



***County Executive Presentation
of the Fiscal Year 2011
Advertised Budget Plan***

February 23, 2010

Fairfax County Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035
703-324-2391
Web site: <http://www.fairfaxcounty.gov/budget>

FY 2011 Budget

THE CAUSE

- The recession, which began in December 2007, continues to significantly impact our community, resulting in:
 - Continued decline in residential real estate assessed values
 - Substantial decline in commercial real estate values
 - Reduced consumer spending, and limited growth in other revenue categories

THE EFFECT

- The consequences of the recession and the current cyclical, multi-year economic downturn have hit Fairfax County especially hard, resulting in:
 - 6% General Fund revenue decline
 - **Increased** need for **services** at same time **resources** have **decreased**
 - Public consensus to maintain our current quality of life
 - Projected County shortfall of \$257.2 million

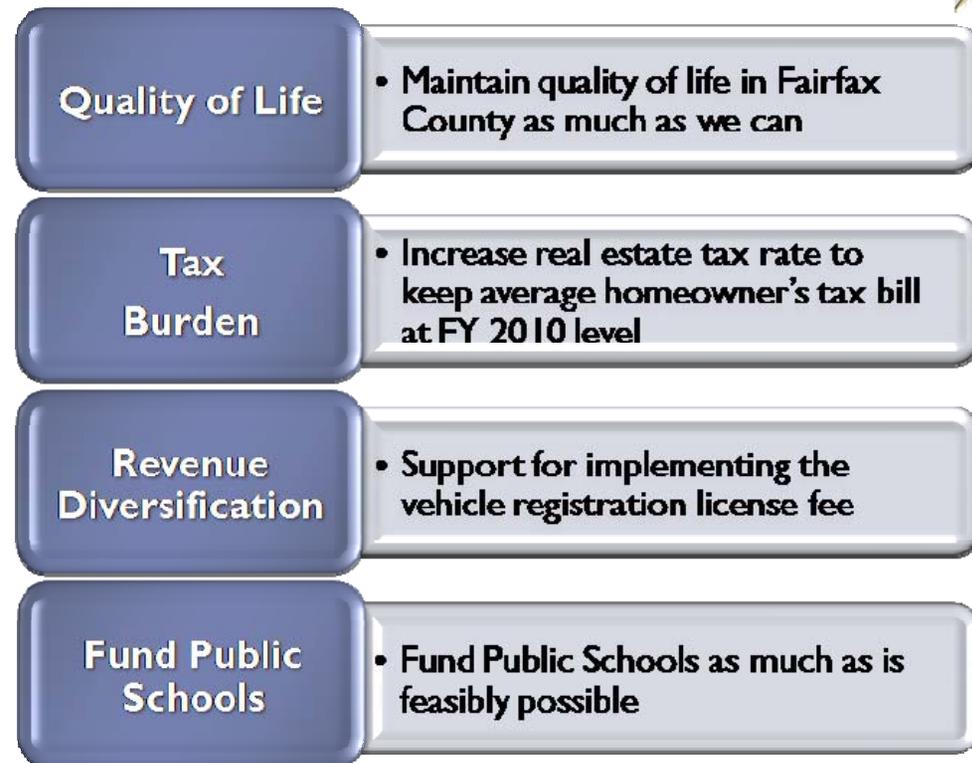
FY 2011 Community Dialogue and Public Input Process



□ *Fall 2009 Public and Employee Input Processes:*

- Approximately 1,100 residents participated in small group discussions at 15 community dialogue sessions, jointly facilitated by County and Schools staff
- Received more than 2,100 comments and suggestions provided through our public website and budget hotline
- Also facilitated 5 employee forums

KEY THEMES



Three Principal Themes That Guided Development of This Budget Proposal

□ **Sustainability**

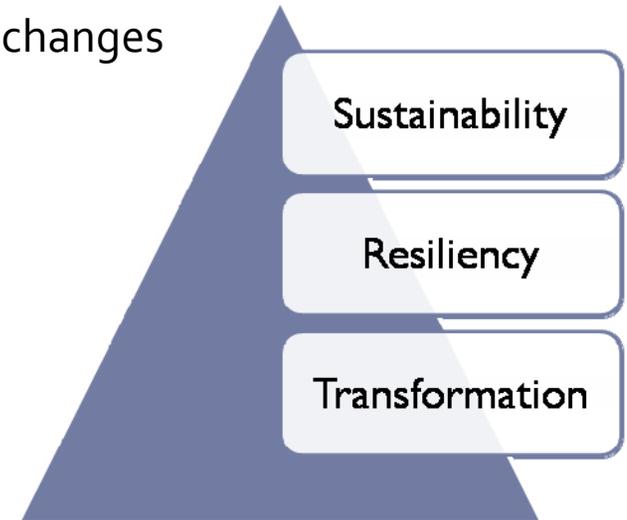
- Did not opt for quick, temporary fixes; recommended changes must sustain core services over long-term

□ **Resiliency**

- Made decisions with long-term impacts in mind; our organization must be resilient to changing economic challenges and new/expanded service requirements

