Fairfax County FY 2010 Budget

"To protect and enrich the quality of life for the people, neighborhoods, and diverse communities of Fairfax County."

Core Purpose of Fairfax County Government

Community Dialogue Presentation:

County Budget

Fall 2008

Fairfax County Snapshot

County's Tax Structure

- Over-reliant on Real Estate Taxes, which make up over 61% of total General Fund revenue
- 75% of Real Estate Tax revenue comes from Residential property
- State limits/controls/caps nearly 90% of the County's non-real estate tax revenue
- State levies and collects all income taxes

Virginia is a Dillon Rule state

- Counties have only those powers expressly granted to them by the General Assembly
- Limits locality's flexibility to raise revenue and diversify tax base

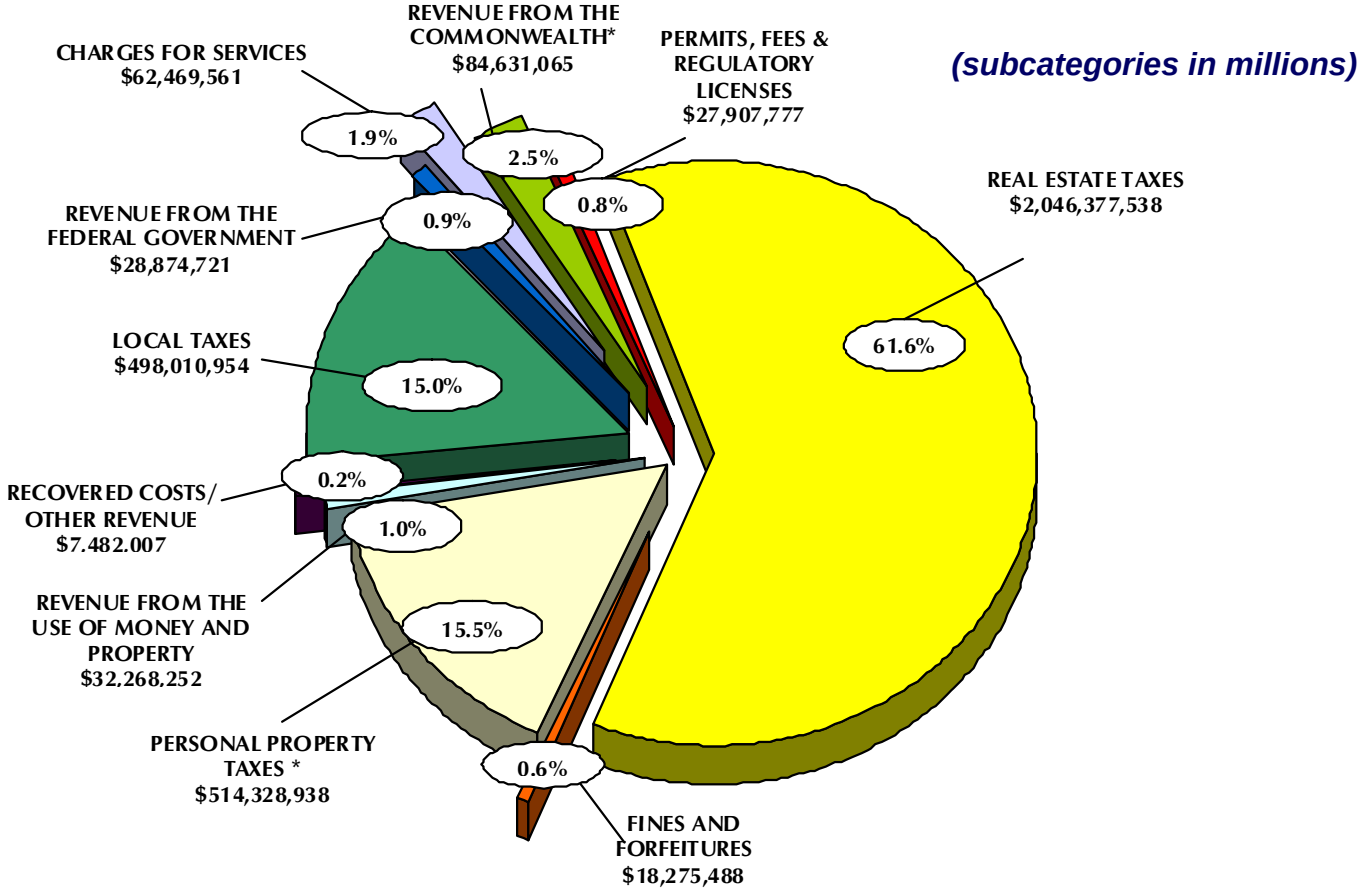
Budget

A budget is a **plan** that matches **projected revenue and fund balance** with **projected expenditures** in order to support the organization's strategic vision, goals and objectives

Basic Budget Facts

- The County Executive proposes the budget but the Board of Supervisors must approve it
- Fairfax County's fiscal year runs from July 1 through June 30 (similar to the state)
- By law, Fairfax County must have a balanced budget
- If Fairfax County experiences a budget shortfall, it cannot go into debt like the federal government in order to finance operations.

