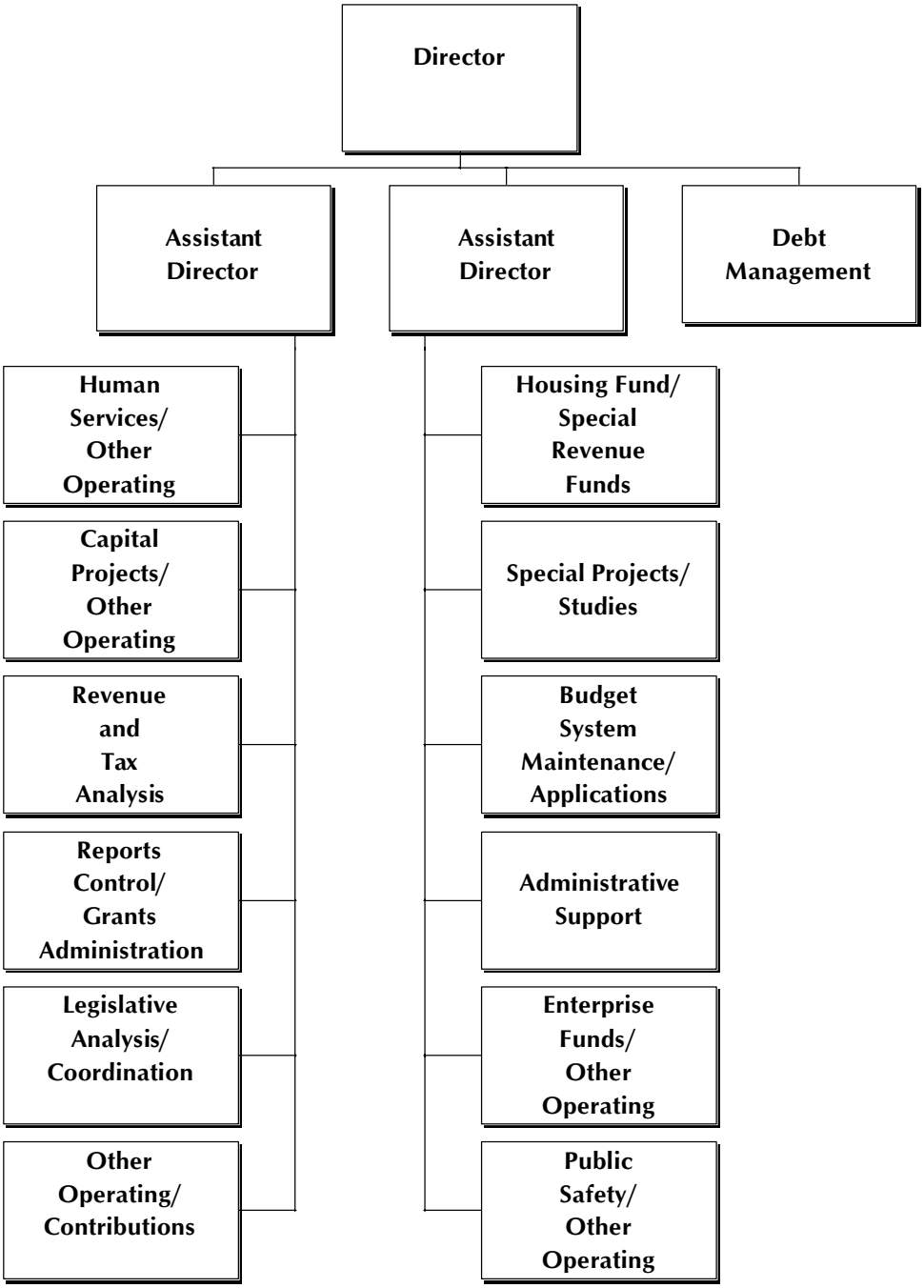
Department of Management and Budget



Department of Management and Budget

Mission

To provide financial and analytical consultant services; develop, implement and monitor a financial plan; and produce information for Fairfax County agencies, the Board of Supervisors, the County Executive and citizens in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making.