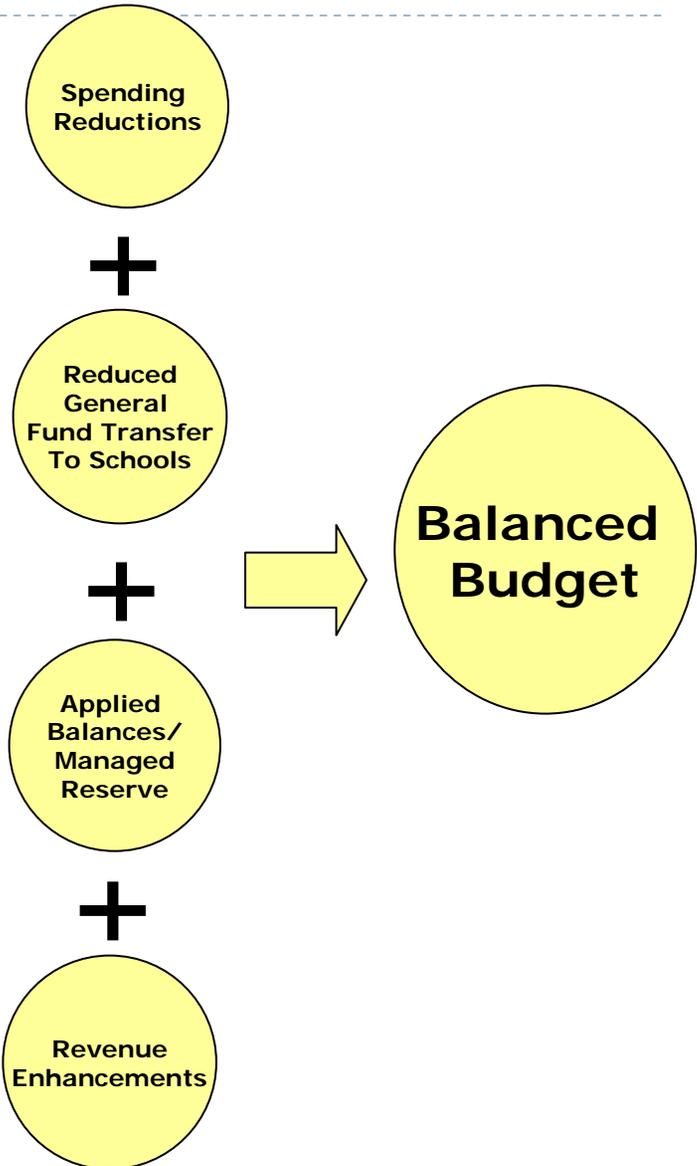
□ **Transformation**

- Transform how we work in terms of efficiency and effectiveness;
- Transform how we work and cooperate with Schools in seeking avenues for further cost-savings and collaboration;
- Transform how we work and engage with both the public and County employees



Strategic Framework

STRATEGIC FRAMEWORK FOR FY 2011	
• FY 2011 Projected Shortfall	\$257.2m
• County Spending Reductions	(\$103.3m)
• 1% Reduction in School Operating Transfer	(\$16.3m)
• Balances Applied/Managed Reserve	(\$37.9m)
• Revenue Enhancements	(\$121.4m)
• Reserve for State Revenue Reductions	<u>\$21.7m</u>
BALANCE	\$0.0m



The 'New Normal'

- Economic recovery will be less robust than previous recessionary recoveries
- No appreciable growth in services
- Resources focused on core programs
- Reductions are permanent
- Continue to seek and identify creative and innovative ways to do more with less

National Economy

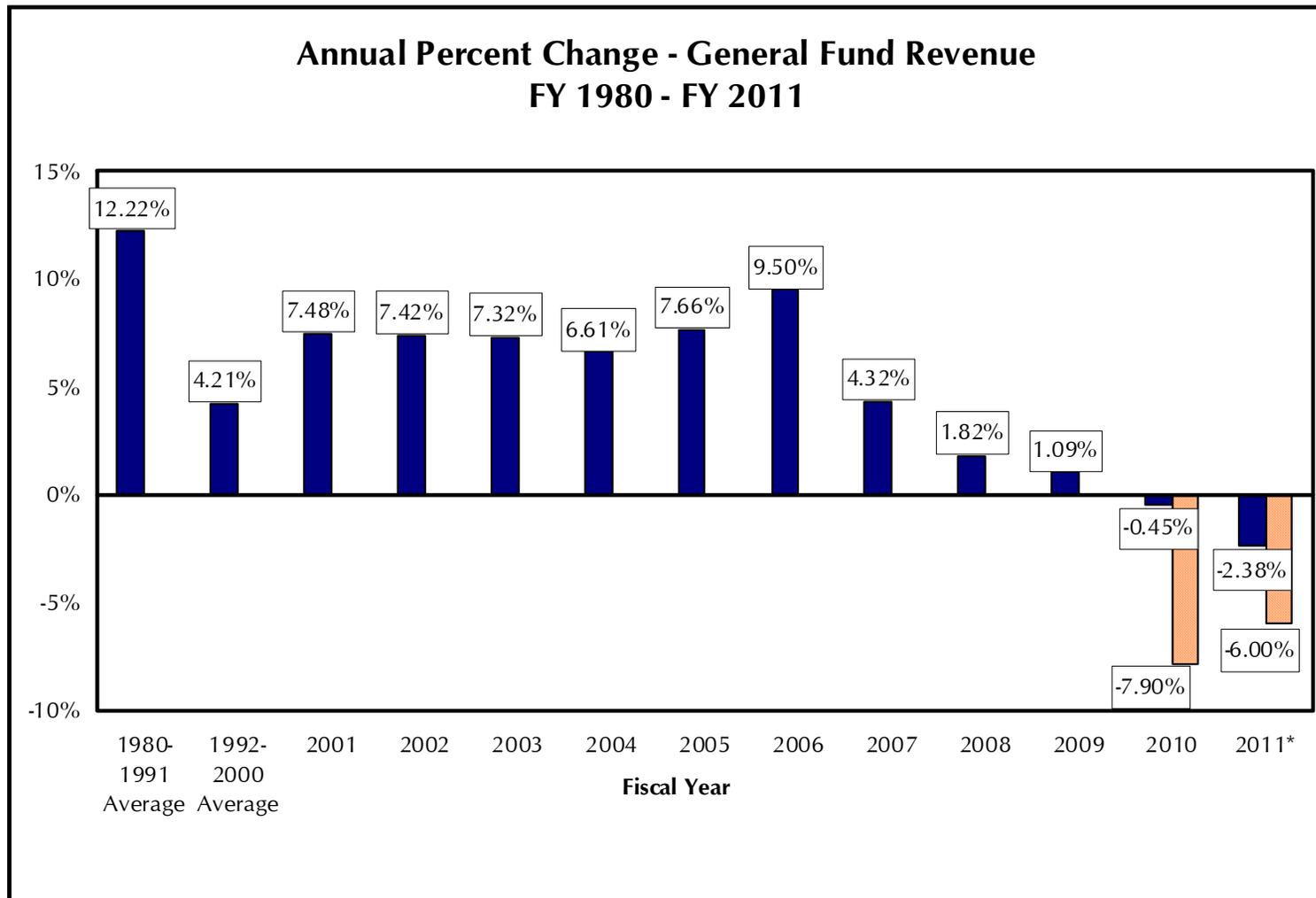
- Officially in recession since December 2007
- Indications that recession has bottomed out and modest recovery has begun
- Some recent improvement in meaningful indicators pointing to modest recovery:
 - Economy grew 5.7% in the 4th quarter of 2009 (lower rates expected during 2010)
 - Unemployment rate declined from 10.0% in December 2009 to 9.7% in January 2010
- Federal stimulus programs supported economic growth in 2009
- Consumer Confidence still very weak – means constrained spending
- Decreased economic activity and spending continues to impact County revenues
- 8 million jobs lost nationally over last 2 years

