

Dranesville Budget Task Force
FY 2013

Introduction

While it appears there may be light at the end of the long, dark, economic tunnel the County—indeed, the nation—has been in, the County’s FY 2013 budget nevertheless still presents significant challenges. Our Task Force has now been through this process four times; every year, our focus has been a bit different. This year, when Supervisor Foust asked us to convene again in what appears to be—hopefully—an improving economic environment, we decided to focus less on specific budget issues than on broader, longer-term policy questions, in the hope that in learning from the difficulties of the last four years County professional and political leadership can take steps to avoid, or at least soften, the blow for the next time, and make lasting changes that will serve County citizens well in the future. Our bottom line, though, has never changed: The quality of life in Fairfax County is a treasure which must be preserved and strengthened, in good times and bad.

The Task Force

Our membership again remained relatively constant, with some new faces we have welcomed and some former colleagues we have missed. Comprised solely of Dranesville residents, we are a diverse group in every sense of that word, bringing a wide array of experience and talent to the table. Our goal has always been consensus—working hard to mine those core common principles upon which we can all agree regardless of position, perspective, or party. The goal has always been to come together to give Supervisor Foust and his colleagues on the Board the consensus view of a broad cross-section of Dranesvillians as to how to best manage the sometimes difficult balance between maintaining our quality of life in Fairfax and grappling with challenging budget choices.

Principles

The Task Force began its work this year with a review of the principles it has applied over the last three years, and determined that -- with some minor modifications -- they continue to be the principles by which the Task Force believes the County's political and professional decision makers should view the budget choices facing the County. Those principles include:

1. No aspect of the County budget should be off-limits to budget-cutting.
2. In allocating scarce dollars, County government should prioritize its core

functions as:

- First, public protection (police/law enforcement, fire, etc.);
- Second, education; and
- Third, human services.

All consistent, however, with Principle One.

The Task Force continues to recognize how difficult it is to prioritize those crucial functions in the context of increasingly scarce resources, when each function is so vital to the continuation of what makes Fairfax County the place that it is, and each function is intertwined with and dependent upon the other.

3. While the Task Force recognizes the FCPS as perhaps the crown jewel of our community and a major element in our County's economic and cultural ascent over the past several decades, as the recipient of such a large share of the County's expenditures FCPS should be a major participant in any budget cuts which will have to be imposed, and should show greater restraint in its future funding requests. This is also consistent with Principle One.

4. The Task Force, like all Virginians, is alarmed by our continuing and growing transportation problems, due in large measure to the state government's abdication of its

responsibilities on the issue. We urge County leadership to remain focused and redouble its effort on working with state legislative and executive leadership to finally, and sustainably, address the problem. It is difficult to identify an issue with a larger long-term impact on the future economic prosperity of our County and state.

Similarly, the redevelopment of Tyson's Corner must be a major focus of County human and capital investment.

5. County professional and political management should seek to diversify revenue sources, leveraging private and non-County government resources to bridge gaps or enhance priority initiatives affected by budget cuts. Pursuit of grants and corporate partnerships should consider impacts on school, nonprofit, and community funding partnerships, with a goal of increasing resources without destabilizing funding in other sectors.

6. County leadership must look for every reasonable opportunity to raise fees for County-provided services. In line with Principle Two, fees for programs that address citizens' health or general welfare should be tied to a sliding scale based on income.

7. New programs and areas of recent growth ought to be a focus of decision makers, and have been a focus of the Task Force. Under these economic circumstances, it may well be that programs the County once did without, or once funded at lower levels, are programs that we can do without or fund at lower levels again. The last several years have provided an opportunity for the County to exercise fiscal restraint for the long-term, and an opportunity to make tough decisions now that it might not otherwise make.

8. It is apparent that reducing or eliminating fraud, abuse, and redundancy will not solve our problem, although the effort to identify and address those issues should continue to be of paramount importance.

9. Outsourcing should be encouraged where it will result in significant savings, but, in some instances, insourcing -- that is, taking functions back into the government -- may also be fruitful. The Task Force observes that an enormous sum of money—over \$622 million annually—is spent on outsourced work, which makes that area a potentially fertile ground for savings. Recent examples of savings due to renegotiated supply contracts are encouraging, and other attempts to leverage lower outsourcing costs should be encouraged. The large amount of money spent on outside consultants is another area which could present potential for savings.