Focus

The Department of Management and Budget (DMB) is chiefly responsible for coordination of the County's annual budget process, which includes the financial forecast, development of budget guidelines, review of agency requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors and preparation of the Adopted Budget Plan, which exceeds $5 billion for all funds, including over $3 billion for General Fund Disbursements.

However, the role of the agency extends considerably beyond budget preparation. In addition, DMB oversees the sale of bonds to fund the majority of the County's capital program, including school construction. Staff coordinates special financings in order for the County to take advantage of opportunities to provide critical facilities in a timely, cost-effective manner. Providing fiscal impact analysis for proposed legislation and coordinating requests for federal legislation are other important functions that this agency addresses.

DMB also coordinates the County's performance measurement program and other managing for results activities. This includes overseeing the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 14 service areas are benchmarked annually and comparisons of efficiency and effectiveness are included in the annual budget document. In October 2007, Fairfax County was awarded ICMA's Certificate of Distinction, their highest level of recognition. Only 24 out of more than 200 jurisdictions participating in ICMA's Center for Performance Measurement initiative earned the prestigious 2007 Certificate of Distinction in 2007. In addition, Fairfax County was one of only 21 jurisdictions in the United States and Canada that received the Government Finance Officers Association (GFOA) "Special Performance Measures Recognition" in 2007.

THINKING STRATEGICALLY

Strategic issues for the department include:

- Enhancing service to both internal and external customers, taking into account changing demographics and technology improvements;
- Promoting effective communication both within and outside of County government;
- Developing collaborative relationships to improve performance;
- Providing consultation in areas of DMB expertise;
- Leveraging technology to improve operations as well as support customers;
- Continuing to evaluate and streamline processes; and
- Supporting efforts to attract and retain talented individuals to meet future workforce needs of a high performance organization.

Based on direction from the Board of Supervisors, DMB took steps to develop an even more robust mandates program in order to collect and share information regarding the impact of federal and state mandates on Fairfax County's budget. The trend continues to be one of increasing directives

from the federal and state governments, with no corresponding increase in revenue to support those mandates. For FY 2007, the total program expenditure level impacted by federal and state mandates is $1,268 million, with offsetting revenue of $553 million, for a net cost to the County of $715 million.

DMB continues to partner successfully with the Department of Human Resources and all agencies to integrate workforce planning into County business operations in order to ensure that appropriate staffing resources are available to achieve strategic goals and objectives. This proactive focus enables the County to anticipate needs and collaborate on the most cost-effective means of meeting those needs. To further support future workforce needs, DMB will coordinate a countywide college internship program to attract talented students and provide training and development opportunities that will both encourage and position these individuals to pursue a career with Fairfax County. Trends indicate that the County will face a significant loss of staff over the coming years as "baby boomers" retire, so it is necessary to take steps now to increase the pool of dedicated professionals who view a career with Fairfax County as a desirable alternative to other options such as the private sector.

As a growing and increasingly diverse community, Fairfax County faces significant budget challenges regarding increasing demands for services, as well as how to fund them. The County's population exceeds that of seven states, while its budget is larger than four states. In addition to requirements associated with population growth, Fairfax County's budget has been impacted by external factors such as restrictions on revenue diversification that severely limit the County's flexibility in addressing budget requirements and also continue to place a disproportionate burden on property owners, particularly residential taxpayers. In addition, the County faces the dual challenges of maintaining an aging infrastructure, while addressing the needs of a growing population that requires additional facilities.

As a result of budget reductions in the past decade, DMB's authorized staffing level has been reduced by over 17 percent since FY 1996, presenting additional challenges to formulate the budget given the increasingly complex fiscal environment. To meet those challenges, DMB has leveraged technology extensively, redesigned and streamlined the budget process, and has also focused resources on expanding public access to essential information in order to afford residents a better understanding of their County government, as well as the services it offers and the role they can play in the budget process.

