County of Fairfax, Virginia

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

February 28, 2012

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia

Chairman and Board Members:

I am pleased to present my final recommended and balanced budget to the Board of Supervisors for its consideration. Although we are not completely out of the woods yet, the challenges that we have faced over the last several years seem to be slowly lifting as we look ahead to FY 2013. As I speculated last year, we have indeed hit bottom and are now continuing to dig our way out of the hole caused by the "Great Recession." That is not to say the next few years will be easy ones as new challenges loom on the horizon. To that end, I will spend much of this budget process focused on a number of long-term issues which you, the Board, and my successor will need to address in the upcoming years. As such, the theme I would assign to the FY 2013 budget is "looking ahead" because of the imperative to prepare and position the County to meet these various challenges in a strategic manner. I will discuss these challenges later in the letter.

As we prepare to look ahead, it is necessary to recount where we have been and where we currently stand. First, the severe economic downturn required our County to absorb significant budget reductions over the past several years. For example, we have eliminated more than 500 positions and cut spending more than $200 million over the past four years. Many of these budget reductions – some of which were quite painful – directly impacted many of our residents. For instance, many residents continue to be inconvenienced by changes we made with the opening and closing hours at our libraries. In spite of these reductions in service hours, no library branches were closed and the changes in hours were tied to levels of usage. In addition, one of the consequences of these budget reductions has been the deferral of funding to support necessary maintenance and renovations in our infrastructure. Considering the crucial long-term perspective, we need to be sure to invest in our infrastructure as we look ahead. The change in library hours and the deferral of maintenance was part of the larger balancing strategy I have described before of making targeted reductions in County spending while maintaining the high quality of our most critical services. For many years, our budget has and continues to allocate necessary funding to consensus-based priorities within our community. The decisions we make today will shape our future tomorrow and beyond.

One of the most difficult challenges we have and continue to face is minimizing the impact on our taxpayers while recognizing the growing needs among the more vulnerable and needy in our community. One of the areas I am most proud of is that we have been very successful in maintaining a safety net and an array of beneficial services for our most vulnerable residents. Without the County funding and the web of partnerships we have built with the non-profit community, we would not have been able to help many in our community who had nowhere else to turn during this difficult period. Numerous times over the past several years during community dialogue sessions and other venues, many residents expressed support for this core value of protecting the vulnerable in our community.

As we emerge from the recession and look ahead, revenue increases will be modest, but the good news is that we are experiencing revenue growth. I am pleased to report that the FY 2013 budget recommendation includes no Real Estate Tax rate increase. Instead, much like last year, we have held spending to a minimum, covering only required increases and, as a result, the moderate growth in our revenue base is sufficient to recommend this balanced budget. **One of the key elements I want to focus on as we look ahead for the next several years is that revenue growth will be below levels needed to support the annual growth in projected expenditures for maintaining basic services and annual compensation increases.** Consequently, it will be necessary in future budgets to continue assessing and reassessing what we fund and how we fund it in order to continue maintaining the fine line between providing high quality services and an affordable tax burden. The moderate revenue growth projected for FY 2013 affords the ability to begin to address compensation increases for our employees who until very recently had gone two years without any increases. The backbone of our organization has been, and continues to be, our workforce which absorbed increased workloads and achieved increased efficiencies with fewer resources amidst competing demands and increased community expectations and needs during this economic downturn. We have managed to weather this storm with hard work, commitment, ingenuity and creativity by also managing our position vacancies. I am grateful that we can start recognizing this effort in FY 2013 with a 2.18 percent market rate adjustment (MRA) and by maintaining our commitment to our retirement and health benefit packages. This is the first step in reintroducing a more complete compensation package each year **but it is important to note that given the future revenue projections I just mentioned, I do not anticipate that a full package will be affordable without either further reductions or additional revenue in the near term**.

I am also recommending some additional reductions in FY 2013. However, similar to last year, they do not erode the core of services we have built; instead, they focus on opportunities for efficiencies or the elimination of services that are beyond the essential scope of local government. In addition, like last year, there is also no need to declare a reduction-in-force (RIF) of County staff. We successfully navigated these past few years with a very small number of County employees actually losing their jobs, due in no small part to employees being more concerned about minimizing the impact of budget reductions on their colleagues and the community rather than increasing their pay. This is another source of pride for me. Yet, I believe the time has come for the Board to examine ways and means to fully and fairly compensate our employees. I firmly believe that the recommended MRA is an important first step towards achieving this goal.

We have been living through the most difficult economic period since the Great Depression. I would argue that as a community we have emerged from this difficult period in fairly good shape, all things considered. We have an economy which is recovering faster than most in the nation. The strength and soundness of our standing in the financial community and our economic recovery is borne out by our recent highly successful bond sales in January 2012. The overall bond and debt markets think very highly of the County as an extremely safe and stable place in which to work and invest. For example, when Fitch Ratings assigned a 'AAA' rating to Fairfax County bonds on January 5, 2012, it stated that the County's "Historical financial operations are characterized by maintenance of healthy reserves, adherence to internal reserve policies, a conservative approach to budget development, and timely revenue and spending adjustments." Following the sale of general obligation public improvement bonds in mid-January 2012, the County's overall financial condition and debt management were highlighted as strengths by all three rating agencies. Standard and Poor's noted the County has a "strong, deep, and affluent economy, which serves as a principal anchor for the greater Washington region" and has "excellent financial management and stable finances, and moderate overall debt."

The success of our budget roadmap has also been affirmed from many circles, including the *Washington Post* which noted in an editorial on October 8, 2011, "Even after three years of budget cuts and plummeting revenue, Fairfax County remains the economic wunderkind of Virginia and in many ways of the Washington area. A magnet for government contractors and other major corporations, it is poised for further growth and prosperity even as neighboring jurisdictions scramble to retrench and regroup…. In contrast to some of its suburban rivals, Fairfax has sensibly balanced responsible policies on growth, spending and taxes." Continuing to adopt this sensible approach is critical as we move forward.

Before we discuss what I have included in the FY 2013 budget, I want to provide context on the economy which is one of the principal drivers in formulating my budget plan.

Economic Overview

Most signs point to a gradually improving economy. The Gross Domestic Product (GDP) is rising and the unemployment rate has declined. Still, the economy is not experiencing a level of growth normally seen after a recession and most analysts expect a slow uphill climb over the next year. Revenue is expected to increase a moderate 3.4 percent in FY 2013 and indeed for the next several years. This is the fastest rate of growth since FY 2007 yet this rate of growth is less than half the average annual growth in revenue experienced from FY 2000 through FY 2007.

Tysons is being transformed from a sprawling, car-centered area into a high-density, pedestrian-friendly urban center that will eventually grow over the next few decades to about twice the current 44 million square feet of commercial and residential space.

The unemployment rate in the County has been relatively stable over the past year. The County's unemployment rate continues to be one of the lowest in the state at 4.2 percent as of December 2011. While federal government employment has declined slightly over the past year, job growth in the private sector has more than taken up the slack. Preliminary 2011 figures show that the Northern Virginia area has more than regained the number of jobs lost during the recession. Fairfax County will continue to benefit from federal government consolidations like the recent move of several defense agencies to Fort Belvoir which will attract defense contractors and jobs to the area. A resurgence of office construction occurred late in 2011 with nine buildings totaling 1.6 million square feet under construction as of year-end – almost three-quarters of the new activity is 100 percent speculative. The redevelopment of Tysons and the construction of the Metro Silver line will also promote job growth which is essential to improving the County's housing market.

In the context of the current economic outlook, I will present the recommendations I have included in the FY 2013 budget. As always our focus is on the General Fund and its impact on our residents and businesses, but it is important to recognize that there are other funds through which important services are provided to the community such as Solid Waste and Wastewater Funds.

FY 2013 Budget Summary: All Funds

All Fund Revenues in the FY 2013 Advertised Budget Plan total $6,729.0 million. This County revenue total is an increase of $384.8 million or 6.1 percent over the FY 2012 Adopted Budget Plan. On the expenditure side, the FY 2013 Advertised Budget Plan totals $6,528.4 million. This total County funding is an increase of $426.9 million or 7.0 percent over the FY 2012 Adopted Budget Plan.

I am also recommending funding for 34/33.27 SYE new positions in the FY 2013 Advertised Budget Plan:

- 3/2.27 SYE positions for the Department of Family Services for SACC rooms at Lacey and Graham Road Elementary Schools;

- 2/2.0 SYE positions for the Department of Transportation in support of redevelopment in Tysons;

- 2/2.0 SYE positions for the Police Department for the expanded Animal Shelter;

- 5/5.0 SYE positions for the Fairfax-Falls Church Community Services Board for Intellectual Disability case management and Medical Detoxification services with no General Fund impact; and

- 22/22.0 SYE positions for Stormwater Services in both Capital Facilities and the Stormwater Management Division with no General Fund impact.

