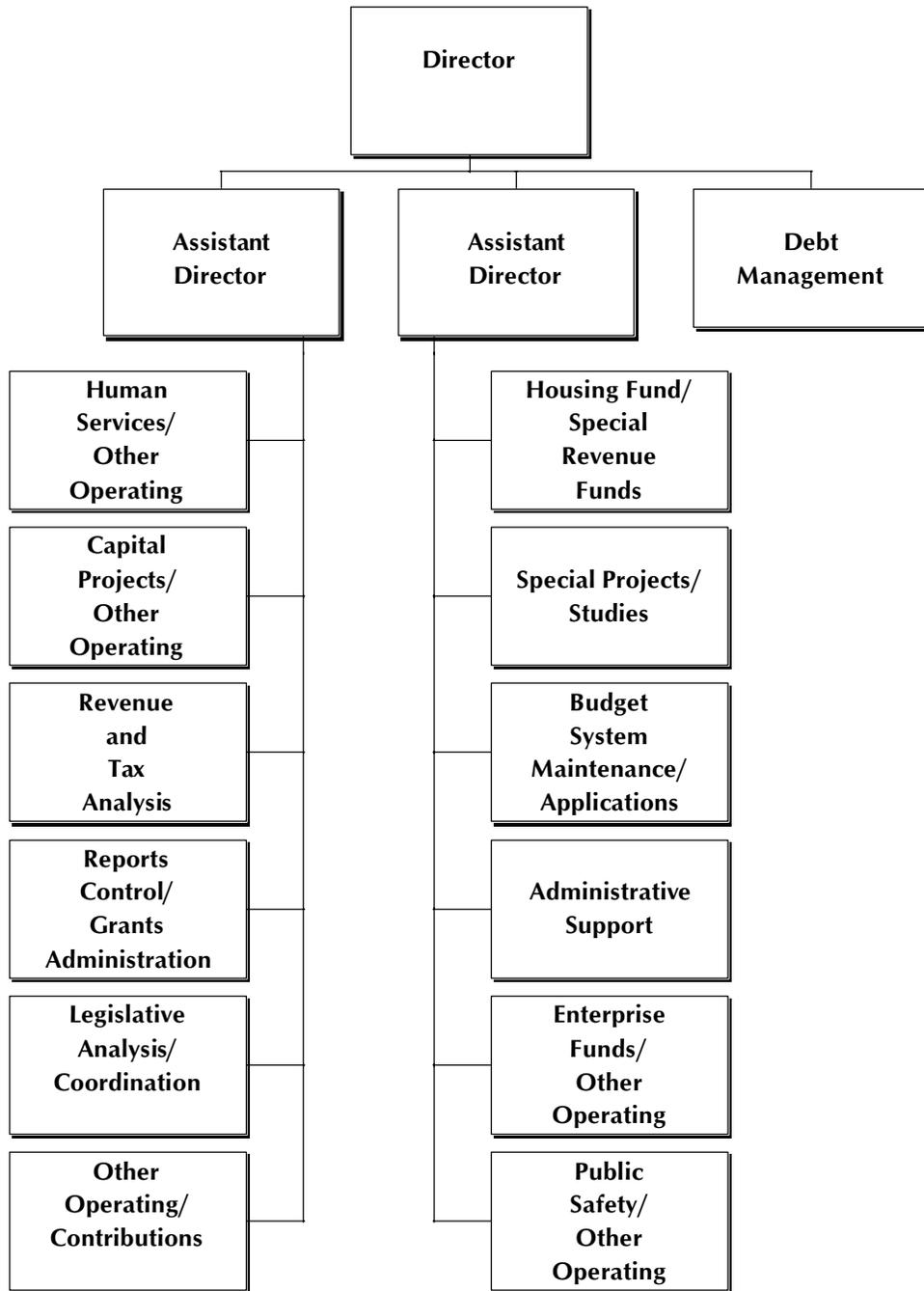


Department of Management and Budget



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.

Nevertheless, the role of the agency 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 and coordinating requests for federal earmark legislation are other important functions that this agency provides.

In addition, DMB oversees the County's performance measurement program and other managing for results activities. This includes coordinating the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 14 service areas are benchmarked annually. In September 2005, Fairfax County was awarded ICMA's Certificate of Distinction, their highest level of recognition, for the County's comprehensive efforts to train staff, collect and use performance data to improve, and share that information with citizens and other jurisdictions. Only 16 of almost 100 jurisdictions participating in ICMA's Center for Performance Measurement earned the 2005 Certificate of Distinction.

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.

For the past few 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 priorities. 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, key indicators were presented for the first time in the Overview volume of the FY 2005 Budget to highlight progress on achieving the County's vision. The program area summaries in the budget were also expanded considerably to include 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 2007 with the introduction of information on the impact of federal and state mandates, which is now included in each of the program area summaries.

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.

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Training the next generation of government leaders has been a focus of this agency through the Youth Leadership Program developed jointly by DMB and the Fairfax County Public Schools. Each year, 1-2 students from each County high school take part in this year-long program to learn about the essential role that local government plays in their lives, develop leadership skills and discover ways they can become active participants in their community.

