Hunter Mill District – Citizen Budget Committee
2014 Report

Executive Summary

As in previous years, Supervisor Catherine Hudgins asked the Citizen Budget Committee of the Hunter Mill District to offer perspectives on the proposed Fairfax County FY 2014 budget. The Committee recognizes the challenging budget climate all jurisdictions are facing today – County, State and Federal. Concerns revolve around uncertainty in the economic recovery, instability through fiscal years 2014 and 2015 introduced by the Federal budget sequester trickle-down, and the need to balance our own ledger while attempting to meet critical funding gaps for local infrastructure to support transportation and population growth, enhanced public school enrollment, and human services delivery.

The majority of the Committee continues to strongly urge the Board of Supervisors to seek revenue diversification. A County that continues to be dependent on semi-annual cash infusions from real estate tax collections to fund more than 60 percent of ongoing daily operations is too dependent on the resident property owners. When combined with State and Federal revenues in FY 2014, this increasingly unpredictable revenue stream accounts for almost two-thirds of the County's projected income. One solution to consider is a meals tax referendum, which could generate as much as $80 million in the first full year of implementation, allowing a similar reduction in the assessed real estate tax rate and introducing a more predictable auxiliary revenue stream.

While the Committee recommends adopting the advertised rate of $1.095, this is not a unanimous view. The members further recommend the Board adopt restraint during the carryover review process to maintain balances as a reserve against future uncertainty and risk, and consider limiting investments from these funds only into capital infrastructure projects or to support the human services safety net. Further, the Committee strongly believes the process through which reserves and subsequent fund transfers are approved by the Board be managed as transparently as the initial advertised budget.

The Committee is concerned the County cannot continue to afford the funding necessary to sustain the workforce that delivers our services and pay the benefits already promised. Serious consideration must be given to adopting future changes to all three of the retirement systems currently in place. Health insurance benefits should likewise be evaluated and where appropriate, actions undertaken to begin making the changes that will allow orderly implementation and offer employees the ability to plan for future changes to their pay and benefits packages. The Board should consider future benefit changes such as raising the retirement age or introducing health benefit choice in the form of high-deductible health insurance – changes already undertaken by the Federal government. The Committee encourages the Board to begin considering these changes this year.

Over the last year, collaboration between the Board of Supervisors and the Fairfax County School Board has increased, with noticeable benefits to the entire County. The Committee applauds this effort and fully supports enhanced planning and joint budgeting efforts. The Committee further recommends funds for the Fairfax County Public Schools operations and debt service be no more than the level proposed in the advertised budget - $1.72 billion, or 52.6 percent of the County's FY 2014 disbursements.

The County faces other funding challenges, and of particular concern to the Hunter Mill District, needs for transportation improvements related to completion of the Silver Line early in FY 2014. Members are keenly aware there will be additional traffic along the routes to and around Wiehle-Reston East, and encourage the Board make resources available to provide adequate feeder bus transport, park and ride lots

and improvements to roads, signals and pedestrian access to forestall gridlock. With the coming of the Silver Line, emphasis should also be given to future staffing to handle the urbanization of the Tysons Corner and Reston Town Center areas. Additional staffing for both police and fire should be planned in future budgets to meet these needs.