It should be noted that 36 positions are included for abolishment as part of the reductions I am recommending in the FY 2013 budget **which will result in a net reduction of 2 positions in FY 2013** from the FY 2012 level. In FY 2013, the total of County Authorized positions per 1,000 residents is 11.24, which continues our trend of maintaining or reducing this ratio after a slight uptick in FY 2011 and FY 2012. Another way of looking at the position count is that since FY 1992 the County population has increased by more than 30 percent yet the number of County positions has grown by less than 10 percent.

Additional detail concerning non-General Fund revenues, expenditures and positions is available in the "Financial and Statistical Summary Section" of the *Overview* and in *Volume 2* of the County Budget.

FY 2013 Budget General Fund Summary

FY 2013 General Fund Revenue

FY 2013 General Fund revenues are projected to be $3,459,441,429, an increase of $112,418,524 or 3.4 percent over the *FY 2012 Revised Budget Plan*, which contains the latest FY 2012 revenue estimates, and an increase of $152,488,978, or 4.6 percent over the FY 2012 Adopted Budget Plan. The net increase is primarily the result of a $64.4 million increase in current Real Estate Taxes based on rising assessments and no change in the Real Estate Tax rate of $1.07 per $100 of assessed value. In addition, Personal Property Taxes are projected to increase $30.0 million, mostly due to an increase in vehicle and business levy. Other Local Taxes are expected to rise $17.3 million based on projected moderate growth in various categories.

On the County's real estate front, residential home values are continuing to stabilize. While the number of homes sold fell for the second consecutive year, the average price of homes sold rose. Foreclosures and mortgage delinquencies fell. Overall, residential equalization reflects a 0.71 percent increase in FY 2013, compared to a 2.34 percent increase in FY 2012. Non-residential values experienced a strong increase with non-residential equalization of 8.21 percent in FY 2013, compared to the 3.73 percent rise in FY 2012.

The value of a penny on the Real Estate Tax rate is projected to increase from $19.35 million in FY 2012 to $19.95 million in FY 2013. Each penny change in the tax rate equals $44.87 on a taxpayer's bill. My budget recommendation proposes maintaining the Real Estate Tax rate at $1.07 per $100 of assessed value. At this rate, FY 2013 Real Estate taxes per "typical" household would increase $33.85 over FY 2012. Perhaps more significantly, the "typical" household will pay $45.36 less in Real Estate Tax in FY 2013 than it paid six years earlier in FY 2007.

Last Seven Years of the Average Homeowners Taxes

Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate per $100	Tax per Household	
FY 2007	$544,541	$0.89	$4,846.41	
FY 2008	$542,409	$0.89	$4,827.44	
FY 2009	$525,132	$0.92	$4,831.21	
FY 2010	$457,898	$1.04	$4,762.14	
FY 2011	$433,409	$1.09	$4,724.16	
FY 2012	$445,533	$1.07	$4,767.20	
FY 2013	$448,696	$1.07	$4,801.05	$33.85 more than FY 2012 $45.36 less than FY 2007

FY 2013 General Fund Disbursements

FY 2013 General Fund disbursements are $3.521 billion, an increase of $143.87 million, or 4.26 percent, over the FY 2012 Adopted Budget Plan. In comparison to the *FY 2012 Revised Budget Plan*, the increase is $59.25 million or 1.71 percent. The increase over the Adopted budget is based on FY 2013 increased requirements of $73.77 million for Fairfax County Public Schools for both Operating and Debt, and net increases for all non-School expenditures totaling $70.10 million. As in prior years, total County increases have been reduced by savings from agency budget cuts and reorganizations which in FY 2013 total $10.64 million. Increases in the County General Fund budget totaling $80.74 million fall into the following main categories: cost of County operations, human services requirements, transportation, community development, public safety, and capital construction.

Fairfax County Public Schools

The recommended General Fund transfer to the Public School Operating Fund reflects a 4.5 percent increase over the funding level in the FY 2012 Adopted Budget Plan. The County General Fund transfer to Fairfax County Public Schools (FCPS) underscores that education continues to be our community's highest priority and this funding is consistent with the percentage allocated to FCPS over the past few years at 52.5 percent. The proposed County General Fund transfer for school operations and debt service in FY 2013 totals $1.85 billion, an increase of $73,774,063, or 4.16 percent, over the FY 2012 Adopted Budget Plan. Within this amount, the transfer for School operations is $1.68 billion and the transfer in support of School debt service is $164.8 million. The County also provides additional support for the Schools in the amount of $69.6 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others. On February 9, 2012, the Fairfax County School Board approved a $2.45 billion advertised budget for FY 2013 that would give school employees raises, add more positions to address increased enrollment from the previous year, maintain class sizes and necessitate a $135.8 million, or 8.4 percent, increase over the FY 2012 Adopted Budget Plan General Fund transfer to fully fund the Schools' budget request. This request would require more than a 3 cent Real Estate Tax rate increase to fund and has not been included in my budget proposal.

In the context of General Fund revenue growth of 3.36 percent over the *FY 2012 Revised Budget Plan* and 4.61 percent over the FY 2012 Adopted Budget Plan, an 8.4 percent increase for Schools is not possible. Furthermore, FCPS has gone much farther in its FY 2013 request for compensation increases than I can recommend with our finite resources and still fund other important programs and services. I believe, however, that we can partially bridge this gap during our upcoming discussions on the budget when we also factor in additional state funding.

For example, within Virginia Governor McDonnell's introduced FY 2012 – FY 2014 Biennium Budget, funding for FCPS will increase compared to FY 2012 primarily due to a reduction in the Local Composite Index from .7126 to .6789 and funding for the state's share of the Virginia Retirement System (VRS) contribution. Unfortunately, the Governor's budget also included several structural changes to school funding that will disproportionately impact Northern Virginia localities such as the elimination of the Cost-of-Competing Adjustment funding for support positions. In addition, FCPS's share of VRS expenditures will increase significantly in FY 2013. In total, the Governor's budget includes between $11 million and $16 million more than the state funding level included in FCPS's proposed budget.

County General Fund Disbursements

The most significant increases for non-School Disbursements include:

Cost of County Operations — $64.60 million

More than 44 percent of the increase in County General Fund disbursements in FY 2013 is due to costs required for ongoing County operations. These cost increases are driven primarily by compensation adjustments and benefit requirements for the thousands of County employees who provide the quality services enjoyed by our residents.

- ***FY 2013 Market Rate Adjustment***

  Funding of $22.35 million, including the impact to salaries and benefits, is provided for an across-the-board 2.18 percent market rate adjustment for all public safety and non-public safety personnel, effective July 2012.

- ***Full-Year Impact of FY 2012 Market Rate Adjustment***

  Funding of $19.40 million is included for the full-year impact of a 2.00 percent market rate adjustment approved by the Board of Supervisors as part of the *FY 2011 Carryover Review*. This increase, which was effective September 24, 2011 for all public safety and non-public safety personnel, was not included in the FY 2012 Adopted Budget Plan baseline. It should be noted that the increase was the first compensation adjustment granted to County employees since FY 2009.

- ***Retirement Funding***

  The FY 2013 budget includes a $7.48 million increase for fiduciary requirements associated with the County's retirement systems. This increase includes $9.63 million to reflect adjustments to the employer contribution rates for the three systems (Uniformed, Employees', and Police Officers), partially offset by savings of $2.15 million based on year-to-date FY 2012 experience. Although the global financial crisis during FY 2009 resulted in significant losses in the value of the invested assets of the systems, capital markets rebounded significantly in FY 2010 and FY 2011, and the retirement systems achieved strong positive results for each year. The continued strong investment returns achieved in FY 2011 have strengthened the financial position of the systems and, as these returns are smoothed into valuation results over three years, will continue to positively impact the systems' funding status over the next two years. In addition, an actuarial experience study was conducted in FY 2011 to review the actuarial assumptions compared to actual experience over the preceding five years. As a result of that study, a number of assumptions were revised, including changes to the projected rate of inflation and the adoption of a new mortality table that better reflects increases in expected longevity.

Following the actuarial funding policy currently in effect, contribution rates are adjusted only to fund approved benefit enhancements, to acknowledge changes in actuarial assumptions, both financial and demographic, and to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent. Though the funding status of each system improved, the employer contribution rates for each of the systems must be increased due to growth in liabilities as reflected in the FY 2011 actuarial valuations and due to changes in actuarial assumptions as a result of the experience study. The employer contribution rates for the Employees' System and Uniformed System are also required to increase due to a reduction in the Social Security offset for service-connected disability retirees approved by the Board of Supervisors on July 26, 2011.

It should be noted that, as directed by the Board of Supervisors, and with funding designated at the *FY 2010 Carryover Review*, the Department of Human Resources contracted with a benefits consultant to conduct a comprehensive retirement study. The preliminary results of this study were presented to the Board on January 17, 2012, and will be considered by the Board during their deliberations on the FY 2013 budget.

