Hunter Mill District – Citizen Budget Committee
FY 2016 Report
Executive Summary

Citizens residing in the Hunter Mill District are fortunate to have strong leadership reflected by not only our District Supervisor, Cathy Hudgins, but a County Board of Supervisors that has been focused on delivering services that reflect *fiscal sustainability, quality of life, efficient transportation, and well-maintained infrastructure.* The Board's focus on these drivers is particularly evident in their support for maintaining a well-functioning educational system – even through a serious economic downturn that persists.

This Committee again provides recommendations that reflect a diversity of opinions with respect to County revenue and expenditures forecast for FY 2016. Reflecting upon the past reports prepared by this Committee, themes emerge. Recognizing the constancy of many of our recommendations, the report will highlight these as they contribute to the budget scenario approach that we not only recommend for FY 2016, but hope to see action upon by the Board in the near future.

Revenues

FY 2016

- Approve FY 2016 tax rates at advertised levels
- Evaluate annual increases for stormwater tax, considering fund balances
- Seek future revenue diversification, including adoption of a meals tax.

Expenditures

FY 2016

- Fund FCPS transfer at or above proposed level advertised, or 52.8 percent of available funding
- Support County Executive's proposal to fund salary increases for County employees
- Establish a Blue Ribbon Panel to consider adjustments necessary to address salary and benefit equity across separate County systems and jurisdictions
- Support proposed budget for housing, health and human service programs and restore funds proposed to be cut for the Healthy Families Fairfax program and legal services for persons with disabilities
- Protect existing sources of funds for operations and maintenance of transit and transportation infrastructure in the General and other funds.

Management Issues

- Observe discipline during carryover and quarterly reviews to maintain and supplement reserve balances
- Strengthen budget transparency and collaboration across agencies and jurisdictions
- Provide staffing to handle future development projected throughout the County.

2016 Hunter Mill Citizen Budget Committee Report

Revenues

Approve FY 2016 tax rates at advertised levels

The County Executive released the Advertised Budget Plan February 17, with a balanced budget that recommended no change in real estate tax rates from FY 2015 ($1.09 per $100 of assessed value). Subsequently, the Board of Supervisors (Board) approved an advertised rate of $1.09, which is estimated to generate an additional $99 million. The Committee recommends the Board adopt the advertised rate. The Committee recognizes a modest increase in residential property values is estimated to provide an equalization rate of almost 3.4 percent – far less than the rate of 6.5 percent in 2015. The Committee notes this will place an additional tax burden on residential owners of an average of $184. We continue to support a balanced approach by the County that recognizes the need to provide services has to be carefully considered together with the ability of businesses and citizens to support higher levies for taxes and fees.

Evaluate annual increases for stormwater tax, considering fund balances

Much of the county developed from the 1950s through the 1970s prior to requirements for stormwater controls. Many county-owned stormwater pipes are reaching the end of their useful service life and some are in failure. Likewise, 70 to 80 percent of the County's 900-plus miles of streams are in fair, poor or very poor condition. This year, the Board adopted a Capital Improvement Program (CIP) that includes a one-quarter cent increase in the stormwater tax for each of the next five years.

The Committee recognizes the need to provide adequate working capital funds to pay for large, multi-year infrastructure maintenance and improvement projects. However, each year we also note the County needs to demonstrate significant progress in project planning and execution, and to utilize existing balances more effectively so citizens do not continue to be alarmed by growing balances – including some that are funded by tax increases.

Seek future revenue diversification, including adoption of a meals tax

The Committee continues to strongly urge the Board of Supervisors to seek revenue diversification. A County that continues to be dependent on real estate tax collections to fund more than 63 percent of ongoing operations is too dependent on the resident property owners[1].

[1] http://www.fairfaxcounty.gov/dmb/fy2016/advertised/where-it-comes-from.htm#realestate

The Committee notes the budget proposed by the County Executive reduces a net 45 positions. Vacancies that are carried from year to year should be evaluated carefully in the upcoming Lines of Business review so the true number of positions and associated staffing can be set at sustainable levels that support associated workloads.

As for the all past budget cycles, the Committee recommends a ballot referendum to adopt a meals tax. Not only would the County benefit from an additional source of revenue, it could – and should - be used to provide taxpayers as much as $90 million in property tax relief by using these funds to replace a portion of the revenue from existing property taxes. The Committee notes the work last year by the Chairman's Meals Tax Task Force provides a foundation to understand the true effort needed to socialize the concepts, prepare an effective marketing campaign, and see the effort through to implementation. The Committee recommends this be one of the first Board actions in calendar 2016.