Committee Discussion

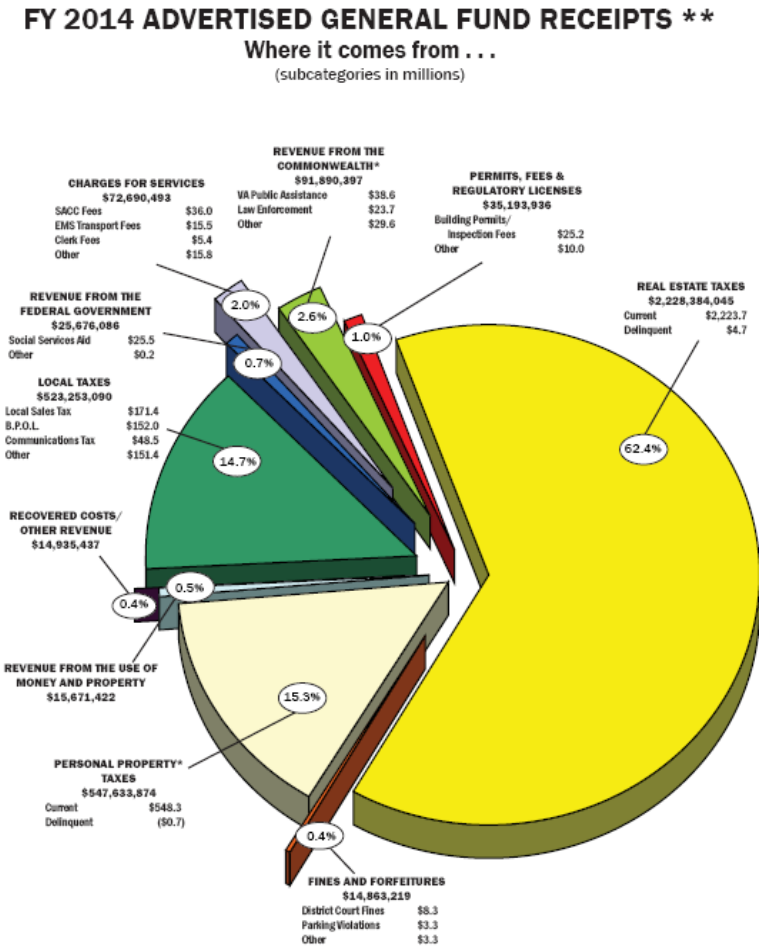
Fiscal Climate –This Committee has discussed for several years how the Board of Supervisors should think about, and at the same time, how we can together understand the budget climate we live in. Not in our experience have we faced such circumstances. We have to understand the uncertainty of the Federal budget in relation to our County, continued real estate softness, and resident and constituent anxiety. Our recommendations are tempered with these sober reflections.

As in previous years, Supervisor Catherine Hudgins asked the Citizen Budget Committee of the Hunter Mill District to offer perspectives on the proposed Fairfax County FY 2014 budget. The Committee recognizes the challenging budget climate all jurisdictions are facing today – County, State and Federal. Concerns revolve around uncertainty in the economic recovery, instability through fiscal years 2014 and 2015 introduced by the Federal budget sequester trickle-down, and the need to balance our own ledger while attempting to meet critical funding gaps for local infrastructure to support transportation and population growth, enhanced public school enrollment, and human services delivery. Our report discusses these specific items in greater detail.

Revenues

Diversification - *The majority of the Committee continues to strongly urge the Board of Supervisors to seek revenue diversification.*

A County that continues to be dependent on semi-annual cash infusions from real estate tax collections to fund more than 60 percent of ongoing daily operations is too dependent on the resident property owners. When combined with State and Federal revenues in FY 2014, this increasingly unpredictable revenue stream accounts for almost two-thirds of the County's projected income. One solution to consider is a meals tax referendum, which could generate as much as $80 million in the first full year of implementation, allowing a similar reduction in the assessed real estate tax rate and introducing a more predictable auxiliary revenue stream.



Until the Commonwealth of Virginia softens its application of the "Dillon Rule" and provides local jurisdictions with the opportunity for revenue diversification, Fairfax County will be forced to continue its dependence on the local property tax for the major part of its income. In the 2013 revised budget, 60.9 percent of the County General Fund income (27.5 percent of

total County income) is derived from the local property tax. In the 2014 advertised budget, based on a proposed real estate tax of $1.095, these numbers are 62.4 percent and 37.2 percent, respectively.

In the FY 2014 advertised budget, the next two largest categories of general fund revenues include personal property and other local taxes. The advertised budget did not propose, and the Board did not advertise, an increase in the personal property tax rate of $4.57 per $100 of assessed value for FY 2014. The other taxes segment of the revenue stream is affected to a significant degree by Commonwealth restrictions on actual rates or maximum rates the County can charge. In one instance, however, the County does not charge the maximum rates allowable for the array of Business, Professional & Occupational License taxes. This is an area deserving of a future review.