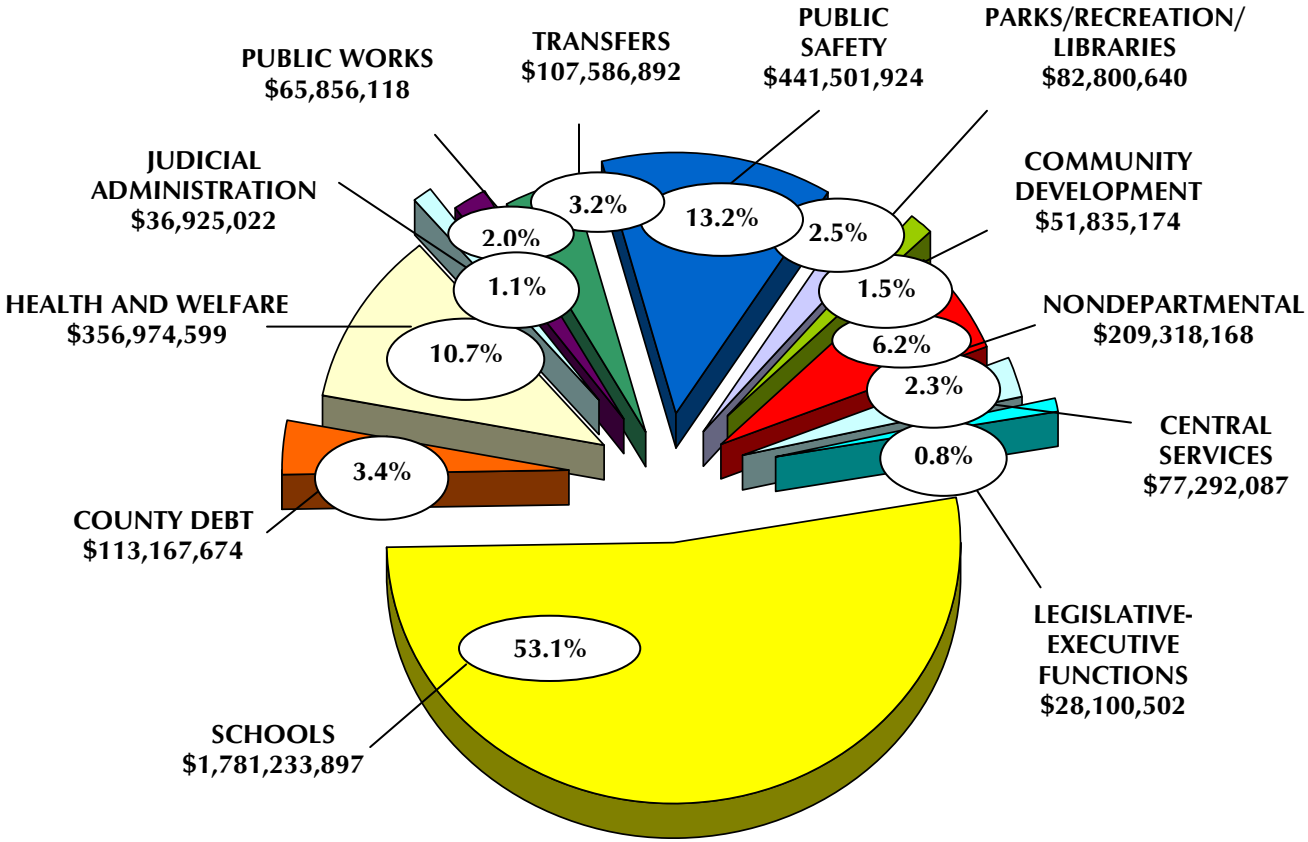
FY 2009 General Fund Receipts: (“Where It Comes From”)



FY 2009 GENERAL FUND RECEIPTS = $3,320,626,301

* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

FY 2009 General Fund Disbursements ("Where It Goes")