Budget and Staff Resources

Agency Summary

Category	FY 2007 Actual	FY 2008 Adopted Budget Plan
Authorized Positions/Staff Years		
Regular	38/ 38	38/ 38
Expenditures:		
Personnel Services	$2,450,380	$2,869,876
Operating Expenses	434,843	319,622
Capital Equipment	0	0
Total Expenditures	**$2,885,223**	**$3,189,498**

SUMMARY OF ALL AGENCY LOBS
(FY 2008 Adopted Budget Data)

Number	LOB Title	Net LOB Cost	Number of Positions	LOB SYE
20-01	Fiscal Planning, Monitoring and Analysis	$2,332,562	29	29.0
20-02	Economic, Legislative and Management Analysis	$856,936	9	9.0
TOTAL		**$3,189,498**	**38**	**38.0**

LOBS SUMMARY

20-01: Fiscal Planning, Monitoring and Analysis

Fund/Agency: 001/20	Department of Management and Budget
LOB #: 20-01	**Fiscal Planning, Monitoring and Analysis**
Personnel Services	$2,088,640
Operating Expenses	$243,922
Recovered Costs	$0
Capital Equipment	$0
Total LOB Cost:	$2,332,562
Federal Revenue	$0
State Revenue	$0
User Fee Revenue	$0
Other Revenue	$0
Total Revenue:	$0
Net LOB Cost:	$2,332,562
Positions/SYE involved in the delivery of this LOB	29 / 29.0

▶ LOB Summary

The Department of Management and Budget (DMB) is responsible for the administration of fiscal policy and coordination of the County's annual budget process, which includes development of budget guidelines, review of agency requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors (including Add-On and reduction packages), and preparation of the Adopted Budget Plan.

For 22 consecutive years, DMB has earned the *Distinguished Budget Presentation Award* from the Government Finance Officers Association (GFOA) award, which represents the highest form of recognition by GFOA for governmental budgeting.

The Department of Management and Budget (DMB) continues to achieve considerable accuracy in forecasting expenditures. The FY 2007 actual variance for expenditures was only slightly off at 2.1

percent. This indicates very accurate fiscal forecasting and careful budget management to achieve savings.

Annually, DMB reviews over 200 agency budget requests and prepares estimates for over 300 tax and revenue categories. DMB is responsible for the County-wide budget review at Third Quarter to ensure conformance with spending limits and revenue estimates. DMB also conducts a budgetary review at the close of each fiscal year to carry appropriations into the next fiscal year in support of continuing financial obligations (Carryover Review). Throughout the year, DMB staff monitor agency budgets and review expenditure and revenue levels. DMB coordinates with agencies if trends indicate any potential overexpenditures or revenue shortfalls so corrective action can be taken early. DMB also provides day-to-day oversight for requisitions for major capital equipment purchases and adjustments to positions, and reviews approximately 200 Board items with a fiscal impact each year.

Another fiscal planning responsibility of the Department of Management and Budget is to administer Fund 002, Revenue Stabilization. The Board of Supervisors established the Revenue Stabilization Fund (RSF) as part of the *FY 1999 Carryover Review*. The purpose of this fund is to provide a mechanism for maintaining a balanced budget without resorting to tax increases and expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy. The RSF has a fully funded target balance of 3.0 percent of General Fund disbursements. This fund is separate and distinct from the 2.0 percent Managed Reserve, which was established in FY 1983. It should be noted that as a result of Board of Supervisors' approved general fund transfers along with projected interest earnings the fund achieved fully funded status in FY 2006 by reaching its target level of 3.0 percent of General Fund disbursements. Based on the projected earnings on the balance in the fund and depending on the average yield for the portfolio, it is anticipated that the fund will remain fully funded by retaining its interest earnings. DMB's responsibility is to monitor the balances in the fund and projected interest earnings to insure that the fund remains its fully funded status. If adjustments to disbursements result in a target level which exceeds the amount of interest projected to be earned by the fund, a general fund transfer to this fund would be required to maintain the 3.0 percent of disbursements fully funded target level. Conversely, if the amount of interest projected to be earned by the fund exceeds the amount required to maintain fully funded status, Fund 001, General Fund, will retain the additional interest earnings.