10. Balancing the budget must involve both increasing revenues and decreasing expenses.

Recommendations

The County Executive's Released Budget

The Task Force sees much to applaud in the County Executive's announced budget, including:

- The level property tax rate.
- The restraint in responding to the School Board's aggressive transfer request.
- The increase in SACC fees (something this Task Force has consistently supported), so long as increases are focused on those in a financial position to pay those increases, and continue to make allowance for lower fees for those who cannot.
- The apparent modest increase in the Community Funding Pool, although our approval comes with two caveats:

- (1) We wish it could be more, and urge continued vigilance by the County to find funding to address the needs of the least fortunate among us; and
- (2) There is concern that the apparent increase may in fact be offset—or even more than offset—by cuts either in state or federal dollars or cuts elsewhere in the County budget. Our concern is that after three years of cuts in human services dollars and services, the focus should begin to shift to actually restoring, and then increasing, the levels of funding and services to and beyond pre-recession levels. The need clearly well exceeds pre-recession levels.
 - Diversification of revenues. The Task Force continues to support putting a meals tax to a ballot referendum as soon as possible.

The Task Force again applauds (as it did last year) the County Executive's directive to County agencies to propose ways to cut 1% (an actual cut, not a cut in growth rate) from each agency's budget. That said, the Task Force remains convinced that the County's approach to budget cutting should not be "across the board." That is to say, there may be some areas of the budget that cannot be prudently cut by even 1% (the library budget comes to mind), while other areas may be susceptible to larger cuts or consolidation or even elimination.

The Task Force also notes the efforts of the County Executive to try to achieve savings with consolidations and mergers of various agencies and programs, although the recent progress in that area has been, at best, modest. We urge continued effort in this regard.

We are concerned that the County Executive has proposed additional cuts in the library system. Early in this crisis, this Task Force recognized that, unfortunately, library cuts were necessary. But consistent with our FY 2012 report, the Task Force believes that the library system has absorbed more than its share of cuts since the beginning of the recession. Further cuts are too deep. Libraries fill an important community gap beyond educational and cultural enrichment, as a place for community engagement and providing safe gathering spaces for community members.

We have no doubt that some cuts *not* proposed deserve a second look. For instance, the Task Force has recommended in the past that the School Resource Officers program could be a source of savings with a more effectively focused program.

We also have a deep concern with a shortage in housing funding and urge County political and professional leadership to work harder to find funds to fully support the Housing Blueprint. The Blueprint outlines the housing-related needs to end homelessness in 10 years; to create housing opportunities for people with special needs; to reduce housing waitlists by half; and to address the need for new workforce housing units. The 2011 Snapshot Report on the Ten Year Plan to Prevent and End Homelessness indicates our collective efforts are working – first-time homelessness was reduced by 16 percent compared to 2010 -- and the number of vulnerable households securing permanent affordable housing increased by 48 percent. There are still gaps, however, and the proposed FY 2013 budget falls short in allocating adequate funds to meet the Blueprint's FY 2013 goals. Cuts to federal programs like HOME and CDBG that help the County's nonprofit partners finance additional housing units further erode our ability to address these unmet housing needs.

We regard the recent joint retreat between the Board of Supervisors and the School Board as a tentative first step, and urge continued, sustained effort directed at increasing cooperation and coordination between the two Boards. We suggest a goal of multiple joint meetings every year, so that the Boards can maximize opportunities year-round for collaboration on a wide range of concerns, including budget issues.

By the way, the Smart Savings Task Force, which to date has resulted in some modest successes, should remain an area of focus. No success in finding joint savings is too small.

We note, also, that consistently in years past – in large measure due to responsible and conservative budgeting – there has been a carryover of funds as the fiscal year has evolved. Should that occur again this year, we urge that such funds be used to address the many pressing needs in the human services area that the recent recession, and resultant budget cuts, have exacerbated.

Finally, we conclude that the County Executive's proposed compensation increase for County employees is reasonable. We had been concerned that the initial proposal of 3% was too high, but were equally convinced that a proposal of no raises, or a nominal raise of perhaps 1%, would be too low. The County Executive has struck a reasonable middle ground. We reiterate our point from last year, however, to the effect that the Board of Supervisors and School Board can and should find a way to act in a more coordinated fashion with regard to compensation adjustments for county and school employees.