Northern Virginia - Fairfax County Economy

- Unemployment rate in Fairfax County was 4.6% in December 2009, up from 3.4% in December 2008
 - ← Peaked at 5.2% in June 2009; never higher than 4.0% during last two economic downturns

- Region and Fairfax County continue to lose jobs

General Fund Revenue Growth



*Absent the proposed 5-cent increase in the Real Estate Tax rate, the proposed Vehicle Registration License Fee, and increased SACC fees, FY 2011 would decline 6.0 percent.

Real Estate Tax Base

	1991	1992	1993	1994	1995	1996	1997
Equalization	11.51%	(2.75)%	(6.48)%	(2.46)%	(1.29)%	0.36%	0.57%
- Residential	13.06	(1.90)	(3.74)	(0.52)	0.01	0.49	(0.23)
- Nonresidential	7.85	(4.80)	(13.22)	(7.86)	(5.28)	(0.09)	3.27
Growth	5.26	1.79	0.40	1.08	1.97	2.16	2.13
TOTAL	16.77%	(0.96)%	(6.08)%	(1.38)%	0.68%	2.52%	2.70%
	1998	1999	2000	2001	2002	2003	2004
Equalization	0.80%	1.77%	2.96%	5.13%	9.70%	11.72%	9.94%
- Residential	(0.50)	0.04	0.77	5.13	11.26	16.27	14.55
- Nonresidential	5.05	7.12	9.24	5.15	5.92	0.52	(2.94)
Growth	1.93	2.19	3.37	3.81	3.94	3.42	2.54
TOTAL	2.73%	3.96%	6.33%	8.94%	13.64%	15.14%	12.48%
	2005	2006	2007	2008	2009	2010	2011
Equalization	9.54%	20.80%	19.76%	2.47%	(1.02)%	(10.52)%	(8.98)%
- Residential	11.29	23.09	20.57	(0.33)	(3.38)	(12.55)	(5.56)
- Nonresidential	3.74	12.74	16.64	13.57	7.00	(4.51)	(18.29)
Growth	2.50	2.69	2.94	1.68	1.53	0.57	(0.22)
TOTAL	12.04%	23.49%	22.70%	4.15%	0.51%	(9.95)%	(9.20)%

Projected Value of "One Penny" in FY 2011 = \$18.67 million

Residential Real Estate

- Average home sales prices fell 6.4% in 2009
- Number of sales are projected to rise through Spring 2010, but may dip after homebuyer tax credit expires in April 2010
- Continued decline projected in residential values through FY 2012
- As of December 2009, 796 foreclosed homes in Fairfax County, down from 2,008 in December 2008
- Market Positives
 - Average number of days to sell a home was 71 days in 2009 vs. 98 in 2008
 - Median price is now on uptick in recent months
 - Number of homes sold rose 9.4% to 15,298, highest level since 2006
 - Supply of homes on the market declined at the end of the year
 - Number of foreclosures have decreased significantly from 2008
 - Mortgage rates remain favorable

Real Estate Revenue: Residential Equalization

Residential

- Approximately 76.15% of total base
- Residential values decreased 5.56% for FY 2011
- 4th consecutive annual decline