- ***Other Post-Employment Benefits Requirements***

  An increase of $8.00 million is required to fully fund the County's Annual Required Contribution (ARC) for Other Post-Employment Benefits (OPEB). Based on the actuarial valuation as of July 2011, the County's unfunded actuarial accrued liability for OPEB, excluding the Schools' portion, is $394.1 million and the ARC is $37.6 million. The $8.0 million in funding increases the General Fund transfer to Fund 603, OPEB Trust Fund, to $28.0 million in FY 2013. This funding, combined with contributions from other funds of $4.2 million and a contribution credited for the implicit subsidy, is projected to fully fund the FY 2013 ARC. Building adequate funding in the baseline budget is an important step in ensuring that the County can fully fund the ARC each year and meet its OPEB obligations. I also anticipate recommending an increase to the FY 2012 transfer to the OPEB Trust Fund at the *FY 2012 Third Quarter Review* so that we will have a net OPEB asset at year-end FY 2012.

- ***Health Insurance and Other Benefits***

  An increase of $3.20 million is primarily due to costs associated with a projected 10 percent premium increase for all health insurance plans, effective January 1, 2013. Additionally, dental insurance and group life insurance premiums are projected to increase 5 percent in calendar year 2013. It should be noted that these premium adjustments are budgetary projections only, and final premium decisions will be made in the fall based on updated claims experience. The total cost impact of these premium increases is $4.16 million; however, these costs are offset by anticipated net savings of $0.96 million based on FY 2012 year-to-date experience in all benefits categories.

- ***Audit Costs***

  An increase of $0.93 million in the Department of Finance is required for additional audit and implementation requirements related to the new financial system. More robust audit requirements have been defined by the County's external auditor to meet mandated reporting requirements for County-wide financial statements. In addition, funding is provided to support staff costs associated with ensuring the accuracy of the system and transitioning to centralized Accounts Payable processing which has been developed as part of the best practice implementation of the system.

- ***Department of Vehicle Services Charges***

  An increase of $0.82 million for Department of Vehicle Services charges is based on anticipated charges for fuel, vehicle replacement, and maintenance-related costs in General Fund agencies and General Fund-supported funds. Fuel-related increases primarily result from higher price per gallon estimates.

- ***Office of Elections***

  An increase of $0.56 million in the Office of Elections is primarily associated with required costs to support the November 2012 Presidential election, including additional election officers and staff overtime, as well as printing and postage costs. This increase also includes funding to provide ballots and election materials in Spanish as directed under the Voting Rights Act. Additionally, in an effort to improve voter services and reduce staff costs, funding is included to begin a multi-year process to scan voter registration applications into an electronic retrieval system. I am anticipating that significant future year costs for voting equipment replacement will be required as we continue to respond to changing Federal and State mandates.

- ***Streetlight Utility Costs***

  An increase of $0.80 million in Capital Facilities is associated with contract and fuel factor rate increases for streetlight accounts.

- ***Facilities Management***

  An increase of $0.48 million is primarily due to utility, custodial, repair/maintenance, and landscaping costs associated with partial or full year costs for various new or expanded facilities in FY 2013, including the Great Falls Fire and Rescue Station, West Ox Road Animal Shelter Renovation and Expansion, Fair Oaks Police Station Renovation and Expansion, I-66 Workers Facility, and Wolftrap Fire and Rescue Station.

- ***Contributories***

  An increase of $0.10 million to the General Fund transfer to Fund 119, Contributory Fund, is associated with the net impact of several contributory adjustments. The increase is primarily due to funding requirements based on per capita calculations and adjusted County population figures. It should be noted that other contributory increases are discussed in the following Human Services and Community Development sections.

Major Human Services Requirements — *$5.35 million*

We must continue to leverage our ability to assist the neediest in the community and maintain the safety net to which the Board is so committed. Some of the most significant Human Services adjustments are discussed below:

- ***Contract Rate Increases***

  An increase of $3.38 million supports contract rate increases for the providers of mandated and non-mandated services in the Department of Family Services, Fairfax-Falls Church Community Services Board, Health Department, and Office to Prevent and End Homelessness. These contract rate increases are driven primarily by personnel costs. The expenditure increase is partially offset by an increase of $0.68 million in revenue for a net cost to the County of $2.70 million.

- ***School-Age Child Care (SACC)***

  An increase of $497,368 and 3/2.27 SYE positions is associated with opening three School-Age Child Care (SACC) rooms (two rooms at the new Lacey Elementary School which is scheduled to open in FY 2013 and a second room at the newly renovated Graham Road Elementary School). The expenditure increase is partially offset by an increase of $373,026 in SACC revenue for a total net impact to the County of $124,342. Funding and positions reflect the continuation of the modified SACC model implemented for new rooms in FY 2010. It should also be noted that SACC fees, collected from parents as payment for child care services, are recommended to be increased by 5 percent in FY 2013. The increase is based on increasing costs.

The FY 2013 budget includes funding for the addition of two new SACC rooms at the new Lacey Elementary School in Annandale, scheduled to open in Spring 2012.

- ***Consolidated Community Funding Pool***
  As we enter the first year of another two-year cycle, an increase of $448,534, or 5 percent, is included in the General Fund transfer to Fund 118, Consolidated Community Funding Pool (CCFP) to recognize the need for the critical services provided by CCFP contractors to the community, families, and individuals, particularly in the current economic climate. It is important to note that based on estimated Community Development Block Grant (CDBG) funding for FY 2013, CDBG funding is projected to decrease by $0.48 million from the FY 2012 Adopted Budget Plan, resulting in a net reduction available to the CCFP.

- ***Grants – Local Cash Match Requirements***
  In FY 2013, the Reserve for Local Cash Match is $4.6 million, reflecting an increase of $376,877 from the FY 2012 Adopted Budget Plan Reserve for Local Cash Match of $4,250,852. The increase in Local Cash Match requirements is primarily due to an increase in requirements for the Department of Family Services and the Department of Neighborhood and Community Services.

- ***Human Service Contributories***
  An increase of $303,321 is included for Human Service related contributories. Of the total increase, $281,871 is for the Northern Virginia Healthcare Center/Birmingham Green Adult Care Residence, known collectively as Birmingham Green. The increase for Birmingham Green is based on actual costs and utilization rates at the facility, as well as the replenishment of reserves depleted completing critical requirements. In addition, there is an increase of $21,450 for the Health Systems Agency of Northern Virginia due to the application of updated population figures to calculate the FY 2013 contribution.

- ***Alcohol Safety Action Program***
  An increase of $171,958 in the General Fund transfer to Fund 117, Alcohol Safety Action Program (ASAP), is associated with providing General Fund support for three ASAP financial management support staff, consistent with how financial management services are funded for other human services agencies.

- ***Office to Prevent and End Homelessness***
  An increase of $130,000 supports the continuation of operational support services to address the housing needs of homeless in the community which were originally funded by federal dollars.

Transportation *$3.60 million*

FY 2013 funding increases of $3.60 million are required to support mass transit related costs.

- ***Metro Operations and Construction***

  The FY 2013 General Fund transfer in support of Metro Operations and Construction is $11.3 million, consistent with the FY 2012 Adopted level. Based on current Metro system needs, Washington Metropolitan Area Transit Authority (WMATA) staff project an increased FY 2013 operating subsidy requirement from local jurisdictions of $5.6 million, approximately a 7 percent increase over the FY 2012 Adopted Budget Plan. It is anticipated that additional State Aid and Gas Tax revenue will be available to cover the increased subsidy requirement.

- ***County Transit***

  General Fund support for Fund 100, County Transit Systems, which supports FAIRFAX CONNECTOR and the Virginia Railway Express (VRE), is increased $3.60 million in FY 2013. This increase will primarily support additional CONNECTOR bus replacement requirements in FY 2013, help support the purchase of 15 new buses associated with expanded Dulles Rail Phase I-related routes, and support an increase in VRE subsidy requirements. In addition to increased General Fund support for County Transit, additional commercial and industrial (C&I) tax funding will support expanded bus service identified within the Transit Development Plan, including HOT lanes bus service from the Burke VRE station, Lorton VRE station and Springfield to Tysons Corner scheduled to commence on or about January 1, 2013. Necessary contractual rate adjustments and fuel-related costs are also covered within this funding level. It should be noted that the net impact to the FY 2013 General Fund transfer to Fund 100 is $2.09 million, which includes the increase cited above, partially offset by reductions of $1.51 million as a result of an estimated 7 percent fare increase to mirror those projected for WMATA Metrobus service in FY 2013.

Lorton Station is home to the Virginia Railway Express (VRE) commuter train station.

Community Development $3.76 million

- ***Lorton Arts Foundation***

An increase of $2.6 million is included in support of the Lorton Arts Center. As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved funding to support the Lorton Arts Foundation (LAF) financing and capital renewal plan for operation of a center for the arts at the former Lorton Prison site. The Board approved the negotiation of a lease of the former prison site with the Foundation, which proposed to use funds generated by leasing the various facilities ties to individual artists and performing arts groups. The Board provided $1,000,000 per year through FY 2011, for maintenance support. The County also agreed to lease back a portion of the rental space if other tenants were not available, for a timeframe and lease rate to be negotiated between the County and the LAF. The lease provides for reducing or eliminating the County's cash support commensurate with the Foundation's ability to become self-sustaining. In March 2010, an amendment to the financing documents between the County and the LAF was negotiated. The County agreed to provide, subject to annual appropriation, contingent annual operating deficit support to the LAF of $750,000 in any given year through 2025.