Long-Term Planning—Retirement Issues

The Task Force commends the Board for engaging Aon Hewitt to undertake a comprehensive review of the County's three retirement systems, as well as the County's health coverage options for retirees. The final report, which was issued earlier this year, concluded that

in general terms the County's retirement policy is "very sound" and generally painted a positive picture of the retirement systems when compared to their public sector competitors.

The report, however, suggests a number of areas for improvement, as well as various steps that could result in a reduction in the County's overall costs of these systems. The Task Force believes that it is essential for the Board to act on Aon's suggestions as soon as possible. While some of the suggested improvements will not result in significant short-run savings, they will help reduce the cost of these County systems over time while keeping them competitive with neighboring public sector plans.

The Task Force concludes that there are a variety of important points made in the AON report—and we urge the Board of Supervisors to commit itself to making hard decisions with a view toward long-term cost savings. Our consensus is that the report contains several ideas worth serious consideration, and we urge the Board to keep the issue on the top of its priority list and to avoid any temptation to shelve the document as better times return.

The consensus of the Task Force is that aspects of the overall compensation packages for County employees need to be carefully reviewed. Clearly, the County needs to remain competitive with other governmental employers. The recent AON study credibly concludes that Fairfax at least remains competitive, and may even be more than competitive compared to some of its surrounding jurisdictions. The Task Force understands that the County cannot violate state law in establishing or adjusting its retirement programs. To the extent that there are changes that can be made in the shorter term that are both legal and fair to current County employees, they should be carefully considered. The "Rule of 80," however, is no longer appropriate, given lengthening life expectancies. It is simply not reasonable—and it is surely no longer affordable—for employees to expect to be highly compensated for more years in retirement than

for the number of years of their actual employment. The Task Force suggests moving immediately to a Rule of 85 for any new employee or an employee who is not yet vested.

While long-term planning is important, the Task Force believes that changes to the retirement system can and should be made with an eye toward positively impacting the County budget as soon as possible. With that in mind, the Task Force recommends that any changes considered should include benefits of current staff, as well as new hires. The Task Force suggests that current employees with five or more years of service be grandfathered out of any new standards, but that employees who have less than five years of service be included in prospective retirement changes.

The Task Force believes that no non-uniformed employee should expect to benefit from full retirement compensation until he or she reaches some minimum age.

The Task Force urges that the Deferred Retirement Option Program (DROP) be thoroughly evaluated as to its cost impact on the County and the incentives or disincentives that it provides related to the desired retention of senior county staff. The Task Force believes that, to the extent the program allows employees to game the system, it needs to be revised. At a minimum, the Task Force believes that the County should eliminate the pre-Social Security Supplement from the DROP accounts for the Employees' Retirement System and consider eliminating it for both the Police Officers Retirement System and the Uniformed Services Retirement System. The Task Force also believes that the County should conduct an in-depth review of the DROP program to determine its true cost and whether or not it is meeting its main objective -- providing an incentive for employees not to retire early and to stay on beyond the point they otherwise would have intended to retire. If not, the DROP program could be eliminated altogether without significant impact on the County's retirement systems.

The Task Force also suggests that the County look hard at the percentage increase in retirement pay year-to-year. There are alternative measurements—like “chained CPI,” for example—which may more accurately reflect cost of living adjustments and still adequately protect retirees.

Fairfax County Public Schools

The Task Force believes that FCPS needs to renew, promote, and maintain a culture of working to deliver a quality product more efficiently. We remain concerned that the school system is still top heavy, and that recent staff growth appears to be higher than may be necessary. We conclude that the FCPS efforts to trim non-classroom expenditures have been underwhelming. As for raises for school employees, as we made clear earlier in this report, the current proposals from the School Board are out of sync with those of the County Executive relating to County employees. The Task Force urges that County leadership work to coordinate those important compensation decisions.

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Dranesville Budget Task Force

Richard C. (Rip) Sullivan, Jr., Chairman
Steven Bloom
Sue Boucher
Wes Callender
Jim Edmondson
Al Rosier
Rick Sargent
Ted Smith
Jim Turner
John Ulfelder
Armand Weiss
Kerrie Wilson