Residential Equalization Percent Changes

Housing Type (Percent of Base)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Single Family (72.4%)	22.21	20.37	(0.43)	(3.12)	(11.34)	(5.50)
Townhouse/Duplex (18.4%)	26.08	22.69	0.64	(4.96)	(16.06)	(4.44)
Condominiums (7.8%)	33.49	25.97	(2.23)	(4.54)	(19.51)	(10.45)
Vacant Land (0.9%)	26.32	25.44	3.86	7.66	(7.08)	(6.68)
Other (0.5%) ¹	5.30	9.67	2.97	6.46	(4.99)	(3.60)
Total Residential Equalization (100%)	23.09	20.57	(0.33)	(3.38)	(12.55)	(5.56)

¹ Includes affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

Nonresidential Real Estate

- Nonresidential values declined 18.29% for FY 2011
- Office Vacancy rates
 - 2009 mid-year: 12.7%, 15.4% with sublets
- As of mid-year 2009, 12 projects totaling 1.7 million sq. ft. were under construction
- Available office space topped 14.1 million sq. ft. as of mid-year 2009
 - An amount equal to over half of the total space in Tysons
- Speculative development
 - Of the 12 buildings, only 3 are 100% speculative
 - Lack of available credit has brought speculative development to a standstill
- Nonresidential values are also projected to decline in FY 2012 and FY 2013
- Nonresidential Growth is actually (1.16%), reflecting categorization of the value of the entire property in the growth component. Negative growth also occurred in FY 1993 and FY 1994. Residential Growth = 0.12%.

Real Estate Revenue: Nonresidential Equalization

Nonresidential Equalization Percent Changes

Category (Percent of Base)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Apartments (17.4%)	11.21	11.65	22.59	6.41	(6.96)	(12.69)
Office Condominiums (4.6%)	18.01	1.96	13.76	4.78	(1.10)	(7.57)
Industrial (6.6%)	8.89	12.61	14.34	14.08	(1.08)	(23.48)
Retail (16.0%)	10.99	18.56	7.56	7.76	(2.33)	(16.07)
Office Elevator (37.6%)	18.81	24.16	15.93	5.68	(6.62)	(24.31)
Office – Low Rise (4.0%)	17.56	23.94	10.18	9.16	(3.35)	(23.86)
Vacant Land (4.3%)	10.07	21.88	14.99	7.67	(3.87)	(26.53)
Hotels (3.5%)	15.34	25.54	9.58	11.28	(7.06)	(34.03)
Other (6.0%)	8.52	12.19	10.05	7.63	(2.07)	(12.84)
Nonresidential Equalization (100%)	12.74	16.64	13.57	7.00	(4.51)	(18.29)

Real Estate Revenue: Nonresidential

Nonresidential

□ Commercial/Industrial percentage of total real estate assessment base:

- FY 1990 = 26.76% (highest rate in two decades)

- FY 2000 = 24.32%

- FY 2005 = 18.20%
- FY 2006 = 17.36%
- FY 2007 = 17.22%
- FY 2008 = 19.23%
- FY 2009 = 21.06%
- FY 2010 = 22.67%
- FY 2011 = 19.70%