The Workhouse Arts Center, a program of the Lorton Arts Foundation, provides essential visual and performing arts studio and exhibition space as well as engaging arts education programs for people of all ages and artistic abilities. Set on 55 acres of land in the historic D.C. Workhouse and Reformatory, the Workhouse provides a home for more than 150 of the regions finest professional and emerging artists as well as cooperative studios, performance and theatre venues, dedicated gallery space, and event facilities.

In early FY 2012 an external review of the Foundation's operations was completed. The combination of an extremely weak environment for donations to the arts, a campus with much more space than is required by the LAF and many expensive site stabilization issues, have prevented the LAF from becoming self-sustaining. As a result I am recommending a restructuring of the relationship with the LAF that is currently being negotiated. For purposes of the FY 2013 budget, support for debt service is assumed to be funded by the County. A renegotiated lease between the County and the LAF will be provided to the Board of Supervisors for their approval. County staff will be working with the LAF to identify opportunities for cost containment as well as for use of the LAF facilities for other

County functions. The total funding for the Foundation is $3,350,000 in FY 2013, which includes $750,000 for the annual operating deficit support and $2,600,000 to address debt service requirements. I will be recommending a similar adjustment at the *FY 2012 Third Quarter Review* to meet debt service requirements prior to June 30, 2012.

♦ ***Tysons Redevelopment***

An increase of $759,749, to support the Tysons redevelopment effort, is consistent with the recommended organizational changes to support Tysons which were presented to the Board of Supervisors on January 17, 2012. Included in this amount is funding for 2/2.0 SYE new positions within the Department of Transportation, and funding for previously unfunded positions which will support Tysons redevelopment in the Office of Community Revitalization, Department of Public Works and Environmental Services and Park Authority. These positions will be part of the dedicated group focused on facilitating resolution of interdisciplinary policy issues to better serve the multiple stakeholders engaged in the development and redevelopment of Tysons.

♦ ***Community Development Contributories***

An increase of $403,510 is included for the Community Development related contributories. The primary increases will provide $250,000 for ongoing support for the Fairfax 2015 World Police and Fire Games and $181,800 for the Convention and Visitors Corporation based on projected Transient Occupancy Tax revenue in FY 2013.

Public Safety ***$2.18 million***

♦ ***Police Department Personnel Services***

An increase of $2.0 million is included based on a review of current staffing, overtime and programmatic requirements consistent with Board of Supervisors' direction that staff monitor the impact of reductions to public safety. Since FY 2008, significant reductions in Police Personnel Services were made to meet projected budget shortfalls. These reductions included the targeted reduction of 52 positions, civilianization of appropriate uniformed positions, reduction of approximately 30 percent in overtime, and management of vacancies. Recognizing the County's significant investment in training Police officers and to minimize the direct impact on critical public safety services, elimination of uniformed positions has been achieved entirely through employee attrition, with no Reductions in Force. As a result, some of the anticipated savings from these position eliminations were not achieved. Across the board cuts in Personnel Services to meet projected budget shortfalls in FY 2010 through FY 2012 were also based on significant reductions in overtime and managing vacancies. The cumulative effect of these reductions was the elimination of necessary flexibility for the department to meet its requirements for 24/7 coverage of minimum staffing. In order to ensure that staffing can be maintained for the department this recurring funding is necessary at this time.

♦ ***Animal Shelter Positions***

An increase of $180,071 and 2/2.0 SYE positions are required to provide additional support for the expanded Animal Shelter facility to be completed in mid FY 2013. The facility's new configuration, as well as the increased number of animals housed at the shelter, requires additional positions to operate effectively.

Capital Construction, Debt and Environment $1.25 million

♦ ***Capital Construction***

The Capital Construction Program is essential to the sustainability of County services and is organized to meet the existing and anticipated future needs of the residents of the County. Reinvestment in County facilities is critical to avoid deterioration and obsolescence. The Capital Program is primarily financed by the General Fund, General Obligation Bonds, fees, and service district revenues. General Fund support for the Capital Program in FY 2013 totals $15,952,806, and reflects an increase, excluding reductions taken to balance the FY 2013 budget, of $587,842. The Paydown Program represents General Fund support only for the following projects and programs: Americans with Disabilities Act (ADA) compliance funding of $3.00 million; Athletic Field Maintenance of $4.64 million; Park Authority Grounds, Building and Equipment Maintenance of $1.47 million; continued revitalization maintenance and support of $0.92 million; funding associated with the County's environmental improvement Program of $0.35 million; ongoing development such as Laurel Hill development, emergency road repairs and developer defaults of $1.93 million; and obligations and commitments to the School-Age Child Care (SACC) program, the Northern Virginia Community College, and the annual Salona property payment of $3.64 million. General Fund support for these areas was reviewed critically on a project-by-project basis and funding was provided for only the most essential maintenance projects and legally obligated commitments.

♦ ***Debt Service***

In addition to requirements associated with School debt service, FY 2013 General Fund support of County debt service requirements is $120.0 million, an increase of $661,500 over the FY 2012 level. The FY 2013 funding level supports debt service payments associated with existing debt service requirements. During FY 2013 it is anticipated that a general obligation bond sale of approximately $233 million will be conducted to fund cash requirements for on-going capital projects for School and County purposes. This bond sale estimate is consistent with the FY 2013-FY 2017 Advertised Capital Improvement Program (With Future Fiscal Years to 2022).

- ***Stormwater Services***

While there is no General Fund impact, it should also be noted that in support of environmental requirements the stormwater service rate is proposed to increase $0.01 for a total of $0.025 per $100 of assessed real estate value in FY 2013. This rate increase is required to meet the increasing federal and state regulatory requirements pertaining to the Municipal Separate Storm Sewer System (MS4) Permit requirements, and State and Federal mandates associated with the Chesapeake Bay. It should be noted that the FY 2013 budget recommendation is a phased approach for funding and staffing to support the anticipated regulatory increases. The FY 2013 levy of $0.025 will generate $49.75 million, supporting $14.59 million for staff and operational costs, and $35.16 million for capital project implementation and infrastructure reinvestment, regulatory requirements, dam safety, and contributory funding requirements. This dedicated capital funding support will allow the County to implement capital projects in a more efficient manner and begin to address state and Environmental Protection Agency (EPA) stormwater requirements. The impact of the rate increase on the average homeowner is $44.87.

County Stormwater Statistics

- 7,000 piped outfalls
- 6,000 stormwater management facilities
- 1,600 miles of underground stormwater pipe and paved channels
- 43,000 stormwater structures

In support of the increased funding for the Stormwater Management program, an additional 22/22.0 SYE positions are included in FY 2013. Of this total, seven positions will support stream and water quality improvements, four positions will support dam safety and facility rehabilitation, four positions will support regulatory compliance and MS4 permit reporting and two positions will support conveyance system rehabilitation. In addition, one technology support position is included to help manage an asset management system, monitoring and emergency warning systems, and MS4 reporting, and one contract manager position is included to support the growing number of facility maintenance requirements. Lastly, three positions in the Office of Capital Facilities will support stormwater activities and are required for the recommended increases in capital project funding, the number of required stormwater easements and land agreements, as well as construction requirements. These positions will be fully recovered within Fund 125, Stormwater Services. The Stormwater Management program anticipates adding additional positions in future years to meet the projected mandated workload requirements.

Agency Budget Reductions *($10.64) million*

As part of the budget development process this past year, I directed General Fund agencies to identify the fiscal and operational impacts of a projected 1, 3 and 5 percent reduction in their General Fund support. The net effect of this budget reduction exercise is the proposed reduction of $10.64 million in General Fund and General Fund Supported spending which is detailed in the appropriate agency narratives. While the total equates to less than 1 percent of non-School disbursements, I once again was "surgical" in recommending reductions so some agencies have more and some less. Some of the reductions represent additional efficiencies which agencies have been able to take while others are programmatic in nature and still others continue the strategic deferral of maintenance we have employed the last several years. Even those reductions which do not necessarily result in programmatic reductions exacerbate the cumulative reductions agencies have absorbed over the past four years.

The specific programmatic reductions which I anticipate will generate feedback from the community and the Board – that have been recommended for elimination in past budgets – include the Rent Relief Program, the Marine Patrol and dedicated staffing for the HAZMAT Support Unit. Although none of these are choices I wanted to make, I believe they are necessary as we balance other programs, needs and core service requirements. While not technically a reduction, I am delaying the full staffing of the Wolftrap Fire and Rescue Station which is scheduled to open in FY 2013. Instead, the department will utilize the station for training during FY 2013. The necessary increases for staffing and equipment will be included in the FY 2014 budget.