Expenditures

Fund FCPS transfer at or above proposed level advertised, or 52.8 percent of available funding

Even though Committee members continue to focus significant energy and thoughts on how to improve the County's school system, and how it's paid for, we recognize our very limited ability to address any of these topics. Given FCPS continues to receive more than half of the County's available General fund revenue, we strongly encourage the recent trends toward collaboration and transparency continue and be expanded. This move will allow development of the trust and respect necessary to foster an improvement in the collaborative management of scarce resources. This topic is addressed in more detail later in the Management Issues section.

The Committee supports a FCPS transfer at the level of funding proposed in the County Executive's budget proposal. At $2.01 billion for school operations and debt service, this represents a 3.43 percent increase of $66.67 million over the 2015 level. This proposed transfer maintains approximately the 52 percent rate from recent years. The Committee notes the proposed budget does not fund the additional expected $13.1 million for FCPS infrastructure and replacement upgrades, agreed to begin in FY 2016 and continue for five years. Further, we note an agreement at the March 17, 2015, Budget Committee of the Board of Supervisors meeting approved instead the $13.1 million be funded through bonds in FY 2016. While we recognize the Board did not have General Fund capital available in 2016 to fund these projects with a life cycle of ten years or less, prudent budgeting would support limiting the practice since bonds typically have a long life cycle of 30 years or more.

Support County Executive's proposal to fund salary increases for County employees

As the County continues to grow, more employees will likely be required to provide the needed services. It is not plausible to think the County's salary base will get smaller. Over time, inflation, retention concerns and management decisions will also push salaries higher. There are obvious differences for the allocation of raises and raise percentages to employees throughout the different County Departments – uniformed and non-uniformed employees. However, an exhibit in the 2016 budget shows the disparity clearly, and the Committee continues to recommend Board action to address disparity across systems and better manage pension and benefit funding.

Fairfax County Pay Increases
FY 2008-FY 2015

	Non-Uniformed	Uniformed			
	General County	Police	Sheriff	Fire and Rescue	Public Safety Communications
FY 2015	2.29%	3.54%	3.54%	6.54%	3.54%
FY 2008-FY 2015 Average	2.38%	2.54%	2.54%	2.92%	2.54%

Targeted increases impacting a limited number of employees or job classes (i.e. based on pay studies) are not included in the chart above.

It is also a concern that pensions, based on these growing salaries, will need to grow at a greater rate than salaries to be able to maintain the needed payout. Pensions are also a concern because they are not currently fully funded. Together these two factors will continue to be problematic to the County's bond rating as well as to their finances. It is vital to keep future pension costs to a maintainable level and to fully fund liabilities to ensure the county doesn't go into bankruptcy and have to stop paying retirees. Within the pension funds, earnings are invested and they contribute significantly to the pension account's overall health and financial position. Missing pension deposits or short-funding them create deficits in total funds available for pay-out. The missing interest also grows quickly and together these can become so onerous that many companies, and now a few counties, end up filing bankruptcy because payouts for pension payments cannot be made.

The Committee recognizes the proposed budget only funds half of the previously-approved market rate adjustment for all employees, but does support general County employee increases for longevity and performance and public safety increases for merit and longevity. Taken with the current financial climate and revenue projections, funding salaries at the proposed level seems fiscally prudent.

Establish a Blue Ribbon Panel to consider adjustments necessary to address salary and benefit equity across separate County systems and jurisdictions

As illustrated above, the disparate rates for salaries and benefits across the County's employment systems is challenging to understand. Further, the current funding necessary to maintain full funding and provide for the management of these systems may be unsustainable into the future. The Committee recommends the Board establish a Blue Ribbon Commission on Compensation and Benefits to review all County employees' total compensation packages in parallel with the Lines of Business Committee's review for reorganization. The Commission should consider all employees within the County, including FCPS, police and public safety, uniform, non-uniform and those paid by contract. The Commission should recommend changes to be made to all employee salary and benefit packages deemed necessary to introduce transparency, fiscal sustainability and equity across services, while ensuring protections for the various groups are respected and redundancy of management is considered.

