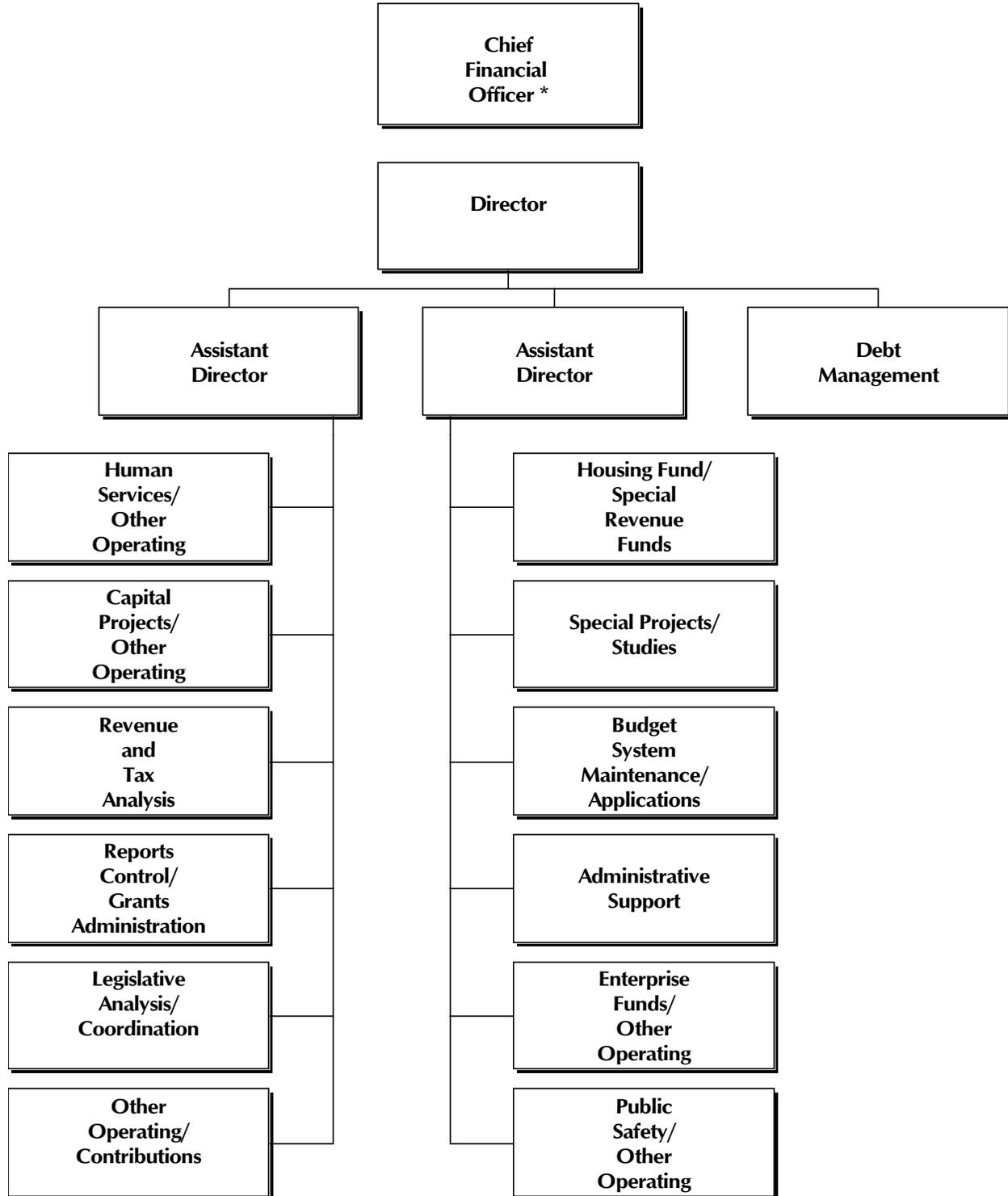


# Department of Management and Budget



\* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; and for budget purposes, that position and associated funding are reflected in this agency.

