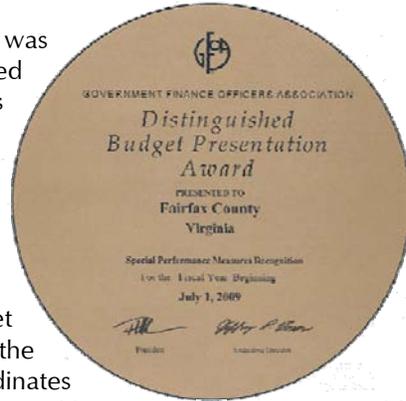


Department of Management and Budget

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.

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 24th consecutive year. The department will continue to build on this success for future budget documents in order to enhance the accountability, transparency and usefulness of the budget documents.



However, the role of the agency extends considerably beyond budget preparation. 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. In addition, the department is the lead agency responsible for coordination and development of the County's Capital Improvement Program (CIP). 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 overseeing 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 July 2009, Fairfax County was awarded ICMA's Certificate of Excellence, its newest and highest level of recognition for excellence in performance measurement. Only 14 of more than 200 jurisdictions participating in ICMA's Center for Performance Measurement earned this prestigious award in 2009. In addition, the County received the Government Finance Officers Association (GFOA) "Special Performance Measures Recognition" in 2009.



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.

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 five 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. At the same time, the County faces the dual challenges of maintaining an aging infrastructure, while addressing the needs of a growing population that requires additional facilities.

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FY 2011 Budget Reduction Impact Summary

Reductions in the department's operating budget build upon those taken as part of the FY 2010 budget, impacting the department's staffing level and the availability of printed copies of the budget for public access. Since FY 2001, including budget reductions in prior years, the department's position count has been reduced by 15 percent, presenting challenges to formulate the budget given an increasingly complex fiscal environment. To meet these challenges, DMB has and will continue to streamline the budget process, draw on internal expertise to cross-train and develop staff, and leverage technology to ensure an efficient and productive use of resources. Last year, the use of technology played a significant role in the dissemination of budget information in light of a reduction in the number of printed copies of the budget produced; in FY 2011, the number of available printed copies will be reduced even further. In response, the department has expanded the availability of data on its website, which includes all information contained in published budget volumes, as well as quarterly reviews, budget calendars, economic data, and historical files. This increased transparency, coupled with a difficult economic situation, has brought about a renewed interest from residents in budget issues. As a result, the department has focused resources on expanding public access to essential information at all stages of the budget formulation process in order to afford residents a better understanding of their County government, the services it offers, and the role they can play.

Budget and Staff Resources

Agency Summary				
Category	FY 2009 Actual	FY 2010 Adopted Budget Plan	FY 2010 Revised Budget Plan	FY 2011 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	38/ 38	36/ 36	36/ 36	35/ 35

Expenditures:				
Personnel Services	\$2,641,596	\$2,530,989	\$2,530,989	\$2,530,989
Operating Expenses	331,482	219,609	377,304	189,609
Total Expenditures	\$2,973,078	\$2,750,598	\$2,908,293	\$2,720,598

Position Summary		
1 Director	5 Budget Analysts IV	1 Network/Telecom. Analyst II
1 Deputy Director	1 Program & Procedures Coordinator	6 Budget Analysts II
1 Debt Manager	8 Budget Analysts III	2 Administrative Assistants V
4 Management and Budget Coordinators	1 Business Analyst III (-1)	2 Administrative Assistants III
1 Assistant Debt Manager	1 Programmer Analyst III	
TOTAL POSITIONS		
35 Positions (-1) / 35.0 Staff Years (-1.0)		(-) Denotes Abolished Position due to Budget Reductions

FY 2011 Funding Adjustments

The following funding adjustments from the FY 2010 Adopted Budget Plan are necessary to support the FY 2011 program:

- ◆ **Employee Compensation** **\$0**
It should be noted that no funding is included for pay for performance or market rate adjustments in FY 2011.

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◆ **Reductions** **(\$30,000)**

A decrease of \$30,000 and 1/1.0 SYE position reflects agency reductions utilized to balance the FY 2011 budget. The following chart provides details on the specific reductions approved, including funding and associated positions.