DMB maintains the County's budgeted position count, projects personnel costs for all agencies, including projections associated with pay for performance, merit increments for public safety and other compensation related adjustments along with analyzing the fiscal impact of benefit and retirement changes, and other cross-County issues.

In addition, DMB provides oversight of County contributions to various nonsectarian, nonprofit, or quasi-governmental organizations whose mission is to improve the general health and welfare of the community. Funding of these contributory agencies is contingent upon submission and review of quarterly financial reports.

DMB continues to undertake efforts to streamline operations by ensuring that technology is fully leveraged and that budget-related procedures add value to the process both in terms of quality and type of data presented to the public and the Board of Supervisors and in order to address the needs of a growing population without adding staff and to provide more time for value-added analysis. For example, the annual budget (Volumes I and II as well as the Overview) is available on CD-ROM, to reduce printing and mailing costs, and on the County's Internet site to enable the public to search

for information more efficiently. As DMB has increased the amount and type of information available to the public, including quarterly budget reviews as well as the annual budget, citizens are accessing this information more frequently. DMB staff will continue to identify and implement enhancements both to published documents and information presented on DMB's Internet homepage in order to improve public access, and on its Infoweb/intranet sites to improve efficiency and enhance communication between agencies.

The challenge for DMB for the coming fiscal years will be to develop a balanced budget that meets community, infrastructure, and organizational needs during times of continued population growth, increasing economic uncertainty and slowing revenues.

In addition, DMB oversees the coordination and development of the County's Capital Improvement Program (CIP).

DMB also develops the County's Official Bond Offering Statements, coordinating all bond sales and conducting analyses of the County's bonding capacity and capital construction cashflow requirements. Financial analysis is provided for evaluating special financing arrangements, such as public private partnerships, land preservation acquisitions, and various sewer, park and County bond refundings. In FY 2007, DMB coordinated one General Obligation bond sale with a total value of $234.60 million and achieved savings of $9.42 million compared to the Bond Buyer municipal index. Through its strong debt management practices and adherence to the County's established financial policies, DMB has played in a key role in maintaining the County's Triple A rating from all three bond rating agencies (Standard and Poors, Moody's, and Fitch Investors Service) which has resulted in the bond sale savings noted above and more than $350 million since 1978.

► Method of Service Provision

The fiscal planning, monitoring and analysis function is provided directly by County employees. Normal hours of operation are 8:00 a.m. to 4:30 p.m. Monday through Friday. Staff also provides after-hours support for County agencies, boards, authorities and commissions in the evenings and on weekends when needed.

► Mandate Information

This LOB is state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 51-75 percent. See the January 2007 Mandate Study, reference page 6 for the specific state code and a brief description.

20-02: Economic, Legislative and Management Analysis

Fund/Agency: 001/20	Department of Management and Budget
LOB #: 20-02	**Economic, Legislative and Management Analysis**
Personnel Services	$781,236
Operating Expenses	$75,700
Recovered Costs	$0
Capital Equipment	$0
Total LOB Cost:	$856,936
Federal Revenue	$0
State Revenue	$0
User Fee Revenue	$0
Other Revenue	$0
Total Revenue:	$0
Net LOB Cost:	$856,936
Positions/SYE involved in the delivery of this LOB	9 / 9.0

▶ LOB Summary

In addition to the budgetary and fiscal policy responsibilities of the Department of Management and Budget, the agency conducts ongoing analysis functions in three key operational areas: revenue forecasting, legislative fiscal impact analysis, and management analyses, which includes the performance measurement/managing for results initiative, technical support for pay for performance, and specialized management analysis services for the County Executive and Board of Supervisors. Studies and reports are prepared to facilitate ongoing strategic planning, evaluation, and decision-making Countywide. A study of user fees Countywide is underway in FY 2008.