# 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 Department extends considerably beyond budget preparation. DMB also oversees the sale of bonds to fund the majority of the County's capital program, including school construction. Special financings are increasing as the County takes advantage of opportunities to provide critical facilities in a timely, cost-effective manner. Providing fiscal impact analysis for proposed legislation is another essential function that this agency provides. In addition, DMB coordinates the County's performance measurement program and other managing for results activities associated with the County's High Performance Organization model based on customer service, value and results. DMB has also been successfully partnering 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.

In recent years, DMB has maintained a highly successful Budget Process Redesign effort. The early stages of this initiative focused on streamlining the budget process by eliminating non-value-added administrative requirements in order to devote more time to analysis of issues and agencies' performance measures. More recently, the focus has been on enhancing the integration of the budget with the County's strategic direction. This resulted in a significant redesign of budget narratives for FY 2005 and included improved linkages where agencies demonstrate how their programmatic efforts contribute to the realization of the County's Vision Elements. In addition, for the first time, key indicators were presented in the Overview volume of the FY 2005 Budget to highlight high-level progress on achieving the County's vision. The program area summaries in the budget were also expanded considerably to include for the first time, benchmarking data that show how Fairfax County's performance compares to other large jurisdictions throughout the nation and other localities in the Commonwealth of Virginia. These efforts continue to be expanded and enhanced for FY 2006.

Fairfax County faces significant budget challenges in addressing the growing needs of a community that is increasing in both number and diversity, as well as age, which has considerable implications for services and how to fund them. The County's population exceeds that of seven 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. Proximity to the nation's capital makes homeland security a top priority, particularly given the number and types of federal facilities within Fairfax County. In addition, the County faces the dual

### THINKING STRATEGICALLY

Strategic issues for the Department include:

- Enhancing service to both internal and external customers;
- 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
- Developing a workforce that supports a high performance organization.

## Department of Management and Budget

challenges of maintaining an aging infrastructure, while meeting the needs of a growing population that requires new facilities, especially in the western part of the County.

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

 <b>Maintaining Safe and Caring Communities</b>	<b>Recent Success</b>	<b>FY 2006 Initiative</b>	<b>Cost Center</b>
Continued to provide budget and financial analysis support for other County agencies, particularly those in public safety, to enable them to take advantage of outside funding sources such as grants that will allow the County to strengthen its capabilities, particularly with regard to homeland security.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Building Livable Spaces</b>	<b>Recent Success</b>	<b>FY 2006 Initiative</b>	<b>Cost Center</b>
Continued to enhance the content and format of the Capital Improvement Program (CIP) document in order to more clearly demonstrate the connection between the Comprehensive Plan and the annual budget, as well as facilitate decision-making regarding capital projects that will enable agencies to provide critical public services, making Fairfax County a desirable place in which to live.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Connecting People and Places</b>	<b>Recent Success</b>	<b>FY 2006 Initiative</b>	<b>Cost Center</b>
Expanded the content material on DMB's Internet site in order to make a large volume of information widely available more quickly. In addition, DMB continued to make the annual budget documents available on CD-ROM which made budget reductions for printing and mailing costs possible.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide

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 <b>Creating a Culture of Engagement</b>	<b>Recent Success</b>	<b>FY 2006 Initiative</b>	<b>Cost Center</b>
<p>Administered the Fairfax County Youth Leadership Program, a year-long program designed to teach high school students about the essential role local government plays in their lives as well as the services it offers. Through this program, students develop leadership skills and are encouraged to become active participants in their community. One to two students are selected from each Fairfax County high school, resulting in approximately 25-30 participants annually.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
<p>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.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Exercising Corporate Stewardship</b>	<b>Recent Success</b>	<b>FY 2006 Initiative</b>	<b>Cost Center</b>
<p>Exercised prudent financial management and contributed to the County's continued Triple AAA bond rating from all three rating agencies, which has resulted in bond sale and refunding savings of more than \$315 million since 1978. In FY 2004, the County sold \$193.53 million in General Obligation (GO) bonds at an interest rate of 3.54 percent, the lowest rate in 29 years. This saved the County \$20.26 million compared to the Bond Buyer 20-bond municipal index. In addition, \$135.58 million in GO bonds were refunded, resulting in savings of \$12.50 million.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
<p>Continued to emphasize accountability by coordinating the countywide performance measurement effort including conducting training, producing a quarterly newsletter, and providing assistance to agencies in developing and using meaningful measures that demonstrate benefit to the public for results achieved. In addition, coordinated the County's participation in ICMA's comparative data initiative where 13 service areas are benchmarked annually. For its efforts, the County was recognized by the Performance Institute with its Performance Management Award, ICMA's Certificate of Distinction, and Special Recognition for Performance Measures as part of GFOA's Distinguished Budget Presentation Award in 2004.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide

