Fairfax County Budget: 2011 and Beyond

Lee District Budget Advisory Group

Report for Supervisor Jeff C. McKay

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Executive Summary

"There is nothing wrong with change, if it is in the right direction." *Sir Winston Churchill*

BACKGROUND In 2011 Fairfax County faces fiscal challenges as it continues in the midst of a multi-year economic downturn. Tough choices must be made to close a projected budget shortfall of $257 million. Many programs and services have already experienced successive cuts and decisions to cut programs without compromising critical services are becoming more and more difficult. For the second year, Supervisor Jeff McKay convened the Lee District Budget Advisory Group to advise him on the budget. The group holds to last year's tenet that with the fiscal crisis also comes the opportunity for significant and positive changes to how County government operates. This belief provides the framework for the group's work and the recommendations presented in this report.

THE 2011 ADVERTISED BUDGET The 2011 Advertised Budget provides a mix of revenue increases and expenditure reductions: $121.4m in revenue enhancements, $103.3m in county spending reductions, $16.3m reduction for the school transfer and the remaining $59.6m in applied balances and reserves. While we believe the County Executive's budget approach is reasonable, we differ on some points and have concerns with the specifics of his recommendations. With regard to revenues, we are not convinced that all revenue sources have been sufficiently explored and believe it is now time to seriously consider increasing user-specific fees to help finance some of the programs and services.

On the expenditure side the school transfer, as the single largest expenditure from the General Fund (54%), requires special scrutiny. Yet the group's overwhelming consensus was that it is nearly impossible to understand the school budget in order to reach reasonable conclusions about an appropriate funding level. The school budget process, assumptions and documents lack the transparency necessary to allow for good analysis and decision-making. For example, some of the questions surfaced but not adequately answered during our review included: why have there been year-end balances of over $100 million for the past seven years; why are actual expenditures in many budget categories consistently lower than budget estimates and why aren't the estimates adjusted to the actuals; and why have there been significant discrepancies in the anticipated increases to student enrollment when this is an important factor in the construction of the school budget. With this lack of budget transparency, we seriously question whether the Board of Supervisors can provide due diligence and oversight for monies transferred to the Fairfax County Public Schools (FCPS). Our schools are the County's top priority and we acknowledge that we have an outstanding school system. The importance of our schools is not the question, but rather whether maintaining this outstanding system requires more than half of our County General Fund budget.

Our review of the Advertised Budget surfaced other concerns which we describe in detail in our report. For a second year in a row, the budget includes no compensation increases for county employees. We would like to see more options explored to ensure the burden of balancing the

budget is not being unfairly shifted to the workforce. The Advertised Budget includes proposals for reorganizing some work areas; some of the reorganizations hold promise while others appear to be surface reviews resulting in no real change. We urge that work continue on seeking better ways to restructure and redesign county operations. Finally, while understanding that tough decisions must be made, we believe that some of the proposed reductions target essential areas and should be revisited. Though several areas are discussed in our report, one example we highlight is the proposed cut of twenty-six School Resource Officers assigned to the County's middle schools. The existing data argue for their continued presence in the schools.

RECOMMENDATIONS Two categories of recommendations are presented in this report, broader "good government" and agency specific recommendations. Our "good government" recommendations are in harmony with the County Executive's three budget principles of sustainability, resiliency and transformation. They include recommendations to better manage citizen expectations; redefine the County's budgeting, planning and programming; build more oversight and accountability into operations; vigorously explore all revenue options; and invest in the County's workforce. We propose nearly thirty agency specific recommendations. They are the result of investigations by individual group members and cover the following agencies or functional areas: Fairfax County Public Schools, Health and Welfare, the Park Authority, Information Technology, Public Safety, Code Enforcement and Zoning Inspections, the Judiciary, the Public Information Office function and Recreation and Community Services. A summary of these recommendations is provided on pages 11-16. The individual reports which provide a more detailed discussion in support of these recommendations are included as attachments.

CONCLUSION The reality for Fairfax County – in the near and long-term – is that it must try to maintain the quality of life which we all value without jeopardizing delivery of essential services. It is clear that we can no longer sustain the funding levels for many of our programs and services. In the Advertised Budget, the County Executive alludes to a "new normal" for how we must operate and articulates a strategy built on the three principles of sustainability, resiliency and transformation. We believe that the broader "good government" recommendations we present can assist the County in actualizing this strategy. Our agency specific recommendations address the concerns we have with the proposed service cuts, employee impacts and tax enhancements which have consequences for many in our community.

The Lee District Budget Advisory Group commends the County Executive and his staff for their hard work; our concerns and differing viewpoints about the budget specifics do not diminish our appreciation of the enormous task at hand.

"In every difficult situation is potential value. Believe this, then begin looking for it"
Norman Vincent Peale

INTRODUCTION In 2011 Fairfax County again faces a fiscal crisis as it continues in the midst of a multi-year economic downturn. Housing and commercial property values continue to decline, consumer spending has significantly slowed down and consumer confidence remains low. With real estate taxes contributing more than 60% of revenues to the General Fund and property taxes nearly15%, lower revenues are expected and another budget shortfall is predicted. As it did for fiscal year 2010, the County will need to make tough choices to ensure a balanced budget. To assist him in making these budget decisions, Supervisor Jeff McKay reconvened the Lee District Budget Advisory Group and charged them with finding ways to help close the $257 million projected shortfall for 2011. The advisory group recognizes that though the 2011 projected shortfall is less than the previous year's ($257 million for 2011 vs. $650 million in 2010), the fiscal environment is getting tougher. Many programs and services have already experienced successive cuts and decisions will be more difficult. However, the group continues to believe, as it did in 2010 that with the fiscal crisis also comes the opportunity for significant and positive changes to how County government operates. This belief provides the framework for the recommendations presented in this report.

THE BUDGET ADVISORY GROUP With few changes to its original composition, the Lee District budget advisory group was reconvened at Supervisor McKay's request to provide advice on the 2011 budget. The eleven member group is comprised of county residents representing a broad cross-section of backgrounds, experience and perspectives. Members bring to the table backgrounds in government and private sector fiscal management, experience in county government to include membership on significant boards, panels, and committees, and a willingness to apply reasoned judgments as to the efficacy of all county programs and services in light of reduced revenues and increasing demand.

GUIDING PRINCIPLES In conducting the review of the county budget and its processes, the group identified the following set of principles to guide its work and shape its recommendations.

1. The resulting budget must provide for good government -- a government that is effective, efficient, sustainable, and measurable.

2. The County's fiscal challenges are likely to continue; citizen acceptance and buy-in for the necessity of budget cuts require concerted communication, messaging and education efforts. Every opportunity should be taken to educate citizens on what programs cost and how they are funded.

3. The County must be able to distinguish between must-have (core) governmental functions and nice-to-have (non-core) functions and then ***clearly articulate those to the citizenry***. Budget cuts should be prioritized accordingly.

4. Nothing is off-the-table. All aspects of the budget are open for review and critique – there are no "sacred cows" to be avoided and no "off-limits" areas. Separate agendas and favorite programs must be left at the door.

5. As the school system accounts for approximately 54% of the county expenditures, it must accept an equitable share of the burden without impacting negatively on the quality of instruction.

6. Every agency of government must share the pain; however, the focus must be more on smart rather than across-the-board cuts. Rigid, across-the-board cuts take funds away from higher priority program and services along with those with lower priority.

7. Budget balancing reductions must take into account the value of the County's workforce in bringing the County to the position it enjoys as a top rated place to live.

8. Budget cuts should be based on value vs. dollars invested. Expensive programs with little return should be targeted for review.

9. Agencies and/or programs which have experienced a disproportionate rate of growth during past periods of increasing budgets should be targeted for serious review.

10. All avenues of revenue enhancements must be rigorously explored and pursued.

SCOPE AND METHODOLOGY As requested by Supervisor McKay, individual group members chose specific focus areas for the 2011 budget. Areas selected for review included: schools, public safety, judicial administration, parks and recreation, health and welfare, housing and community development, public affairs, and information technology. Additionally, the group discussed and analyzed broader issues which cut across agency or functional areas. The information gathering and analysis process included personal contacts with County employees as well as a thorough review of budget and organizational documents. Each member presented his/her findings and recommendations to the entire group before incorporation into this final report and the information sharing process allowed for members to discuss common or shared issues. Unlike the previous year, consensus was not required for the recommendations put forth.

THE 2011 ADVERTISED BUDGET Our initial reaction to the 2011 Advertised Budget is that *in general* it appears to be a reasonable approach to addressing the $257 million shortfall. We were pleased to see the County Executive articulate a strategy built on the three principles of sustainability, resiliency and transformation. These principles resonate with our group's belief that this fiscal crisis must serve as an opportunity to change the way we operate in Fairfax County. In this report, we repeat our "good government" recommendations from last year which we believe get to the core of these principles – that is, we must rethink how county government is to operate with the end goal being that it is efficient, effective and sustainable. However, as with any budget, the "devil is in the details" and here we have some differing viewpoints and concerns.

The budget proposal provides a mix of revenue increases and expenditures: $121.4m in revenue enhancements, $103.3m in county spending reductions, $16.3m reduction for the school transfer and the rest in applied balances and reserves. With regard to revenues, we are not convinced that all revenue sources have been sufficiently explored. The County Executive states that the community feedback reflected a level of support for raising taxes to sustain the high quality of life enjoyed by our citizens. We contend that in addition to across-the-board tax increases, it is now time to seriously consider increasing user-specific fees to help finance some of the programs and services. Other areas, too, need closer inspection. For example, we believe "mandated" programs – whether funded or unfunded – need to be more closely examined to make sure that services are not provided at levels above the mandated minimums.

On the expenditure side, the budget proposal includes a school transfer which is a 1% reduction over the 2010 funding level; a mix of program reductions; efficiency savings from reorganizations; and savings from eliminating employee compensation increases for a second year in a row. Even with the 1% reduction, the school transfer still represents 54% of the General Fund expenditures. As the single largest piece of the budget pie, we strongly believe that the school transfer requires special scrutiny. Yet, when our budget group members and citizens try to examine the school budget, the overwhelming consensus is that it is nearly impossible to understand and therefore reasonably conclude if the funding level requested is required and/or, more importantly, whether the funds are being managed well. The school budget process, assumptions and documents lack the transparency necessary to allow for good analysis and decision-making. For example, some of the questions surfaced but not adequately answered during our review include: why have there been year-end balances of $100m+ for the past seven years and what has been done with those funds; why are actual expenditures in many budget categories consistently significantly lower than budget estimates and why aren't the estimates adjusted to the actuals; why have there been significant discrepancies in the anticipated increases to student enrollment when this is an important factor in the construction of the school budget. With this lack of transparency, we seriously question whether the Board of Supervisors can be expected to provide due diligence and oversight for monies transferred to the schools. Our schools are the County's top priority and we acknowledge that we have an outstanding school system. The importance of our schools is not the question, but rather whether maintaining this outstanding system needs to take up more than half of our County General Fund budget. Another concern which continues to surface is that the true cost of the schools is not captured in either the County or the School budgeting processes. For example, many school-related services (school nurses, safety officers, the maintenance of athletic fields, etc.) are not covered out of the transfer amount, but instead out of individual County agencies' budgets. We believe these costs should be captured and presented in both budgets to reflect the true cost to our citizens. We also question whether there is a better financial model for how these services should be funded. For example, if the full cost of all services was included with the transfer, arguably there would be better incentives for stronger accountability in the use of those funds.

In addition to proposing the elimination of 284 positions, for the second year in a row county employees, who are being asked to work harder with fewer resources, are also scheduled for no salary increases. When programs and services are reduced, it makes sense for some positions to be cut as well. However, the County needs to send a strong message to its workforce that we all recognize our government's success is due in large part to its dedicated public servants. We would like to see more options explored to ensure budget actions do not send a different message. The Advertised Budget also states that as part of the ongoing work to transform and innovate the work, several areas were critically examined and some reorganizations are proposed to improve efficiencies and generate savings. Some of the reorganizations hold promise for such results while others appear to have been simply surface reviews resulting in no real change. We urge that work continue on seeking better ways to restructure and redesign county operations.

Finally, while understanding that tough decisions must be made for reducing services, we believe that some of the reductions proposed in the Advertised Budget are in essential areas and should be revisited. One example is the proposed cut of twenty-six School Resource Officers assigned to the County's middle schools. These officers have prevented incidents of criminal activity and inappropriate behaviors from occurring in our schools. The latest youth survey conducted by the County indicates that over one hundred 8th graders have carried a handgun to school at least once during the school year (2008 data). These and other data from this survey strongly argue for a continued presence of the School Resource Officers, not their elimination. In the sections to follow, our group offers recommendations to address the concerns noted above.

FINDINGS AND RECOMMENDATIONS Findings and recommendations in this report are presented in two parts: 1) recommendations which are broader in scope – these are loosely grouped together as "good government" recommendations, and 2) recommendations which are more narrowly focused on a specific agency, program or functional area.

PART 1: Good Government Recommendations

The group believes these recommendations will significantly assist Fairfax County in its efforts to provide a government that is effective, efficient, sustainable, and measurable.

1. Managing Citizen Expectations

Discussion**:** Fairfax County's fiscal difficulties are not likely to abate in the near future. In fact, in the 2011 Advertised Budget, the County Executive projects yet another budget shortfall of $130 million for 2012. The cuts taken to programs and services over the past few years establish a new baseline for how government must operate and more reductions to services and programs are inevitable. It is not entirely clear that the majority of county citizens fully understand the level of fiscal crisis the County faces. Citizen buy-in is crucial for implementing the critical changes which will be necessary and that buy-in begins with an informed understanding of the true cost of government.

For the past few years, Fairfax County has done a good job engaging its citizens in the budget process through community dialogue sessions, newsletters, and web and email communications. This year, in preparation for the 2011 budget year, 15 community dialogue sessions were held with over 1000 citizen participants. While these sessions were no doubt invaluable in obtaining community input, it was equally apparent from some citizen comments that there is a real lack of understanding about the budget process, how county programs and services are funded and their true cost. This citizen engagement process and input would be more valuable to county leadership in the decision-making process if citizens were better informed about the budget. In some cases, citizens offered up trade-offs for their favorite programs at the expense of other programs not understanding how programs are funded. For example, it was not uncommon for a citizen who is not a patron of the Park Authority programs to suggest those programs be reduced to offset funding cuts in another program without realizing that a large portion of the Parks programs does not receive funds from the County. In Lee District, many people are surprised to learn that more than half the funds expended to operate our parks come from fees at golf courses, recreation centers and rentals such as campgrounds, water facilities, etc. These profits are used to offset costs at other facilities such as historic sites. This example is not to specifically advocate for the Parks Authority funding, but rather to illustrate that when citizens believe the County is fully funding what they may consider to be nice-to-have programs, it is difficult for them to accept that hard choices must be made in what might be considered "core" programs and that cuts are inevitable.