As for the past two budget cycles, the majority of the Committee recommends a ballot referendum to adopt a meals tax. The County could receive anywhere from $20 to 80 million in property tax relief by charging a meals tax at the rates already used by jurisdictions within and immediately surrounding its geographic boundaries. Much of the tax will be paid by non-County residents. Without specific General Assembly action, the County can only charge a meals tax if approved in a voter referendum. However, the Committee continues to strongly encourage the Board to begin the necessary public awareness campaign to fully educate County residents of the need for such revenue diversification.

The Board should also consider revenues derived from permits, fines, regulatory licenses, fines and forfeitures, charges for services, etc. As might be expected, the Commonwealth sets many of the rates that the County could charge for services. We recommend the Board consider increases in the rates where the following circumstances are present: the rates can be set by the County, would likely result in more than a nominal increase in revenue, have not been increased in at least two years, and can easily be categorized as a user fee, charge for service, or fine.

Rate *- While the Committee recommends adopting the advertised rate of $109.5, this is not a unanimous view.*

The Committee is concerned the proposed budget does not allocate adequate funding to meet human services and transportation needs in Fairfax and that the County continues to fall behind on maintenance and replacement of facilities and equipment used by the County. Human service needs have grown as a result of the recession and funding is jeopardized by Federal sequestration. Transportation improvements, including improved bus services to the Silver Line, are also needed, and may face sequestration risks. Continuing to defer maintenance and efficiency-improvements is short-sighted and will burden County citizens in future budgets and possible declines in service quality. The rate increase should be considered to offset these funding gaps.

Carryover Evaluation *- The members recommend the Board adopt restraint during the carryover review process to maintain balances as a reserve against future uncertainty and risk, and consider limiting investments from these funds only into capital infrastructure projects or to support the human services safety net. Further, the Committee strongly believes the process through which reserves and subsequent fund transfers are approved by the Board be managed as transparently as the initial advertised budget.*

The Committee understands some budget flexibility is provided by general fund transfers, in and out, however, we urge the Board to strictly use any budget funding available at the time of the third quarter review and at carryover should be applied only to meet human services and infrastructure transportation and deferred maintenance of County-owned facilities. Particular attention should be given to achieving efficiency improvements that will reduce operating costs in the long term. The FY 2014 Budget proposal includes a reserve of $8 million (approved as part of the FY 2013 Revised Budget) for State/Federal reductions and Federal sequestration cuts. The Committee thinks this reserve is critical.

Fairfax County Potential FY 2014 Revenue: If Equal Taxing Authority as Surrounding Cities ($ in millions)					
Jurisdiction	**Meals Tax**	**Transient Occupancy**	**Cigarette Tax**	**Total Revenue**	**Revenue Increase**
Fairfax County: ***FY 2014 Projected Revenue at*** ***Current Rates***	***A 1% tax=est. $20m. Counties in VA are capped at a 4% tax = est. $80 m in FY 2014***	***$20.8*** ***4%***	***$9.1*** ***30¢ / pack***	***=$29.9***	
Revenue @ Town of Vienna Rates	**$60.0** **3%**	**$15.6** **3.0%**	**$22.8** **75¢ / pack**	**$98.4**	**$68.5**
Revenue @ Fairfax City Rates	**$80.0** **4%**	**$20.8** **4%**	**$25.8** **85¢ / pack**	**$126.6**	**$96.7**
Revenue @ Alexandria Rates	**$80.0** **4%**	**$33.8** **6.5%**	**$24.3** **80¢ / pack**	**$138.1**	**$108.2**
Revenue @ Falls Church Rates	**$80.0** **4%**	**$26.0** **5%**	**$22.8** **75¢ / pack**	**$128.8**	**$98.9**

Expenditures

Salary and benefits - *The Committee is concerned the County cannot continue to afford the funding necessary to sustain the workforce that delivers our services and pay the benefits already promised.*

Members of the Committee share concerns about the long-term financial exposure to County taxpayers from the current benefits package offered to employees, particularly the exposure to unfunded liabilities from the existing defined-benefits pension plan and from health care offerings. There are many uncertainties about the rising future costs of those plans and about taxpayer funding needed to support them. We urge the Board of Supervisors to review those plans again and to consider measures which could reduce taxpayers' future exposures even while fairly treating County employees.