# Department of Management and Budget

## Budget and Staff Resources



Agency Summary					
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan	FY 2006 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	37/ 37	37/ 37	38/ 38	38/ 38	38/ 38
Expenditures:					
Personnel Services	\$2,304,236	\$2,682,222	\$2,592,222	\$2,779,019	\$2,779,019
Operating Expenses	361,864	259,605	459,919	314,919	314,919
Capital Equipment	0	0	28,288	0	0
<b>Total Expenditures</b>	<b>\$2,666,100</b>	<b>\$2,941,827</b>	<b>\$3,080,429</b>	<b>\$3,093,938</b>	<b>\$3,093,938</b>

Position Summary					
1 Chief Financial Officer	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 Management Analyst III	2 Administrative Assistants III			
8 Budget Analysts IV	1 Programmer Analyst III				
<b>TOTAL POSITIONS</b>					
<b>38 Positions / 38.0 Staff Years</b>					

## FY 2006 Funding Adjustments

The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- Employee Compensation** **\$96,797**  
 An increase of \$96,797 in Personnel Services is associated with salary adjustments necessary to support the County's compensation program.
- Operating Expenses** **\$55,314**  
 An increase of \$55,314 in Operating Expenses includes an increase of \$6,414 for Information Technology Charges based on the agency's historic usage; an increase of \$6,400 for PC replacement charges due to an increase in the annual contribution for PC replacement by \$100, from \$400 to \$500, as well as an increased number of PCs in the replacement program; and \$42,500 associated with the annual contract for economic consulting transferred to this agency to more accurately reflect service delivery.
- Carryover Adjustments** **(\$138,602)**  
 A decrease of \$138,602, comprised of \$110,314 in Operating Expenses and \$28,288 in Capital Equipment, is due to the carryover of one-time expenses as part of the FY 2004 Carryover Review.

## Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2006 Advertised Budget Plan, as approved by the Board of Supervisors on April 25, 2005:

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

# Department of Management and Budget

## Changes to FY 2005 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2005 Revised Budget Plan since passage of the FY 2005 Adopted Budget Plan. Included are all adjustments made as part of the FY 2004 Carryover Review and all other approved changes through December 31, 2004:

- ◆ **Carryover Adjustments** **\$138,602**  
As part of the FY 2004 Carryover Review, the Board of Supervisors approved encumbered carryover of \$138,602 including \$110,314 in Operating Expenses and \$28,288 for Capital Equipment.
  
- ◆ **Other Personnel-Related Actions** **\$0**  
In FY 2005, the County Executive approved the redirection of 1/1.0 SYE position in order to address significant workload-related issues. This position, a Budget Analyst III, will provide much-needed support in identifying and pursuing opportunities for federal and state funding, as well as determining the fiscal impact of proposed legislation.