FY 2009 GENERAL FUND DISBURSEMENTS = $3,352,592,697

Total County Budget - FY 2009 Adopted Budget

- The total FY 2009 Adopted Budget is **$6.1 billion**

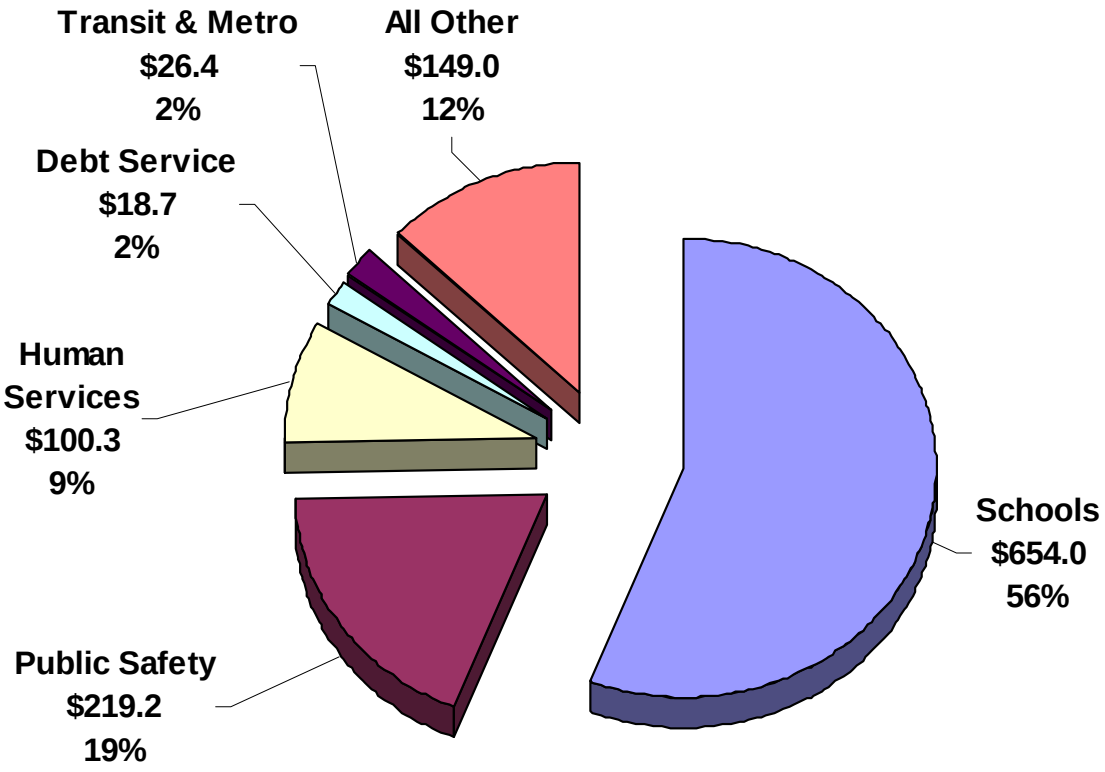
  - Includes All Funds

- General Fund Disbursements total **$3.4 billion**

  - Includes General Fund Transfers and Direct Expenditures
  - Includes $1.78 billion for Schools

General Fund Disbursement Growth FY 2001 to FY 2008 Pie Chart

Contributors to Overall Disbursement Increase



% of Increase FY 2001 to FY 2008
(in millions)