The residents of Fairfax County have come to expect top line county services in all areas and some believe that this "gold plated" level of service will continue despite the fiscal crisis. It is unrealistic to expect buy-in for reductions in programs and services or increases in taxes and fees if citizens don't fully understand how and what our monies are used for. The County's budget process is complex and can overwhelm the average citizen. This may contribute to some citizens not fully appreciating the County's budget and fiscal picture. In order to help citizens understand, County officials and members of the Board of Supervisors should agree on a comprehensive communication strategy which increases efforts to educate citizens on the fiscal crisis and its implications for county services. This strategy, at a minimum, should include the following components: ***simple***, frequent and consistent messaging; expanded communication venues (web, email, newsletters, mass media, meetings and forums); and regular, established feedback and evaluation mechanisms.

Recommendation**:** *Establish a short-term task force to develop a unified communication strategy for County leadership and officials which has as its goal increasing citizen buy-in for tough budget decisions by educating citizens on the fiscal and budget crisis.*

2. 2011 and Beyond Task Force

Discussion**:** Meeting every constituency's needs with costly programs is a luxury the County can no longer afford. Only the most critical, cost effective, widely used and sustainable county services should be supported along with innovative approaches to increasing county revenues to help offset the costs. The magnitude of the problem the County faces requires a fundamental re-thinking of how Fairfax County government will operate to include what and

how services are funded and provided. In the 2011 Advertised Budget, the County Executive states the budget proposal was built on three principles or overarching themes: sustainability, resiliency and transformation. There is much discussion in the budget proposal about the "new normal" and how County government must transform how it works. The County Executive and his staff are to be commended for their hard work and efforts to propose solutions for meeting the budget shortfall. However, we believe the Board of Supervisors and County Executive would benefit from a more robust and systemic approach to identifying ways to transform county government. Last year we submitted a recommendation to Supervisor McKay calling for the establishment of a high-level task force to redefine Fairfax County government planning, programming and budgeting. The fiscal crisis continues for 2011and beyond making this recommendation even more compelling.

The budget of any organization is indeed an affirmation of its values. Thus, the task force's primary focus should be on defining a budget process that clearly articulates what are the core and "nice-to-have" programs; explains how they are prioritized; and provides for annual zero-based budget reviews using appropriate performance measures designed to yield return-on-investment-type decision-making. We believe our guiding principles, described earlier in this report, provide a good foundation the work of this task force.

Recommendation**:** *The Board of Supervisors establish a high-level task force, with citizen members, to redefine Fairfax County government planning, programming and budgeting. The goal is to develop in minimum time, a structure and process that provide the "right-sized", sustainable level of county services and the game plan to achieve it.*

3. Performance and Accountability

Discussion**:** The County's current fiscal difficulties are projected to grow and continue beyond 2011. To ensure future budgets are cost-effective and sustainable over the long-term, they must be subject to periodic, independent audits based upon measurable performance indices. Last year, the group recommended the creation of a true, independent audit/accountability office patterned after the U. S. Government Accountability Office (GAO). We were pleased to see that this year the Braddock District Budget Advisory Group has put forth a similar recommendation. We believe the need for GAO-type office remains, and again for 2011, we recommend the creation of an independent performance audit office which is adequately staffed to meet its mission.

The Board of Supervisors' two-person Financial and Program Auditor Office is described in the budget as one which "provides an independent means for determining the manner in which policies, programs and resources authorized by the Board of Supervisors are being deployed by management and whether they are consistent with the intent of the Board…" This office appears to have the independence needed for evaluating programs. However, it is not equipped with adequate resources to provide the scope and level of evaluations we recommend. A scan of the reports produced by this office in 2009 indicates that the primary focus of reviews is on procurement card use. Broader reviews which focus on *performance* and return-on-investment are needed. One potential solution for the creation of an independent GAO-type organization is to redefine this office's mission and provide adequate

staffing to carry out an expanded mission. The mission of this new office would be to ensure accountability and the optimum use of funding for county programs through independent evaluations which focus on performance effectiveness and efficiency. The new office would strengthen the Board of Supervisors' ability to exercise increased oversight in managing the budget. It would also provide validation of program spending adjustments over time thereby facilitating public acceptance as difficult budget decisions are being made.

Recommendation**:** *The Board of Supervisors create an independent audit and accountability office patterned after the U.S. Government Accountability Office to conduct performance audits of county programs and services.*

4. Revenue Enhancements

Discussion**:** In presenting the 2011 Advertised Budget, the County Executive states that public feedback provided support for maintaining the overall quality of life within Fairfax County through revenue increases. He proposes increasing the Real Estate Tax rate, instituting a vehicle registration license fee and exploring the feasibility of placing a meals tax proposal for a future voter referendum. To that we would add that citizens also want to know that ***all*** avenues of revenue are being rigorously explored. Last year, the group recommended that the County begin a rigorous review of revenue sources**.** We understand that in the past year, the county staff conducted an internal fee review. However, no written report was issued and thus, this group was unable to determine the scope or effectiveness of the completed review. For that reason, we again recommend a thorough and documented review of revenue sources.

As currently configured, the County absorbs significant costs in implementing "mandated" programs resulting from State and Federal requirements. In some instances those required programs are not fully supported and become "unfunded mandates" for the County. The County should continue its efforts to pressure both the General Assembly and the U.S. Congress to either modify the mandates or provide sufficient funding to meet the requirements. Additionally, the County should examine whether the mandated programs are being funded for levels of services which go beyond the minimum mandates. If so, absent a finding by the County Executive that service levels above the minimum are more appropriate for the County, these are target areas for reduction.

We must critically reexamine all current fines, fees, and charges and seek to exercise to the fullest, those authorities provided for in the Code of Virginia. Whenever feasible and appropriate, the County should pursue the option of converting existing "free" services to fee-for-service. The County should continue in earnest its development of a list of fines and charges that can be increased now and a legislative agenda for presentation to the General Assembly for those areas where county authority does not now exist or is less than clear. In addition, there may be further opportunities for new revenue in the form of new fees for county services that are currently free.

Another area for evaluation is in finding opportunities to attract new businesses to the County, or at least not chasing them away by application of planning policies that may be

outdated or not serving the County well now or in the future. In the recent Base Realignment and Closure Area Plans Review (BRAC APR) for Southeast Fairfax County, the Department of Defense decision to relocate more than 19,000 jobs to the Fort Belvoir area generated more than forty proposals by the private sector to invest millions of dollars in commercial development in the general area. These proposals would have created future-focused and environmentally friendly "mixed-use" communities bringing much needed jobs and tax base to the area. They would have at the same time brought new jobs to an aging and predominantly residential and industrial part of the County, and would have created live-work communities minimizing traffic and other environmental impacts. Through the APR process, County staff and the BRAC APR Citizen Task Force application of outdated planning guidelines and questionable traffic analysis methodologies, systematically killed, or so heavily burdened, the proposed developments with conditions prerequisite to any zoning or density changes that most were withdrawn or simply not pursued further. The long-term economic losses to the County from the County's refusal to find ways to accommodate these mostly white collar jobs in a stagnant sector of the County will never be known but it is thought to have been a tremendous lost opportunity to generate revenue and improve quality of life for years to come. These same forces were seen at work again more recently as county staff reacted to the Community and Business-led Tysons Corner master planning and redevelopment initiatives with staff proposals to scale back the Tysons' consensus strategy aimed at achieving world-class live-work communities through private investment in Tysons which is now predominantly office space and miserably congested with workers who must commute to work each day from elsewhere.

Recommendation**:** *The County Executive complete and document a rigorous revenue enhancements review which includes examining current mandates, existing fee structures, new fees, internal policies and identifying obstacles for implementing enhancements.*

5. Investment in Workforce

Discussion**:** The 2011 Advertised Budget proposes freezing employee compensation for a second year in a row. Additionally, the budget proposes the elimination of 284 positions. The previous year's budget called for the elimination of 524 positions. Workforce reductions in the face of the current budget crisis are expected and necessary. When services and programs are cut, it stands to reason that staff resources will be reduced. We must remember, however, that the success or failure of any government is determined largely upon the capabilities and motivations of its workforce. Fairfax County, having worked hard for years to position itself as one of the best counties in the country, owes much of its success to the people that work for it. Thus, in an environment where employees are being expected to do more with less while positions are being cut, pay is frozen and training funds reduced, it is especially important for the remaining employees to feel valued and appreciated.

We were pleased to see the County Executive acknowledge the burden placed on the workforce yet again in 2011 and offer to continue the additional 1.5 holidays in 2011. He also proposes a number of future compensation action steps – most notably a review of the pay-for-performance system and guidelines for competitive compensation for county employees. Any changes, however, would not be implemented until 2013. We urge that the

leadership look carefully at the proposed workforce cuts to ensure that reductions cannot be made reasonably in other non-workforce related areas. We also recommend that additional non-monetary incentives be explored to reward and motivate employees. Motivated, well trained, and ***equitably*** compensated employees are the County's greatest assets. The county leadership must ensure that budget-balancing strategies do not send the opposite message.

Recommendation**:** *The County Executive and Board of Supervisors make every effort to resist balancing the budget largely at the expense of its workforce. Every effort should be made to seek other cost-saving avenues as well. To the extent possible, when employee-related budget cuts are made, efforts should be made to identify offsetting non-monetary incentives.*

PART II: Specific Study Area Recommendations

Individual reports on the specific focus areas chosen by group members provide a discussion and rationale for the recommendations presented below. These reports are included as attachments. This section provides a summary listing of the recommendations from those reports.

1. **Fairfax County Public Schools** The Fairfax County Public School System currently accounts for 53.8% of Fairfax's County's Budget. 73.8% of the FCPS budget comes from the County. When compared to other school divisions in VA, the County funds a much larger portion of its school budget with local funds. This is due in part to a complex and changing formula called the "local composite index" (LCI) which accesses the states' payments back to localities looking at true values of real estate and public service corporations, adjusted gross income and taxable retail sales numbers.

   The Lee District Budget Advisory Group was assembled for the second year in the fall of 2009. In looking at FCPS school budget, the group operated with the f principle that "nothing is off the table". All aspects of the school budget were open for review and critique. The group concluded that the focus should be on smart cuts, rather than across the board cuts; and, that the school system must accept a share of the county budget's burden without impacting the quality instruction that families depend on and value.

   Recommendations:

   - Year-end Balance Issue: Include in the School Budget clear definitions for year-end balance, school board reserve and the contingency fund; their purpose; restrictions; how they are used and some historical trend data. Ask FCPS to modify accounting of their desired School Board Reserve. Advertised and Adopted Budget documents, which support FCPS' request for their County Transfer amount, should reflect the desired Reserve amount along with its intended purpose defined in the budget documents. The School Board Reserve should include triggers that would prompt a draw-down. (Triggers might include revenue shortfalls of established amounts, student population increases above estimates, and/or emergency situations like the fire that destroyed Dogwood Elementary.)

- School Operating Fund Fiscal-Year Estimates: Require the Operating Revenue & Expenditure Details in the FCPS Proposed Budget be modified. Currently, the details display Actual amounts from the three prior fiscal years, the current fiscal year's estimates, and the coming year's proposed budget. We recommend the details reflect two previous fiscal year's actual, the current year's approved budget and estimates, and the coming year's proposed.

- Virginia Department of Education (VDOE) Comparison: FCPS include these comparisons in their Advertised/Proposed Budget, along with VDOE definitions of the expenses in each category and where FCPS' classifications vary.

- Budget Estimates vs. Actuals: Bring budget estimates for all categories in line with actual expenditures. FCPS budget details clearly demonstrate the application of School Materials & Flexibility Reserves and School Initiatives funds, in accordance with stated purposes, by including an itemization of projects and recipient schools, staffing funds, and amounts provided via School Initiatives funds.

- Cost-per-Pupil Expenditures: Ask the Washington Area Boards of Education Committee to include the definition of per-pupil calculations and a line-item accounting of the amounts used to calculate cost-per-pupil in their annual guide.

- Clear Definition of Jobs Performed: To add an appendix to budget documents with position descriptions and categorized as instructional or administrative, school-based or not. Develop a document that clearly shows what jobs remain in central administration after the proposed 5% cut with titles, salaries and benefits. Have this available for School Board and citizen review. Once developed, keep it current with hires/fires/attrition. This will go a long way to help define whether or not the centrally-administered budget could withstand additional reductions and allow for a more open dialogue between all concerned parties. For the purpose of this report, we consider central staff to include the leadership team, centrally-administered staffing and support services--essentially, all non-school based positions and services.

2. **Health and Welfare** Three overarching issues are indentified for consideration in this area: 1) Need to get back to basics and assess core government responsibilities verses optional services being provided with little return on investment or marginal 'value' to the community, 2) Take a hard look at imposing or increasing 'fee for service' in many more of these service areas to offset costs to taxpayers at large, and 3) Improve cost visibility and agency decision-making by including costs of support functions being provided by other departments in the receiving department or agency's budget.

Recommendations:

- Take a hard look at Family Services, CSB, and the Health Department to prioritize around core governmental services and identify discretionary services that might be expendable or ripe for additional reductions or curtailment.

- Get serious about collecting "Fee for Services" in many more areas and with goal of full cost recovery wherever possible. There should always be minimum co-pay for all but core governmental services.

- Expand the concept of Fee for Services to give full visibility to agency and school system costs by including funding for support services from other agencies or departments in the receiving agency's budget with those services provided on a reimbursable basis.

- Use the GAO-type oversight function proposed elsewhere in this report to assist with the above recommendations.

3. **Park Authority** The Park Authority is responsible for maintaining the 22,600 acres of parkland, nine RECenters, eight golf courses and five nature centers as well as numerous historic sites that promote stewardship and provide insight from the lessons of our storied past. Recent budget cuts and potential FY 2011 reductions of the General Fund threatens our ability to continue to provide services that are integral and critical for our nationally recognized park system.

   Recommendations:

   - Consider increasing fees in certain areas where fees currently exist and establishing fees in some areas where they have not been previously initiated.

   - Have the Fairfax County Public Schools contribute to the maintenance of their fields.

   - Consider the inclusion of the costs for maintenance of a park when negotiating proffers for parks and park facilities with businesses and developers in current and future proffer negotiations. (Note: Merrifield Park in the Hunter Mills District is an example of achieving this.)

   - Mitigate the existing projected 2011 budget reductions making them more consistent with the budget impacts on most other agencies.

4. **Information Technology** Ensure that DIT operations are as efficient as possible, while supporting cost savings to other agencies through effective use of Information Technology (IT). Budget constraints necessarily put projects intended to save costs on hold because such projects almost always require investment of both direct funding and labor in both DIT and

the affected agencies. These IT projects need to always include sound process improvement on the part of the agency to maximize the benefit of IT while ensuring the IT expenditure is kept to the minimum. In addition to the use of IT by County agencies, the internal workings of DIT must be as cost effective as possible without sacrificing service robustness, information security, and capability to survive various types of disasters affecting IT.

Recommendations:

- Aggressively work to remove all paper dependencies in County operations except as required by law and as needed for citizens without IT resources.

- Encourage greater integration of IT resources between County and Schools for potential savings.

- Improve data center and IT operational efficiencies through use of recent technological advancement.

- The County should move forward to eliminate redundant IT operations being carried out in other agencies outside DIT.

- Add a requirement that any new project to be approved includes IT costs both for implementation and for operations and maintenance.