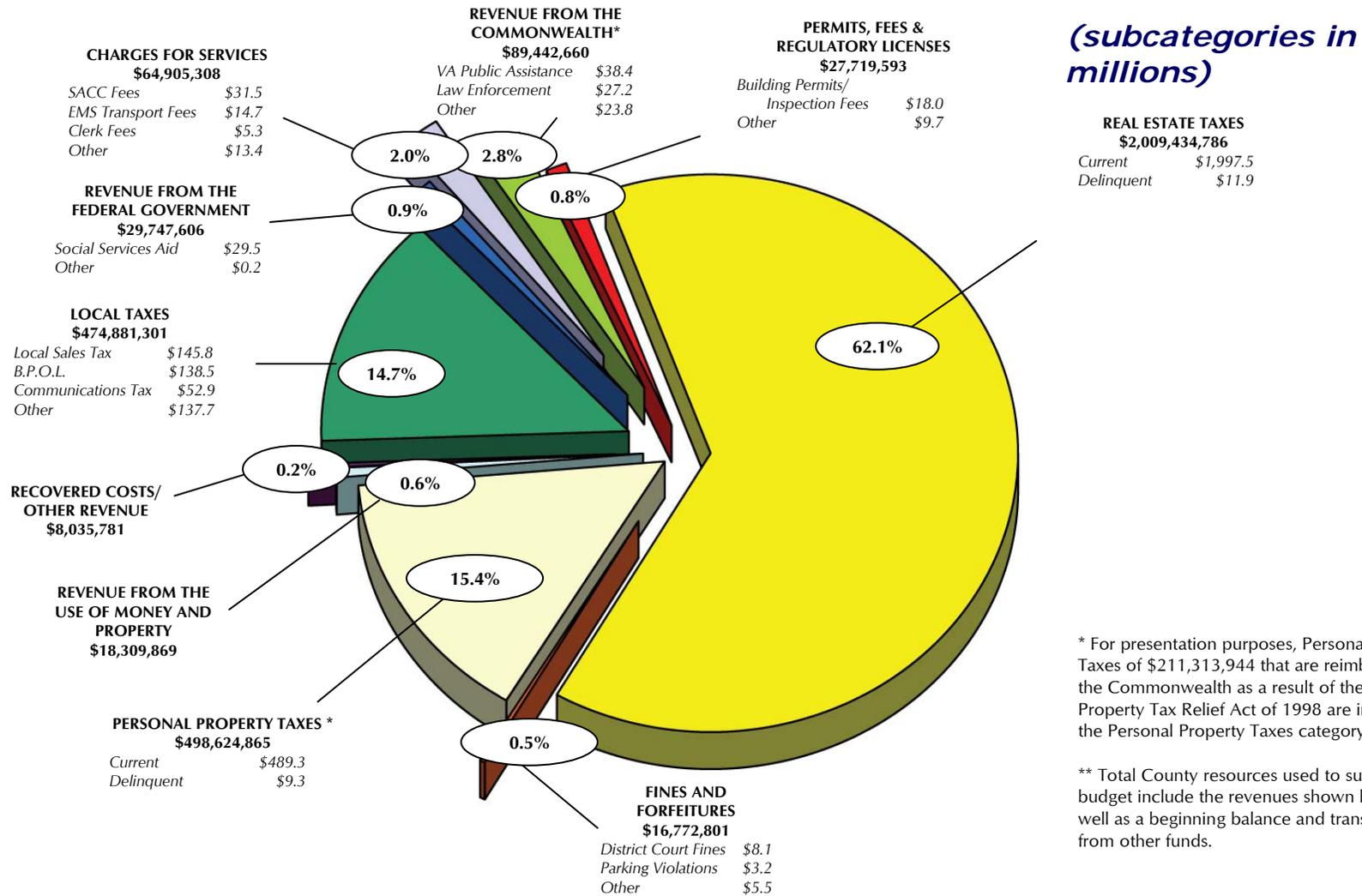
Other Revenue Categories

- Comprise less than 40% of total General Fund Revenue
- Projected to increase \$25.7 million or 2.1% over FY 2010 levels

<i>Projected Growth Rates of Selected Categories</i>		
<i>SOURCE</i>	<i>PERCENTAGE OF BASE</i>	<i>PROJECTED FY 2011 CHANGE</i>
Personal Property Tax	15.4%	0.9%
Local Sales Tax	4.5%	0.0%
BPOL Tax	4.2%	0.0%
Federal and State Revenue	3.6%	(2.8%)

FY 2011 General Fund Receipts

("Where It Comes From")



(subcategories in millions)

REAL ESTATE TAXES
\$2,009,434,786
Current \$1,997.5
Delinquent \$11.9

* 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.

** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

FY 2011 GENERAL FUND RECEIPTS = \$3,237,874,570**

Impact of Real Estate Tax Rate Increase

Tax Rate Per \$100 Assessed Value	Tax Increase	Additional Revenue (millions)	Tax Per Household Compared to FY 2010	Notes
\$1.09	\$0.05	\$93.4	(\$48.55)	Used to Balance FY 2011 Budget
\$1.10	\$0.06	\$112.0	(\$5.31)	
\$1.11	\$0.07	\$130.7	\$37.93	
\$1.12	\$0.08	\$149.4	\$81.18	Recommended to Advertise for Flexibility

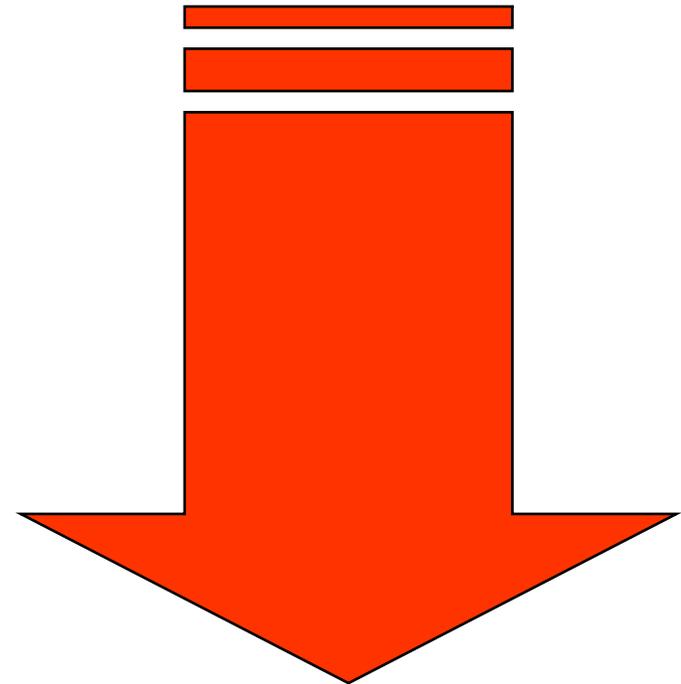
FY 2011 Budget Proposal

- **The total recommended FY 2011 budget is \$6.1 billion (All Funds)**

- **General Fund Disbursements total is \$3.29 billion**
 - 3.9% decrease from the *FY 2010 Revised Budget*
 - 1.1% decrease from FY 2010 Adopted Budget Plan

- **General Fund Direct Expenditures total is \$1.185 billion**
 - 7.4% decrease from the *FY 2010 Revised Budget*
 - 2.0% decrease from FY 2010 Adopted Budget Plan

DECREASE



FY 2011 Budget Proposal Summary

- Targeted spending requirements coupled with significant reductions of \$103.3 million and a net reduction of 284 positions
- No County employee compensation increases for 2nd consecutive year
- 1% reduction in General Fund transfer to Fairfax County Public Schools
- \$37.9 million of funding from balances utilized
- Revenue/fee enhancements of \$121.4 million:
 - Real Estate Tax Rate increase of \$0.05 = \$93.4m
 - Vehicle Registration License Fee of \$33 = \$27.0m
 - Increase SACC Fees = \$1.0m
- Creation of \$21.7 million reserve to offset possible additional state reductions