Growth = 6% annually

The Backdrop to the FY2010 Budget Process

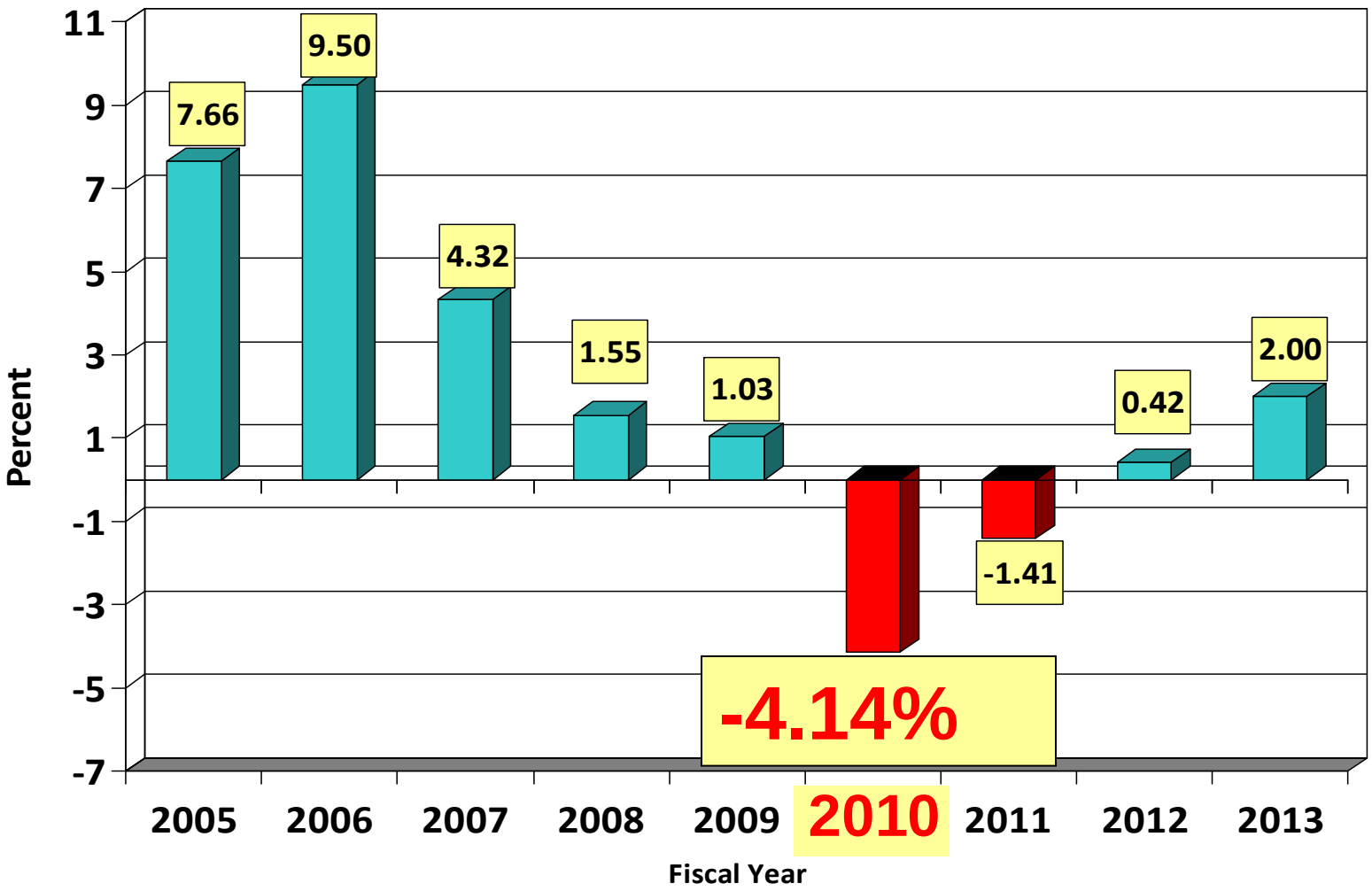
- In dealing with the budget in FY 2008 and FY 2009, County growth was constrained and programs were trimmed around the edges as part of the overall strategy in achieving a balanced budget.

- FY 2009 Shortfall was $150 million. The following are some of the actions taken to balance the FY 2009 budget:
    - limited funding in new positions, new equipment, and infrastructure and facility maintenance needs
    - Agency Personnel Services budgets reduced by 4 percent (over the "normal' position turnover factored into agency budgets in FY 2009)
    - limited contractual increases
    - reduced Capital Paydown program
    - reduced Information Technology program
    - reduced limited term positions
    - used funds from one-time balances to balance the budget
    - Applied new transportation funding
    - Reduced School transfer from 4.0% increase to 2.5% increase
    - 3 Cent Increase in the Real Estate Tax Rate

Keys to Our Ongoing Fiscal Health

- The County's ability to withstand severe budgetary constraints in FY2010 is predicated on the following factors:
  - Sufficient resources to support priority County programs
  - Continued agency budget restraint
  - Lines of Business-based program reductions
  - Innovation to mitigate impact on levels of service
  - Continued focus on customers and results by increasing efficiency and effectiveness
  - Development of a long-term, sustainable financial strategy

Revenue Growth Rates



Real Estate Tax Base

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Equalization	11.51%	(2.75)%	(6.48)%	(2.46)%	(1.29)%	0.36%	0.57%	0.80%	1.77%
- *Residential*	13.06	(1.90)	(3.74)	(0.52)	0.01	0.49	(0.23)	(0.50)	0.04
- *Nonresidential*	7.85	(4.80)	(13.22)	(7.86)	(5.28)	(0.09)	3.27	5.05	7.12
Growth	5.26	1.79	0.40	1.08	1.97	2.16	2.13	1.93	2.19
TOTAL	16.77%	(0.96)%	(6.08)%	(1.38)%	0.68%	2.52%	2.70%	2.73%	3.96%