We recognize that the County's current defined-benefits pension plan has been favorably rated by outside consultants and auditors in recent years. Nevertheless, the County's funding has fallen and remains below its planned "funding corridor," and the County appears to be counting on strong future investment returns at a time when there are legitimate reasons to question whether future equity returns will meet those expectations. At the same time, the ratio of retired employees to current employees is rising, and retirees' life expectancy is increasing. These trends are likely to cause concerns to future taxpayers if they perceive that they are paying as much or more for retired employees as for current employees.

The Committee urges the County to consider how to limit taxpayer exposure to unfunded liabilities posed by all of the current retirement benefits plans. Options might include:

- adjusting the minimum age eligible to receive pension benefits
- phasing increases to the employees' share of contributions

- offering a pension *option* with lower current cost to the employee in exchange for lower defined-benefits and lower risk to the County
- taking steps to get funding back into the approved "corridor" sooner rather than later.

Some Committee members would also like the County to consider shifting future employees to a defined-contribution retirement model for all or part of an employee's retirement. Under a hybrid model, the employee would receive a lower level of defined-benefits supplemented by returns from a defined-contribution plan (which might yield higher or lower returns than assumed for the defined-benefit plan), thereby assuring basic retirement security while sharing some future investment risks.

Rising health care costs also present a concern even though health care is an important benefit that needs to be provided. While this is a complex area, citizens need to be assured that the County is taking reasonable steps to mitigate future taxpayer exposure consistent with continuing to attract and retain good employees. The Board should consider the cost effectiveness of options including:

- offering wellness programs to improve overall health and reduce expenditures for health care services
- raising employees' deductibles and co-pays
- offering a high-deductible plan option
- adding tax-advantaged plans to offset health care costs, such as health savings, flexible spending or medical reimbursement accounts.

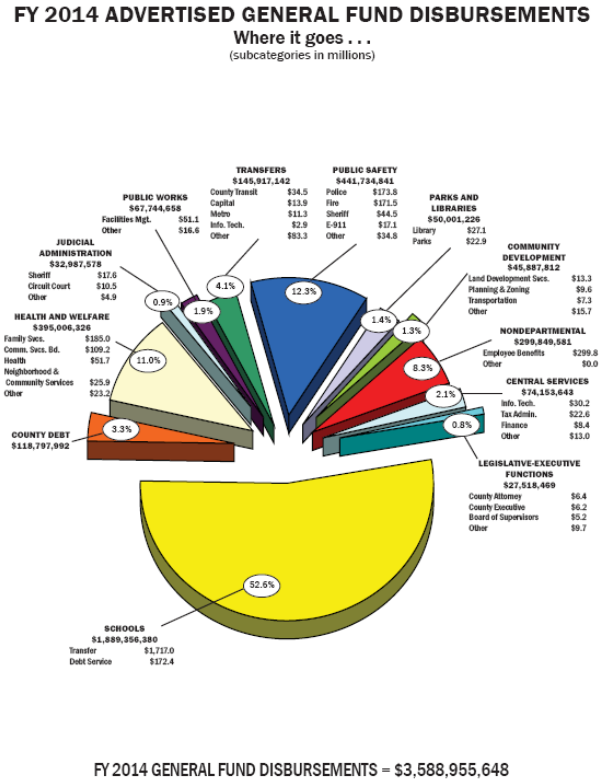
Where appropriate, actions should be undertaken to begin making any changes that will allow orderly implementation and allow employees the ability to plan for future changes to their pay and benefits packages. The Committee encourages the Board to begin considering these changes this year.

FCPS transfer *- The transfer should be no more than the advertised $1.72 billion.*

Over the last year, collaboration between the Board of Supervisors and the Fairfax County School Board has increased, with noticeable benefits to the entire County. The Committee applauds this effort and fully supports enhanced planning and joint budgeting efforts. The Committee further recommends funds for the Fairfax County Public Schools operations and debt service be no more than the level proposed in the advertised budget - $1.72 billion, or 52.6 percent of the County's FY 2014 disbursements.