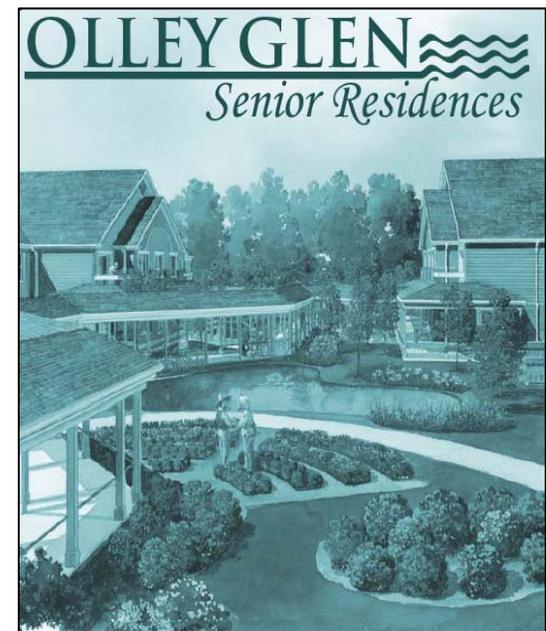
STEP 1: Targeted Spending Requirements and Reduced County Expenditures

TARGETED SPENDING REQUIREMENTS

- Retirement Funding: \$26.5m
- Debt Service: \$7.9m
- CONNECTOR/Metro: \$5.1m
 - Bus route reductions are required as a result of the loss of Dulles Corridor Grant
 - CONNECTOR fares are proposed to increase from \$1.25 to \$1.50
- Contractual Rate Increases: \$2.2m
- New Facilities: \$1.8m
- Critical Public Health Department Positions/ Medically-Fragile Support: \$1.5m
- Fund 120, E-911 Funding: \$3.4m
- Continued Funding for Emergency Support of Community Organizations
- Consolidated Community Funding Pool and Proposed Changes to the Consolidated Community Funding Pool Advisory Committee
- Affordable Housing

STEP 1: New Positions to Staff New Facilities and Fill Critical Needs

- As directed by the Board of Supervisors in fall 2009, the FY 2011 budget includes \$877,424 and 9/9.0 SYE additional positions for the County's Health Department primarily to replace federal grant funding for critical public health preparedness
- Staffing and resource requirements associated with new facilities total \$1.80 million and include 5/4.27 SYE new positions. This budget proposal includes:
 - 3/2.27 SYE positions and net funding of \$86,142 to operate two new SACC rooms at Mount Eagle Elementary School
 - Based on the opening of the Lutie Lewis Coates and Laurel Hill Elementary Schools in FY 2010, 1/1.0 SYE Public Health Nurse position, at a cost of \$88,891 has been included
 - Net funding of \$210,397 and 1/1.0 SYE for a Park/Recreation Assistant to aid seniors at the new Olley Glen Senior Center



STEP 1: Reduced County Expenditures

<input type="checkbox"/> FY 2011 Expenditure Reductions and Reorganizations	\$57.9m
<input type="checkbox"/> Accelerated FY 2010 Reductions	\$35.4m
<input type="checkbox"/> Fringe Benefit Savings	<u>\$10.0m</u>
TOTAL	\$103.3m
<input type="checkbox"/> Total Position Reductions	298/296.0 SYE

STEP 1: Reduced County Expenditures

- Spending reductions of \$103.3 million and a reduction of 298/296.0 SYE positions
 - Reduction-in-Force (RIF) process will be initiated
- Accelerated reductions as part of the *FY 2010 Third Quarter Review*
- For second consecutive year, no employee compensation increases
 - Continue additional 1.5 holidays in FY 2011
- Redirect funding for Employee Fitness Center to Health Benefits Fund



STEP 1: Targeted Spending Requirements and Reduced County Expenditures

REDUCED COUNTY EXPENDITURES

Agency Efficiencies and Reductions

- Parks and Libraries (additional reductions in service hours and funding for programs)
- Fairfax-Falls Church Community Services Board (CSB) Programs (service reductions)
- Workload Decreases:
 - ← Juvenile and Domestic Relations District Court (reduced placements in the Juvenile Detention Center)
 - ← Land Development Services (reduced permit processing)
- Public Safety (significant reduction in overtime and redirection of staffing resources)
- Department of Family Services (service efficiencies and redesigns)
- Fringe Benefits

STEP 1: Targeted Spending Requirements and Reduced County Expenditures

REDUCED COUNTY EXPENDITURES

- **Agency Reorganizations and Reviews**
 - Department of Neighborhood and Community Services (consolidation of Community and Recreation Services and Dept. of Systems Management for Human Services, resulting in elimination of 10 positions)
 - Clerk to the Board of Supervisors and Planning Commission staff (position eliminations and service coordination)
 - Span of Control (completed countywide analysis and agencies incorporated feedback into reductions)
 - Public Information Officers (PIO) Review (realigned and reduced)
 - Redirection of Training Resources (eliminated need for additional staff to support key County training initiatives)
 - Senior Services (comprehensive review and identification of efficiencies and opportunities for redesign)
 - Code Enforcement (consolidated existing resources for coordinated service delivery)
 - System of Care Reorganization (multi-agency effort coordinating mandated children's services)

STEP 2: Strategic Use of Reserves

- **Some one-time balances, totaling \$37.9 million, have been used to achieve this recommended, balanced budget**