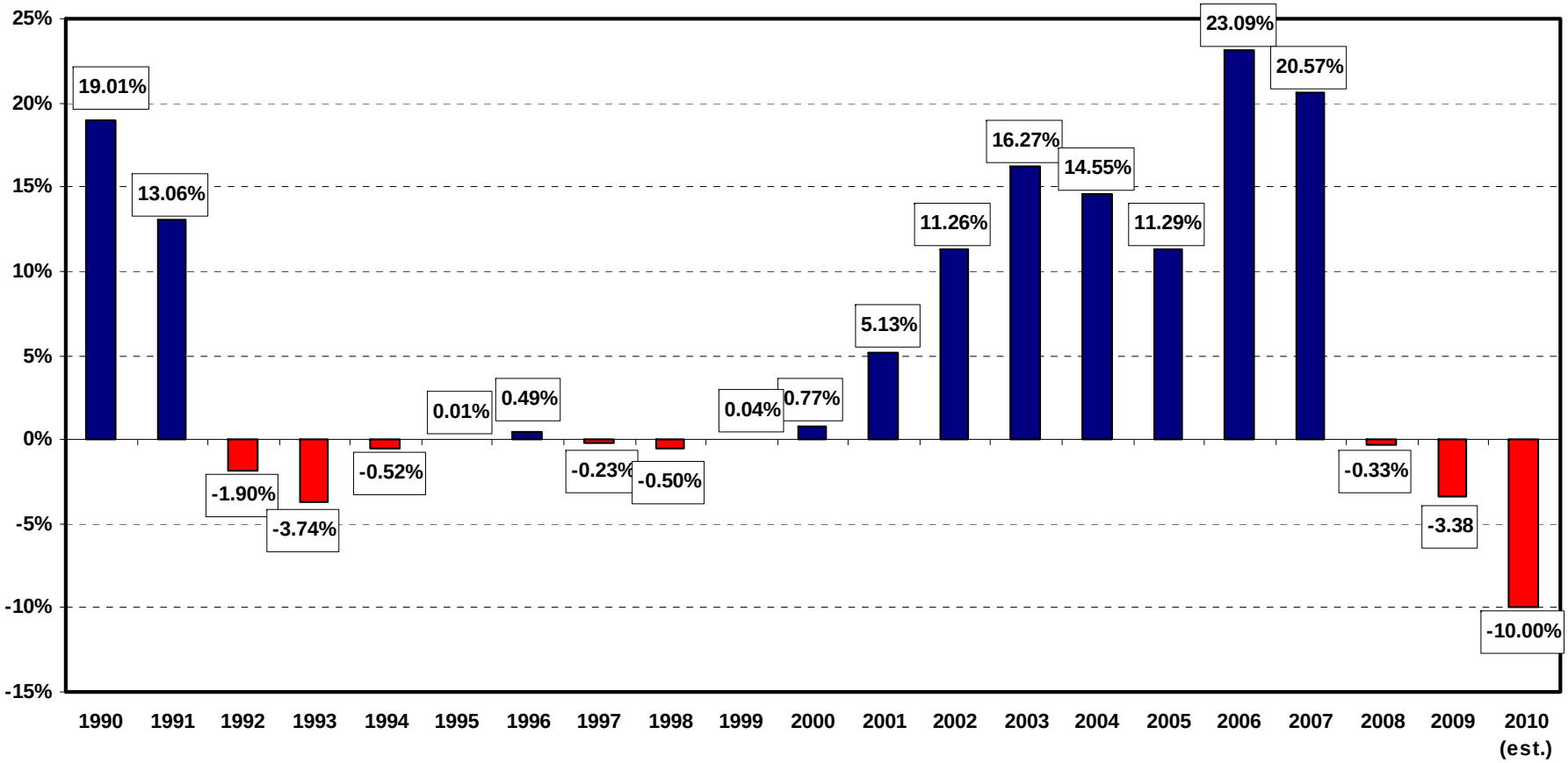
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Equalization	2.96%	5.13%	9.70%	11.72%	9.94%	9.54%	20.80%	19.76%	2.47%	(1.02)%
- *Residential*	0.77	5.13	11.26	16.27	14.55	11.29	23.09	20.57	(0.33)	(3.38)
- *Nonresidential*	9.24	5.15	5.92	0.52	(2.94)	3.74	12.74	16.64	13.57	7.00
Growth	3.37	3.81	3.94	3.42	2.54	2.50	2.69	2.94	1.68	1 .53
TOTAL	6.33%	8.94%	13.64%	15.14%	12.48%	12.04%	23.49%	22.70%	4.15%	0.51%

FORECAST

	2010	2011	2012	2013	2014	2015
Equalization	(8.10)%	(4.05)%	(1.45)%	1.15%	2.30%	3.25%
- *Residential*	(10.00)	(5.00)	(2.00)	1.00	2.00	3.00
- *Nonresidential*	(2.50)	(1.50)	0.00	1.50	3.00	4.00
Growth	0.35	0.45	0.60	0.75	0.80	1.40
TOTAL	(7.75)%	(3.60)%	(0.85)%	1.90%	3.10%	4.65%

Projected Value of one penny in FY 2010 = $21.1 million

Annual Changes in Residential Equalization: FY 1990 – FY 2010



Why are Residential Property Values Expected to Decline 10% in FY 2010?