- Strengthen sponsoring agencies' requirement for process improvement to include monitoring to ensure agency accountability.

- Look for ways that existing IT capabilities could benefit additional agencies.

5. **Public Safety** The Board of Supervisors (BOS) will soon scrutinize the budget outlays and address anticipated revenue shortfalls for the upcoming FY 2011 budget. This represents the second consecutive year where major reductions are required in county expenditures to produce a statutorily required balanced budget. Public safety programs are inherently core services and literally touch the lives of every county citizen. Other than the school system transfer, no other program areas will be as closely scrutinized by the citizenry.

   Recommendations:

   - For Police, review Animal Services, take home vehicles, uniformed vs. civilian staff, the Criminal Justice Academy, Helicopter operations, K-9, Explosive Ordnance Disposal, and Marine Operations. While not in PS, 911 staff and functions could also be reviewed for savings or realignment. Finally, contracting out of various functions may produce economies over current in-house operations.

   - For Fire and Rescue, that cuts to hazmat and basic life support services will be highly controversial. To the extent budget refinements for Fire and Rescue are necessary,

attractive candidates include more extensive conversion of uniformed staff to civilians, consolidation of personnel servicing now in the Safety and Personnel Division with current staff in the County Human Resources Office, contracting of training and Occupational Health Center functions, and reductions in senior officers and elimination of the marine functions.

- As to the Sheriff, areas that may produce savings include changing uniformed to civilian staffing, contracting out of some matters associated with operation of the jail, less costly procedures for process services, motor pool and vehicle management, and contracting for medical services.

6. **Code Enforcement/Zoning Inspections** Consolidation of Code Enforcement to streamline activity, possible reductions to zoning enforcement personnel.

   Recommendation:

   - The new Department of Code Enforcement appears to allow the County to better identify and enforce major and multiple violations. The potential loss of Zoning Inspectors undercuts the enforcement of those day-to-day complaints that do not rise to the level of major violations but nonetheless are blight on the community. Any decrease in zoning inspectors is unacceptable.

7. **Judiciary** A review of the county budget showed a diminishing requirement for county resources. In this report it is assumed that the judiciary is doing a reasonable job managing current resources. However, Court observations indicated that better calendar management could lead to better utilization of other county resources that the court requires for adjudication of cases.

   Recommendation:

   - The County and judiciary should form a joint task force to look at ways to reduce in-court time for county employees. This task force should start with the above observations and operate as a standing committee to refine the use of witnesses using technology and policy to make more effective use of this resource.

8. **PIO Function** Fairfax County's multi-year fiscal crisis has resulted in the necessity to reduce services and programs as well as increase taxes. These fiscal difficulties are not likely to abate in the near future. More than ever before, there is a need for an effective communication strategy to manage citizen expectations on how our county government must operate to meet this new budget reality. At question is whether the current structure of the public information office (PIO) function is as effective or efficient as it can be in implementing the unified communication strategy which is needed.

   Recommendation:

   - The County Executive should conduct a more robust review of the PIO function with the goal of providing a structure which allows a comprehensive communication plan to be

developed and implemented. One goal of the communication plan should be to develop strategies to better manage citizen expectations with regards to the County's budget. If a more robust review is not conducted, we recommend that the PIO function be re-evaluated after the proposed policy changes have been implemented to see if the intended results have been realized.

9. **Recreation and Community Services** What once was the Department of Recreation has changed dramatically over the years to include teen and senior services, extension and continuing education as well as FASTRAN. Athletic Services are just one of the services the agency provides and its scope has diminished over the years. It now is a Health and Human Services agency. As such, the consolidation of Community and Recreation with Systems Management for Human Services makes sense. The savings put forth in them, under the auspices of the County Executive's office, had been going on for several months and were in the final stage.

   Recommendation:

   - Endorse the consolidation of the two agencies into one with the proviso that the Athletic Council, which is appointed by the Board of Supervisors, be afforded sufficient staff resources in order to function as an independent representative and coordinator of activities of organized athletic groups for the Board and other County agencies. No new staff resources should be needed to fulfill this recommendation.

CONCLUSION Fairfax County's fiscal challenges continue as it faces yet another tough year with a projected budget shortfall. Revenues continue to decline while at the same time citizens, who find themselves impacted by the economic downturn, have placed increased demands on county programs and services. The financial forecast for 2012 and 2013 do not look good and even at this early date, the County Executive is projecting yet another budget shortfall for 2012. The reality for Fairfax County – in the near and long-term – is that it must try to maintain the essential quality of life which makes it a wonderful place to live while continuing to deliver essential services. It is clear that we can no longer sustain the funding levels for many of our programs and services. We contend that as tough as this fiscal crisis is, it provides an opportunity for the County to rethink how government operates.

The 2011 Advertised Budget acknowledges that we now have a "new normal" for how we must operate. We were pleased to see the County Executive articulate a strategy built on the three principles of sustainability, resiliency and transformation. We believe that the broader "good government" recommendations we present will assist the County in actualizing this strategy. The proposed 2011 Advertised Budget combines service cuts, employee impacts and tax enhancements which have consequences for many in our community. We have concerns with some of the solutions presented in the budget and have offered several specific recommendations to address those concerns. The Lee District Budget Advisory Group commends the County Executive and his staff for their hard work; our concerns and differing viewpoints about the budget specifics do not diminish our appreciation of the enormous task at hand. We appreciate the opportunity provided by Supervisor McKay for our group to offer this input and stand ready to assist in any way possible.

Attachments

Agency/Function Specific Reports

Fairfax County Public Schools

Health and Welfare

Park Authority

Information Technology

Public Safety

Code Enforcement and Zoning Inspections

Judiciary

Public Information Office

Recreation and Community Services

Lee District Budget Advisory Group
Subcommittee on Fairfax County Public Schools

INTRODUCTION

The Fairfax County Public School System currently accounts for 53.8% of Fairfax's County's Budget. 73.8% of the FCPS budget comes from the county. When compared to other school divisions in VA, the county funds a much larger portion of its school budget with local funds. This is due in part to a complex and changing formula called the "local composite index" (LCI) which accesses the states' payments back to localities looking at true values of real estate and public service corporations, adjusted gross income and taxable retail sales numbers.

The Lee District Budget Advisory Group was assembled for the second year in the fall of 2009. In looking at FCPS school budget, the group operated with the principle that "nothing is off the table". All aspects of the school budget were open for review and critique. The group concluded that the focus should be on smart cuts, rather than across the board cuts; and, that the school system must accept a share of the county budget's burden without impacting the quality instruction that families depend on and value.

GENERAL DISCUSSION

Background Information: (This process analysis was included to allow those unfamiliar with the FCPS or Fairfax County budgeting procedure to follow the sequence of changes that must be monitored for a complete analysis.)

The Fairfax County Public School system is the twelfth largest in the United States. This year enrollment estimates indicate that they will educate 173,573 children in 197 schools and centers. When planning began for FY 2011, 74.7% of the FCPS budget was projected to be funded by a county transfer; 11% would come from state aid, 6.2% from sales tax; 3.5% from federal aid 1.6% from the City of Fairfax (tuition for their 2,961 students) and .06% from other tuitions and fees.

On January 7, 2010, FCPS Superintendent Jack Dale released his proposed budget, which included $104.8 million in cuts and cost avoidances, $3.4 million in new and increased fees and a projected growth of 1,760 students. The proposed budget included a class size increase, the elimination of an elementary foreign language program, elimination of general education summer school, elimination of all high school freshman sports and 594 positions--81 of which were in central administration. It included no salary increase for teachers or other employees for a second straight year. It asked for a county transfer of $57.8 million dollars to avoid deeper cuts into the core of the educational system.

On February 5, 2010, after a series of public hearings and work sessions, the Fairfax County School Board voted to adopt the FY 2011 Advertised Budget of $2.3 billion dollars. The school board voted to restore some of the programs that were identified by Superintendent Dale for

elimination in his proposed budget. This included maintaining class size at current levels, restoring the elementary foreign language program, restoring freshman sports, and adding back positions of assistant principals, instructional coaches and instructional assistants. It asked for a county transfer of $1.71 billion which reflected an $81.9 million increase over FY 2010.

At the time of writing of this report, Virginia's Governor McDonnell, along with both chambers of the Virginia General Assembly, has on the table proposed amendments that would "unfreeze" the LCI so that FCPS could receive the additional $61.9 million in funding this index entitles our region. However, in each the Virginia House, Senate and Governor's budget drafts, further cuts to schools were listed.

In addition, Fairfax's County Executive, Anthony Griffin, has just released his report. He proposed a budget that included a 1% decrease from the county transfer to FCPS, which represented a decrease of $16.3 million in funding. Adding this decrease to the School Board's Advertised Budget, and not yet knowing what state funding will be, leaves a funding request gap of $92.8 million in the School Board's Advertised Budget.

With a deadline of March 1, 2010 for our citizen's recommendations, our analysis came to a close with state funding proposals uncertain and a county fund decrease. FCPS is required by law to present a needs-based budget. The following recommendations are presented with our group's guiding principle that the school system must accept its share of the county's budget burden while continuing to meet the many mandated and varied needs of Fairfax County Public School students.

Scope and Methodology:

Our subcommittee spoke with a variety of stakeholders involved in and affected by the budget process to garner their input. Due to the fluid nature of the budgetary process, it was difficult to talk to each stakeholder as events changed, as facts and opinions may have changed as well.

Consulted with: Supervisor McKay and staff member Linda Waller; Lee District School Board Member Brad Center; sampling of teachers, principals and parents at Lee District elementary, middle and high schools; FCPS staff--CFO Susan Quinn, Budget Services Director Kristen Michael, and Asst. Director Michelle New; members of parent and teacher advocacy group Fairfax Education Coalition; representatives of various PTAs

Attended meetings of: Superintendent's Parent Advisory Council and Business and Community Advisory Council; FCPS/School Board Budget Forum; various community dialogues and budget presentations; School Board public hearings

Documents reviewed: An extensive array of documents were reviewed, including, but not limited to: FCPS budget documents from FY 2003 to FY 2011 (Proposed/Advertised and Approved); past years' citizen advisory reports; 2011 Braddock and Dranesville citizen advisory reports; FCPS "Bottom Line" reports; VA House Appropriations Committee Report "Public Education—States' Actions During Tough Times;" news articles (Washington Post and Connection); county and school websites; press releases, etc.

Reports prepared by our subcommittee & attached: School Operating Fund Statement – Historical Analysis of Approved, Estimated, Actual Budget FY 2003-2011; Analysis of FCPS Budget Estimates, approved Budget & Actual Financials; FCPS Annual Report of Expenditures 2009

Specific Findings:

Fairfax County and its citizenry are united on the fact that the school system provides a necessary and first rate education for the children of Fairfax County. Many believe that the county's top performing schools contribute to the overall high quality of life in the county. Numerous businesses cite the school system as a reason their companies did, or may, relocate to this area (The Washington Post, February 25, 2010: Northrop Grumman spokesman Tucker Martin stated that a Northrop relocation to the area could create "positive ripple effects through the economy and that Virginia's business friendly climate and top notch schools give it an edge.")

But reports also indicate that the citizenry is divided as to how much the schools can be funded given the county's current economic downturn. Many feel that by funding the schools at or above the current level, other county services—public safety, parks, recreation and libraries—that also contribute to the quality of life in our county, will be compromised.

It is also logical to assume that reductions to services provided outside of the FCPS will have an unacceptable (dilatory) effect on students and the cost of instruction:

- School Resource Officers (SROs) in middle and high schools, funded through the Police Department
- School Nurses funded through the county Health Department, including training costs
- Public Libraries provide reading materials and research services to all residents, including students. Reductions in hours and/or library holdings will most impact students with limited resources who must rely on libraries' Internet access, research materials, and trade books (for course-required reading).

As of March 1, our subcommittee has not been able to evaluate these potential impacts.

In addition, the administration of the FCPS system has come under scrutiny by various groups for lack of transparency in their budgetary process. This is not intended as distrust of those involved in the process, but comes from the "average parent" who finds it very difficult to synthesize and compare 200 plus-page documents from year to year, difficult to understand why successful programs are slated for cuts, difficult to follow the funding stream from proposed budgets to county and state funds and difficult to make educated and logical decisions in streamlining administrative costs vs. critical student services and reasonable class sizes.

Our committee recognizes the emotional responses related to issues involving children. We also realize that some issues we raise will have valid, reasonable explanations. It is the lack of clarity within the current public budget documents that results in questioning by the public. It is our

intent to assist the public debate about funding priorities while avoiding programmatic cuts many would view as harmful to our schools and community. With this in mind we submit the following issues and recommendations for consideration.

1. **Issue:** FCPS Operating Fund Year-end Balances, School Board Reserve, Contingency Funds

   Discussion**:** An analysis of FCPS financial documents from FY2003 to the present (Proposed and Approved Budgets; Annual Financial Reports; and Annual Report of Expenditures 2009) shows:

   - FCPS estimates available funds (revenue/income) significantly less than its approved/adopted budget
   - FCPS estimates expenditures significantly above its approved/adopted budget
   - FCPS, annually since 2003, has expended far less than its approved budget by a minimum of $22.5 million and a maximum of $47.6 million
   - The School Board has adopted budgets that 'encourage' spending every dollar available
   - FCPS' actual starting balances have exceeded $102 million annually since FY 2004
   - FCPS' actual starting balances have exceeded their adopted budgets by a minimum of $52 million and as much as $90 million
   - FCPS' year-end balances have exceeded adopted budgets by a minimum of $98.7 million and as much as $128.8 million

   The FCPS superintendent has referenced the recommendations of financial advisors that the schools maintain a 3% reserve, approximately $66 million of recent years' budgets. The reported year-end balances far exceed the recommended $66 million. Budget estimates in 2004 through 2007 included a School Board Reserve of $8 million, 2008's estimate reserved $6.818 million. Remaining year's budget estimates provided for no School Board Reserve. (NOTE: "School Board Reserve" is identified only in the "Budget Estimate" column of the proposed budget document.)

   It is difficult to determine where these ending year balances are applied. If it is the intent of the Superintendent to maintain a contingency or reserve fund it should be defined as such. Beginning balance funds, such as the one of $118.1 million (from FY 2010 estimate), demand greater accountability. In addition, we would like clarity as to why, with reported ending balances in the $100+ million range for more than four years, the proposed FY 2011 beginning balance is estimated at $53.5 million and includes savings from a 2010 VRS "holiday" (savings) of $25.5 million; FY2010's ending balance is essentially estimated to be $28 million.

   The president of the Fairfax County Council of PTAs expressed concern over the $100+ million year-end balances and received responses from the School Board's Budget Committee Chair, Jane Strauss, and the FCPS Superintendent:

Jane Strauss: *"...the big picture one (answer) is that the accounting sheets will reflect undelivered orders where funding has been approved but not yet spent because the actual transaction needed to close out whatever it was we were buying hadn't been completed when the books were closed at the end of the fiscal year.*

When we do the proposed/advertized/approved budget, there will be a carryover of funds to help with the beginning balance. It is usually generated by savings in the current year - such as the VRS 4th quarter holiday the state is giving this year. There will also be targeted savings, again usually during the current year, that we think we can make through such areas as holding vacancies open or through other salary file areas. Any significant changes in the projected beginning balance that are known by midyear, we declare before the budget becomes the School Board's Advertized. It would be wrong of us to ask for money that we know we already have and thus don't need from the Board of Supervisors.