There are also fee increases which I am recommending as part of this process, including Rec-PAC program fees, SACC fees, and CONNECTOR fares. I am making these adjustments recognizing again the need to balance service needs with affordability, as well as considering factors such as increased costs and METRO fare increases.

The complete list of other reduction options submitted by County agencies as part of the 1, 3 and 5 percent exercise is available at:

http://www.fairfaxcounty.gov/dmb/fy2013/advertised/FY2013-other-reductions.pdf.

I have chosen to not recommend these reductions; however, I am making this complete list available to the Board in the event that you want to explore other options for your consideration before you adopt the FY 2013 budget.

Looking Ahead

Among the significant challenges facing us are maintaining our commitment to public education, especially as enrollment continues to increase; appropriately compensating our employees; maintaining the safety net of services we have built; funding the public portion of the ongoing transformation of Tysons; meeting our transportation requirements; and looking for revenue diversification options. None of these challenges are new and, in fact, I have addressed many of these same issues in previous budget letters. The fundamental difference as we enter FY 2013 is that we are now ready to focus on the future in a much more concrete way as opposed to merely seeing what was on the horizon while we exerted most of our energy and effort to successfully manage day-to-day operations during the midst of the 'Great Recession.'

Now is the time to plan ahead in order to move forward with these challenges and the complexities of a growing, diversified population. We have the tools to do so and many years of precedent established by previous Boards of Supervisors in making the difficult decisions. The hallmark of success, which has consistently characterized Fairfax County, is our ability to meet challenges head-on by planning wisely and implementing solutions efficiently and effectively. A good example of this are the reserve policies adopted by the County over the years. In addition to the Managed Reserve and the Revenue Stabilization Fund, the County has many reserves maintained within various funds. Among these reserves are those designated for replacement of equipment and facilities, identified for long-term liabilities, to meet debt service requirements and as operating/rate stabilization reserves.

As part of the annual budget process, staff identifies potential changes to funding levels and brings policy decisions to the Board which need to be made in relation to reserve policies. In addition, at year-end during the Carryover process, reserve balances are often reset as a result of actual fund balances and/or actuarial analyses. The Board of Supervisors has consistently funded reserve requirements for outstanding liabilities as they are identified and in conformance with generally accepted accounting standards and practices. **It is important to note that these liability reserves have been sustained even as reductions in services have been made demonstrating the commitment of the Board to meet its fiduciary responsibilities.** It is decisions like these which have helped build the County's solid financial reputation that rating agencies and municipal bond markets, among others, value so highly.

Addressing Fairfax County Public Schools Needs

In FY 2013, similar to past budget requests, the current budget request from the Fairfax County Public Schools exceeds what I believe the Board of Supervisors will be able to fully fund without significantly raising the Real Estate Tax rate. As part of the collaborative budget process which unfolds, the community informs the respective Boards of their priorities and, in turn, the Boards appropriately respond, being fully cognizant of an affordable tax rate balanced with required needs. The expansion of full-day kindergarten in FY 2012 is a classic example of how effective this process has served us. Clearly the dynamic for future FCPS funding will require this relationship to continue. Furthermore, the newly elected Boards and, ultimately, the new County Executive and School Superintendent will need to continue deftly managing this process. **The fundamental challenge which remains is that the basic requirements of funding projected school enrollment, inflationary adjustments and compensation increases for School employees is greater than the projected revenue growth over the next several years.** In order to address this fundamental imbalance, I return again to the fact that it will be necessary in future budgets to continue assessing and reassessing what we fund and how we fund it. This continues to be necessary so that we can maintain the fine line between providing high quality services and preserving an affordable tax burden for residents and businesses.

Appropriately Compensating our Employees

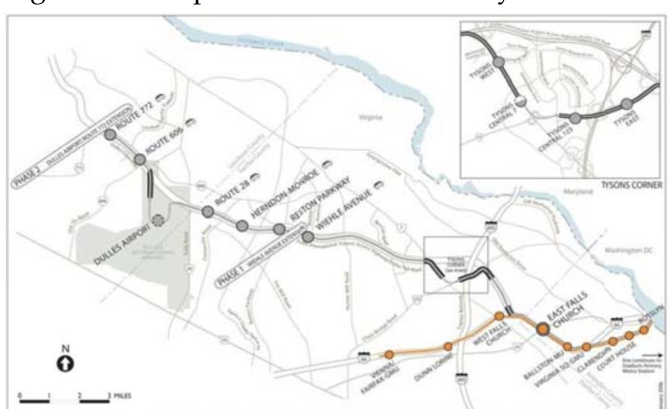
Our greatest asset, as both the Board and I have recognized on numerous occasions, is our employees who serve as the backbone for our continued success in delivering excellent – in many cases, award-winning, nationally recognized – programs and services. Our employees are the face of County government to our residents. Our employees faithfully and professionally serve scores of residents every day. Therefore, I am pleased that the Board identified funding at the *FY 2011 Carryover Review* to provide employees with a 2.00 percent Market Rate Adjustment (MRA). I am further pleased that I am able to recommend in this budget that employees receive a 2.18 percent MRA, effective in July 2012. Before us still lies the responsibility and opportunity to work on enhancing our existing compensation system within the constraints and limited revenue growth with which we are faced. Such work is necessary in order to enable the County to continue to attract, recruit, and retain a highly qualified and professional staff, necessary to meet the demands of an ever-increasingly diversified constituency. I firmly believe that we have been able to deal so well with this recent period of economic uncertainty and turmoil because of the high quality staff we have. **Therefore, it is critical for us not to lose ground competitively in our compensation and benefits packages so that we can ensure our ability to still recruit and retain the "best and the brightest."**

Maintaining the County's Safety Net of Services

During this past recession, we have seen a significant rise in joblessness and increased request for assistance from local and state administered financial assistance programs, including Temporary Assistance to Needy Families (TANF), Medicaid, and the Supplemental Nutrition Assistance Program. Also, due to the rapid rise in the number of persons unemployed and/or underemployed in the County, we have experienced a significant increase for basic needs assistance including housing, utilities, and rent payment to prevent eviction. While the economy begins to improve, experience shows us that a significant lag time exists for closing the gap for the needy and those in assistance. The paradox of our regional economic prosperity is that there are still many living in poverty. There are still disadvantaged residents in need of much assistance to help them stay afloat and continue to enjoy the benefits of living in our community. **As we begin to look ahead, coupled with opportunities for more economic growth, I encourage the Board to continue to maintain the necessary safety net of services we have built.**

Funding the Public Portion of the Ongoing Transformation of Tysons

The challenge for future funding is also compounded by the necessary investments we are currently making in a number of large, significant projects such as the Tysons redevelopment and a significant revitalization effort in other parts of the County. The County is in the midst of an ambitious and effective plan to revitalize and redevelop Tysons as well as the central areas of Merrifield, McLean, Springfield, Baileys Crossroads, Annandale, and the Richmond Highway corridors. In particular, the County's vision to transform Tysons will make it a livable, walkable, urban downtown for Northern Virginia. Our plans will transform Tysons from a sprawling, car-centered area into a high-density, pedestrian-friendly urban center that will eventually grow over the next few decades to about twice the current 44 million square feet of commercial and residential space. It is projected that the population of the Tysons region could increase from 17,000 to 100,000 over the next 20 years. This makeover of Tysons has already begun, and ground was broken in 2009 on the first phase of an extension of the Metrorail system, which will bring four new Metrorail stations to Tysons. However, this will be a very long and, oftentimes, slow process. It will be dependent on investment from developers and the state of the economy as well as our ability to fund public infrastructure. You have begun to hear how staff thinks we can address some of these costs and the Planning Commission is working on recommendations concerning a funding formula. **Much further analysis, alternative costing, and financing review will be necessary, but I believe that the key will be for the Board to be flexible as they develop community consensus and focused decisions on**



Dulles Metrorail will permanently connect Northern Virginia to the rest of the region, beginning in DC and following the Orange Line through Arlington County, extending through Tysons Corner, Reston, Herndon, Dulles International Airport and continuing into Loudoun County.

how to pay for these investments. For example, in the near-term, I recommend that the Board consider using uncommitted year-end balances toward Tysons redevelopment. We should use this and other opportunities to allocate the necessary and sufficient funding to meet our ongoing obligations with Tysons.