Support proposed budget for housing, health and human service programs, and recommend adding $1.8 million to fund the shortfall in the Healthy Families Fairfax program and $51 thousand for legal services for persons with disabilities

Although there is an overall proposed increase to the total Health and Welfare Budget ($42,299,929), there is a 0.1 percent decrease in FY 2016 from FY 2015 for the proportion of funds allocations (from 11 percent to 10.9 percent). There is also an increasing demand for supplying human services at many levels, as further highlighted by Supervisor Hudgins during the Hunter Mill Community Summit.[2]

As recommended to the Board by the Fairfax County Human Services Council March 28, 2015, the Committee supports restoration of funding to two programs eliminated in the FY 2016 proposed budget, as follows:

- **Healthy Families Fairfax Program:** Although this is not a federally-mandated program, it is one that has great need for the most vulnerable of our population. According to a report[3] by DNCS, CSIPM[4], System Planning, the Fairfax County Health Department reported a decline in the number of mothers accessing services through the maternity health clinics which affected the number of participants entering Healthy Families Fairfax. Therefore, the program expanded its eligibility from accepting first-time mothers to multiparous mothers (women who have had more than one child) beginning on June 1, 2013. As a result, positive screenings for referral through the Health Department have increased by 59 percent from FY 2013

[2] http://www.fairfaxcounty.gov/cable/channel16/supervisor_hudgins_community_summit.htm
[3] "Trends and Emerging Needs Impacting the Fairfax County Human Services System" http://www.fairfaxcounty.gov/hscouncil/pdf/trends_emergingneeds_jan15.pdf
[4] (DNCS) Department of Neighborhood and Community Services (CSIPM) Countywide Service Integration & Planning Management

(954) to FY 2014 (2,303).[5] Consideration by the Board of Supervisors could be to continue the program at a total cost of about $1.8 million or scale back to the original eligibility of first-time mothers.

- **Legal services contract for those with disabilities:** The County has funded legal assistance to low-income persons with disabilities unable to work to obtain Social Security and Social Security Disability benefits since the mid-1980's. The cost of this program (about $51,000) is offset by average annual recovery of nearly $23,000 in General Relief payments and an average $108,000 in annual payments to County residents. The Committee recommends funds be restored, as the program provides an overall cost benefit to the County as well as vital services to a vulnerable customer base.

Protect existing sources of funds for operations and maintenance of transit and transportation infrastructure in the General and other funds.

With newspaper articles proclaiming that local areas such as Montgomery County are rethinking transit to court millennials, an upcoming regional Northern Virginia Transportation Authority (NVTA) forum entitled "transit means business," and the dreary budget outlook projected by the County Executive, how could we not recommend that transit and transportation, especially Metro, be a budget priority. "Transit generates revenue" was one of the clearest statements at a recent area forum on regional transportation issues, and the region, especially Fairfax County, relies on Metro's success – as does the future of transportation oriented development. Within the overall area of "transportation," it is pretty clear that the limitations on the ability of roads and road improvements to solve the problems of navigating travel in our region will require enhanced attention to transit options.

Transportation issues are covered in the daily press and blogs each day – issues concerning everything from Metro funding to the local pothole situation. While there are a lot of opinions, they often demonstrate a lack of knowledge of available ways and resources to solve the problems they describe. The County's budget process, its hearings and associated publicity also do not provide an adequate opportunity for disseminating information about who does what, how it is paid for, and how much residents are willing to pay to solve problems they identify with regard to transportation and transit. On the other hand, opportunities such as periodic hearings on transportation matters, follow-up hearings on the NVTA two-year program, online transportation chats and Board of Supervisor actions with regard to road improvement projects, and the recently issued Fairfax County Transportation Status Report are generally well publicized.

[5] Source: Fairfax County Health Department

Basically, discussion of transportation issues are more often than not treated as matters for gathering citizen input on proposed projects, not about how to pay for them. In contrast to issues such as schools and public safety, citizen input is relatively minimal on how much the County should pay for transportation (multi-modal) because the funding is for the most part not reliant on residential real or personal property taxes. The Committee recommends the Board maintain transfers proposed in the General fund and continue to monitor funds available from other sources so overall funding support is sustained. Further, the Board should likewise continue a commitment to evaluate new transit projects and fund appropriately.