The School Board and Superintendents for many years running, have never adopted a use it or lose it policy with carryovers. You don't want to set-up a situation where every penny is encouraged to be spent in one year. A better way to go is to make sure that if savings can be made in one year, they are carried foreword into the next - it is both prudent and transparent. Also, because of the need to run and manage a balanced budget, it is dangerous to run the budget so tight that when the auditors leave in the summer, we are found to be in the red - which is against the law."

Jack Dale: *"....The approved budgets are the best to use in a year-to-year comparison. Estimated budgets are done a year ahead of time and are truly estimates of virtually everything - revenues and expenditures. Naturally, these both will vary over time as actual expenditures begin and revenues are adjusted. We historically will have ending balances that are small (as a percentage of our $2.2 Billion budget) but will add up. There was one year where our expenditures were well under estimates, and our revenue (sales tax items and state revenue) were well above initial estimates and we used some of that balance for the next fiscal year, and another part saved for the following fiscal year. The point is, we try to take end of year balances and use them strategically for future fiscal years.*

The challenge with end of year balances is that they are only a "one time" resource. If you use say $20 M of one time money to balance the budget, you will be left with a $20 M hole for the next fiscal year. Part of our challenge in planning for FY'11 is that we had decent year end balance that we used to balance this year's budget. We obtained that balance by putting a real hold on spending at the end of the previous fiscal year. We were then able to balance the budget, but with an inordinately large beginning balance - all to avoid further cuts in program offerings this year.

Another comment I'd like to make is that we, unlike the county, have little in reserve. We only have an $8 M reserve, which is well under the recommended 3% reserve of about $60 M. (The recommendation is from external financial organization. I have given an overview, but the details of my overview are easily obtained."

The subcommittee recognizes the need to cover year-end receivables during the following fiscal year. Such payments, however, accrue to the appropriate fiscal year. If the FCPS year-end balances are intended to cover receivables, the amounts being held seem quite excessive.

The subcommittee applauds long-range planning in any budget preparation and acknowledges that a $2.2 billion budget should result in small year-end balances that may add up over years. The analysis of FCPS year-end balances supports a contrary position, however. It is unclear within the FCPS documents a strategic plan for distributing year-end balances over multiple years.

Recommendation: YEAR-END BALANCE ISSUE: Include in the School Budget clear definitions for year-end balance, school board reserve and the contingency fund; their purpose; restrictions; how they are used and some historical trend data. Ask FCPS to modify accounting of their desired School Board Reserve. Advertised and Adopted Budget documents, which support FCPS' request for their County Transfer amount, should reflect the desired Reserve amount along with its intended purpose defined in the budget documents. The School Board Reserve should include triggers that would prompt a draw-down. (Triggers might include revenue shortfalls of established amounts, student population increases above estimates, and/or emergency situations like the fire that destroyed Dogwood Elementary.)

We applaud efforts to maintain a safety net for Fairfax students by underestimating revenue since those sources are market-driven and uncontrollable. The committee strongly supports the practices of conservative revenue projections.

2. I**ssue:** School Operating Fund Fiscal-Year Estimates

Discussion: Committee members reviewed FCPS financial documents from FY2003 to the present: Proposed and Approved Budgets; Annual Financial Reports; and Annual Report of Expenditures (ARE) 2009.

The analysis shows:

- FCPS annually estimates expenditures significantly above its approved/adopted budget
- FCPS annually estimates available funds (revenue/income) significantly less than its approved/adopted budget
- FCPS, annually since 2003, has expended far less than its approved budget by a minimum of $22.5 million and a maximum of $47.6 million
- FCPS' actual starting balances have exceeded their adopted budgets by a minimum of $52 million and as much as $90 million annually
- FCPS' actual year-end balances have exceeded the adopted-budget amounts by a minimum of $98.7 million and as much as $128.8 million annually

Recommendation: Require the Operating Revenue & Expenditure Details in the FCPS Proposed Budget be modified. Currently, the details display Actual amounts from the three prior fiscal years, the current fiscal year's estimates, and the coming year's proposed budget. We recommend the details reflect two previous fiscal year's actual, the current year's approved budget and estimates, and the coming year's proposed.

Pros & Cons

Con: The effort will require staff time to modify the budget document templates.

Pro: Providing information from the Approved Budget alongside budget estimates puts information in better context. It affords FCPS staff the opportunity to explain both necessary expenditure increases and cost containments. With explanations of variances contained in

the budget documents, staff can avoid time spent answering questions.

3. **Issue:** Compare & contrast Virginia Department of Education categorical reports with those of FCPS.

Discussion**:** §22.1-81, Code of Virginia now requires school divisions to complete the Annual Report of Expenditures. The information contained in this sheet is derived from the Annual School Report (ASR) submitted every September by school divisions to the Virginia Department of Education. (A copy of the FCPS report for FY2009 is attached.)

Our committee reviewed this document and noticed significant variations between VDOE's defined categorical expenditures and FCPS' allocations:

	FCPS % of Operating Expenditures *2011 Proposed**	VDOE % of Total Expenditures *as of 7/10/2009*
Instruction	85.5%	67.44%
Admin, Attendance, Health	5.0%	3.10
Pupil Transportation	5.3%	4.66
Operation & Maintenance Svcs.		7.58
Food Svcs & Other Non-Instructional		2.73
Facilities	4.2%	6.07
Debt Service & Fund Transfers		2.78
Technology		5.64
Contingency Reserve		0.00

* FCPS budget documents provide a breakdown of the Proposed Operating Expenditures, which do not include Food Services or Debt Service. FCPS categories are Instruction (costs associated with providing instructional programs), Facilities Management (costs related to operation & maintenance of school buildings & equipment), Transportation (bus driver salaries, replacement buses, bus operations & maintenance), and General Support (support services for finance, HR, IT, purchasing & leadership team).

Recommendation: FCPS include these comparisons in their Advertised/Proposed Budget, along with VDOE definitions of the expenses in each category and where FCPS' classifications vary.

Pros & Cons

Pro: Permits clarity, better understanding by the public of how FCPS allocates resources.
Con: None that we can identify.

4. **Issue:** FCPS budget items defined or classified as reserves or special/undefined programs

Discussion: The FCPS Budget includes a few such categories and accompanying line items. The Contingency category includes a School Materials Reserve ($6,439,299 in FY10), Unallocated Grants ($6,911,419) and a Flexibility Reserve ($4,238,275) for total of $17,588,993.

The School Initiatives category encompasses the Equal Opportunity Grant ($195,713 in FY10), School Initiatives (1,626,946), Post-season Activities ($176,250), Impact II ($0), Official Fees ($720,842), and Target Funding ($203,303) for a total of $2,923,054.

In FY 2010 Approved Budget, these two categories represent a total of $20,512,047.

There is no question that contingency/undesignated/reserve funds must be built into a budget as large as FCPS' that provides services to a student population that cannot be controlled or limited. Students move in and out of schools and the school division. Learning can't be predicted; where student needs are identified they must be addressed. We recognize and appreciate the need to have flexibility to address unanticipated demands of educating children.

For the sake of clarity, context and enhanced understanding of the vagaries of population and instructional need, we believe the expenditures covered by the reserve/contingency/undesignated categories should be identified. Both the Flexibility Reserve and Unallocated Grants, for example, ALWAYS reflect $0 actual expenditures because costs are accounted for in staffing or project details.

A review of the budgets vs. expenditures in School Initiatives demonstrates a very large gap between budget and expenditure. Expenditures in this line item have been limited to no more than $170,000 since 2003, while budgets are as high as $1.9 million.

Recommendation: Bring budget estimates for all categories in line with actual expenditures. FCPS budget details clearly demonstrate the application of School Materials & Flexibility Reserves and School Initiatives funds, in accordance with stated purposes, by including an itemization of projects and recipient schools, staffing funds, and amounts provided via School Initiatives funds.

Pros & Cons

Pro: Permits clarity, better understanding by the public of how FCPS allocates resources to evolving instructional needs. Demonstrates unpredictable nature of student enrollment. Details programs and projects that would/could not have been funded within original budget, giving FCPS opportunity to connect student achievement to expenditures
Con: None that we can identify.

5. **Issue:** Cost-per-pupil expenditures

Discussion: The WABE (Washington Area Boards of Education) Guide has become a much-referenced resource by both FCPS and the Board of Supervisors. It provides a financial snapshot of nearby school divisions and allows for 'apples-to-apples' comparisons among them. It includes staffing references, salary tables, operating funds, cost-per-pupil, and more.

Looking at the WABE Guide data, the average parent/resident might presume that cost-per-pupil is calculated by dividing the published (total) school operating funds by the student enrollment. In response to a question about the per-pupil calculations, FCPS' Asst Director of Budget Services, Michelle New, said this to Michele Menapace:

> *"All of the school systems use the same method in the WABE Guide to compute the cost per pupil in order to ensure consistency. Each school system begins with the total School Operating Fund (SOF). If any of the following items are included in the SOF, the cost for each item is subtracted: adult education; summer school (the self-funded portion); food services; bond-funded construction and renovation costs; debt service; health services (clinic aides, nurses, health rooms, private placement costs); and grant programs receiving discretionary, competitive funding. If any of the following items are not included in the SOF, the cost for each item is added: locally-funded summer school; transportation services; plant operations; pay-as-you-go capital outlay; police/security services; all costs associated with preschool programs; social security, retirement, and FICA costs paid by the state on the district's behalf; and entitlement grant programs. The WABE adjusted SOF is then divided by the total approved enrollment, resulting in the WABE average cost per pupil."*

Recommendation: Ask the WABE Committee to include the definition of per-pupil calculations and a line-item accounting of the amounts used to calculate cost-per-pupil in their annual guide.

Pros & Cons

Full disclosure of all information, allowing public to best understand data presented. Eliminates need for FCPS staff to answer questions.

6. **Issue:** FCPS position titles do not reflect clear definition of jobs performed. There is no single document to reflect non-school based positions with salaries and benefits.

Discussion: In reviewing budget documents, it was difficult to define what positions actually were with titles like business specialist and functional supervisor. In addition, while FCPS did put out an informative document to reflect the impact of their department budget cuts (5%) there was no tandem document to reflect what positions remained in central administration with their titles or compensation. While it is acknowledged that a document of this type may take time to create and maintain, it would be most helpful to quell the rumors of distrust that the school system is heavy in administration and in need of an additional 5% administrative cut.

Recommendation: To add an appendix to budget documents with position descriptions and categorized as instructional or administrative, school-based or not.

Develop a document that clearly shows what jobs remain in central administration after the proposed 5% cut with titles, salaries and benefits. Have this available for School Board and citizen review. Once developed, keep it current with hires/fires/attrition. This will go a long way to help define whether or not the centrally-administered budget could withstand additional reductions and allow for a more open dialogue between all concerned parties. For the purpose of this report, we consider central staff to include the leadership team, centrally-administered staffing and support services--essentially, all non-school based positions and services.

ADDITIONAL QUESTIONS/ISSUES TO CONSIDER ABOUT THE FCPS BUDGET & COUNTY TRANSFER

Our committee offers no specific recommendations on the items enumerated here. They are offered as additional food for thought, ideas, suggestions, or comments.

Issue: The Foreign Language in Elementary Schools (FLES) and Partial-Language Immersion programs were designed to bring the benefits of learning a second language to the county's youngest students. The Immersion program offers daily instruction in the second language while the FLES program offers 2 hours per week in a language instruction.

Discussion: In reviewing these two languages models, no supporting data is available to compare and contrast success with these programs as compared to beginning a language in middle school. While it is recognized and supported that these programs indeed enhance the overall educational experience, the FLES program has not expanded to as many students as initially proposed. In the current budget climate it would be prudent to look at other options to bring foreign language instruction to all students.

Issue: Translation Services (paid out of Student Registration)

Discussion: Given that $ 1.2 million is spent annually to translate materials for FCPS, does the school system (and county) maintain a growing reliance on such services by the constituencies served? Is it sustainable? Would dollars be better spent delivering English-language instruction intended to give non-English speakers a resource to make them self-reliant?

Issue: School lunch costs – Has FCPS considered increasing lunch costs as several other school divisions have proposed? Raise the cost for adult lunches alone?

Discussion: Has the FCPS considered increasing lunch costs as several other school divisions have proposed? Consider raising the costs of just the adult lunch, from the current price of $3.65 as an option.

Issue: ESOL Services

Discussion: Given that ESOL services are budgeted at $73 million, it would be prudent at this time for the County to continue its efforts to pressure both the General Assembly and the U.S.

Congress to either modify the mandates of this group or provide sufficient funding to meet the requirements set forth by the "No Child Left Behind" law. In addition, as reforms to this law occur; work with school, state and federal officials to ensure that progress benchmarks are adequately tracked. Current information from the federal government's "Race to the Top" program indicates that achievement success in groups such as ESOL students, will equate to increased funding streams for innovative school systems. This will be a win/win for all.