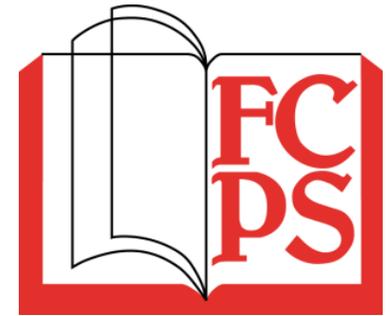
- **The reserves used in FY 2011 include:**
 - Utilization of reserves established by the Board of Supervisors as part of the *FY 2009 Carryover Review* for FY 2011 including \$20 million in funding for projected requirements for retirement and \$12.43 million in remaining balances from FY 2009 which were held in reserve specifically to offset projected FY 2011 shortfalls

 - Savings of \$4.0 million as a result of an extension of a moratorium on most vehicle replacement purchases

 - Anticipated balances from FY 2009 audit adjustments of \$0.73 million

STEP 3: Continued Support for Fairfax County Public Schools

The combined transfer for School operating and School debt service is \$1.771 billion, a decrease of \$19.3 million from FY 2010. The County's support of FCPS represents 53.8% of total County disbursements. Same level as in FY 2010; remains highest level since FY 1981.



FY 2011 Transfer for School Operations = \$1.61 billion

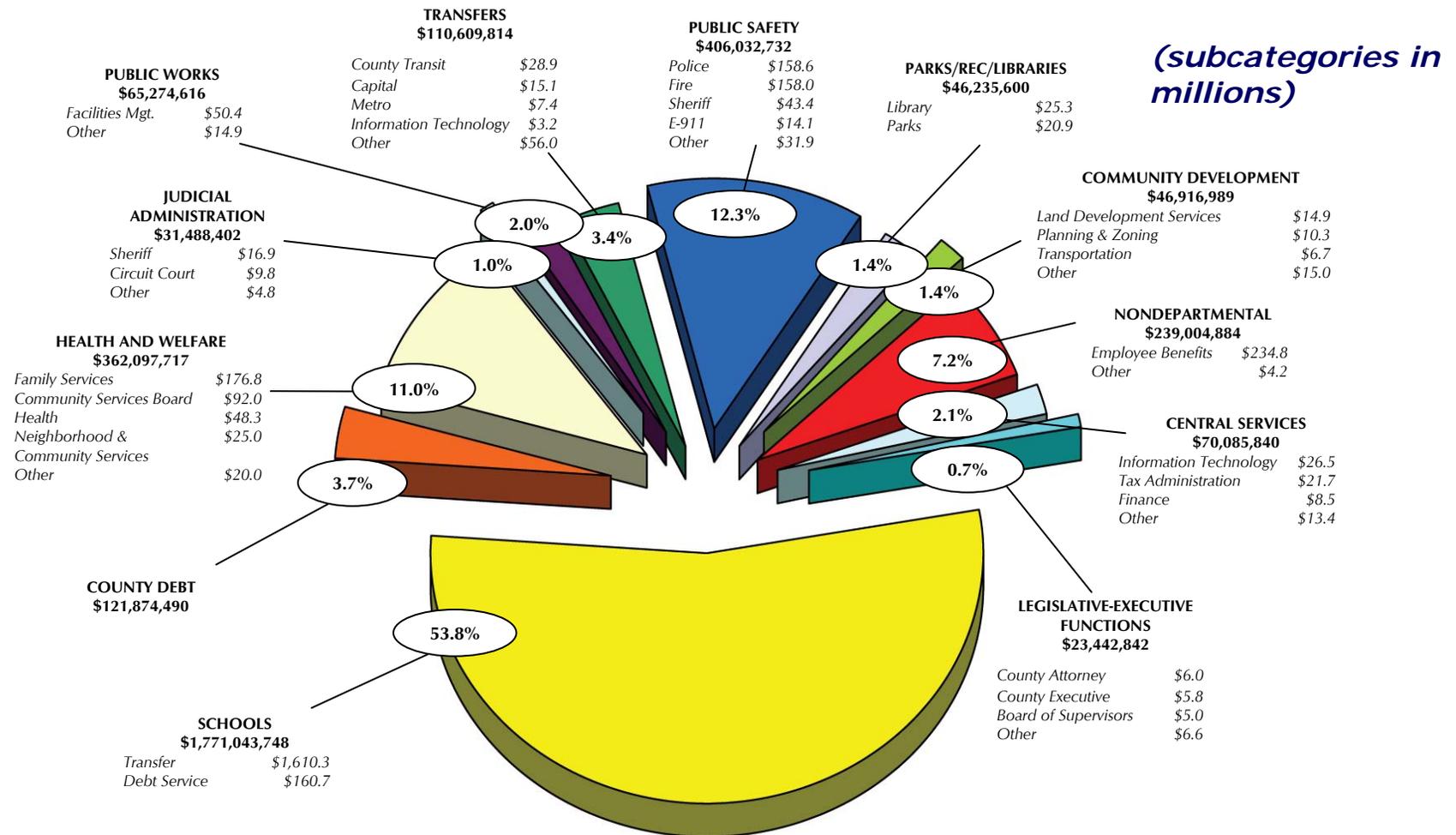
- A decrease of \$16 million or 1.0% from the FY 2010 Adopted Budget Plan
- School Board Request = \$1.71 billion:
 - An increase of \$81.9 million or 5.0% over FY 2010

FY 2011 Transfer for School Debt Service = \$160.7 million

- Decrease of \$3.06 million from FY 2010 level
- School bond sales at \$155 million per year through FY 2012

FY 2011 General Fund Disbursements

("Where It Goes")



FY 2011 GENERAL FUND DISBURSEMENTS = \$3,294,107,674 *

* In addition to FY 2011 revenues, available balances and transfers in are also utilized to support disbursement requirements.