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. 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 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

 Connecting People and Places	Recent Success	FY 2007 Initiative
Continue to expand the content material on DMB's Internet site in order to make a large volume of information widely available quickly and cost-effectively. In addition, while DMB has made the annual budget documents available on CD-ROM, which made budget reductions for printing and mailing costs possible, the agency is looking to make information such as the County Executive's budget presentation available in video format directly accessible from DMB's public Web page to make such budget information more accessible to a broader audience.	☑	☑
 Creating a Culture of Engagement	Recent Success	FY 2007 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.	☑	☑

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 Exercising Corporate Stewardship	Recent Success	FY 2007 Initiative
Maintain the momentum of the Budget Process Redesign by continuing to streamline processes. In 2005, DMB redesigned the budget issue analysis process to allow the identification of cross-cutting initiatives and enable a coordinated response to similar funding requests from a number of agencies.	☑	☑
Continue to partner with the Department of Human Resources, Department of Finance, Department of Purchasing and Supply Management, and the Office of Internal Audit to provide financial management training as part of the new Emerging Leader training introduced in early 2005. DMB's role is to provide new or upcoming supervisors with an introduction to the County's budget process to enhance their understanding and participation in the process.	☑	☑
Expand the data collection and reporting initiatives on federal and state unfunded mandates, to create a multi-faceted program to monitor various types of mandates and their effect on County resources. In FY 2005, the total program expenditure level impacted by federal and state mandates was \$1,079 million, with offsetting revenue of \$497 million, for a net cost to the County of \$582 million.	☑	☑
Support Fairfax County's efforts to identify and successfully request earmarks 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 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	38/ 38	38/ 38	38/ 38	38/ 38	38/ 38
Expenditures:					
Personnel Services	\$2,271,817	\$2,779,019	\$2,700,819	\$2,801,659	\$2,801,659
Operating Expenses	325,988	314,919	455,315	319,622	319,622
Capital Equipment	0	0	28,288	0	0
Total Expenditures	\$2,597,805	\$3,093,938	\$3,184,422	\$3,121,281	\$3,121,281

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 Management Analyst III	2 Administrative Assistants III			
8 Budget Analysts IV	1 Programmer Analyst III				
TOTAL POSITIONS					
38 Positions / 38.0 Staff Years					

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FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- ◆ **Employee Compensation** **\$22,640**
An increase of \$22,640 in Personnel Services associated with salary adjustments is necessary to support the County's compensation program.
- ◆ **Intergovernmental Charges** **\$4,703**
A net increase of \$4,703 is due to intergovernmental charges. Of this total, an increase of \$4,905 is due to County mainframe computer charges based on prior year usage of mainframe applications and agency-specific applications operating from the County mainframe, partially offset by a decrease of \$202 for Department of Vehicle Services' charges for motor pool usage.
- ◆ **Carryover Adjustments** **(\$90,484)**
A decrease of \$90,484, comprised of \$62,196 in Operating Expenses and \$28,288 in Capital Equipment, due to the carryover of one-time expenses as part of the FY 2005 Carryover Review.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

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

Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- ◆ **Carryover Adjustments** **\$90,484**
As part of the FY 2005 Carryover Review, the Board of Supervisors approved encumbered carryover of \$90,484 including \$62,196 in Operating Expenses and \$28,288 for Capital Equipment.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 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 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.

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Dollar value of budgets reviewed (in billions)	\$4.01	\$5.01	\$4.75 / \$4.62	\$5.22	\$5.51
Special financings conducted	1	3	3 / 5	1	6
Dollar value of special financings conducted (in millions)	\$70.83	\$176.89	\$170.49 / \$231.18	NA	NA
General Obligation bond sales or refinances conducted (1)	2	1	1 / 1	2	2
Dollar value of General Obligation bond sales (in millions)	\$206.40	\$193.53	\$185.40 / \$190.34	\$210.65	\$213.15
Dollar value of General Obligation refundings (in millions)	\$171.17	\$135.58	\$126.41 / \$353.25	NA	NA
Bond referenda	2	1	4 / 4	1	1
Active project negotiations for special financing	NA	16	19 / 29	32	28
Efficiency:					
Budget Analysts per 1,000 population	1:42	1:46	1:43 / 1:43	1:44	1:44
Cost per \$1,000 bonds issued	NA	\$2.94	\$2.57 / \$2.21	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	1.0%	1.3%	2.0% / 1.2%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.5%	2.5%	2.0% / 2.4%	2.0%	2.0%
Interest rate for bond sale	3.63%	3.54%	5.00% / 3.88%	5.00%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	\$14.49	\$20.26	\$18.94 / \$8.96	NA	NA
Savings associated with refundings	\$12.80	\$12.50	\$8.18 / \$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. During FY 2005, a total of \$543.585 million in General Obligation bonds and refundings were sold as part of one sale.

(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.

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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 2005, DMB exceeded the 2.0 percent variance target for revenue projections by achieving a variance of only 1.2 percent on a \$2.7 billion General Fund Disbursements budget. The actual variance for expenditures of 2.4 percent was only slightly off the 2.0 percent target as County managers continued to manage prudently 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 2007. 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 20th 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. This special recognition is especially significant as only five jurisdictions were singled out as an Outstanding Operations Guide in 2003 (the last year this information was published) and only 11 of 1,027 were identified for special Performance Measures recognition last 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, 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 August 2005 by only 22 of 3,107 counties; 6 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 \$8.963 million on a \$190.34 million General Obligation bonds sold during FY 2005. The County exceeded its interest rate estimate of 5.00 percent on that sale by achieving a rate of 3.882 percent, the fourth 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 \$11.863 million on refundings of \$353.245 million in FY 2005. The new and refunded bonds sold resulted in the largest bond sale ever conducted by the County. Since 1978, the Triple AAA rating has resulted in bond sale savings of \$343.94 million. Paying less interest on debt for capital projects translates to greater funding available for services to citizens.