SCHOOL DIVISION NAME: FAIRFAX COUNTY

SUMMARY OF EXPENDITURES AND BALANCES - FISCAL YEAR 2009

CLASSIFICATION OF EXPENDITURES:	Fiscal Year 2009 Total	PERCENT OF TOTAL EXP.
INSTRUCTION	1,674,791,362.50	67.44%
ADMINISTRATION, ATTENDANCE AND HEALTH	76,869,159.60	3.10%
PUPIL TRANSPORTATION	115,684,372.30	4.66%
OPERATION AND MAINTENANCE SERVICES	188,218,513.94	7.58%
SCHOOL FOOD SERVICES AND OTHER NON-INSTRUCTIONAL	67,833,175.70	2.73%
FACILITIES	150,743,935.14	6.07%
DEBT SERVICE AND FUND TRANSFER	69,136,995.42	2.78%
TECHNOLOGY	140,155,733.47	5.64%
CONTINGENCY RESERVE	0.00	0.00%
TOTAL EXPENDITURES	**2,483,433,248.07**	**100.00%**

FISCAL YEAR - BALANCES AT CLOSE OF YEAR

DESCRIPTION	AMOUNT
SCHOOL OPERATING FUND	132,697,811.94
SCHOOL DEBT FUND	
SCHOOL CONSTRUCTION FUND	36,796,328.00
TEXTBOOK FUND	
TEXTBOOK ESCROW FUND	
LOTTERY ESCROW FUND	
SCHOOL CONSTRUCTION ESCROW FUND	
SCHOOL FOOD FUND	10,798,815.00
CARRY-OVER STATE FUNDS FROM STATE AGENCIES	
DISTRICT FUNDS	
FEDERAL FUNDS	
OTHER FUNDS	
TOTAL END-OF-YEAR BALANCES	**180,292,954.94**
TOTAL EXPENDITURES AND BALANCES	**2,663,726,203.01**

REVENUES REPORTED IN FISCAL YEAR 2009

Fiscal Year 2009 Revenues:	
Sales Tax Receipts	**147,449,586.86**
State Funds	**313,559,151.89**
Federal Funds	**94,869,524.12**
City - County Funds	**1,674,755,344.00**
District Funds	**0.00**
Other Funds	**139,789,748.97**
Loans, Bonds, etc.	**155,150,912.17**
Total Receipts	**2,525,574,268.01**

BALANCES AT BEGINNING OF YEAR	AMOUNT
School Operating Fund	116,481,801.00
School Debt Fund	
School Construction Fund	13,219,784.00
Textbook Fund	
Textbook Escrow Fund	
Lottery Escrow Fund	
School Construction Escrow Fund	
School Food Fund	8,450,350.00
Carry-Over State Funds from State Agencies	
District Funds (Capital Outlay and Debt Service)	
Federal Funds	
Other Funds	
Total Balances	**138,151,935.00**
Total Receipts and Balances	**2,663,726,203.01**

Analysis of FCPS Budget Estimates, Approved Budgets, and Actual Financials

	FY 2003*	FY 2004*	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Estimated Total Disbursements	$ 1,620,227,166	$ 1,741,810,340	$ 1,853,909,667	$ 1,990,218,817	$ 2,114,230,232	$ 2,229,586,448	$2,267,104,764	$2,238,928,078
Approved Total Disbursements	$1,555,157,513	$1,668,306,862	$1,805,536,495	$1,931,367,218	$2,085,242,967	$2,184,797,764	$2,220,638,508	$2,168,281,289
Estimate Over (Under) Approved	**$ 65,069,653**	**$ 73,503,478**	**$ 48,373,172**	**$ 58,851,599**	**$ 28,987,265**	**$ 44,788,684**	**$ 46,466,256**	**$ 70,646,789**
Estimated Total Disbursements	$ 1,620,227,166	$ 1,741,810,340	$ 1,821,510,555	$ 1,990,218,817	$ 2,114,230,232	$ 2,229,586,448	$ 2,267,104,764	$ 2,238,928,078
Actual Total Disbursements	$1,618,256,599	$1,630,084,447	$1,735,041,336	$1,908,812,456	$2,038,808,780	$2,144,142,313	$2,176,658,350	
Estimate Over (under) Actual	**$ 1,970,567**	**$ 111,725,893**	**$ 86,469,219**	**$ 81,406,361**	**$ 75,421,452**	**$ 85,444,135**	**$ 90,446,414**	
Approved Total Disbursements	$1,555,157,513	$1,668,306,862	$1,773,749,157	$1,931,367,218	$2,085,242,967	$2,184,797,764	$2,220,638,508	$2,168,281,289
Actual Total Disbursements	$1,507,509,417	$1,630,084,447	$1,735,041,336	$1,908,812,456	$2,038,808,780	$2,144,142,313	$2,176,658,350	
Actual Disbursements Under (over) Approve	$47,648,096	$38,222,415	$38,707,821	$22,554,762	$46,434,187	$40,655,451	$43,980,158	
Estimated Total Funds Available	$ 1,620,227,166	$ 1,741,810,340	$ 1,883,909,667	$ 2,022,177,528	$ 2,169,024,565	$ 2,254,595,014	$ 2,295,104,764	$ 2,297,368,616
Approved Total Funds Available	$ 1,555,157,513	$ 1,668,306,862	$ 1,805,536,495	$ 1,931,367,218	$ 2,085,242,967	$ 2,194,797,764	$ 2,220,638,508	$ 2,202,695,127
Estimated Funds Over (Under) Approved	**$ 65,069,653**	**$ 73,503,478**	**$ 78,373,172**	**$ 90,810,310**	**$ 83,781,598**	**$ 59,797,250**	**$ 74,466,256**	**$ 94,673,489**
Actual Total Funds Available	$ 1,618,256,599	$ 1,743,467,200	$ 1,884,059,779	$ 2,012,607,593	$ 2,167,684,173	$ 2,252,926,885	$ 2,294,776,185	
Approved Total Funds Available	$ 1,555,157,513	$ 1,668,306,862	$ 1,805,536,495	$ 1,931,367,218	$ 2,085,242,967	$ 2,194,797,764	$ 2,220,638,508	$ 2,202,695,127
Actual Funds Over (Under) Approved	**$ 63,099,086**	**$ 75,160,338**	**$ 78,523,284**	**$ 81,240,375**	**$ 82,441,206**	**$ 58,129,121**	**$ 74,137,677**	

THE BOTTOM LINE:

Budgeted Beginning Balance	$ 19,801,914	$ 44,997,280	$ 41,895,437	$ 30,000,000	$ 35,000,000	$ 76,651,183	$ 50,000,000	$ 28,000,000
Estimated Beginning Balance	$ 77,622,846	$ 110,747,182	$ 113,382,753	$ 116,619,331	$ 103,795,137	$ 128,875,393	$ 108,784,571	$ 118,117,834
Actual Beginning Balance	$ 77,622,846	$ 110,747,182	$ 113,382,753	$ 116,619,331	$ 102,173,773	$ 128,875,393	$ 108,784,571	$ 118,117,834
Starting Balance Surplus (over Budget)	**$ 57,820,932**	**$ 65,749,902**	**$ 71,487,316**	**$ 86,619,331**	**$ 67,173,773**	**$ 52,224,210**	**$ 58,784,571**	**$ 90,117,834**
Budgeted Year-end Balance	$ -	$ -	$ -	$ -	$ -	$ 10,000,000	$ -	$ -
Estimated Year-end Balance	$ 44,164,266	$ -	$ 30,000,000	$ 31,958,711	$ 54,794,333	$ 25,008,566	$ 28,000,000	$ 24,219,857
Actual Year-end Balance	$ 110,747,182	$ 113,382,753	$ 116,619,331	$ 103,795,137	$ 128,875,393	$ 108,784,572	$ 118,117,835	
Year-end Surplus (over Budget)	**$ 110,747,182**	**$ 113,382,753**	**$ 116,619,331**	**$ 103,795,137**	**$ 128,875,393**	**$ 98,784,572**	**$ 118,117,835**	

Total Funds Available includes Receipts (sales tax, state & federal aid, Fairfax City tuition, fees/tuition/other), Transfers In (county general fund, teacher liability payments, school insurance fund, health & flexible benefits fund)

Total Disbursements includes Total Expenditures (expenditures, school board reserve, teacher liability payments) and Transfers Out to funds (school construction, grants & self-supporting, adult & community ed., consolidated debt service, health & flexible benefits)

Sources: FCPS Operating Fund Statements from Approved Budgets from fiscal year 2003 to 2010 and Proposed Budget 2011.

School Operating Fund Statements - Historical Analysis of Approved, Estimated Actual Budget FY 2003-2011

	FY 2003			FY 2004			FY 2005		
	Approved Budget	Estimate	Actual	Approved Budget	Estimate	Actual	Approved Budget	Estimate	Actual
BEGINNING BALANCE, July 1	$19,801,914	$77,622,846	$77,622,846	$44,997,280	$110,747,182	$110,747,182	$41,895,437	$113,382,753	$113,382,753
RECEIPTS:									
Sales Tax	$107,173,229	$108,629,742	$108,484,574	$114,472,024	$118,338,192	$120,800,001	$140,671,621	$141,483,579	$141,588,156
State Aid	$191,203,799	$192,491,161	$189,940,199	$196,031,790	$195,537,656	$194,278,028	$224,915,919	$223,658,255	$224,002,995
Federal Aid	$32,307,253	$36,843,620	$34,643,996	$35,785,766	$39,802,809	$36,872,769	$37,475,166	$45,400,588	$41,480,526
City of Ffx Tuition	$27,350,000	$26,927,421	$26,927,421	$29,085,000	$27,069,379	$27,069,379	$29,138,289	$28,544,499	$28,544,499
Tuition, Fees, Other	$9,459,801	$9,670,123	$11,762,296	$9,459,801	$9,464,801	$12,849,520	$9,065,876	$9,065,806	$12,686,663
Total Receipts	*$367,494,082*	*$374,562,067*	*$371,758,486*	*$384,834,381*	*$390,212,837*	*$391,869,697*	*$441,266,871*	*$448,152,727*	*$448,302,839*
TRANSFERS IN:									
County General Fund	$1,166,240,153	$1,166,420,889	$1,167,253,903	$1,236,853,837	$1,239,228,957	$1,239,228,957	$1,320,752,823	$1,320,752,823	$1,320,752,823
Teacher Liability Payment	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364
School Insurance Fund									
Health & Flexible Benefits Fund									
Total Transfers In	*$1,167,861,517*	*$1,168,042,253*	*$1,168,875,267*	*$1,238,475,201*	*$1,240,850,321*	*$1,240,850,321*	*$1,322,374,187*	*$1,322,374,187*	*$1,322,374,187*
Total Receipts & Transfers	**$1,535,355,599**	**$1,542,604,320**	**$1,540,633,753**	**$1,623,309,582**	**$1,631,063,158**	**$1,632,720,018**	**$1,763,641,058**	**$1,770,526,914**	**$1,770,677,026**
TOTAL FUNDS AVAILABLE	**$1,555,157,513**	**$1,620,227,166**	**$1,618,256,599**	**$1,668,306,862**	**$1,741,810,340**	**$1,743,467,200**	**$1,805,536,495**	**$1,883,909,667**	**$1,884,059,779**
EXPENDITURES:	$1,526,439,652	$1,539,788,036	$1,476,734,553	$1,640,175,090	$1,700,424,766	$1,596,698,873	$1,773,749,157	$1,813,510,555	$1,735,041,336
School Board Reserve		$5,500,000			$8,000,000			$8,000,000	
Teacher Liability Payment	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364	$1,621,364
Total Expenditures	*$1,528,061,016*	*$1,546,909,400*	*$1,478,355,917*	*$1,641,796,454*	*$1,710,046,130*	*$1,598,320,237*	*$1,775,370,521*	*$1,823,131,919*	*$1,736,662,700*
TRANSFERS OUT:									
School Construction Fund	$11,540,709	$13,172,173	$13,172,173	$10,725,243	$11,152,388	$11,152,388	$12,858,000	$13,412,549	$13,412,549
Grants & Self-Supporting Fund	$14,162,415	$13,687,954	$13,687,954	$14,344,873	$19,071,530	$19,071,530	$15,741,598	$15,798,823	$15,798,823
Adult & Community Ed. Fund	$1,100,131	$2,000,131	$2,000,131	$1,100,131	$1,200,131	$1,200,131	$1,200,131	$1,200,131	$1,200,131
Consolidated Debt Fund									
Health & Flex. Benefits Fund	$293,242	$293,242	$293,242	$340,161	$340,161	$340,161	$366,245	$366,245	$366,245
Total Transfers Out	*$27,096,497*	*$29,153,500*	*$29,153,500*	*$26,510,408*	*$31,764,210*	*$31,764,210*	*$30,165,974*	*$30,777,748*	*$30,777,748*
Total Disbursements	**$1,555,157,513**	**$1,576,062,900**	**$1,507,509,417**	**$1,668,306,862**	**$1,741,810,340**	**$1,630,084,447**	**$1,805,536,495**	**$1,853,909,667**	**$1,767,440,448**
ENDING BALANCE, June 30	**$0**	**$44,164,266**	**$110,747,182**	**$0**	**$0**	**$113,382,753**	**$0**	**$30,000,000**	**$116,619,331**

Sources of Data: FCPS Approved Advertised Budgets 2003-2011, Annual Report of Expenditures 2009

School Operating Fund Statements - Historical Analysis of Approved, Estimated Actual Budget FY 2003-2011

	FY 2006			FY 2007			FY 2008			
	Approved Budget	Estimate	Actual	Approved Budget	Estimate	Actuals	Approved Budget	Estimate	Actuals	Approved Budget
BEGINNING BALANCE, July	$30,000,000	$116,619,331	$116,619,331	$35,000,000	$103,795,137	$102,173,773	$76,651,183	$128,875,393	$128,875,393	$50,000,000
RECEIPTS:										
Sales Tax	$154,162,657	$156,687,882	$150,848,905	$171,342,281	$171,707,570	$166,068,926	$162,647,944	$156,414,944	$155,185,870	$160,640,333
State Aid	$232,166,827	$230,550,460	$230,010,482	$270,236,608	$268,619,358	$273,601,099	$282,298,251	$287,060,266	$288,354,678	$294,269,731
Federal Aid	$42,235,577	$45,224,053	$36,465,506	$39,977,429	$47,759,466	$42,876,394	$39,288,171	$48,437,171	$39,565,177	$39,681,053
City of Ffx Tuition	$31,104,363	$31,376,708	$31,376,708	$32,931,512	$33,387,897	$33,387,897	$36,254,445	$36,129,470	$36,129,470	$37,704,623
Tuition, Fees, Other	$10,359,974	$10,381,274	$15,948,841	$10,537,048	$10,537,048	$16,357,995	$11,057,048	$11,077,048	$18,215,575	$11,742,046
Total Receipts	*$470,029,398*	*$474,220,377*	*$464,650,442*	*$525,024,878*	*$532,011,339*	*$532,292,311*	*$531,545,859*	*$539,118,899*	*$537,450,770*	*$544,037,786*
TRANSFERS IN:										
County General Fund	$1,429,716,456	$1,429,716,456	$1,429,716,456	$1,525,218,089	$1,533,218,089	$1,533,218,089	$1,586,600,722	$1,586,600,722	$1,586,600,722	$1,626,600,722
Teacher Liability Payment	$1,621,364	$1,621,364	$1,621,364							
School Insurance Fund										
Health & Flexible Benefits Fu										
Total Transfers In	*$1,431,337,820*	*$1,431,337,820*	*$1,431,337,820*	*$1,525,218,089*	*$1,533,218,089*	*$1,533,218,089*	*$1,586,600,722*	*$1,586,600,722*	*$1,586,600,722*	*$1,626,600,722*
Total Receipts & Transfers	**$1,901,367,218**	**$1,905,558,197**	**$1,895,988,262**	**$2,050,242,967**	**$2,065,229,428**	**$2,065,510,400**	**$2,118,146,581**	**$2,125,719,621**	**$2,124,051,492**	**$2,170,638,508**
TOTAL FUNDS AVAILABLE	**$1,931,367,218**	**$2,022,177,528**	**$2,012,607,593**	**$2,085,242,967**	**$2,169,024,565**	**$2,167,684,173**	**$2,194,797,764**	**$2,254,595,014**	**$2,252,926,885**	**$2,220,638,508**
EXPENDITURES:	$1,894,598,736	$1,941,605,419	$1,866,240,347	$2,037,010,798	$2,058,649,558	$1,991,228,106	$2,130,914,578	$2,179,994,196	$2,101,368,708	$2,181,538,008
School Board Reserve		$8,000,000			$8,000,000			$6,818,647		
Teacher Liability Payment	$1,621,364	$1,621,364	$1,621,364							
Total Expenditures	*$1,896,220,100*	*$1,951,226,783*	*$1,867,861,711*	*$2,037,010,798*	*$2,066,649,558*	*$1,991,228,106*	*$2,130,914,578*	*$2,186,812,843*	*$2,101,368,708*	*$2,181,538,008*
TRANSFERS OUT:										
School Construction Fund	$10,791,022	$15,154,197	$15,154,197	$13,195,057	$14,335,558	$14,335,558	$12,880,000	$12,776,868	$12,776,868	$11,532,989
Grants & Self-Supporting Fur	$20,791,585	$22,137,706	$22,137,706	$29,589,072	$27,797,076	$27,797,076	$27,532,146	$24,525,697	$24,525,697	$22,095,970
Adult & Community Ed. Fund	$1,200,131	$1,700,131	$1,700,131	$1,674,217	$1,674,217	$1,674,217	$1,695,667	$1,695,667	$1,695,667	$1,695,667
Consolidated Debt Fund	$1,958,711		$1,958,711	$3,773,823	$3,773,823	$3,773,823	$3,775,373	$3,775,373	$3,775,373	$3,775,873
Health & Flex. Benefits Fund	$405,669						$8,000,000			
Total Transfers Out	*$35,147,118*	*$38,992,034*	*$40,950,745*	*$48,232,169*	*$47,580,674*	*$47,580,674*	*$53,883,186*	*$42,773,605*	*$42,773,605*	*$39,100,499*
Total Disbursements	**$1,931,367,218**	**$1,990,218,817**	**$1,908,812,456**	**$2,085,242,967**	**$2,114,230,232**	**$2,038,808,780**	**$2,184,797,764**	**$2,229,586,448**	**$2,144,142,313**	**$2,220,638,508**
ENDING BALANCE, June 3	**$0**	**$31,958,711**	**$103,795,137**	**$0**	**$54,794,333**	**$128,875,393**	**$10,000,000**	**$25,008,566**	**$108,784,572**	**$0**