Transportation *- The County faces other funding challenges, and of particular concern to the Hunter Mill District, needs for transportation improvements related to completion of the Silver Line early in FY 2014.*

To understand the budget proposals for transportation in the budget, it is necessary to understand discussions of the general fund and transportation-related funds 30000, 40000 and 40010. It would help citizens understand the budget



and funding available for the County's transportation needs if more coordinated discussions and both overall and cross-cutting tables were provided.

After just a short review of the budget materials in this area, a majority of the Committee was left with the impression that the County has done a good job of maximizing the resources available for transportation services from a variety of sources. These include bond funding, the commercial and industrial real estate tax (C&I fund) which is projected to increase from 11 to 12.5 cents in 2014, WAMATA funding, State aid, Dulles Rail tax district(s), Federal aid, toll revenue, fares, etc. The decrease in general fund transfers of $2 million is associated with revenue available for Connector services in State aid available through the NVTC. We assume that the transportation funding bill that will finally be adopted by the Commonwealth will add to the mix of funding sources and look forward to seeing the effect these additional resources have on the current budget proposal.

As a general proposition, we favor the establishment of reserve accounts for capital costs such as bus replacements, and were happy to see that the budget includes the first deposit into a reserve fund for Connector bus replacements using State aid available for that purpose.

Because of the importance of the Silver Line to district transportation opportunities and challenges in and adjoining Hunter Mill District, we basically limited our review to the presentation in fund 40000 of Connector bus operations. To quote from the budget materials:

> "In FY 2014, the [transportation] department will be finalizing the bus service plan to support the opening of Phase I of the Silver Line, with an expected implementation date in December 2013. A substantial part of the plan is the implementation of a short‐term circulator bus system within Tysons Corner, called the Silver Line CONNECTOR, which will provide a bus connection from the four new Silver Line stations in Tysons Corner to the employment centers. These circulator routes will connect to the new stations in Tysons Corner, as well as to the feeder bus service from McLean, Vienna and the Route‐7 corridor. Another major component of the Silver Line bus service plan is the redesign and modification of the feeder bus network of the Dulles corridor bus service into the Wiehle-Reston East Metrorail Station. In total, approximately 40 percent of all Fairfax CONNECTOR bus service will change in FY 2014."

We agree with the need for the Tysons circulator and other feeder bus service to Metro stations in both the Tysons and Vienna areas. The Committee notes public information sessions have begun and we encourage the County to continue these so residents and property owners in those areas and the other areas served by the feeder buses can provide input regarding appropriate changes to increases necessary for public transit to avoid using individual cars to access the new Metro service.

More attention needs to be paid to traffic around the Wiehle-Reston East Metrorail Station, where the County has chosen to locate all the new parking for Phase I Silver Line riders. The only way to prevent gridlock along the routes to and around Wiehle-Reston East is to invest in road, bike and pedestrian access improvements (many of which were outlined five years ago in the 2008 Reston Station Access Management Plan), and to provide adequate feeder and circulator bus transport. The bus services must consider availability for Reston residents, in particular for those who need to work late, or go to other places served by Metro in the off hours. Mid-day, weekend, and night services hours are a must.

Circulator buses are needed to link Metro to offices in Town Center and Dulles corridor. Park and ride lots, served by a feeder bus, on the near and far periphery of the Wiehle-Reston East area are needed in order for those coming from outside the immediate area to get a bus to take them to the station. They are also needed for those in Reston who don't live near a bus route to get to the station without driving, as are

improvements to roads, signals and pedestrian access. Adequate park and ride lots and feeder bus service is needed to both prevent gridlock around the station and encourage Metro ridership, averting a replication of the current situation at West Falls Church and Vienna where the garage is filled up early, leaving those who come later with no options to get on to rail.

