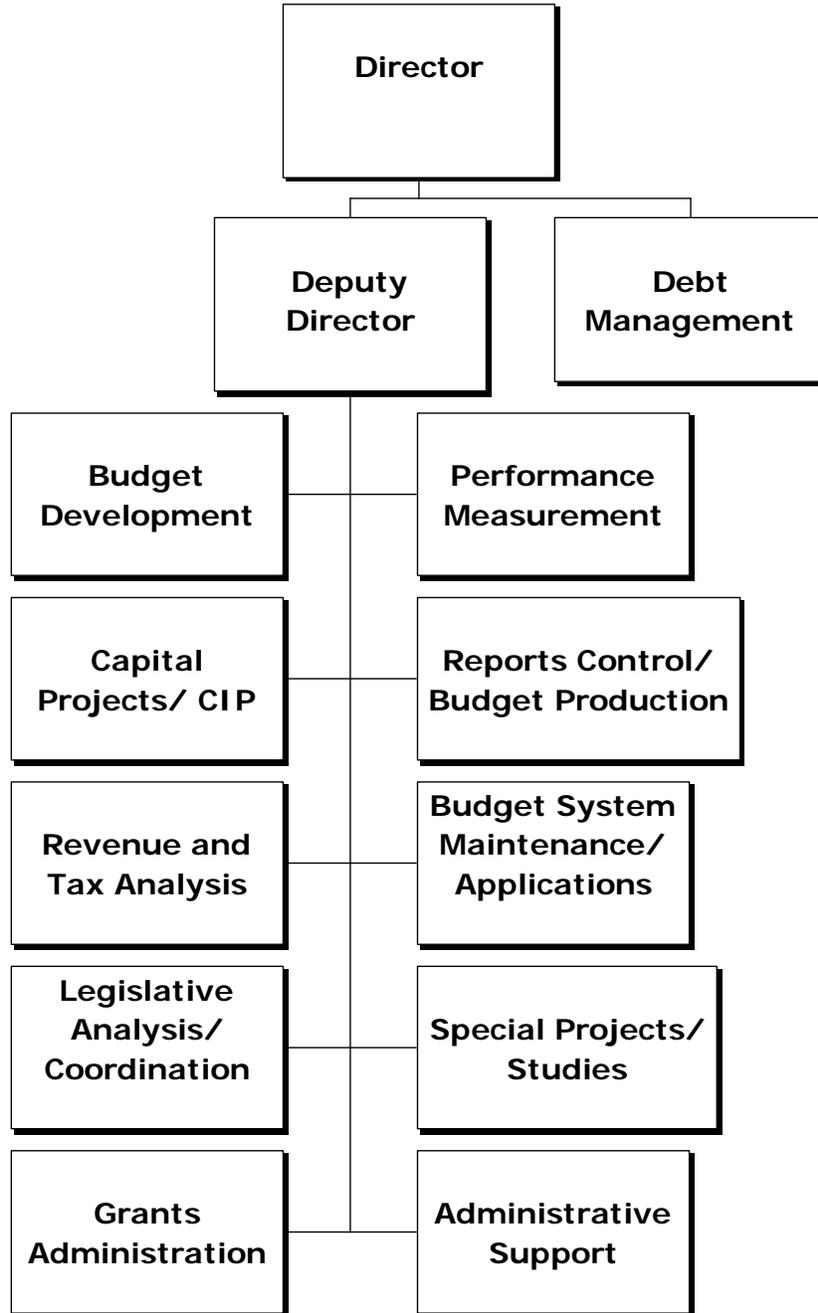


Department of Management and Budget



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 residents in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making.

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 \$6 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 25th 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 2010, Fairfax County was awarded ICMA's Certificate of Excellence, its newest and highest level of recognition for excellence in performance measurement. Only 21 of more than 220 jurisdictions participating in ICMA's Center for Performance Measurement earned this prestigious award in 2010.