Title	Impact	Posn	SYE	Reduction
Eliminate Business Analyst Position	This reduction results in the elimination of one of two positions that provide technical support for the County's mainframe budgeting system. Due to recent reductions in the agency's personnel services budget, this position has been held vacant. It is not anticipated that the elimination of this position will result in a significant impact on the level of service, as the agency has been able to manage this vacancy due to increased efficiencies and training of other staff.	1	1.00	\$0
Reduce Copies of Printed Budget	The number of printed copies of the budget volumes available to the public and County staff will be reduced. In combination with the reduction included in the <u>FY 2010 Adopted Budget Plan</u> , the agency's budget for printing of hard copy budget volumes will be reduced by almost 70 percent from FY 2009 levels. The agency will continue to direct staff and residents to digital resources on the County's website as well as cost-effective media such as compact discs.	0	0.00	\$22,000
Reduce Youth Leadership Program Opportunities	The Fairfax County Youth Leadership Program is an education and experiential learning program geared at high school juniors which provides monthly sessions on County government, leadership development and a 3 week summer internship experience. The program is supported by two teacher liaisons from the Fairfax County Public Schools who coordinate with County staff on administrative functions such as: reviewing applications for in-coming Youth Leadership participants, working with the students at each session, reviewing homework assignments, coordinating student outreach at middle schools, corresponding with students on a monthly basis, developing alumni newsletters, and providing overall coordination of student activities. This reduction will eliminate one of the two teacher liaisons, and the remaining teacher sponsor and staff from the Department of Management and Budget will absorb these responsibilities as possible. In the last 5 years, program participation has averaged 39 students with many of the larger high schools having two representatives. The number of students accepted into the program will be reduced by 10 enabling fewer students to take advantage of the program.	0	0.00	\$8,000

Changes to FY 2010 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2010 Revised Budget Plan since passage of the FY 2010 Adopted Budget Plan. Included are all adjustments made as part of the FY 2009 Carryover Review, and all other approved changes through December 31, 2009:

◆ **Carryover Adjustments** **\$157,695**

As part of the *FY 2009 Carryover Review*, the Board of Supervisors approved encumbered funding of \$157,695 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.

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- ◆ 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 2007 Actual	FY 2008 Actual	FY 2009 Estimate/Actual	FY 2010	FY 2011
Output:					
Dollar value of budgets reviewed (in billions)	\$5.42	\$5.72	\$6.07 / \$5.84	\$5.83	\$5.83
Special financings conducted	3	2	3 / 3	2	NA
Dollar value of special financings conducted (in millions)	\$90.04	\$143.10	\$155.61 / \$307.87	\$134.93	NA
General Obligation bond sales or refinances conducted (1)	1	1	2 / 2	3	NA
Dollar value of General Obligation bond sales (in millions)	\$239.54	\$234.48	\$199.51 / \$199.51	\$269.10	NA
Dollar value of General Obligation refundings (in millions)	NA	NA	\$58.37 / \$58.37	\$131.80	NA
Bond referenda	2	2	1 / 1	NA	NA
Active project negotiations for special financing	38	46	41 / 42	40	40
Efficiency:					
Budget Analysts per 1,000 population	1:42	1:42	1:42 / 1:42	1:46	1:46
Cost per \$1,000 bonds issued	\$3.47	\$3.39	\$3.50 / \$3.74	\$3.74	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	NA
Outcome:					
Percent variance in actual and projected revenues	0.4%	0.2%	2.0% / 1.3%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.1%	1.4%	2.0% / 2.4%	2.0%	2.0%
Interest rate for bond sale	4.12%	3.77%	3.57% / 3.57%	2.89%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	\$9.42	\$12.08	\$31.89 / \$31.89	\$29.69	NA
Savings associated with refundings (in millions)	NA	NA	\$4.63 / \$4.63	\$8.57	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.

Department of Management and Budget

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 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 2009, DMB exceeded the 2.0 percent target for revenue projections by achieving a variance of only 1.3 percent on a \$3.4 billion General Fund Disbursements budget. The actual variance for expenditures of 2.4 percent fell slightly above the 2.0 percent target as County managers continued to prudently manage their departmental budgets and generated savings in anticipation of reductions taken in FY 2010.

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. As a result of its successful Budget Process Redesign, DMB has been able to take on additional and increased responsibilities associated with debt management/special financings, legislative requirements, coordination of the Capital Improvement Program, and other special projects related to the needs of a growing and diversifying community.

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 December 2009 by only 24 counties, 7 states and 25 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 \$31.89 million on a \$199.51 million General Obligation bond sale during FY 2009. The County exceeded its interest rate estimate of 4.50 percent on that sale by achieving a rate of 3.567 percent. In FY 2010, the County conducted three bond sales and achieved, on a combined basis, a blended rate of 2.75 percent on \$400 million of bonds sold for two new money bond sales (including a tax-exempt offering and a Taxable Build America Bond sale) as well as a refunding sale. The blended rate for the two new money bond sales was 2.89 percent, which is the lowest recorded rate in County history for 20-year new money bonds. It should be noted that bond market interest rates had declined to a 42-year low and the County entered the bond market seeking to take advantage of these favorable market conditions and generate interest rate savings. Since 1978, the Triple AAA rating has resulted in bond sale savings of more than \$430 million. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for residents.