- Large Number of Homes for Sale – Buyer's Market
- Fewer Homes are Selling
  - # of homes sold decreased each year 2005 to 2007
  - Down an additional 10% in 2008
- Homes Taking Longer to Sell
  - Average 100 days in 2008 vs. 88 days in 2007
- Sales Prices are Lower Than Last Year
  - Double digit declines in all but one month of 2008
- Foreclosure Activity Has Risen
  - At the end of July 2008, 2,039 properties were owned by mortgage lenders compared to just 200 in January 2006

Impact on Typical Fairfax County Household

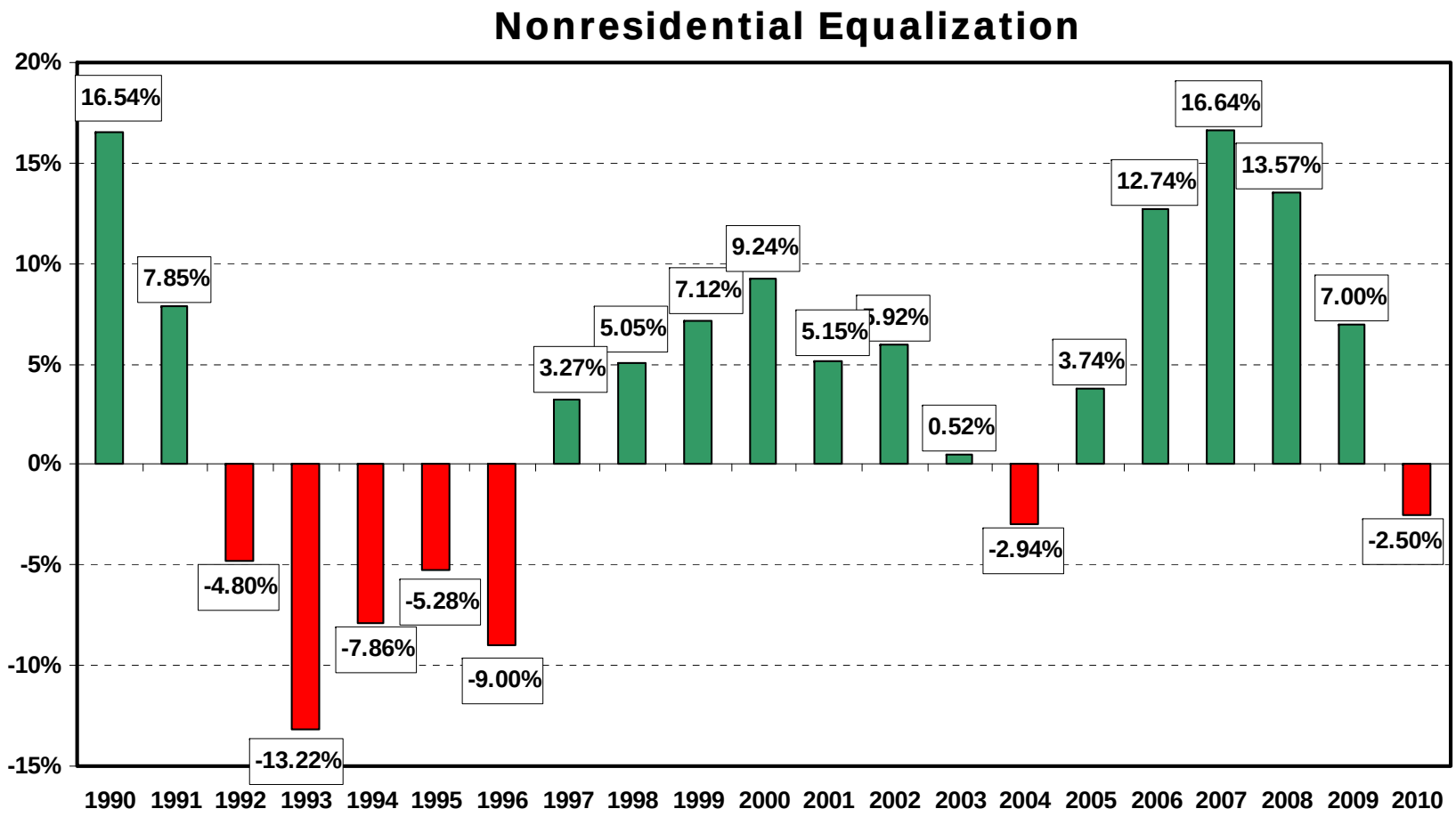
Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate Per $100	Tax Per Household**
FY 2002	$234,749	$1.23	$2,887.41
FY 2003	$276,945	$1.21	$3,351.03
FY 2004	$321,238	$1.16	$3,726.36
FY 2005	$361,334	$1.13	$4,083.07
FY 2006	$448,491	$1.00	$4,484.91
FY 2007	$544,541	$0.89	$4,846.41
FY 2008	$542,409	$0.89	$4,827.44
FY 2009	$524,076	$0.92	$4,821.50*
FY 2010[1]	$471,668	----	----