Meeting our Transportation Requirements

With anticipated population growth of almost 100,000 or 9 percent by 2025, cost-effective transportation will continue to be one of our most pressing needs and challenges. Fortunately, the Board continues to financially support and meet these challenges by way of sound policy decisions and allocation of resources. We do have a number of resources available to us in the form of General Fund dollars, Commercial and Industrial (C&I) tax revenues, State Aid and Gas Tax receipts and fare-box revenues. This diversified funding stream is critical to the progress we have made in the transportation arena. In addition, transportation staff has a comprehensive inventory of all identified needs whether transit, roadway, or trail to keep the discussion well informed and has noted $3.0 billion in unfunded road and transportation improvements over the next decade. In spite of the County's major efforts to solve traffic congestion in Northern Virginia, one of the biggest challenges before us remains the challenge of addressing unfunded transportation needs we have. Now there is possibility of devolution, that is, the state's delegation of its obligations to provide maintenance of our secondary roads. Currently, the Commonwealth of Virginia's Department of Transportation (VDOT) possesses much of this responsibility for maintenance of secondary roads, but it is severely underfunded. If local jurisdictions are left to absorb these costs, it would result in an enormous obligation for Fairfax County with no clear funding source as of yet. In addition, as you have heard for the last several years, our current transportation needs are significant. **The careful, deliberate development of transportation plans with associated funding sources has proven to be an extremely effective model in the past and one that will need to be maintained in the future to continue to make progress.**

Seeking Revenue Diversification

Just as revenue diversification has benefitted our transportation system we must focus on the options the Board of Supervisors has to ensure that our General Fund revenues become more diversified. The "Great Recession" reminded us that it is clearly possible for almost all of our revenues to be impacted negatively at once. **Engaging in public dialogue about the limited revenue options available to the County is an invaluable exercise.** This was recently illustrated by the lengthy and beneficial discussion the Board had on the Meals Tax at its recent retreat. Such dialogue will continue to be necessary with our changing fiscal realities and increased demand for services.

Conclusion

While these challenges are daunting, it is again important to remember the opportunities they bring with them. For example, the opportunity the Board has in Tysons is unprecedented and will return huge dividends to the County as a whole, both as a bustling downtown and economic engine. The continued and expanded economic strength of Tysons will yield a significant return on our investment dollars while promoting substantial growth that will help offset the burden of residential taxpayers.

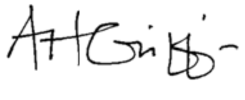
Fairfax County's priority services and programs survived the recession better than most local governments because of an adherence to a very sound, strategic approach which included fiscal discipline by Board, strong financial management of reserves, balances and long-term liabilities, and a well-managed debt program. As recently as January 2012, the bond markets and our creditors point to this approach in their positive assessments of our overall fiscal health. By staying the course of this sound approach which required strategic reductions in County costs, tax rate adjustments to stabilize County Real Estate Tax receipts and limited use of our reserves and balances, the County has continued to provide those services most important to our residents and businesses.

Going forward, difficult Board decisions will be required on an annual basis and over the long term. In very practical terms, being flexible and willing to consider an array of options such as further program eliminations, cost containment, deferrals, and revenue diversification will result in the County remaining one of the best managed jurisdictions in the nation.

As I enter the final months of my service to the County, I would like to thank the Board of Supervisors, many residents, agency directors, staff and other stakeholders who have contributed to the high quality of life we have in Fairfax. Truly, it has been a great pleasure serving you and the residents of our wonderful community over these past 12 years as County Executive. The progress and changes currently taking place in the County are exciting. On a final note, I look forward to my new transition and the next chapter in my life as I continue to enjoy living here in Fairfax County.

In closing, I respectfully submit the FY 2013 Advertised Budget Plan for your consideration, and I look forward to working with each of you over the course of my last two months as County Executive.

Respectfully submitted,



Anthony H. Griffin
County Executive

Advertised Summary General Fund Statement

(in millions of dollars)

	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	Inc/(Dec) Over Adopted	% Inc/(Dec) Over Adopted
Beginning Balance	**$240.28**	**$131.18**	**$236.24**	**$128.06**	**($3.11)**	**(2.37%)**
Revenue [1, 2]	**$3,321.01**	**$3,306.95**	**$3,347.02**	**$3,459.44**	**$152.49**	**4.61%**
Transfers In	**$8.06**	**$6.90**	**$6.90**	**$4.27**	**($2.63)**	**(38.12%)**
Total Available	**$3,569.35**	**$3,445.03**	**$3,590.16**	**$3,591.78**	**$146.75**	**4.26%**
Direct Expenditures [1]	**$1,188.33**	**$1,236.42**	**$1,298.81**	**$1,287.09**	**$50.67**	**4.10%**
Transfers Out						
School Operating [3]	$1,611.59	$1,610.83	$1,610.83	$1,683.32	$72.49	4.50%
School Debt Service	160.21	163.47	163.47	164.76	1.29	0.79%
Subtotal Schools	*$1,771.80*	*$1,774.31*	*$1,774.31*	*$1,848.08*	*$73.77*	*4.16%*
County Transit	$31.99	$34.46	$34.46	$36.55	$2.09	6.07%
Information Technology	19.03	5.28	16.18	5.28	0.00	0.00%
Community Services Board	93.13	95.73	96.90	99.16	3.44	3.59%
Contributory Fund	12.04	12.16	12.41	15.57	3.41	28.04%
County Debt Service	121.66	119.37	119.37	120.04	0.66	0.55%
Metro	7.41	11.30	11.30	11.30	0.00	0.00%
OPEB	13.90	20.00	20.00	28.00	8.00	40.00%
Capital Paydown	15.91	15.78	19.03	15.95	0.18	1.11%
Other Transfers	57.92	52.68	59.34	54.33	1.65	3.12%
Subtotal County	*$372.99*	*$366.76*	*$388.98*	*$386.18*	*$19.42*	*5.30%*
Total Transfers Out	**$2,144.78**	**$2,141.06**	**$2,163.29**	**$2,234.26**	**$93.20**	**4.35%**
Total Disbursements	**$3,333.11**	**$3,377.48**	**$3,462.10**	**$3,521.35**	**$143.87**	**4.26%**
Total Ending Balance	**$236.24**	**$67.55**	**$128.06**	**$70.43**	**$2.88**	**4.26%**
Less:						
Managed Reserve	$68.04	$67.55	$69.24	$70.43	$2.88	4.26%
Reserve for FY 2011/FY 2012 [4]	23.95					
FY 2010 Audit Adjustments [5]	2.54					
Additional FY 2011 Revenue [6]	7.34					
FY 2011 Third Quarter Reductions [7]	9.58					
Reserve for Board Consideration [8]	4.72					
Retirement Reserve [9]	15.00					
Reserve to address FY 2013 Budget Shortfall [10]			28.69			
FY 2011 Audit Adjustments [1]			0.62			
Additional FY 2012 Revenue [2]			29.51			
Total Available	**$105.06**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	--

[1] In order to appropriately reflect actual revenues and expenditures in the proper fiscal year, FY 2011 revenues are increased $1.14 million and FY 2011 expenditures are increased $0.52 million to reflect audit adjustments as included in the FY 2011 Comprehensive Annual Financial Report (CAFR). As a result, the *FY 2012 Revised Budget Plan* Beginning Balance reflects a net increase of $0.62 million. Details of the FY 2011 audit adjustments will be included in the FY 2012 Third Quarter package. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2013 budget.

[2] *FY 2012 Revised Budget Plan* revenues reflect a net increase of $29.51 million based on revised revenue estimates as of fall 2011. The *FY 2012 Third Quarter Review* will contain a detailed explanation of these changes. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2013 budget.

[3] The proposed County General Fund transfer for school operations in FY 2012 totals $1,683.3 million, an increase of $72.5 million, or 4.5 percent, over the FY 2012 Adopted Budget Plan. It should be noted that the Fairfax County Public Schools Superintendent's Proposed budget reflects a General Fund transfer of $1,746.7 million, an increase of $135.8 million, or 8.4 percent, over the FY 2012 Adopted Budget Plan. In their action on the Superintendent's Proposed budget on February 9, 2012, the School Board maintained the Superintendent's transfer request at $1,746.7 million.

[4] As part of the *FY 2010 Carryover Review*, $23.95 million was identified to be held in reserve for critical requirements in FY 2011 or to address the projected budget shortfall in FY 2012. This reserve was utilized to balance the FY 2012 budget.

[5] As a result of FY 2010 audit adjustments, an amount of $2.54 million was available to be held in reserve in FY 2011 and was utilized to balance the FY 2012 budget.

[6] Based on revised revenue estimates as of fall 2010, an amount of $7.34 million was available to be held in reserve in FY 2011 and was utilized to balance the FY 2012 budget.

[7] As part of the *FY 2011 Third Quarter Review*, $9.58 million in reductions were taken and set aside in reserve. This amount was utilized to balance the FY 2012 budget.

[8] As part of the *FY 2011 Third Quarter Review*, a balance of $4.72 million was held in reserve for Board of Supervisors' consideration for the *FY 2011 Third Quarter Review*, the development of the FY 2012 budget, or future year requirements. As part of their budget deliberations, the Board utilized this amount in order to balance the FY 2012 budget.

[9] As part of the *FY 2010 Carryover Review*, an amount of $15.0 million was set aside in reserve in Agency 89, Employee Benefits, for anticipated increases in the FY 2012 employer contribution rates for Retirement. This reserve was utilized to balance the FY 2012 budget.

[10] As part of the *FY 2011 Carryover Review*, a balance of $28.69 million was held in reserve to address the projected budget shortfall in FY 2013 and has been utilized to balance the FY 2013 budget.

