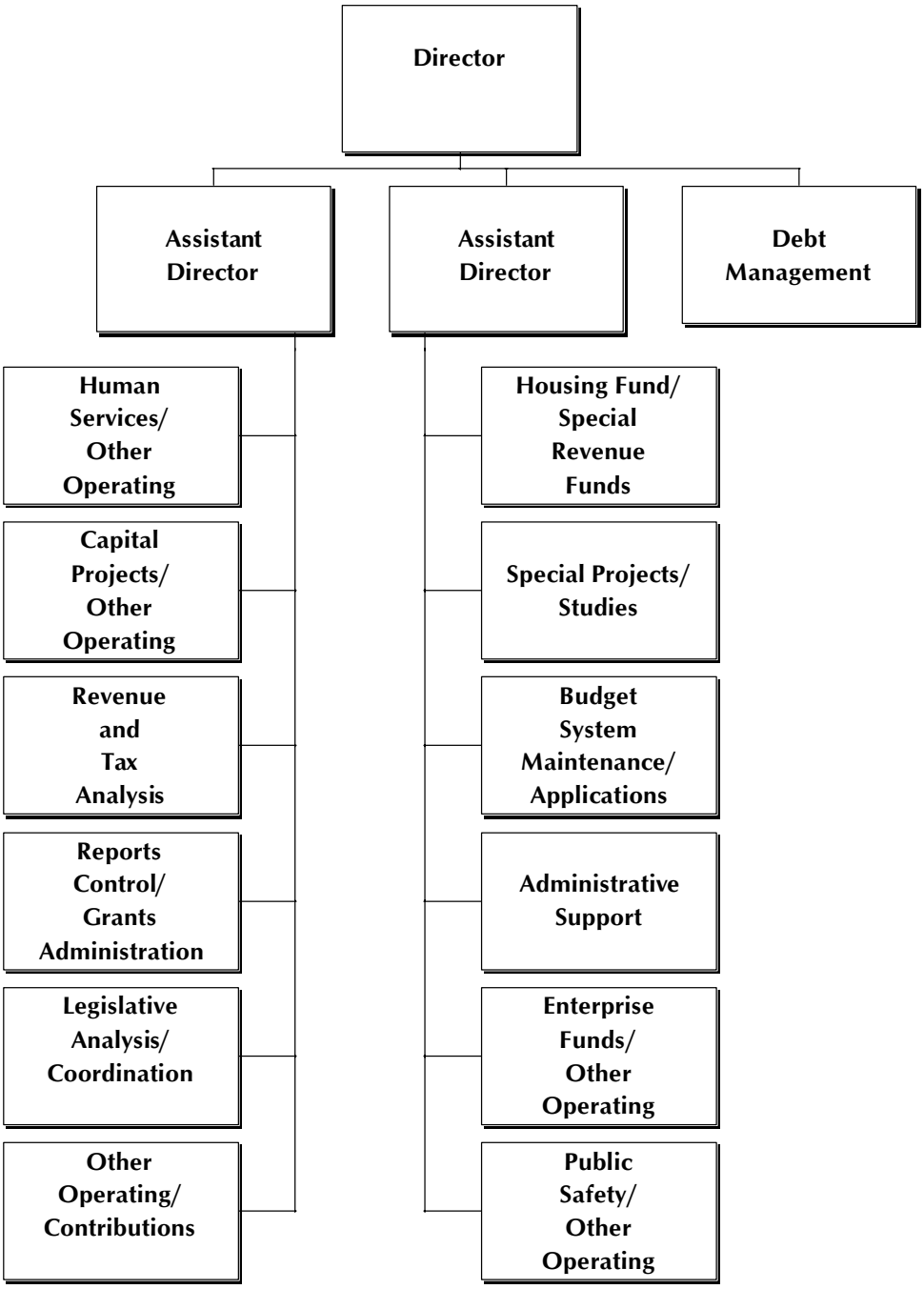
Department of Management and Budget



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 citizens 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. In addition, 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. Providing fiscal impact analysis for proposed legislation and coordinating requests for federal legislation are other important functions that this agency addresses.

DMB also coordinates the County's performance measurement program and other managing for results activities. This includes managing 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 September 2006, Fairfax County was awarded ICMA's Certificate of Distinction, their highest level of recognition. Only 16 of more than 150 jurisdictions participating in ICMA's Center for Performance Measurement earned the 2006 Certificate of Distinction. In making the award, ICMA noted, "Communities receiving the Certificate of Distinction have made even greater strides in incorporating performance measurement into the management of their jurisdictions."

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.

Based on direction from the Board of Supervisors, DMB took steps to develop an even more robust mandates program in order to capture 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. For FY 2007, the total program expenditure level impacted by federal and state mandates is $1,268 million, with offsetting revenue of $553 million, for a net cost to the County of $715 million.