DMB staff monitors and forecasts over 300 tax and revenue categories using various statistical methods; tracks and analyzes trends in local and national economic data; produces two key monthly economic reports: the "Fairfax County Economic Index" newsletter, prepared in partnership with George Mason University, and the "Economic Indicators Bulletin" which is published in-house; and conducts economic, statistical and quantitative analyses. DMB also conducts monthly review and modeling of major revenue categories (over 90 percent of the total) and quarterly analysis of minor revenue categories.

The Department of Management and Budget (DMB) continues to achieve considerable accuracy in forecasting revenues. The FY 2007 target variance of 2 percent or less was achieved for revenues at 0.4 percent. This indicates very accurate fiscal forecasting and careful budget management.

DMB determines the fiscal impact of legislative initiatives before the Virginia General Assembly, as well as proposals brought forward by commissions and other bodies associated with the Virginia legislature. In addition, analysis of federal legislation is conducted whenever a bill is introduced that will have a fiscal impact on Fairfax County. During the 2007 General Assembly session, staff reviewed over 300 House and Senate bills referred to DMB.

Working with the Department of Human Resources (DHR), DMB provides technical support for pay for performance, monitoring expenditures by agency, projecting fiscal impacts of trends in and

modifications to the program, and serving a key role on the Compensation Steering Committee. In addition, DMB works with DHR to provide management analysis support to agencies to integrate workforce planning into County business operations in order to ensure that appropriate staffing resources are available to achieve strategic goals and objectives. This proactive focus enables the County to anticipate needs and collaborate on the most cost-effective means of meeting those needs. Trends indicate that the County will face a significant loss of staff over the coming years as "baby boomers" retire, so it is necessary to take steps now to increase the pool of dedicated professionals who view a career with Fairfax County as a desirable alternative to other options such as the private sector.

Another key function of this program area is Reports Control, which includes data collection, compilation and document preparation tasks associated with monitoring the adopted and revised budget plans, quality control and data integrity of the appropriations and budget information contained in FAMIS, the County's online computer system for accounting.

Throughout each year, the Department of Management and Budget also responds to numerous requests for information from citizens, civic associations, commissions, bond rating agencies, other jurisdictions, the Commonwealth of Virginia, Federal Government, and all County agencies. DMB responds to requests for information and performs analyses for members of the Board of Supervisors and County senior management. Agency staff also conducts presentations and briefings for interested groups. The agency fully supports public hearings by making staff available at all times to assist the Board of Supervisors with information needs.

In addition, based on direction from the Board of Supervisors, DMB took steps to develop an even more robust mandates program in order to collect and share information regarding the impact of federal and state mandates on Fairfax County's budget. The trend continues to be one of increasing directives from the federal and state governments, with no corresponding increase in revenue to support those mandates. For FY 2007, the total program expenditure level impacted by federal and state mandates is $1,268 million, with offsetting revenue of $553 million, for a net cost to the County of $715 million.

Finally, DMB is responsible for coordinating the County's performance measurement program, the County's comprehensive performance measurement program which links performance (results) to resources (the budget), and other managing for results activities. This includes overseeing the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 14 service areas are benchmarked annually and comparisons of efficiency and effectiveness are included in the annual budget document. In October 2007, Fairfax County was awarded ICMA's Certificate of Distinction, their highest level of recognition. Only 24 out of more than 200 jurisdictions participating in ICMA's Center for Performance Measurement initiative earned the prestigious 2007 Certificate of Distinction in 2007. In addition, Fairfax County was one of only 21 jurisdictions in the United States and Canada that received the Government Finance Officers Association (GFOA) "Special Performance Measures Recognition" in 2007.