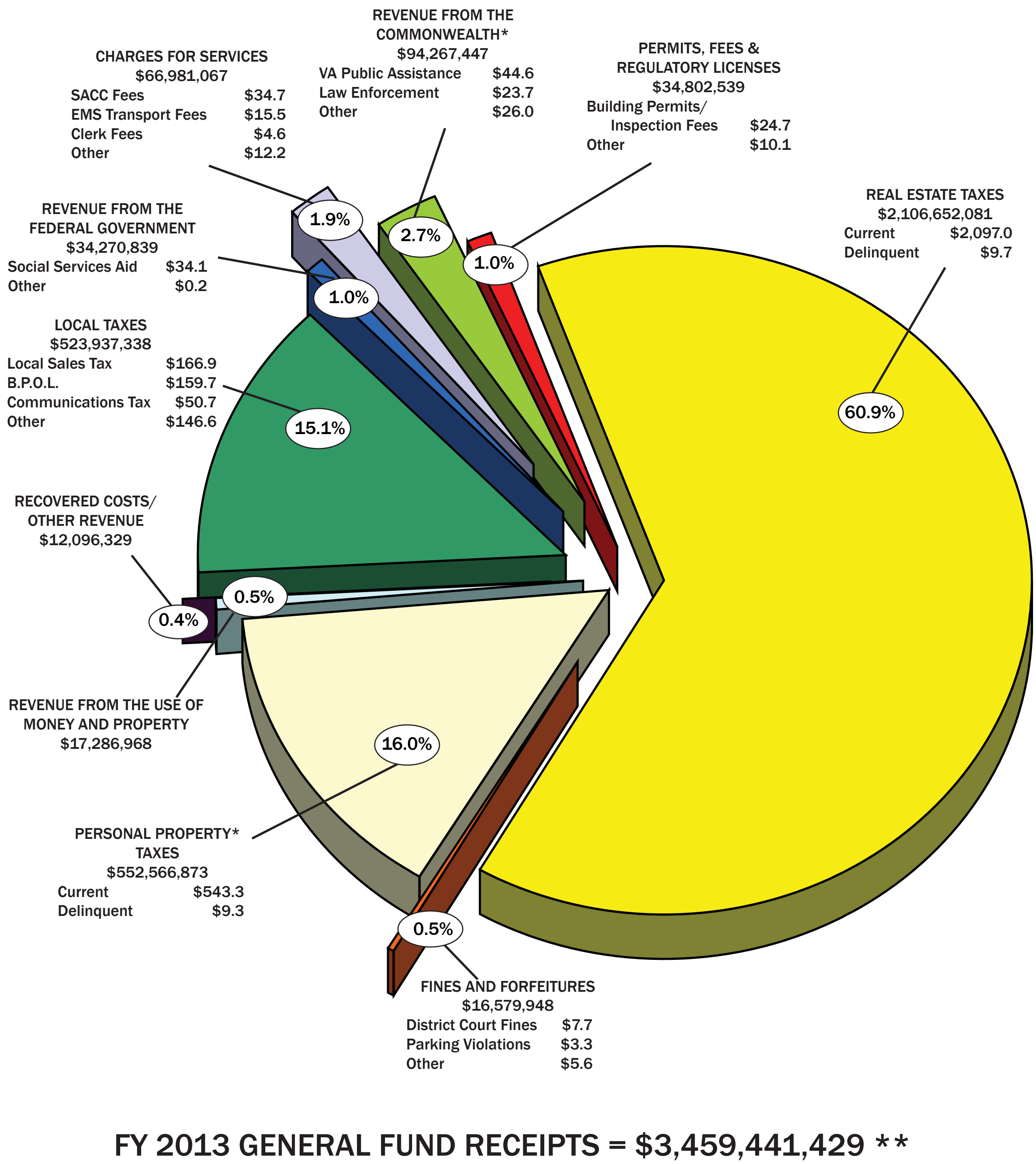
FY 2013 ADVERTISED BUDGET PLAN: TAX AND FEE FACTS

Type	Unit	FY 2011 Actual Rate	FY 2012 Actual Rate	FY 2013 Recommended Rate
GENERAL FUND TAX RATES				
Real Estate	$100/Assessed Value	$1.09	$1.07	$1.07
Personal Property	$100/Assessed Value	$4.57	$4.57	$4.57
NON-GENERAL FUND TAX RATES				
Refuse Rates				
Refuse Collection (per unit)	Household	$345	$345	$345
Refuse Disposal (per ton)	Ton	$60	$60	$60
Leaf Collection	$100/Assessed Value	$0.015	$0.015	$0.015
Solid Waste Landfill Ash Disposal	Ton	$13.50	$15.50	$17.50
Sewer Charges				
Sewer Availability Charge	Residential	$7,750	$7,750	$7,750
Sewer Service Charge	Per 1,000 Gallons	$5.27	$6.01	$6.55
Community Centers				
McLean Community Center	$100/Assessed Value	$0.024	$0.023	$0.022
Reston Community Center	$100/Assessed Value	$0.047	$0.047	$0.047
Other				
Stormwater Services District Levy	$100/Assessed Value	$0.015	$0.015	$0.025
Route 28 Corridor	$100/Assessed Value	$0.18	$0.18	$0.18
Dulles Rail Phase I	$100/Assessed Value	$0.22	$0.22	$0.22
Dulles Rail Phase II	$100/Assessed Value	$0.05	$0.10	$0.15
Integrated Pest Management Program	$100/Assessed Value	$0.001	$0.001	$0.001
Commercial Real Estate Tax For Transportation	$100/Assessed Value	$0.11	$0.11	$0.11

FY 2013 GENERAL FUND RECEIPTS **

Where it comes from . . .

(subcategories in millions)



FY 2013 GENERAL FUND RECEIPTS = $3,459,441,429 **

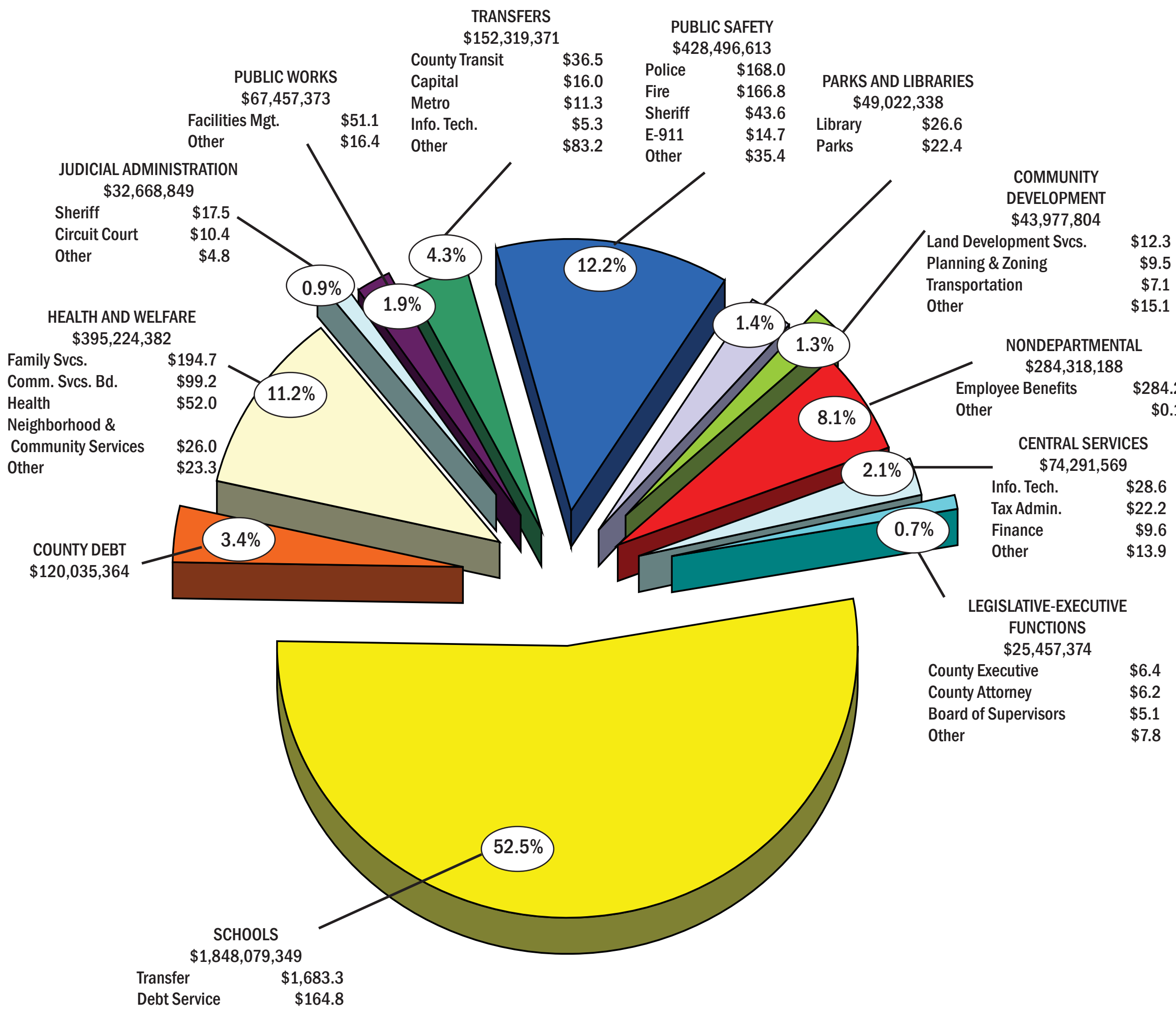
* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources include the receipts shown here, as well as a beginning balance and transfers in from other funds.