Nonresidential Real Estate Weakening

Nonresidential values are projected to fall 2.50% in FY 2010

- Office Vacancy rates rising
  - As of year-end 2007 9.2%, 10.9% with sublets
  - Submarket rates (direct rate/with sublets):
    - Reston 8.6%/9.7%,
    - Tysons 9.4%/11.3%,
    - Dulles 14.1%/17.0%
- 8.0 million square feet of office space recently delivered or under construction
  - 80% or 6.4 million square feet is speculative
  - 72% of the speculative space, 4.6 million s.f., is vacant
  - Negatively impacts lease rates and vacancy rates

Annual Increases in Nonresidential Equalization: FY 1990 – FY 2010



Note: FY 2010 is projected

Economic Slowdown Impacts Other County Revenue Sources

- Tighter credit and fewer cash out refinancings means lower Personal Property Taxes
  - FY 2008 receipts were flat with FY 2007 (up 0.3%)
  - New model vehicle registrations in the County during the first half of 2008 are down 20%
  - Kiplinger projects that vehicle sales in 2008 will be the lowest in a decade

- Lower consumer confidence results in lower Sales Tax receipts
  - FY 2008 Sales Tax receipts were up just 1.1%

- Fewer home sales and refinancings have a direct impact on Recordation and Deed of Conveyance Revenues
  - FY 2008 receipts were down 28%, or $11.7 million from FY 2007

Commonwealth of Virginia Budget

- State Budget cut $50 million from aid to localities in both FY 2009 and FY 2010
  - County's loss is $3.9 million each year
- Virginia's FY 2008 General Fund revenue rose just 1.3%
- State revenues expected to decline 3.2% in FY 2009
  - Declines expected in Sales, Corporate Income, and Recordation Taxes
  - Slight rise in net income taxes
- FY 2009-FY 2010 State Budget deficit projection = Over $3 Billion
  - State agencies asked to detail potential cuts of 5% to 15%
  - County expects more funding reductions

Note: Slide updated October 1, 2008 based on Virginia Department of Taxation's September 2008 revenue projections.

County's FY 2010 Deficit: Over $400 Million

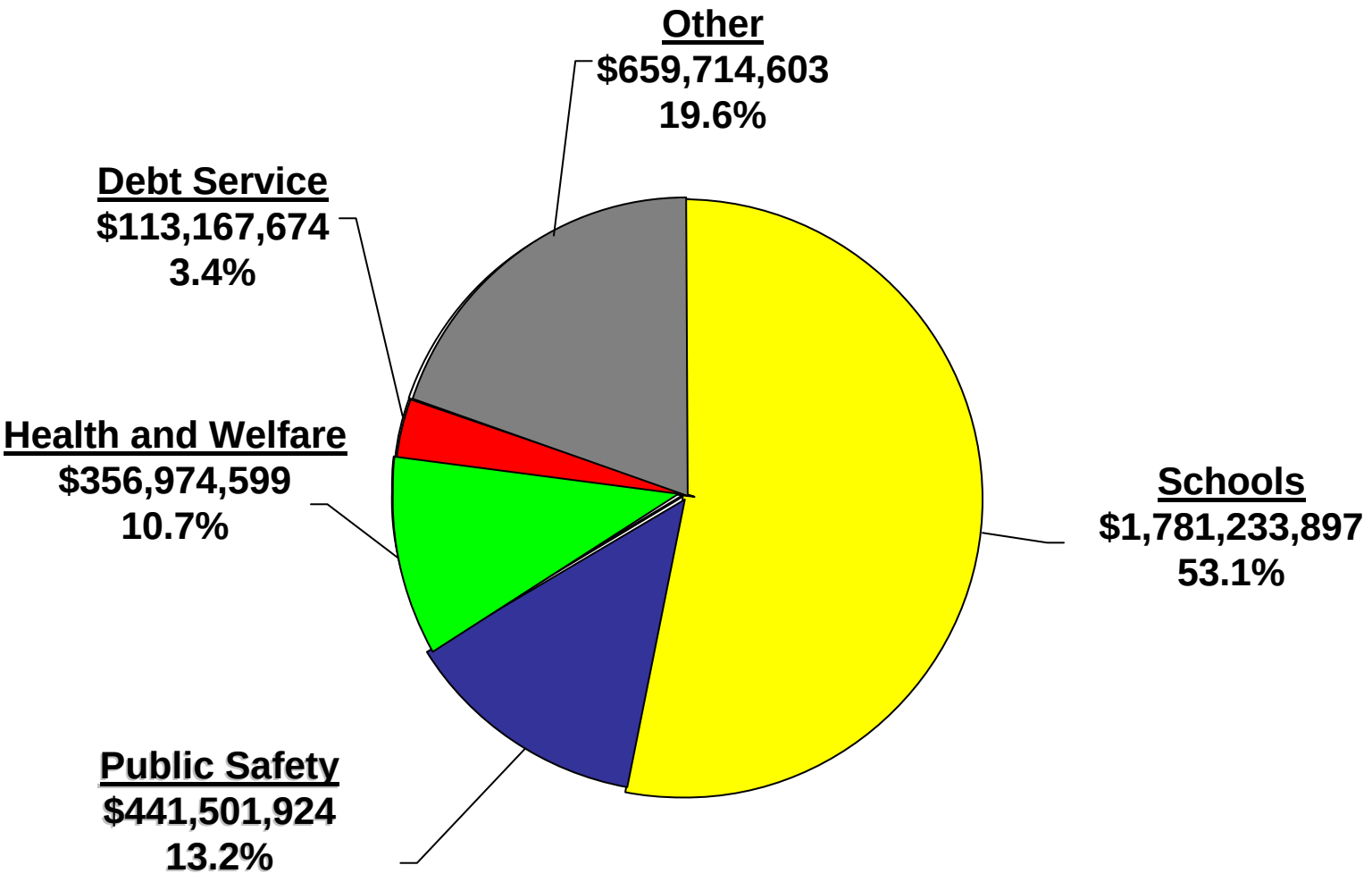
- Revenue loss primarily because of declining residential real estate market