Management Issues

Observe discipline during carryover and quarterly reviews to maintain and supplement reserve balances, and support immediate policy changes to secure continued Triple-A bond ratings

The County Executive's proposed budget notes the importance of maintaining reserves that allow continued Triple-A bond ratings from all three major rating agencies, merited nationally by only 9 states, 37 counties and 32 cities. County reserves are critical for debt service affordability and access to funds in support of capital infrastructure projects. The budget further describes the current circumstances that dictate immediate and continued action by the Board. The Committee supports the recommendations to:

- continue budget discipline that does not allocate one-time funds to pay recurring expenses
- decrease unfunded pension liabilities
- increase reserves
- adopt policy changes that affirm a stronger commitment to stricter fiscal discipline and recognize the importance of immediate Board action in April.

The Committee fully supports the steps proposed by the County Executive at the March 17, 2015 budget committee meeting to begin making these adjustments immediately.

Strengthen budget transparency and collaboration across agencies and jurisdictions

This Committee again applauds the extreme level of collaboration between the Board of Supervisors and the Fairfax County School Board. The Joint Infrastructure Financing Committee (IFC) and Joint Budget Development Committee (BDC) are both extremely powerful examples of the high level of cooperation which both Boards are capable of achieving together.

The Committee feels strongly that collaboration like this across agencies should be strengthened and institutionalized. The Board should begin by considering the establishment of permanent joint boards, as illustrated by the examples of the IFC and BDC. The Committee believes these boards enhance the likelihood of future collaboration, manage future expectations, and provide a strong investment in commitments to shared, sustainable and forward-looking outcomes. They allow focus to be maintained on critical near- and long-term priorities, and may serve as "think tanks" to generate cost-savings or better service delivery.

Enhanced partnerships between the County and towns would be beneficial as regional transportation becomes increasingly important to mitigate traffic congestion and increase quality of life. The County has embarked on several regional initiatives as a member of the Northern Virginia Transportation Authority with access to revenue sources, including revenue from commercial and industrial property and fuel and sales tax and fee restructuring. As projects such as these are completed and outyear project plans are being developed, the County's Department of Transportation could strengthen project partnerships with towns to meet these essential objectives.

The County periodically issues information on who is responsible for various transportation functions; it is time that easily found similar information be provided on where to find projects and how are they financed. Just as crosscutting budget category summaries are provided in other areas (such as FCPS), it would make the budget more transparent to the Board and especially the citizens if all related funds were at least presented and described on a chart for inclusion in the overview or other readily available budget document.

Finally, the Committee urges the Board expand your budgeting projections beyond just two years. We believe that looking at a three to five year period, especially for critical priorities such as schools, transportation, and maintaining fiscal reserves, provides a sound financial grounding and allows citizens the opportunity to help shape – or drive – future outcomes. Best of all, budget transparency is enhanced while managing expectations of stakeholders who provide services and those who pay for them.

Provide staffing to handle future development projected throughout the County

In FY 2016 the Department of Planning and Zoning will become a part of the Economic Development Core Team. This is a recognition of the vital importance of the Department to the economic development of the County, as it balances the considerations of present with future developments, weighing costs and benefits. Though difficult to predict, the long-term implications and influences of development have significant and direct impacts to economic, social and environmental viability of the County. With planning and zoning that supports the Board's vision, the County can flourish, improve the quality of life for residents, attract and support businesses, and provide new opportunities while protecting the lifestyle County residents

now enjoy.

As land use density and zoning transitions occur, especially in the Hunter Mill District along the Silver Line expansions, the Committee urges the County to maintain adequate staffing to support planning, zoning and future development. The Committee is concerned that in the FY 2016 proposed budget staff may be focused on providing plan reviews, permits and inspection services at the expense of maintaining a long-term focus on community outreach, forecasting, reviews and studies. In this case we recognize the budget direction to all Departments to sustain an across-the-board funding reduction may result in staff reduction in FY 2016. However, the long-term interests of both current and future residents are better served by balancing short-term and long-term benefits, particularly at this time of significant transition within the District.

Acknowledgments

The Committee thanks Hunter Mill Supervisor Cathy Hudgins for asking us to serve on this citizen advisory committee. We respect her leadership in this County, and feel privileged to serve. We further thank her staff, and that of the County, for accommodating our member's numerous requests for additional information. Their professionalism and helpfulness serve as an example of the level of good government this County provides, and we commend them.

Hunter Mill District Citizen Budget Committee

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