FY 2013 GENERAL FUND DISBURSEMENTS

Where it goes . . .

(subcategories in millions)

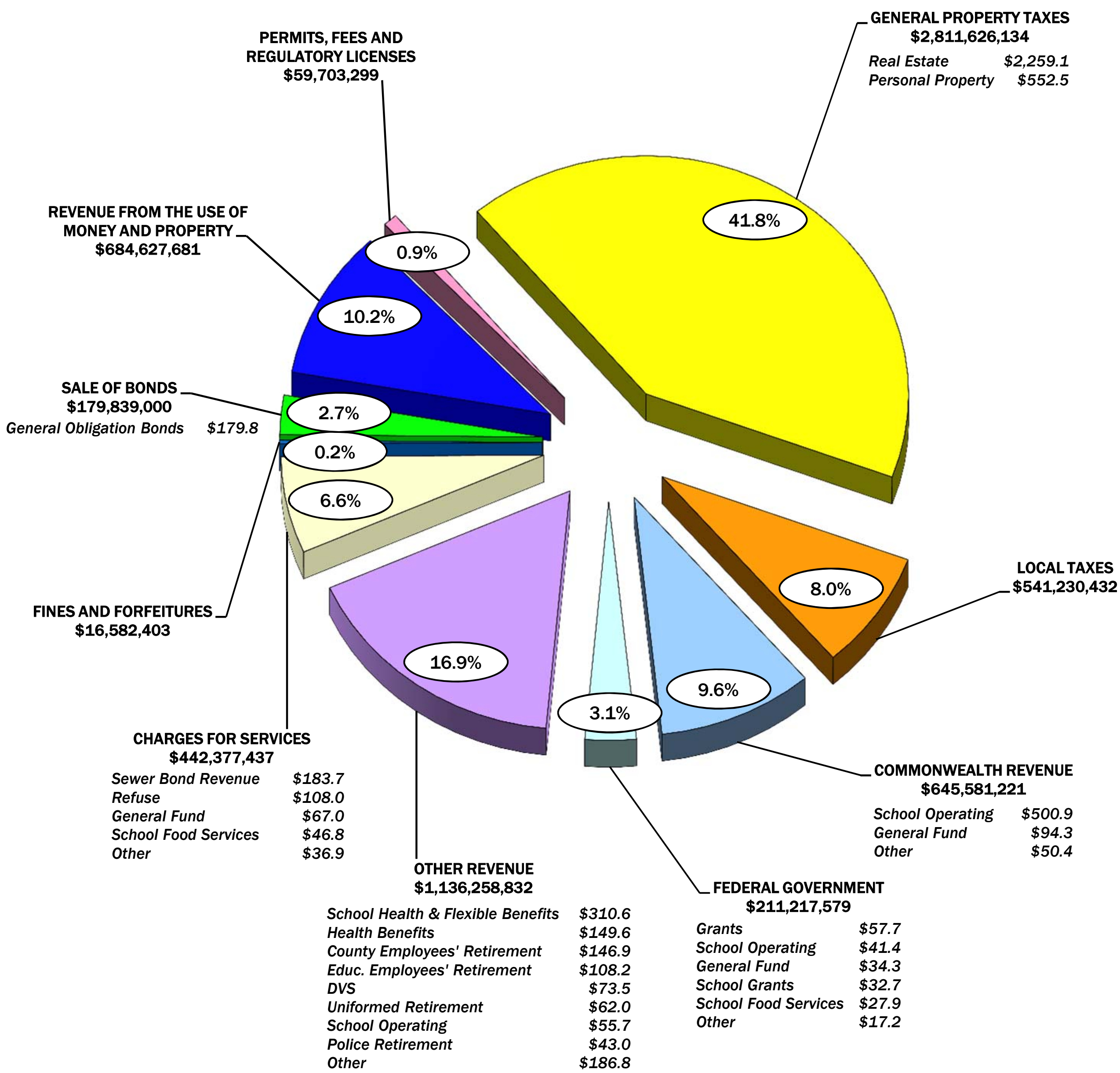


FY 2013 GENERAL FUND DISBURSEMENTS = $3,521,348,574

In addition to FY 2013 revenues, available balances and transfers in are also utilized to support disbursement requirements.

FY 2013 REVENUE ALL FUNDS

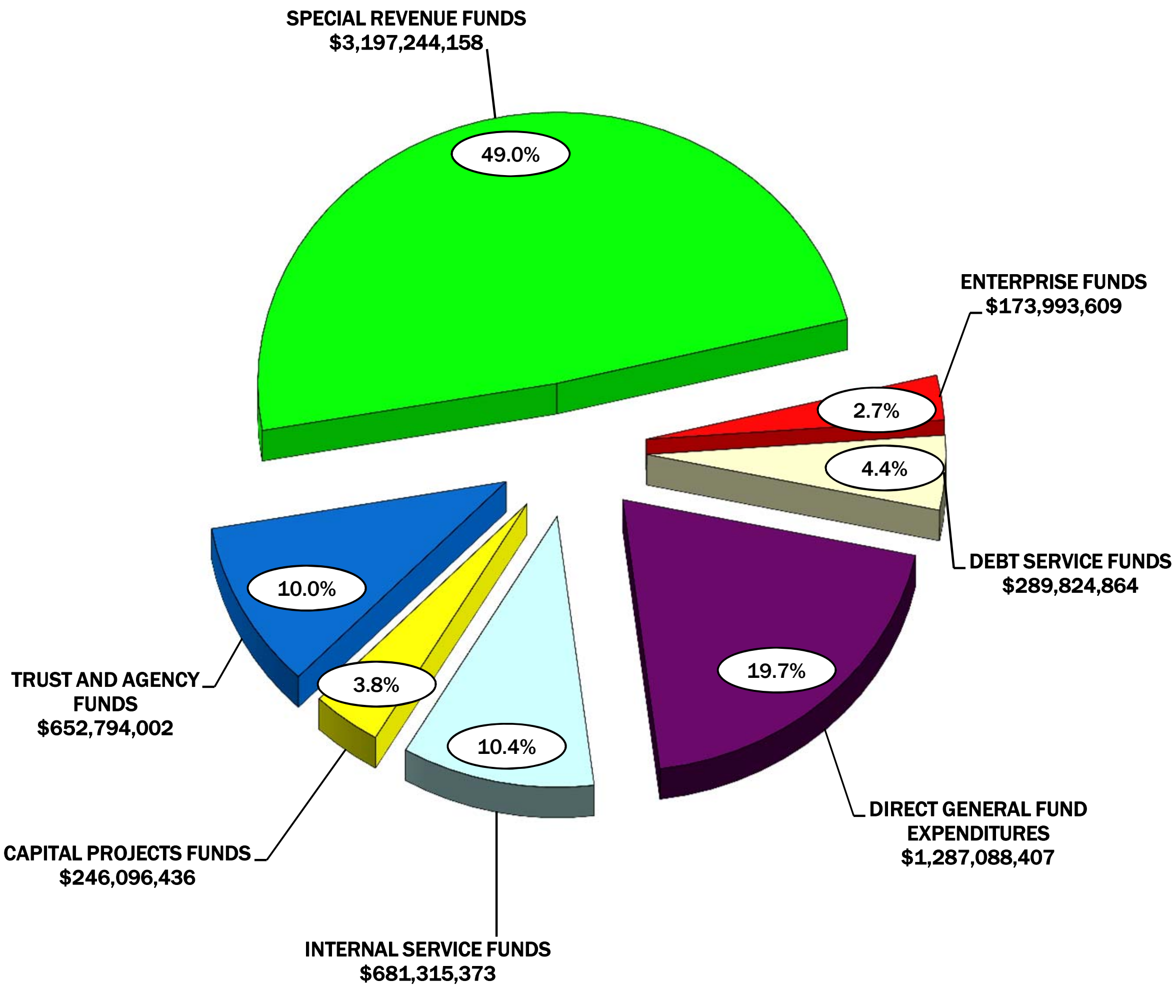
(subcategories in millions)



TOTAL REVENUE = $6,729,044,018

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 2013 EXPENDITURES ALL FUNDS



TOTAL EXPENDITURES = $6,528,356,849