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 will coordinate 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. In addition, 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 recent years, 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 enhanced 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, 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 2008 Initiative
Beginning with the FY 2008 Capital Improvement Program (CIP) process, DMB has assumed the lead agency responsibility for coordination and development of the County's CIP. DMB staff will 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 will ensure successful interface of the CIP with the County's annual budget.		☑
Creating a Culture of Engagement	**Recent Success**	**FY 2008 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 2008 Initiative
Partnered with the Department of Human Resources, Department of Finance, Department of Purchasing and Supply Management, and the Office of Internal Audit to evaluate the financial management component of the Emerging Leader course introduced in 2005 and made significant enhancements to improve the value of the training to County staff. Titled "Dollars and Sense," this course provides a comprehensive overview of Fairfax County's financial processes and emphasizes the importance of accountability and good stewardship of County resources.	☑	☑
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. During FY 2006, the program was enhanced in order to share information regarding the impact of mandates on County operations with other agencies through the introduction of a semiannual newsletter. On December 4, 2006, DMB also hosted the first in a series of several planned regional meetings with other local governments to discuss the impact unfunded mandates have on budgets and operations. 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 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	38/ 38	38/ 38	38/ 38	38/ 38
Expenditures:				
Personnel Services	$2,374,094	$2,801,659	$2,801,659	$2,869,876
Operating Expenses	386,445	319,622	452,920	319,622
Capital Equipment	6,842	0	0	0
Total Expenditures	**$2,767,381**	**$3,121,281**	**$3,254,579**	**$3,189,498**

Position Summary

1	Deputy County Executive	1	Assistant Debt Manager	1	Network Analyst II
1	Director	10	Budget Analysts III	6	Budget Analysts II
2	Assistant Directors	1	Business Analyst III	2	Administrative Assistants V
1	Debt Manager	1	Program & Procedures Coordinator	2	Administrative Assistants III
8	Budget Analysts IV	1	Programmer Analyst III		

TOTAL POSITIONS
38 Positions / 38.0 Staff Years

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** **$126,487**
  An increase of $126,487 in Personnel Services associated with salary adjustments is necessary to support the County's compensation program.

- **Personnel Services Reduction** **($108,270)**
  A decrease of $108,270 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.

- **Internship Program** **$50,000**
  An increase of $50,000 for limited term salaries to support a countywide college internship program in conjunction with the County's Youth Leadership Alumni Internship Program designed to encourage students to pursue a career in public service, particularly as the County faces a significant number of retirements in the coming years and has identified training the next generation of leaders as a strategic priority.

- **Carryover Adjustments** **($133,298)**
  A decrease of $133,298 in Operating Expenses due to the carryover of one-time expenses as part of the *FY 2006 Carryover Review*.

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** **$133,298**
  As part of the *FY 2006 Carryover Review*, the Board of Supervisors approved encumbered carryover of $133,298 in Operating Expenses.

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.

Department of Management and Budget

Indicator	Prior Year Actuals FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	Current Estimate FY 2007	Future Estimate FY 2008
Output:					
Dollar value of budgets reviewed (in billions)	$5.01	$4.62	$5.22 / $5.05	$5.25	$5.40
Special financings conducted	3	5	1 / 1	3	4
Dollar value of special financings conducted (in millions)	$176.89	$231.08	NA / $40.60	NA	NA
General Obligation bond sales or refinances conducted (1)	1	1	2 / 1	2	2
Dollar value of General Obligation bond sales (in millions)	$193.53	$185.40	$210.65 / $199.45	$239.54	NA
Dollar value of General Obligation refundings (in millions)	$135.58	$126.41	NA / $344.14	NA	NA
Bond referenda	1	4	1 / 1	2	2
Active project negotiations for special financing	16	29	32 / 37	34	30
Efficiency:					
Budget Analysts per 1,000 population	1:46	1:43	1:44 / 1:44	1:44	1:45
Cost per $1,000 bonds issued	$2.94	$2.21	NA / $2.07	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	1.3%	1.2%	2.0% / 1.1%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.5%	2.4%	2.0% / 2.3%	2.0%	2.0%
Interest rate for bond sale	3.54%	3.56%	5.00% / 3.88%	5.00%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	$20.26	$18.94	NA / $8.96	NA	NA
Savings associated with refundings	$12.50	$8.18	NA / $11.86	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 2006, DMB exceeded the 2.0 percent variance target for revenue projections by achieving a variance of only 1.1 percent on a $3.0 billion General Fund Disbursements budget. The actual variance for expenditures of 2.3 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. DMB has gone from 1 budget analyst per 38,000 population in FY 2002 to 1 per 45,000 projected for FY 2008. As a result of its successful Budget Process Redesign (BPR), DMB has been able to take on additional and increased responsibilities associated with debt management/special financings, legislative requirements, and other special projects related to the needs of a rapidly 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 21st consecutive year. The Department of Management and Budget will continue to build on this success for future budget documents in order to enhance 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 October 2006 by only 22 of 3,107 counties, 6 of 50 states and 23 of 22,529 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 $8.96 million on a $199.45 million General Obligation bonds sold during FY 2006. The County exceeded its interest rate estimate of 5.00 percent on that sale by achieving a rate of 3.88 percent. In addition, staff continues to monitor the municipal market for refunding opportunities and saved $11.86 million on refundings of $344.14 million in FY 2006. Since 1978, the Triple AAA rating has resulted in bond sale savings of $346.31 million, which includes the General Obligation bond sale on January 18, 2007. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for citizens.