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.

The department is also playing a key role in a multi-year technology project to replace the County's aging legacy systems, including the financial, purchasing, personnel and budget systems. This joint initiative between the County and the Fairfax County Public Schools is expected to streamline work processes and provide for operational efficiencies, as well as increase capabilities for real-time data analysis through robust reporting. As one of the core agencies involved in the project, DMB has dedicated resources to this important effort, which is expected to continue into FY 2013.

Department of Management and Budget

Since FY 2001, 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 upon internal expertise to cross-train and develop staff, and leverage technology to ensure an efficient and productive use of resources. In recent years, the use of technology has 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 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.

In 2010, the National Association of Counties (NACo) awarded Fairfax County its top honors in the category of "Civic Education and Public Information" for its Community Dialogue and Public Input Process during the FY 2010 and FY 2011 budget cycles. The Community Dialogue initiative, or public input process, successfully engaged hundreds of residents in numerous staff-facilitated small group sessions to obtain feedback on budget priorities and community values. The framework also allowed County and Schools staff to educate the public on the budget and the budget process. One of the benefits of this approach is that it provided a forum where residents shared and heard differing perspectives, allowing them to talk face-to-face on issues affecting their day-to-day lives, resulting in greater civic engagement by all participants. The County also obtained thousands of comments, suggestions and recommendations from the public through online input surveys. The County continues to seek community feedback on the budget in FY 2012.

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 four 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.

Budget and Staff Resources

| Agency Summary | | | | | |
|----------------------------------|--------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Category | FY 2010 Actual | FY 2011 Adopted Budget Plan | FY 2011 Revised Budget Plan | FY 2012 Advertised Budget Plan | FY 2012 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 36 / 36 | 35 / 35 | 34 / 34 | 35 / 35 | 34 / 34 |
| Expenditures: | | | | | |
| Personnel Services | \$2,536,784 | \$2,530,989 | \$2,520,989 | \$2,520,989 | \$2,520,989 |
| Operating Expenses | 258,811 | 189,609 | 271,818 | 189,609 | 189,609 |
| Capital Equipment | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | \$2,795,595 | \$2,720,598 | \$2,792,807 | \$2,710,598 | \$2,710,598 |

Department of Management and Budget

| Position Summary | | |
|--|------------------------------------|--------------------------------|
| 1 Chief Financial Officer | 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 Administrative Assistant III |
| 1 Assistant Debt Manager | 1 Programmer Analyst III | |
| TOTAL POSITIONS | | |
| 34 Positions / 34.0 Staff Years | | |

FY 2012 Funding Adjustments

The following funding adjustments from the FY 2011 Adopted Budget Plan are necessary to support the FY 2012 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 26, 2011.

◆ **Employee Compensation** **\$0**

It should be noted that no funding is included for pay for performance or market rate adjustments in FY 2012.

◆ **Reductions** **(\$10,000)**

A decrease of \$10,000 reflects the following reduction utilized to balance the FY 2012 budget:

| Title | Impact | Posn | SYE | Reduction |
|--|---|------|-----|-----------|
| Manage Position Vacancies to Achieve Savings | In FY 2012, the agency will hold positions vacant to meet the target of \$10,000. This is not anticipated to impact service levels. | 0 | 0.0 | \$10,000 |

Changes to FY 2011 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2011 Revised Budget Plan since passage of the FY 2011 Adopted Budget Plan. Included are all adjustments made as part of the FY 2010 Carryover Review, FY 2011 Third Quarter Review, and all other approved changes through April 12, 2011:

◆ **Carryover Adjustments** **\$82,209**

As part of the FY 2010 Carryover Review, the Board of Supervisors approved encumbered funding of \$82,209 in Operating Expenses.

◆ **Third Quarter Adjustments** **(\$10,000)**

As part of the FY 2011 Third Quarter Review, the Board of Supervisors approved a net reduction of \$10,000 in Personnel Services to generate savings to meet FY 2012 requirements.