The following funding adjustments reflect all approved changes to the FY 2005 Revised Budget Plan from January 1, 2005 through April 18, 2005. Included are all adjustments made as part of the FY 2005 Third Quarter Review:

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

## Key Performance Measures

### Objectives

- ◆ To maintain a variance of 2.0 percent or less between estimated and actual 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			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
<b>Output:</b>					
Dollar value of budgets reviewed (in billions)	\$3.96	\$4.01	\$4.49 / \$4.49	\$4.65	\$5.08
Special financings conducted	NA	1	2 / 3	3	2
Dollar value of special financings conducted (in millions)	NA	\$70.83	\$123.35 / \$176.89	\$170.49	NA
General Obligation bond sales or refinances conducted (1)	1	2	2 / 1	1	2
Dollar value of General Obligation bond sales (in millions)	\$198.00	\$206.40	\$214.73 / \$193.53	\$185.40	\$209.00
Dollar value of General Obligation refundings (in millions)	\$60.94	\$171.17	NA / \$135.58	\$126.41	NA
Bond referenda	1	2	1 / 1	4	1
Active project negotiations for special financing	NA	NA	NA / 16	19	14

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
<b>Efficiency:</b>					
Budget Analysts per 1,000 population	1:38	1:42	1:43 / 1:46	1:43	1:44
Cost per \$1,000 bonds issued	NA	NA	NA / \$2.94	\$2.57	NA
<b>Service Quality:</b>					
GFOA Distinguished Budget Presentation Award	Yes	Yes	Yes / Yes	Yes	Yes
Bond Ratings of AAA/Aaa/AAA (2)	Yes	Yes	Yes / Yes	Yes	Yes
<b>Outcome:</b>					
Percent variance in actual and projected revenues	0.6%	1.0%	2.0% / 1.3%	2.0%	2.0%
Percent variance in actual and projected expenditures	1.8%	2.5%	2.0% / 2.5%	2.0%	2.0%
Interest rate for bond sale	4.33%	3.63%	5.00% / 3.54%	5.00%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index (3)	\$10.37	\$14.49	NA / \$20.26	\$18.94	NA
Savings associated with refundings (3)	\$3.30	\$12.80	NA / \$12.50	\$8.18	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 undertake them. Therefore, while no projections are made for this category, actual results are reported. During FY 2004, a total of \$329.11 million in General Obligation bonds and refundings were sold as part of one sale; however, estimates were previously shown by separate category, anticipating two separate sales.

(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.

(3) Since 1978, Fairfax County has saved over \$315 million through bond sales and refundings as a result of the AAA rating.

# Department of Management and Budget

## Performance Measurement Results

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 2004, DMB exceeded the 2.0 percent variance target for revenue projections by achieving a variance of only 1.3 percent on a \$2.6 billion General Fund Disbursements budget. The actual variance for expenditures of 2.5 percent was only slightly off the 2.0 percent target as County managers continued to manage frugally in order to generate savings. These minimal variances continue to validate the agency's accurate fiscal forecasting and careful budget management.

DMB also continues to improve efficiency in its operations. In recent years, DMB 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 44,000 projected for FY 2006. The successful Budget Process Redesign (BPR) engineered by DMB has enabled this agency 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 19<sup>th</sup> consecutive year. Furthermore, the County received special recognition in two categories – as an operations guide and for performance measures, further validating its efforts in BPR and performance measurement. In 2003, only 5 of 1,104 budgets submitted received special recognition as operations guide and only 12 were recognized for their performance measurement efforts.

Through prudent fiscal management, the County continues to realize savings on bond sales based on its Triple A rating from all three rating houses, a distinction shared by only 23 of 3,107 counties; 7 of 50 states and 20 of 22,529 cities nationally. When DMB sells bonds on behalf of the County for capital facilities, this results in significant interest rate savings, including \$20.26 million on a \$193.53 million General Obligation bond sale during FY 2004. The County exceeded its interest rate estimate of 5.00 percent on that sale by achieving a rate of 3.54 percent, the lowest rate attained since the County first obtained the Triple A bond rating from Moody's Investor Services in 1975. In addition, staff continues to monitor the municipal market for refunding opportunities and saved \$12.50 million on refundings in FY 2004. Since 1978, the Triple AAA rating has resulted in bond sale savings of more than \$315 million. Paying less interest on debt for capital projects translates to greater funding available for services.