Sources of Data: FCPS Approved Advertised Budgets 2003-2011, Annual Report of Expenditures 2009

School Operating Fund Statements - Historical Analysis of Approved, Estimated Actual Budget FY 2003-2011

	FY 2009		FY 2010		FY2011
	Estimate	Actuals	Approved Budget	Estimate	Proposed
BEGINNING BALANCE, July	$108,784,571	$108,784,572	$28,000,000	$118,117,834	$53,500,000
RECEIPTS:					
Sales Tax	$152,370,318	$147,449,587	$153,051,225	$141,879,545	$140,077,108
State Aid	$297,106,275	$300,575,307	$263,386,323	$272,105,735	$247,701,721
Federal Aid	$50,001,700	$46,171,524	$83,969,708	$90,977,631	$79,161,279
City of Ffx Tuition	$37,699,132	$36,499,779	$35,114,599	$35,114,599	$36,586,349
Tuition, Fees, Other	$11,842,046	$17,994,694	$12,572,550	$12,572,550	$14,889,517
Total Receipts	*$549,019,471*	*$548,690,891*	*$548,094,405*	*$552,650,060*	*$518,415,974*
TRANSFERS IN:					
County General Fund	$1,626,600,722	$1,626,600,722	$1,626,600,722	$1,626,600,722	$1,684,406,081
Teacher Liability Payment					
School Insurance Fund					
Health & Flexible Benefits Fu	$10,700,000	$10,700,000			
Total Transfers In	*$1,637,300,722*	*$1,637,300,722*	*$1,626,600,722*	*$1,626,600,722*	*$1,684,406,081*
Total Receipts & Transfers	**$2,186,320,193**	**$2,185,991,613**	**$2,174,695,127**	**$2,179,250,782**	**$2,202,822,055**
TOTAL FUNDS AVAILABLE	**$2,295,104,764**	**$2,294,776,185**	**$2,202,695,127**	**$2,297,368,616**	**$2,256,322,055**
EXPENDITURES:	$2,228,802,028	$2,138,355,614	$2,168,281,289	$2,238,928,078	$2,227,634,474
School Board Reserve					
Teacher Liability Payment					
Total Expenditures	*$2,228,802,028*	*$2,138,355,614*	*$2,168,281,289*	*$2,238,928,078*	*$2,227,634,474*
TRANSFERS OUT:					
School Construction Fund	$10,985,226	$10,985,226	$8,877,232	$8,684,077	$10,146,149
Grants & Self-Supporting Fu	$21,845,970	$21,845,970	$20,802,445	$20,802,445	$14,367,709
Adult & Community Ed. Fund	$1,695,667	$1,695,667	$958,836	$958,836	$400,000
Consolidated Debt Fund	$3,775,873	$3,775,873	$3,775,323	$3,775,323	$3,773,723
Health & Flex. Benefits Fund					
Total Transfers Out	*$38,302,736*	*$38,302,736*	*$34,413,836*	*$34,220,681*	*$28,687,581*
Total Disbursements	**$2,267,104,764**	**$2,176,658,350**	**$2,202,695,127**	**$2,273,148,759**	**$2,256,322,055**
ENDING BALANCE, June 3	**$28,000,000**	**$118,117,835**	**$0**	**$24,219,857**	**$0**

Sources of Data: FCPS Approved Advertised Budgets 2003-2011, Annual Report of Expenditures 2009

Health and Welfare
($362M in 2011)

ISSUES: Three overarching issues are indentified for consideration in this area:

1. Need to get back to basics and assess core government responsibilities verses optional services being provided with little return on investment or marginal 'value' to the community
2. Take a hard look at imposing or increasing 'fee for service' in many more of these service areas to offset costs to taxpayers at large
3. Improve cost visibility and agency decision-making by including costs of support functions being provided by other departments in the receiving department or agency's budget

SUMMARY: Health and Welfare is funded in the Advertised 2011 Budget at $362 million or 11% of the annual budget for the General Fund. Included in this category are:

Family Services	$177M
Community Services Board (CSB)	$ 92M
Health Department	$ 48M
Neighborhood and Community Services*	$ 25M
Other	$ 20M

*New Transfer from Agency 50 formerly under Parks and Recreation

By way of comparison, the 2011 Advertised Budget for the big three is showing "2011 total expenditures" compared to 2009 actual expenditures of -10% for Family Services, -2% for CSB, and +1% for the Health Department. However, that 2009 baseline for those same three was a 25% increase over their total expenditures in 2002. Total expenditures in this context ignore revenue offsets which sometimes can mask excessive spending practices.

Much like the federal government's responsibility to provide national defense, it is obvious that there are some purely governmental functions that must be performed for the wellbeing of the community. Such things as communicable disease programs, health inspections of food preparation facilities, and immunization initiatives pay enormous dividends and should continue to be provided by the County but even in these cases, fees for service, or fines for violations, could offset costs. On the other hand some high cost and labor intensive programs may not be worth the investment in terms of value to the community. An example might be the wide array of inpatient and outpatient Alcohol and Drug Services throughout the County many of which are suspected to have a disappointingly high recidivism rate for those going through the programs. Residential services operated by ADS include A New Beginning, Cornerstones, Crossroads, Fairfax Detoxification Center, New Generations, and Steps to Recovery. Another example might be the "Healthy Families" program. Shouldn't there be data to show programmatic trends

and effectiveness for these investments? Couldn't most of these services be provided on a fee for service basis? The County should be making some sound business decisions based on return on investment in many of the discretionary services.

Lastly, it is a well known fact that when services are "free" there will be examples of abuse. This can be seen in the County's Public health clinics where many of the patrons have learned how to take advantage of the system and obtain extensive healthcare for free for entire families on a recurring basis. Even the medical insurance industry requires "co-pay" in most cases even with high-end insurance coverages. The concept of more broadly implementing "Fees for Service" has the potential to both offset costs and also curb demand, especially if the fees are set at a level to help recover full costs for entirely discretionary services such as meals for the elderly. Many of those folks can afford to pay a modest fee for meals and would still welcome the opportunity to participate in the County's meals and recreation program. If we put many more County support functions on a reimbursable basis to the agencies/departments receiving the support, that added cost visibility compared to private sector alternatives should also create a healthy incentive to continuously improve efficiency and effectiveness.

DISCUSSION: It is clear from reading the County Executive's proposed budget, and talking to the department heads in the Health Department and Family Services, that the agencies are working hard to gain efficiencies, shed unnecessary expenses, and maintain acceptable levels of service. Having said that, it still appears that the incremental adjustments we are seeing in the budget documents may not be getting at the real cost drivers in some areas. A few examples are noted here. For ease of reference the page numbers are from the County Executive's February 13, 2010 letter to the Board of Supervisors:

- New Facilities (Page 14) cites requirement for a new Public Health Nurse to support two new schools. This raises two key points: First, is a full-time nurse needed for just two schools when in years past FCPS ratio was much broader than that. Secondly, this is an example of a subsidy to the schools in that the cost of the nurse is not borne by the school system. When the FCPS receives such support, the tenets of good government would dictate full cost visibility within the school system. It makes sense for the Health Department to manage the Public Health Nurses in the County but to achieve best use of limited resources such support to the schools should be on a reimbursable basis. Then perhaps the demands for levels of support would be tempered by business decisions. The same is true for any other support the schools receive from other County agencies such as Parks and Recreation, Public Works, Police, etc. With full visibility of support costs to the schools, the County's cost per student comparison with surrounding jurisdictions may look very different.

- Critical Public Health Department Positions/Medically-Fragile Support. (Pages 14-15). In one case the proposed budget adds nine positions at almost $900,000 to compensate for loss of federal grant funding. One might ask "If the feds aren't willing to fund this preparedness effort, why should the County and is it needed at that level of commitment of resources?" Medically-fragile nursing support to children in our schools is also cited as a requirement

mandated by federal statute and requiring over $600,000 in 2011. The narrative indicates that demand is increasing. This is yet another prime example of a subsidy to the schools that is not included in their budget and thus not being managed in the overall context of the FCPS budget decision process. Perhaps there could be additional efficiencies in this program with appropriate application of other school resources to achieve the necessary outcomes.

- Fairfax-Falls Church Community Services Board (CSB) (Pages 20-21) identifies several reductions in their programs but also makes the statement that: "The General Fund supports a much larger share of CSB expenses than in most localities in Virginia..." Sounds like this entire fund needs additional scrutiny and focused decision-making if the ratio is still much larger than in most localities in Virginia.

- Department of Family Services (Pages 23-24) budget proposal preserved the services making up the County's "basic social safety net programs" similar to last year. In this fiscal environment, is this the right solution or strategy? Are there alternatives? Later in the narrative, the County Executive indicates that he has redeployed nine positions, which were reduced through efficiencies in Family Services internal processes, to implementation of a new System of Care Initiative. Do we really need nine full time County employees to create a new program structure or could one or two do it with contract support? If this initiative will result in future efficiencies as stated, then carrying those permanent employees forward could be short sighted.

- Span of Control (Page 28) makes reference to a comprehensive review of span of control within the County and states that no glaring situations were found outside "the guidelines". Our reviews last year cited span of control as a potential opportunity given the advances in technologies, and nationwide trends to flatten organizational structures. Today it is not uncommon, even in federal agencies, to see organization with up to 25 employees to a supervisor. One might question what "guidelines" the County is using and suggest the BoS revisit the opportunity to flatten the organization.

RECOMMENDATIONS:

1. Recommendation: Take a hard look at Family Services, CSB, and the Health Department to prioritize around core governmental services and identify discretionary services that might be expendable or ripe for additional reductions or curtailment.

2. Recommendation: Get serious about collecting "Fee for Services" in many more areas and with goal of full cost recovery wherever possible. There should always be minimum co-pay for all but core governmental services.

3. Recommendation: Expand the concept of Fee for Services to give full visibility to agency and school system costs by including funding for support services from other agencies or

departments in the receiving agency's budget with those services provided on a reimbursable basis.

4. Recommendation: Use the GAO-type oversight function proposed earlier in this report to assist with the above recommendations.

The Park Authority

ISSUE: How to maintain a healthy, functional park system that is a critical component of Fairfax County's economic vitality while enduring recent budget cuts and a 2011 potential General Fund reduction of more than 11%.

DISCUSSION: The Park Authority is responsible for maintaining the 22,600 acres of parkland, nine RECenters, eight golf courses and five nature centers as well as numerous historic sites that promote stewardship and provide insight from the lessons of our storied past. Recent budget cuts and potential FY 2011 reductions of the General Fund threatens our ability to continue to provide services that are integral and critical for our nationally recognized park system.

- Balance has been established between the dual roles of the Park Authority to provide recreational and fitness opportunities to citizens; and to serve as stewards and interpreters of Fairfax County's natural and cultural resources.

- 79% of the County's households use our parks and less than one cent of each tax dollar supports their operation.

- In 2009 the Park Authority welcomed 18.6 million visitors to 417 parks. We groomed fields for 225,000 competitors; improved over 300 miles of trail system; worked to control invasive plants, promote native species and preserve woodlands on open green spaces.

In 2009 there were major/critical contributions made to the operations of the Park Authority by volunteers and volunteer organizations (i.e., "Friends of the Parks") all over Fairfax County. Total volunteer hours were in excess of 193,916. The dollar value of these hours equated to more than $3.99 million. Also, many "Friends" organizations made significant dollar contributions directly to and in support of specific parks (i.e., The Friends of Huntley Meadows Park contributed more than $10,000 to is operational support). The Advertised Budget for 2011 would have a direct and extremely negative impact upon the volunteers and volunteer organizations. It would result in the loss of four (4) positions that are directly responsible for supporting the volunteers (2 Park/Recreation Specialists III's and 2 Park Recreation Specialists).

Scope and Methodology The Park Authority examination included reviews of the Park Authority Strategic Plan, FY 2010 Adopted Lines of Business Budget, FY 2010 General Fund (Fund 001), the Park Authority Revenue Fund (Fund 303), and Proposed 2011 Budget Reductions. Meetings were held with the Park Authority Executive Director and Deputy Executive Director and the Directors of the Planning and Development, Operations and Park Services Divisions.

Specific Findings Regarding the proposed 2011 Budget Reductions:

- *General Fund (Fund 001):* Total revenue budget of $2,156,338 (a decrease of 7.19% or $167,000 from the FY 2010 Adopted Budget). Total expenditures budget of $20,926,432 (a decrease of 11.3% or $2,666,334 from the FY 2020 Adopted Budget.

Total reduction $2,666,334. This includes a recurring budget reduction of $2,489,334 and 41 merit positions. This also includes a decrease of $150,000 for capital equipment and $27,000 decrease of Department of Vehicle services.

- *Revenue Fund (Fund 170)*: Total revenues for FY 2011 are $42,641,814 (an increase of 1.54% or $647,115 from FY 2010 Adopted Budget. Total expenditures are $42,641,814 with debt service (an increase of 4.42% or $1,803,141 from the 2010 Adopted Budget) Net revenue for the fund is projected at $0 for FY 2011.

  Significant impacts to the Revenue Fund include expenditure increases of $631,555 for recurring costs for other Post Employee Benefit (OPEB) changes and an additional $226,563 from proposed FY 2011 General Fund reductions.

- *County Construction Fund (Fund 303)*: Total expenditure budget for the Park Authority Construction Fund is $6,676,479 (a decrease of 7.5% or $541,365 from the FY 2010 Adopted Budget. The following projects will be revised with the FY 2011 budget reductions:

  - Park maintenance of FCPS athletic fields (a decrease of 36.02% or $266,365 from the FY 2010 Adopted budget of $738,648.