DMB has gained recognition on the local, national and international level as a leader in the areas of performance measurement, and budget policy and development. Government officials from across the nation and around the world (including China, Russia, Japan, Korea, etc.) have come to Fairfax County to learn about the County's innovative approaches to performance measurement and

budgeting. An interagency team coordinated by the Department of Management and Budget has provided support for this effort since 1997. In addition, DMB provides annual training for County staff in four core areas including Basic Performance Measurement, Data Collection, Surveying for Customer Satisfaction, and Managing for Results.

▶ Method of Service Provision

Services are provided directly by County employees. Normal hours of operation are 8:00 a.m. to 4:30 p.m. Monday through Friday. Staff also provides after-hours support for County agencies, boards, authorities and commissions in the evening and on weekends when needed.

▶ Mandate Information

This LOB is state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 26-50 percent. See the January 2007 Mandate Study, reference page 6 for the specific state code and a brief description.

AGENCY PERFORMANCE MEASURES

Objectives

- To maintain a variance of 2.0 percent or less between estimated and actual General Fund revenues and expenditures.

- To achieve an interest rate of no greater than 5.00 percent on General Obligation bond sales, comparing favorably to other jurisdictions' sales.

Indicator	Prior Year Actuals FY 2006 Actual	Prior Year Actuals FY 2007 Estimate/Actual	Current Estimate FY 2008	Future Estimate FY 2009	LOB Reference Number
Output:					
Dollar value of budgets reviewed (in billions)	$5.05	$5.25 / $5.42	$5.77	$5.77	20-01, 20-02
Special financings conducted	1	3 / 3	3	3	20-01
Dollar value of special financings conducted (in millions)	$40.60	NA / $90.40	NA	NA	20-01
General Obligation bond sales or refinances conducted (1)	1	2 / 1	2	1	20-01
Dollar value of General Obligation bond sales (in millions)	$190.34	$239.54 / $234.60	$250.00	NA	20-01
Dollar value of General Obligation refundings (in millions)	$353.24	NA / NA	NA	NA	20-01
Bond referenda	1	2 / 2	2	2	20-01
Active project negotiations for special financing	37	34 / 35	41	39	20-01

Department of Management and Budget

Indicator	Prior Year Actuals FY 2006 Actual	Prior Year Actuals FY 2007 Estimate/Actual	Current Estimate FY 2008	Future Estimate FY 2009	LOB Reference Number
Efficiency:					
Budget Analysts per 1,000 population	1:44	1:44 / 1:42	1:45	1:45	20-01, 20-02
Cost per $1,000 bonds issued	$2.07	NA / $3.04	NA	NA	20-01
Service Quality:					
GFOA Distinguished Budget Presentation Award	Yes	Yes / Yes	Yes	Yes	20-01, 20-02
Bond Ratings of AAA/Aaa/AAA (2)	Yes	Yes / Yes	Yes	Yes	20-01
Outcome:					
Percent variance in actual and projected revenues	1.1%	2.0% / 0.4%	2.0%	2.0%	20-01, 20-02
Percent variance in actual and projected expenditures	2.3%	2.0% / 2.1%	2.0%	2.0%	20-01, 20-02
Interest rate for bond sale	3.88%	5.00% / 4.12%	4.50%	4.50%	20-01
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	$8.96	NA / $9.42	NA	NA	20-01
Savings associated with refundings (in millions)	$11.86	NA / NA	NA	NA	20-01

(1) For bond sale interest rate and savings, note that in some fiscal years, multiple bond sales were held, while in others, only one was held. The dollar value and interest rate for special financings and refundings cannot be projected as they do not take place unless the prevailing interest rates indicate it is favorable to undertake them. Therefore, while no projections are made for this category, actual results are reported.

(2) Fairfax County's Bond Ratings are determined by Moody's, Standard & Poors, and Fitch Investors Service and represent the highest ratings that can be awarded for general obligation bonds. Ratings for special financings are lower based on credit issues unique to each financing, but benefit from the County's underlying general obligation bond rating.