Security and public safety - *The Board should plan to make adequate resources available in future budgets for urban planning and public safety.*

The Committee is keenly aware there will be additional traffic along the routes to and around Wiehle-Reston East, and encourages the Board plan to make resources available for future staffing to handle the urbanization of the Tysons Corner and Reston, particularly Reston Town Center and the Wiehle-Reston East Station area.

Urban police and fire and rescue personnel require different skill sets and additional staff to handle the problems they will face. Unfortunately, the Fairfax County Police and Fire Departments are continuing to operate at minimum staffing as compared to other communities of a similar size. Budget reductions could have a further negative impact upon response times to various events that might jeopardize the security and safety of the citizens of Fairfax County. The County should plan for additional staffing for both police and fire in future budgets to meet these needs.

As a potential cost efficiency, consideration should be given to establishing a regional fire training center and a regional police academy where the Fairfax County Fire and Police Departments can train their personnel along with personnel from the surrounding districts. As it is now, most districts have training facilities for both their fire and police departments. Such regional training center may be a cost savings to all districts in the Washington Metropolitan Area.

Human Services - *Fairfax is a wealthy County, but with serious unmet needs for human services.*

- Fairfax County's poverty rate is 6.8 percent, a sharp increase from 4.8 percent in 2007. Due to its large population, Fairfax County has more residents living in poverty than any other single jurisdiction in the State—73,794.
- Approximately 9.7 percent of children in Fairfax under the age of 18 live in poverty.
- Demand for public assistance (Food Stamps, TANF, Medicaid) is approaching a caseload of 85,000, which represents more than a doubling since 2000.
- People earning minimum wage ($7.25 per hour) earn only one-quarter of the income needed to afford a two-bedroom apartment in our community.
- From FY 2008 to FY 2012, the number of families that Child Protective Services worked with increased by 29 percent.
- Calls to the domestic and sexual violence hotline increased 49.5 percent from FY 2008 to FY 2012.
- As of February 2013, the waiting list to be enrolled in the Health Department's Community Health Care Network had grown to 6,214 individuals.
- The workload for Coordinated Services Planning (CSP) has increased by 14 percent from prerecession levels. CSP coordinators report having to contact multiple organizations to raise funds to fulfill requests, since partner community based organizations have exhausted budgets earlier each month.

The Committee supports the few modest increases included in the FY 2014 Advertised Budget for human services as well as the recommended level funding for most human services programs. However, the proposed budget also includes significant reductions (a total of $7 million) in programs that provide

critical services for our most vulnerable populations. While it is generally concerned about these reductions, the Committee is particularly concerned about the following:

- $1.253 million dollars in cuts to the Health Department/Community Healthcare Network (CHCN). These cuts will adversely affect clients, the majority of whom are employed in hourly wage jobs without paid time off. CHCN serves about 18,000 enrolled low-income uninsured residents and has an enrollment waiting list of 6,214 individuals.
- $138,931 reduction in Neighborhood and Community Services which includes a 5 percent reduction in contracts with nonprofits who work in low-income housing communities to provide critical services including afterschool programming and services to adults that focus on breaking the cycle of poverty. Several communities in the Hunter Mill district would be impacted by this reduction.

The impact of sequestration is already impacting Fairfax County, with the recent rescinding and revoking of new housing choice vouchers for some of the most vulnerable in our community. While the percentage of Federal dollars received by Fairfax County is small, it disproportionately impacts housing and human services.

About the Committee

As in previous years, Hunter Mill Supervisor Catherine Hudgins asked district residents to provide input on Fairfax County's FY2014 budget. The Hunter Mill District Citizen Budget Committee met during January, February and March to discuss member's concerns, priorities and recommendations for addressing the FY2014 Fairfax County budget. Members analyzed the budgets presented by the County Executive and Fairfax County Public Schools, focusing on areas of interest and concern. Presentations were made to the Committee by School Board members and County professional staff. Members also attended Supervisor Hudgins' public budget meetings to hear feedback from other residents with respect to their concerns and budget priorities. The Committee appreciates the support offered by Supervisor Hudgins' staff, and that of the County, to assist us throughout this process.

Hunter Mill District Citizen Budget Committee

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