value of special financings conducted (in millions)	$231.08	$40.60	NA / $90.04	NA	NA
General Obligation bond sales or refinances conducted (1)	1	1	2 / 1	1	1
Dollar value of General Obligation bond sales (in millions)	$185.40	$190.34	$239.54 / $234.60	$250.00	NA
Dollar value of General Obligation refundings (in millions)	$126.41	$353.24	NA / NA	NA	NA
Bond referenda	4	1	2 / 2	2	2
Active project negotiations for special financing	29	37	34 / 35	41	39
Efficiency:					
Budget Analysts per 1,000 population	1:43	1:44	1:44 / 1:42	1:45	1:45
Cost per $1,000 bonds issued	$3.18	$2.07	NA / $3.04	NA	NA
Service Quality:					
GFOA Distinguished Budget Presentation Award	Yes	Yes	Yes / Yes	Yes	Yes
Bond Ratings of AAA/Aaa/AAA (2)	Yes	Yes	Yes / Yes	Yes	Yes
Outcome:					
Percent variance in actual and projected revenues	1.2%	1.1%	2.0% / 0.4%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.4%	2.3%	2.0% / 2.1%	2.0%	2.0%
Interest rate for bond sale	3.56%	3.88%	5.00% / 4.12%	4.50%	4.50%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	$18.94	$8.96	NA / $9.42	NA	NA
Savings associated with refundings (in millions)	$8.18	$11.86	NA / NA	NA	NA

(1) For bond sale interest rate and savings, note that in some fiscal years, multiple bond sales were held, while in others, only one was held. The dollar value and interest rate for special financings and refundings cannot be projected as they do not take place unless the prevailing interest rates indicate it is favorable to undertake them. Therefore, while no projections are made for this category, actual results are reported.

(2) Fairfax County's Bond Ratings are determined by Moody’s, Standard & Poors, and Fitch Investors Service and represent the highest ratings that can be awarded for general obligation bonds. Ratings for special financings are lower based on credit issues unique to each financing, but benefit from the County's underlying general obligation bond rating.

Performance Measurement Results

A critical measure of accurate fiscal forecasting and careful budget management is minimal variance between projected and actual revenue and expenditures. The Department of Management and Budget (DMB) continues to be successful in projecting and managing the County’s budget to achieve minimal variance between projected and actual revenues and expenditures. During FY 2007, DMB exceeded the 2.0 percent target for revenue projections by achieving a variance of only 0.4 percent on a $3.3 billion General Fund Disbursements budget. The actual variance for expenditures of 2.1 percent was only slightly off the 2.0 percent target as County managers continued to manage prudently in order to generate savings.

Improving the efficiency of its operations has also been a major priority for DMB. In recent years, the agency has streamlined the budget process to eliminate non-value-added steps, while enhancing the quality of communication and accountability. As a result of its successful Budget Process Redesign, DMB has been able to take on additional and increased responsibilities associated with debt management/special financings, legislative requirements, coordination of the Capital Improvement Program (CIP), and other special projects related to the needs of a growing and diversifying community.

As a measure of the quality of its budget preparation, Fairfax County was awarded the Government Finance Officers Association’s Distinguished Budget Presentation Award by meeting rigorous criteria for the budget as a policy document, financial plan, operations guide and communications device for the 22nd consecutive year. In addition, the County received the additional award of Special Performance Measurement recognition. The County is one of only 21 jurisdictions in the U.S. and Canada to receive this recognition for its budget document. In October 2007, Fairfax County was awarded ICMA’s Certificate of Distinction, their highest level of recognition. Only 24 out of more than 200 jurisdictions participating in ICMA's Center for Performance Measurement initiative earned the prestigious Certificate of Distinction in 2007. In April 2008, Fairfax County received the received the “Excellence in Performance-Based Budgeting Award” for counties and cities in the United States from the Performance Institute. The award was presented at the 8th annual Performance Institute City and County Performance Summit in Las Vegas, Nevada. This award recognizes the best practices in city and county government in the country, emphasizing the efficacy of the County’s overall program and management of performance in achieving and reflecting efficiency, effectiveness and managing for results in its budget. The Department of Management and Budget will continue to build on this success for future budget documents in order to enhance the accountability, transparency and usefulness of the budget documents.

Through diligent fiscal management, Fairfax County is able to borrow at the most competitive rates available. The County continues to realize savings on bond sales based on its Triple A rating from all three rating houses, a distinction shared as of March 2008 by only 22 of 3,136 counties, 7 of 50 states and 23 of 19,452 cities nationally. Bond ratings are a measure of a government’s financial condition. It means that financial professionals have evaluated the County’s fiscal management practices over a period of time and have expressed confidence that Fairfax County is able to meet its scheduled interest and principal payments.

When DMB sells bonds on behalf of the County for capital facilities, the Triple AAA rating results in significant interest rate savings, including $9.42 million on a $234.60 million General Obligation bond sale during FY 2007. The County exceeded its interest rate estimate of 5.00 percent on that sale by achieving a rate of 4.12 percent. Since 1978, the Triple AAA rating has resulted in bond sale savings of more than $350 million. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for residents.