  - Athletic field maintenance (a decrease of 6.4% or $160,000 from the FY 2010 Adopted Budget.

  - Field application fee enhanced maintenance (a decrease of 11.5% or $115,000 from the FY 2010 Adopted Budget)

  These impacts will eliminate aeration and seeding of all elementary and middle school fields at 176 school sites, 55 high school diamond fields, and 284 park fields. It will also eliminate 2 merit positions. It is expected that field conditions and player satisfaction will decline and reduced playability will occur. Increased deterioration and unsafe conditions will result in fields being taken off line. Also, the loss of years of investment and the cost of returning fields to their current conditions will be more costly in the future.

RECOMMENDATIONS:

1. Consider increasing fees in certain areas where fees currently exist and establishing fees in some areas where they have not been previously initiated.

2. Have FCPS contribute to the maintenance of their fields.

3. Consider the inclusion of the costs for maintenance of a park when negotiating proffers for parks and park facilities with businesses and developers in current and future proffer negotiations. (Note: Merrifield Park in the Hunter Mills District is an example of achieving this.)

4. Mitigate the existing projected 2011 budget reductions making them more consistent with the budget impacts on most other agencies.

Pros/Cons:

Con: There will be considerable push back from citizens and the Board of Supervisors regarding increasing any/all fees.

IT Department of Information Technology (DIT)

Including Cross Agency Savings

ISSUES: Ensure that DIT operations are as efficient as possible, while supporting cost savings to other agencies through effective use of Information Technology (IT). Budget constraints necessarily put projects intended to save costs on hold because such projects almost always require investment of both direct funding and labor in both DIT and the affected agencies. These IT projects need to always include sound process improvement on the part of the agency to maximize the benefit of IT while ensuring the IT expenditure is kept to the minimum. In addition to the use of IT by County agencies, the internal workings of DIT must be as cost effective as possible without sacrificing service robustness, information security, and capability to survive various types of disasters affecting IT.

SUMMARY: Consolidation of similar functions across agencies including Schools, further paper reduction, organizational consolidation, and more efficient/better use of technology can assist with cost reductions in several areas: These include support for reducing dependence on paper to the extent legal and fair to citizens and close coordination between County and Schools to find opportunities for streamlining operations through greater resource sharing. A project currently underway to help with both paper reduction and cross agency resource sharing is the implementation of an Enterprise Resource Planning (ERP) system to include most core administrative functions for County and Schools. An organizational consolidation opportunity is the merging of agency-based IT operations with DIT while ensuring IT-knowledgeable staff remain in agencies to focus on effective use of IT in their agencies. Some IT position classifications will need to be updated when making these changes. Better use of IT through effective process improvement when implementing new capabilities should yield improved efficiency and streamlining. Employing new technological advances to reduce the amount of hardware, software, and storage required by the County while supporting the same or greater workloads will reduce costs for IT operations. The current level of outsourcing and use of Exempt Limited Term staff in routine IT functions should be continued.

DISCUSSION: The Department of Information Technology (DIT), an enterprise core function, "is responsible for direction and execution of information technology and communications systems and support services on an enterprise-wide infrastructure, architecture framework and standards for most systems."[1] The DIT has existed since 1996 as recommended by a special panel. Prior to that, IT was performed by agencies without central oversight. Since its existence, DIT has achieved a high degree of consolidation of IT throughout the County to apply technology as a cost and labor saving tool, but also to ensure the County complies with Federal and State requirements, and business and citizen expectations. The IT services reach every agency of the County and include: traditional office IT, all communications (e.g., radios for public safety and on school buses, wireless for mobile workers such as code enforcement), data networks that also support schools, 911, and eGovernment (conducting business with the County electronically). The DIT and Schools are currently engaged in a major acquisition to implement

[1]Fairfax County, Virginia Department of Information Technology, FY2010 Information Technology Plan, Section 1, page 2.

an Enterprise Resource Planning (ERP) system, which will replace systems that currently support procurement, finance, budget, payments (accounts payable), payroll, and HR records. This project should dramatically reduce dependency on paper and provide improved efficiencies. Four funds support DIT, General Fund 001, IT Projects Fund 104, Technology refresh Fund 505, and E-911 Fund 120.

Scope and methodology The DIT examination included reviews of the *2010 Information Technology Plan*, the FY 2010 Advertised Budget for DIT, supplemental materials for the FY 2011 Advertised Budget, information made available to the Information Technology Advisory Committee (ITPAC) members at meetings, and two very helpful meetings with DIT Director, also the Chief Technology Officer (CTO), and other DIT management staff. Due to time constraints Fund 120 was not addressed.

Specific findings

- There are still opportunities to further reduce dependency on paper which should improve staff efficiency and accuracy.
- There are still opportunities to support consolidation of like IT functions and eliminate unnecessary or redundant IT operations, including County and Schools.
- Cost savings efforts through operational efficiencies resulting in reductions in hardware and software, and the amount of data storage required are currently underway.[2] A review of Virginia state data storage and FOIA requirements should considered for revision.
- The County executive has indicated an interest in consolidation of other agencies IT staff under DIT while ensuring opportunities for creativity within agencies.[3] No such consolidation is in the FY 2011 budget. However, it is expected that a study will be done soon. Some consolidation should be able to occur during FY 2011. There are issues to be addressed concerning position classification of agency IT staff.
- There is room for more effective use of IT by agencies within the County.
- Outsourcing: Helpdesk and desktop support, usually the easiest functions to outsource, are staffed largely by Exempt Limited Term (ELT) staff who work 11 months per year and do not receive any benefits, minimizing the cost associated with regular employees. All or almost all new projects involving configuration, test, and implementation of new capability are outsourced with agency and DIT oversight; some IT applications also involve outsourced services (such as electronic payment). Data protection and privacy protection may require County data to be kept in house.

[2] Presentation at ITPAC meeting.

[3] Comments made at Jan 2010 ITPAC meeting.

RECOMMENDATIONS:

1. **Recommendation**: Aggressively work to remove all paper dependencies in County operations except as required by law and as needed for citizens without IT resources.

   The current IT program to implement a comprehensive County-wide business automation system called Enterprise Resource Planning (ERP) is currently underway and should result in dramatic reduction in dependence on paper. However, there is still much additional use and dependence on paper. Some employees may feel more comfortable that a paper memorandum carries more weight than the same information in electronic form. However, guidance and example from the County Executive may bring about change. Last year's budget removed a number of copy machines replace them with networked printer/copiers in a few locations. The FY 2011 budget places the print shop under DIT so all (or most) printing and copying is under one management structure providing opportunity for streamlining. Another example is that employees submit time reports online and on paper per the County auditor.[4] This requires paper handling at additional time and expense, in addition to a check for discrepancies between the two time reports. While this may not take much time for each person, it would be multiplied by over 1200 employee and several hundred supervisors.

   Pros/Cons :

   - Pro: The ERP project should yield dramatic improvements in County core business processes and reduce paper. Other reductions should also produce greater efficiency for staff time, improve accuracy, and save storage of paper files.
   - Con: Some County staff may find it hard to give up paper-based information. Further opportunities to use on-line capabilities instead of paper, will have costs associated.

   *Proposed Actions***:** Identify those federal and state laws that need to be changed to allow further reduction in use of paper and put forth such legislation. Urge the County Executive to continue to make paper reduction a priority and to implement it in the most cost efficient manner. Regarding time reports: Request the County Auditor and County Executive to justify the need for paper time reports or eliminate them. If required, identify the legislation changes needed and put forth such legislation.

2. **Recommendation:** Encourage greater integration of IT resources between County and Schools for potential savings**.**

   Currently, the County and Schools share the County's backbone fiber network, iNET, and the financial system. The County and Schools are currently engaged in introducing an Enterprise Resource Planning (ERP) system which will upgrade and integrate capabilities, or at least provide a common platform for business systems intended to improve efficiency and accuracy. However, there are likely many other opportunities to share use of applications and infrastructure already owned by the County or Schools (e.g., Database management

[4] From meeting with DIT staff.

systems). Other potential savings for schools include use of free Web based email (e.g., Yahoo Mail, Gmail) for student use.

Pros/Cons:

- **Pro:** Potential to eliminate redundant software for savings in software licenses and training.

- **Con:** Since the County and Schools have different purposes, guidance, policies, and employment arrangements; if not done smartly, using the same software application may add complexity at a cost for implementation and yield suboptimal solutions for both the County and the Schools. There could also be concerns about ensuring protection/separation of data across the County and Schools.

Proposed Actions: Ensure there are no impediments to full implementation of the ERP currently underway between the County and Schools. Through the Smart Savings Task Force, request an assessment of functions and current IT applications used by County and Schools that could be shared currently or in the future. Recommend/implement a policy such that before any IT procurement is authorized, the Task Force's assessment report (or the other organization) is consulted and proceed with new procurement only if needed.

3. **Recommendation:** Improve data center and IT operational efficiencies through use of recent technological advancement**.**

   There are two areas of growth that need to come under better control: storage volume and physical computer server hardware (the large, multiprocessor systems that run the major applications). This should save costs for the hardware and software application licenses that are based on the number of processors. A technological advancement for processor sharing, known as "virtualization" would allow the same workload to be conducted using fewer processors through sharing of processors across applications. On storage, DIT is investigating a new capability that removes duplicate copies of the same material, e.g., many copies of the same email and attachments and duplicate copies of files. This will help control the growth in data storage, saving storage hardware, space, and power.

   Pros/Cons:

   - **Pro:** Overall reduced cost of operations can be realized through more efficient use of existing computing hardware, saving software costs, power, and workload for data center operators (fewer systems to monitor). The technology to remove multiple copies of the same data saves costs in similar ways, e.g., fewer storage devices and power savings.

   - **Con:** The implementation of these two technologies have their own costs like any IT project, software, hardware, labor, and perhaps a small consulting contract for implementation.

Proposed Actions: Encourage DIT to move quickly to evaluate these cost saving technologies to determine how to best deploy the capability to ensure the safety, integrity, and protection of County data and its IT services. And encourage implementation of these technologies as soon as appropriate.

4. **Recommendation:** The County should move forward to eliminate redundant IT operations being carried out in other agencies outside DIT.

   There are 236 employees outside DIT in IT position classifications in 33 agencies, the largest numbers are in Human Services, Public Safety, Public Works, and central administrative agencies. It is recognized that agencies need current IT-knowledgeable staff with deep knowledge of the agency business in order to see opportunities to streamline the business processes using IT and to assist in fully exploiting the capabilities of existing IT applications of the agency. The DIT is too often required to expend extra labor to recovery from problems, once the agency IT efforts get into trouble (e.g., no software licenses, cannot make the software work as intended). In many cases the needed infrastructure, licenses, and conformance to County IT policy are not addressed by the agency. A staff reduction is expected to result from this consolidation. Some functions would move to DIT with a small increase in staff there. Some would stay in the agency (business analysis) and some could be moved to other jobs or eliminated. As part of this consolidation review of the position titles and their classifications would be needed, which could result in a separate professional classification scale.

   Pros/Cons:

   - **Pro:** By smart consolidation, a small IT knowledgeable staff within large agencies would assist the agency with business practices that fit and exploit current and future IT and lead process improvement associated with any significant IT project. It would leave the IT core functions to DIT where it could be consolidated with similar functions (e.g., backups, use of virtualization). This approach ensures that innovative thinking best done by the agency is left to the agency and basic datacenter functions and IT guidance is left to DIT.

   - Con: Because it is important that the agency IT staff have current IT knowledge, DIT should be set the IT skill, experience, and talent requirements. This represents a shift in practice that may meet with resistance. Currently there is lack of clarity on the position titles and IT skills required in agencies. This calls for a review of the position titles and classifications, that may lead to a separate professional classification scale, which would take time to develop and implement.

   Proposed Actions: Encourage the County to study the specific issues, and consolidate IT in those agencies where it can be done quickly during FY 2011. Review each of the 33 agency situations to determine how best to make the transition in a way that the best talent is used most appropriately. Consider a review of the titles and classification and make adjustments as needed.

5. **Recommendation:** Add a requirement that any new project to be approved includes IT costs both for implementation and for operations and maintenance.

   Nearly every agency in the County has some dependency on IT. Thus every business change is likely to have implications for IT, which the sponsoring agency may not have realized. The wording of this recommendation is intended to cause DIT to be informed early in the process when it can ensure that County IT policies are followed, assist in defining the full range of IT costs, assess whether the process change can share an existing resource, and finally help avoid having to make costly changes later in the project that could have been avoided. All costs need to be known upfront in order to make realistic business decisions.

   Pros/Cons:

   - Pro**:** Improves efficiency of DIT staff and the overall effort, provides more accurate total cost estimates at the outset.

   - Con: May mean DIT addresses some projects unnecessarily, resulting in a small amount of additional work for DIT and the sponsoring agency.

   Proposed Actions: Request the County Executive to review the set of information currently required for new projects and add a requirement for IT impact and costs.

6. **Recommendation:** Strengthen sponsoring agencies' requirement for process improvement to include monitoring to ensure agency accountability**.**

   Examining business processes is currently a requirement prior to approval of a new IT project. However, the thoroughness and scope may not always be sufficient. If the County is going to spend money on an IT project, it must achieve maximum benefit from this scarce resource. Further, the IT software applications being contemplated may also apply to other agencies and could be shared. Therefore a cross agency review should be also be required prior to committing large sums of money for a new IT project. The Deputy County Executive over the sponsoring agency should be responsible to ensure that process improvement and a cross agency review are carried out.

   Pros/Cons:

   - Pro: Potential for true streamlining and significant improvement in efficiency.

   - Con: May meet organizational resistance. The problem is complex and may carry some expense. Applicable skills may need to be supplemented for the agency (e.g., drawn from other agencies temporarily.

   Proposed Actions: Request the County executive to make a policy or directive concerning to implement this and include monitoring the implementation. Consider including this responsibility in the performance appraisal of the Deputy County Executives.

7. **Recommendation**: Look for ways that existing IT capabilities could benefit additional agencies.

   Some examples help to explain: (1) The infrastructure in place for Document development and management is used effectively by some agencies. Additional agencies may improve their efficiency to using it as well. (2) The existing outsourced online payment system is used for tax payments and certain fees. Additional agencies may benefit by also using this capability. (3) Broader use of automated routing as used by public safety's Computer Aided Dispatch (CAD) and for code enforcement. Finally, (4) wider use of Web-based citizen information services and eGovernment business capability could yield cost savings to additional agencies.

   Pros/Cons:

   - Pro: Potential cost savings from increased use of existing IT resources with minimal or no increase in immediate costs. Provides greater uniformity of business processes, which positions County for further streamlining.

   - Con: May incur unnecessary effort if no good uses are found. Multiple users of a resource usually add to the complexity of managing and administering that resource.

   Proposed Actions: Urge the County Executive to request (1) DIT identify those applications and infrastructure that are suitable for use by additional agencies, and (2) request agencies to identify how they could use these IT resources and what savings could occur as a result. Proceed to implement in accordance with the finding as appropriate. Recognize that when multiple agencies share the same resource (e.g., software application), the administration (setting up accounts) that is usually done by the owning agency may need to be done by DIT due to an increase in complexity and because no other single agency would be able to provide that service for the other agencies.