- Anticipated Requirements in FY 2010 for County services
  - Planned compensation increases
  - Moderate increases in selected utility and contract accounts
  - No expansion of service

- Anticipated Requirement in FY 2010 for School services
  - Planned compensation increases
  - 2.1 percent membership growth
  - 2 new elementary schools
  - Moderate increases related to inflation and the cost of doing business

- One-time balances applied in FY 2009

Perspectives: "Where It Goes"



Perspectives: $400 Million

- $400 million equivalent to:
  - 12% of the County's General Fund Budget
  - 25% of Non-School Budget
  - The combination of:

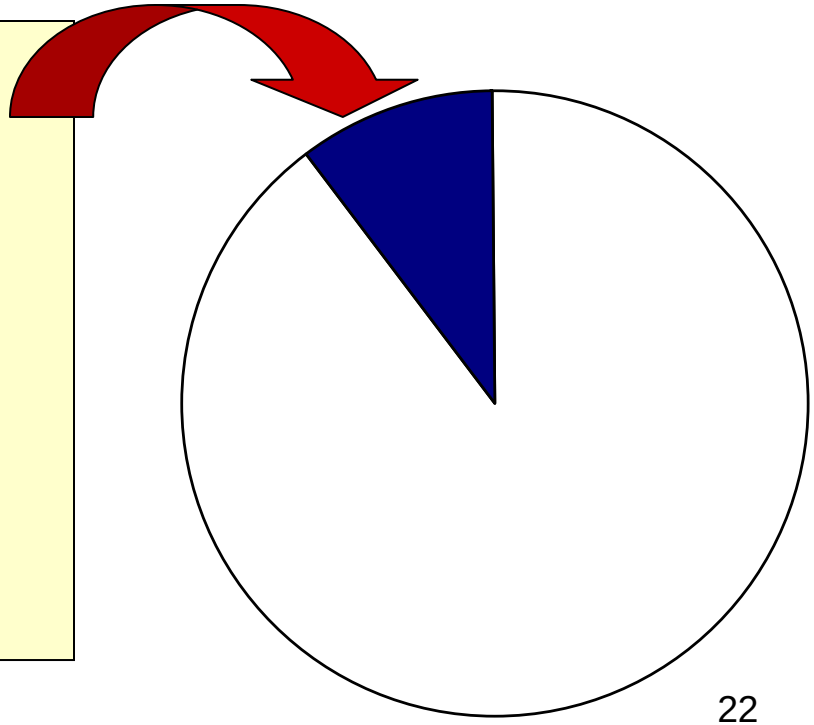
Public Works + Courts +

Community Development +

Parks/Recreation/Libraries +

Administrative & Support Services+

County Transit + Metro

=

$400 million or 12% of General Fund Budget