◆ **Position Adjustments** **\$0**

Subsequent to the FY 2011 Third Quarter Review, 1/1.0 SYE position was transferred to the Department of Human Resources in order to more efficiently align County programs.

Department of Management and Budget

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.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|---|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2008 Actual | FY 2009 Actual | FY 2010 Estimate/Actual | FY 2011 | FY 2012 |
| Output: | | | | | |
| Dollar value of budgets reviewed (in billions) | \$5.72 | \$5.84 | \$5.83 / \$5.68 | \$6.10 | \$6.10 |
| Special financings conducted | 2 | 3 | 2 / 2 | 2 | NA |
| Dollar value of special financings conducted (in millions) | \$143.10 | \$307.87 | \$134.93 / \$138.34 | \$485.40 | NA |
| General Obligation bond sales or refinances conducted (1) | 1 | 2 | 3 / 3 | 2 | NA |
| Dollar value of General Obligation bond sales (in millions) | \$234.48 | \$199.51 | \$269.10 / \$269.10 | \$171.39 | NA |
| Dollar value of General Obligation refundings (in millions) | NA | \$58.37 | \$131.80 / \$131.80 | \$23.08 | NA |
| Bond referenda | 2 | 1 | 1 / 1 | 1 | NA |
| Active project negotiations for special financing | 46 | 42 | 40 / 37 | 46 | NA |
| Efficiency: | | | | | |
| Budget Analysts per 1,000 population | 1:42 | 1:42 | 1:46 / 1:46 | 1:46 | 1:46 |
| Cost per \$1,000 bonds issued | \$3.39 | \$3.74 | \$3.74 / \$3.74 | \$3.73 | NA |
| Service Quality: | | | | | |
| GFOA Distinguished Budget Presentation Award | Yes | Yes | Yes / Yes | Yes | Yes |
| Bond Ratings of AAA/Aaa/AAA | Yes | Yes | Yes / Yes | Yes | NA |
| Outcome: | | | | | |
| Percent variance in actual and projected revenues | 0.2% | 1.3% | 2.0% / 0.9% | 2.0% | 2.0% |
| Percent variance in actual and projected expenditures | 1.4% | 2.4% | 2.0% / 4.3% | 2.0% | 2.0% |
| Interest rate for bond sale | 3.77% | 3.57% | 2.89% / 2.89% | 3.71% | NA |
| Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index | \$12.08 | \$31.89 | \$29.69 / \$29.69 | \$30.99 | NA |
| Savings associated with refundings (in millions) | NA | \$4.63 | \$8.57 / \$8.57 | \$1.20 | 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.

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 2010, DMB exceeded the 2.0 percent target for revenue projections by achieving a variance of only 0.9 percent from the final General Fund budget estimate of \$3.29 billion. The actual variance for expenditures of 4.3 percent fell 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 2011.

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 January 2011 by only 37 counties, 8 states and 37 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. 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.

When DMB sells bonds on behalf of the County for capital facilities, the Triple AAA rating results in significant interest rate savings. In January 2011, Fairfax County conducted a General Obligation and Refunding bond sale, Series 2011A, and sold \$190.09 million at an interest cost of 3.706 percent. There were nine bidders with the highest bid, 3.790 percent – only 0.084 percent off the winning bid. The high number of bids and the closeness of the bids demonstrate strong support for the County's bond offering. Proof of the favorable reception of the bonds in the market place was borne out by the fact that this interest rate represented a differential of 1.70 percent under the Bond Buyer Index (BBI), which stood at 5.41 percent on the day of the County's sale. Over the past 30 years, the differential between the rate on the County's bonds and the BBI has averaged 0.77 percent. The successful sale of the County's bonds illustrates the value of maintaining the County's AAA ratings. Since 1978, the Triple AAA rating has resulted in bond sale savings of more than \$484.66 million. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for residents.