Public Safety Programs (PS)

ISSUE: The Board of Supervisors (BOS) will soon scrutinize the budget outlays and address anticipated revenue shortfalls for the upcoming FY 2011 budget. This represents the second consecutive year where major reductions are required in county expenditures to produce a statutorily required balanced budget. Public safety programs are inherently core services and literally touch the lives of every county citizen. Other than the school system transfer, no other program areas will be as closely scrutinized by the citizenry.

DISCUSSION AND FINDINGS: The FY 2011 Advertised Budget (AB) lists $392M in total PS funding levels. These and other amounts used herein are generally rounded. PS funding is 33.1% of the total General Fund (GF) direct expenditure of $1.185B. The AB identifies $305M in total expenditures after deducting $87.8M of income and recovered costs. The PS AB reflects a $30M, 7% decrease over FY 10.

This report and analysis is grounded in the AB, county budget data since FY 2000, and discussions with budget staff from Police, Fire/Rescue and the Sheriff's organizations.

The allocations by the County Executive in the AB for PS program areas clearly reflect the BOS' announced intent to maintain current high standards of public safety despite the pressure of declining revenues and competing programs. Public safety issues go to the very core values of quality of life and an attractive work environment prized by the citizens, employers, and individuals who visit or temporarily reside in the county. By way of background, overall growth in GF expenditures for the PS budget between FY 02 and FY 09 was $164M or 59%. The PS revised budget plan for FY 10 ($434.5M) increased by some $22M over the FY 09 actual budget. During the period 02-09, the Fairfax County Public Schools saw a roughly $600M, 50% increase in GF distribution. (See the 12/28/09 Braddock Citizens Budget Advisory Committee report at page 3.)

The PS AB covers seven (7) separate program areas. Four are by far the smallest in expenditures and personnel. They are Cable/Consumer Services, Land Development Services, Juvenile and Domestic Relations District Court, and Office of Emergency Management. For the AB, they represent $32M, 8% of the PS accounts with cost recoveries/income totaling $24M. The latter amount is 28% of $88M total PS income. For purposes of this report, these four categories are not further discussed or reviewed as they offer very limited opportunity for significant budget savings. Rather, the focus is on the Police Department, Fire and Rescue Department, and the Sheriff's non-judicial administration programs which dwarf the others in expenditures and personnel.

Police ($125M and 1,666 staff) and Fire and Rescue ($139M and 1,434 staff) receive roughly equal funding and personnel authorizations in the AB. The Sheriff's Office PS functions receive $43.4M and 425 positions. As noted above, the total PS AB funding is reduced by 7% with some 113 position reductions—roughly 2.75% from FY 10.

An analysis of the "big three" PS AB program areas reveals a number of items that may require refinement and adjustment in the run-up to the final FY 11 adopted budget:

- Of the $17.1M Police reduction (roughly 9.7% from FY 10 levels). Almost 50% of the savings are in overtime reduction, cuts in School Resource Officers (SRO), and lapse rate/ vacancy management. Of the 64 staff reductions (3.7% under FY 10 levels), 41% of the cuts are from SROs. This latter reduction could be among the more controversial in the AB. Since half of the Police savings come from better overtime policies, should reductions in OT hours in some functions prove unacceptable they will force further adjustments in the final budget.

- As for the Fire and Rescue Department, it sees a $17.96M overall reduction from FY 10 (10.2%) allocations and a net loss of 34 positions—2.3% from FY 10 levels. A third of the total Fire/Rescue budget reductions ($6M) are through better management of overtime assignments. The remaining $12M is spread over staff reductions and conversion to civilian incumbents, the eliminations of certain hazardous materials and marine operations, lowered basic life support coverage, and cuts in proficiency payments and equipment replacement and various other accounts. The AB adds a $511K increase for vehicles replacement-fuel-repairs. This is apparently a put-back from FY 10 cuts. As with Police, much of the AB cuts are in OT reduction. If this produces unacceptable program impacts, new reductions must be identified.

- Office of the Sheriff has two divisions, Judicial Administration and Public Safety. This review is limited to the PS AB allocation of $43.4M which is reduced $3.4M (7.3%) over FY 10 funding. There are three (3) staff reductions to 425, less that 1% from FY 10 levels with some savings from conversion of uniformed to civilian personnel. Well over 80% of the cuts are attributed to better overtime management. See comments re Police and Fire OT above.

RECOMMENDATIONS: Since the AB reflects conscious determinations and tradeoffs considered by the CE and his advisors, no attempt has been made to make adjustments or refinements in program allocations. Many of the proposals such as elimination of school resource officers, reductions in basic life support services, and elimination of certain hazardous material programs will generate much heat and debate. To the extent that the BOS must adjust and realign the PS budget areas, it's recommended they consider:

1. For Police, review Animal Services, take home vehicles, uniformed vs. civilian staff, the Criminal Justice Academy, Helicopter operations, K-9, Explosive Ordnance Disposal, and Marine Operations. While not in PS, 911 staff and functions could also be reviewed for savings or realignment. Finally, contracting out of various functions may produce economies over current in-house operations.

2. For Fire and Rescue, it was noted above that cuts to hazmat and basic life support services will be highly controversial. To the extent budget refinements for Fire and Rescue are necessary, attractive candidates include more extensive conversion of uniformed staff to civilians, consolidation of personnel servicing now in the Safety and Personnel Division with current staff in the County Human Resources Office, contracting of training and Occupational Health Center functions, and reductions in senior officers and elimination of the marine functions.

3. As to the Sheriff, areas that may produce savings include changing uniformed to civilian staffing, contracting out of some matters associated with operation of the jail, less costly procedures for process services, motor pool and vehicle management, and contracting for medical services.

Pros/Cons: The BOS, guided by staff and the public, will evaluate the overall tradeoffs that may be necessary should some proposed reductions in the AB (e.g. School Resource Officers, HAZMAT, and Basic Life Support services) be rejected. This is a zero sum process and absent an unlikely major increase in county revenues, restoring proposed cuts in the PS AB will drive added cuts either in the PS or other budget areas.

Proposed Action Plan: Share these findings and recommendations with the Lee District Supervisor and hopefully with his fellow BOS colleagues.

Code Enforcement, Zoning Inspections

ISSUE: Consolidation of Code Enforcement to streamline activity, possible reductions to zoning enforcement personnel.

DISCUSSION: On the one hand, the County Executive proposes creation of a centralized Department of Code Enforcement to address zoning, building, property maintenance, health and fire codes as well as the blight and grass ordinances. The report says the reorganization will be on a cost-neutral basis to the County. It will replace the current Enhanced Code Enforcement Strike Team.

On the other hand, the County Executive proposes a reduction of 12 positions in the Department of Planning and Zoning at a savings of $304,188. Included in the narrative is language that the reduction will enable staff to mitigate possible adverse impacts on, among other things, zoning inspections.

RECOMMENDATION: The new Department of Code Enforcement appears to allow the County to better identify and enforce major and multiple violations. The potential loss of Zoning Inspectors undercuts the enforcement of those day-to-day complaints that do not rise to the level of major violations but nonetheless are a blight on the community. Any decrease in zoning inspectors is unacceptable.

Evaluation: Responsibility for zoning enforcement now apparently rests in the new Department of Code Enforcement and the Department of Planning and Zoning. Who decides which agency answers a complaint?

Action Plan: Place all zoning inspection and code enforcement under the new agency. Transfer funding from the Department of Planning and Zoning to the new agency, making sure there are NO reductions in staffing. The County has far too few zoning inspectors as it is and no further reductions should be allowed. Continue to evaluate the ability to raise fines so violations assume a bigger burden. This will require legislation from the state, so any major changes are at least several years off.

Fairfax County Judicial Review

ISSUE: A review of the county budget showed a diminishing requirement for county resources. In this report it is assumed that the judiciary is doing a reasonable job managing current resources. However, Court observations indicated that better calendar management could lead to better utilization of other county resources that the court requires for adjudication of cases.

DISCUSSION: The methodology used for this review was to do court observation and interview of court participants, especially police.

Crime lab personnel are tied up for endless hours waiting to testify. The use of tele-presence should be examined. Point to point video should be established between the courtroom and the crime lab. While balancing the right of defendants to confront their accusers and the abuse by the bar to hope that a lab mistake or a non-appearance is an effective defense. The use of closed circuit video can strike a balance and allow lab techs to have more lab time. Documents can be faxed or couriered over when it is necessary and still provide for an adequate defense. Other methods to reduce this problem should be explored as well. For instance, require counsel to depose the lab techs at the lab and use these results for trial. In the event that a problem is found the tech can be compelled to testify and allow the government to do cross on the testimony.

Calendars did not give any priority to officers tied up waiting to testify. This is in spite of the fact that they generally sat as a group and were easily identified. Priorities were given to prisoners needing translations and prisoner cases in general. After that it seemed somewhat random. Prisoners are not degrading patrol time available or getting overtime. The officers being tied up waiting are a direct cost to the county. Technology should also be considered to reduce waiting time. For example, officers could stay on patrol and be paged when they are within an hour of time to testify. There is nowhere in the county that you cannot come from in an hour.

RECOMMENDATION: The county and judiciary should form a joint task force to look at ways to reduce in-court time for county employees. This task force should start with the above observations and operate as a standing committee to refine the use of witnesses using technology and policy to make more effective use of this resource.

Public Information Office (PIO) Function

ISSUE: Fairfax County's multi-year fiscal crisis has resulted in the necessity to reduce services and programs as well as increase taxes. These fiscal difficulties are not likely to abate in the near future. More than ever before, there is a need for an effective communication strategy to manage citizen expectations on how our county government must operate to meet this new budget reality. At question is whether the current structure of the public information office (PIO) function is as effective or efficient as it can be in implementing the unified communication strategy which is needed.

DISCUSSION: The County Executive's FY 2011 budget proposal includes a number of reorganizations and redesigns including one of the PIO function. With his review of the PIO function, the County Executive concludes that public communication services in the agencies are performed consistently at a high level and the positions perform roles beyond strict communication (including but not limited to agency leadership, marketing and direct service supervision/provision). As a result, no formal consolidation of these positions or structural change is recommended. What is recommended are new policies and procedures to strengthen the relationship which currently exists between all agency communicators and the Office of Public Affairs (OPA) and increased consultation with OPA. Additionally, agencies were asked to review their use of public communication positions and what efficiencies could be generated as a result of relying on OPA for more communication support where possible or redesigning internally the provision of the service. As a result of that review by agencies, four positions performing public communication services have either been proposed for elimination or redeployment for another use within the organization.

We are disappointed with the results of this PIO review which presented no real restructuring or reorganization of the function. We are not convinced with the County Executive's conclusion that consolidation is not appropriate because the positions reviewed are performing in roles beyond strict communication. Other roles may exist, but are they significantly different enough from the communication role to make any consolidation inappropriate? For example, marketing is cited as a "non-communication" role but, in fact, is often considered an important role in communications.

Our examination of the PIO function included a review of budget and organizational documents as well as discussions with staff. Based on this, we note the following:

- There are over 60 positions involved in the communications function throughout the agencies; this number also includes positions which had been previously identified as having PIO responsibility, but not classified in those job class series, i.e., they are classified as management analysts or transportation planners, etc.

- There is a history of discussions regarding consolidation/reorganization for this function starting back as far as 2004 or earlier. Though in earlier discussions, the primary issue appears to have been more on the effectiveness and efficiency of communication strategy and

operations (i.e., having a cohesive look, feel and message in all communications) rather than cost-cutting.

- Staff have identified some of the major issues and inefficiencies with current structure as:
    - uneven information dissemination**,**
    - differing levels of knowledge of various communications tools and techniques,
    - gaps in back-up capacity -- most agency PIOs have no backup and absences mean no communications support for agency,
    - no way to standardize performance measurements across agencies, and
    - PIO work is often focused on the end product (brochure, news release or Web page update) to the exclusion of a discussion of how the deliverable fits into the overall communications plan for the agency.

Our concern with the County Executive's proposed reorganization centers more on ensuring the best possible structure for this function rather than reducing the number of positions, though potential cost savings by reducing positions is certainly one desired outcome. We believe the issues identified by staff are substantive and should be addressed in order for the PIO function to become more strategic. We are doubtful that policy adjustments alone to change a "dotted-line" relationship will make the existing function more strategic.

RECOMMENDATION: That the County Executive conduct a more robust review of the PIO function with the goal of providing a structure which allows a comprehensive communication plan to be developed and implemented. One goal of the communication plan should be to develop strategies to better manage citizen expectations with regards to the County's budget. If a more robust review is not conducted, we recommend that the PIO function be re-evaluated after the proposed policy changes have been implemented to see if the intended results have been realized.

Pros/Cons:

Pro**:** More effective and efficient PIO function with the ability to be more strategic. Potential for cost savings through consolidation – though, these savings would likely be minimal.

Con: Dealing with the perception that the County Executive's recently completed review was not "done right" the first time.

Department of Recreation and Community Services

ISSUE: Consolidation with Department of Systems Management for Human Services into what will be known as Department of Neighborhood and Community Services.

DISCUSSION: What once was the Department of Recreation has changed dramatically over the years to include teen and senior services, extension and continuing education as well as FASTRAN. Athletic Services are just one of the services the agency provides and its scope has diminished over the years. It now is a Health and Human Services agency.

As such, the consolidation of Community and Recreation with Systems Management for Human Services makes sense. The savings put forth in them , under the auspices of the County Executive's office, had been going on for several months and were in the final stage.

The proposed savings, as itemized in the County Executive's proposed FY2011 budget released Feb. 23, total $1,241,652, of which $921,915 is realized by the elimination of 10 positions. In addition, the Senior Plus program will be cut $237,192 and funding for policing unauthorized use of park and school fields will be cut $72,545. The justification for the elimination of the 10 positions reports that the impact will be manageable because of significant efficiencies gained though restructuring, cross training of existing staff and streamlining of existing operations.

RECOMMENDATION: Endorse the consolidation of the two agencies into one with the proviso that The Athletic Council, which is appointed by the Board of Supervisors, be afforded sufficient staff resources in order to function as an independent representative and coordinator of activities of organized athletic groups for the Board and other County agencies. No new staff resources should be needed to fulfill this recommendation.

Pros/Cons: The consolidation will realize the goal of cost savings. What effect those savings will have on affected clients of the agency needs to be monitored. Support for volunteer community athletic groups continues to be reduced. It should be noted that the 2011 proposed budget also calls for a $266,365 reduction for park field maintenance, $160,000 for seeding and aeration at all park fields and an $115,000 decrease to eliminate aeration and seeding at ALL 55 high school diamond fields.

Volunteer community groups will have to assume this responsibility or the fields ultimately will be not be useable. A number of activities benefiting athletic groups have been transferred to the Park Authority in recent years and then diminished by budget cuts.

Expenses for FASTRAN continue to be an area of concern even though the record appears to show a steady decrease in costs over the past few years. I continue to see large vehicles transporting one person and am not convinced there isn't a cheaper way to serve those truly in need.

It should be noted that some fees for will increase, including those for admission to senior centers and Senior Plus.