STEP 4: Reasonable Revenue Enhancements

- This budget is balanced based on numerous factors, including revenue enhancements totaling \$121.4 million:
 - A proposed 5-cent real estate tax rate increase will generate \$93.4 million
 - Recommend that the Board advertise an 8-cent tax rate increase for flexibility, a rate of \$1.12
 - This budget recommendation also includes the implementation of a \$33 vehicle registration license fee which will generate \$27 million in FY 2011
 - Fee increases in the School-Age Child Care (SACC) program to generate \$1.0 million
- Revenue enhancements NOT included in this budget but for future consideration:
 - Other longer term considerations include a Meals Tax
 - Requires approval by voter referendum
 - Could generate \$80 million at maximum rate of 4%
 - Current state law permits the imposition of a local admission fee for theatre and other entertainment events. Under proposed rate of 10%, this tax could generate as much as \$3 million

Uncertainties and Concerns

- Concern about timing and scope of full economic recovery from the recession
- Uncertainty about federal government's ability to sustain stimulus to buoy economy
- Concern about County's deferral of funding for capital and information technology projects
- Concern about ongoing use of one-time balances to balance the budget
- Uncertainty of final impact on County from State actions to address 2-year, \$4.2 billion budget shortfall



Reserve For Additional State Revenue Loss

- State revenue shortfall estimated at \$4.2 billion over the biennium (FY 2010 – FY 2012)

- FY 2011 revenue projections in the budget proposal assumed revenue loss of \$13.4 million

- Unclear impact on personal property tax relief (PPTRA) – Fairfax County receives \$211 million annually

- Recommend Reserve for further state reductions of \$21.7 million

FY 2012 Financial Forecast

- No significant improvement projected in County General Fund Revenue:
 - FY 2012 – (2.3%) decrease
 - FY 2013 – 0.5% increase
- Even with no increase in County disbursements, FY 2012 projected deficit is \$130 million
- Targeted spending increases will be required based on population growth, costs of goods and services, utility costs, debt service payments, vehicle replacement, and compensation

FY 2011 Tax and Fee Facts

TAX AND FEE FACTS

Type	Unit	FY 2010 Actual Rate	FY 2011 Recommended Rate
Real Estate	\$100/Assessed Value	\$1.04	\$1.09
Personal Property	\$100/Assessed Value	\$4.57	\$4.57
Integrated Pest Management Program	\$100/Assessed Value	\$0.001	\$0.001
Refuse Collection	Household	\$345	\$345
Refuse Disposal	Ton	\$60	\$60
Solid Waste Landfill Ash Disposal	Ton	\$13.50	\$13.50
Leaf Collection	\$100/Assessed Value	\$0.015	\$0.015
Sewer Availability Charge	Residential	\$7,310	\$7,750
Sewer Service Charge	Per 1,000 Gallons	\$4.50	\$5.27
McLean Community Center	\$100/Assessed Value	\$0.024	\$0.024
Reston Community Center	\$100/Assessed Value	\$0.047	\$0.047
Commercial Real Estate Tax For Transportation	\$100/Assessed Value	\$0.11	\$0.11
Athletic Service Application Fee	Per Participant Per Team Per League Season	\$5.50	\$5.50
Stormwater Services District Levy	\$100/Assessed Value	\$0.010	\$0.015

For More Information or Input on the FY 2011 Budget

Your suggestions and comments are appreciated through the following ways:

Web: http://www.fairfaxcounty.gov/survey/fy11_budget_comment.htm

Telephone: 703-324-9400

The entire *FY 2011 Advertised Budget Plan* and the FY 2011 – FY 2015 Capital Improvement Program (CIP) are available on the Internet:

• **<http://www.fairfaxcounty.gov/budget>**

• All of these County documents are available on one compact disc from the Department of Management and Budget (DMB).

In addition, one reference copy of the budget is available at each County library facility.

FY 2011 Budget Schedule

- February 23, 2010** County Executive presents FY 2011 Advertised Budget Plan
- March 9, 2010** FY 2011 Budget, Tax Rate and *FY 2010 Third Quarter Review* to BOS for advertisement
- April 6, 7 and 8, 2010** Public Hearings on FY 2011 Budget, *FY 2010 Third Quarter* and FY 2011-FY 2015 Capital Improvement Program
- April 20, 2010** Budget Mark-Up
- April 27, 2010** Budget Adoption

To sign up to speak at one of the public hearings, call the Clerk to the Board's Office at (703) 324-3151 or (703) 324-2391 (TTY 711) or to access the form to sign up to speak, go to **https://www.fairfaxcounty.gov/bosclerk/speaker_bos.htm**

The public can send written testimony or communicate with the Clerk's Office by email at: **clerktothebos@fairfaxcounty.gov**

Anticipated Costs Associated With Historic Snowfall

- ❑ Three major snow events occurred to date during FY 2010, resulting in snowfall in Fairfax County of nearly 70 inches
- ❑ Snow-related costs are significant and included Public Safety and Public Works overtime, plowing, snow removal, equipment rental, repair and maintenance
- ❑ Funding adjustments will be necessary at the *FY 2010 Third Quarter Review*
- ❑ FY 2010 Reserve = \$5.0 million

