

FY 2011 Budget Community Dialogue: County Budget Presentation



*Fairfax County,
Virginia
Fall 2009*



*"To protect and enrich the quality of life for the people,
neighborhoods, and diverse communities of Fairfax County."*

- Core Purpose of Fairfax County Government

The Ongoing Challenge

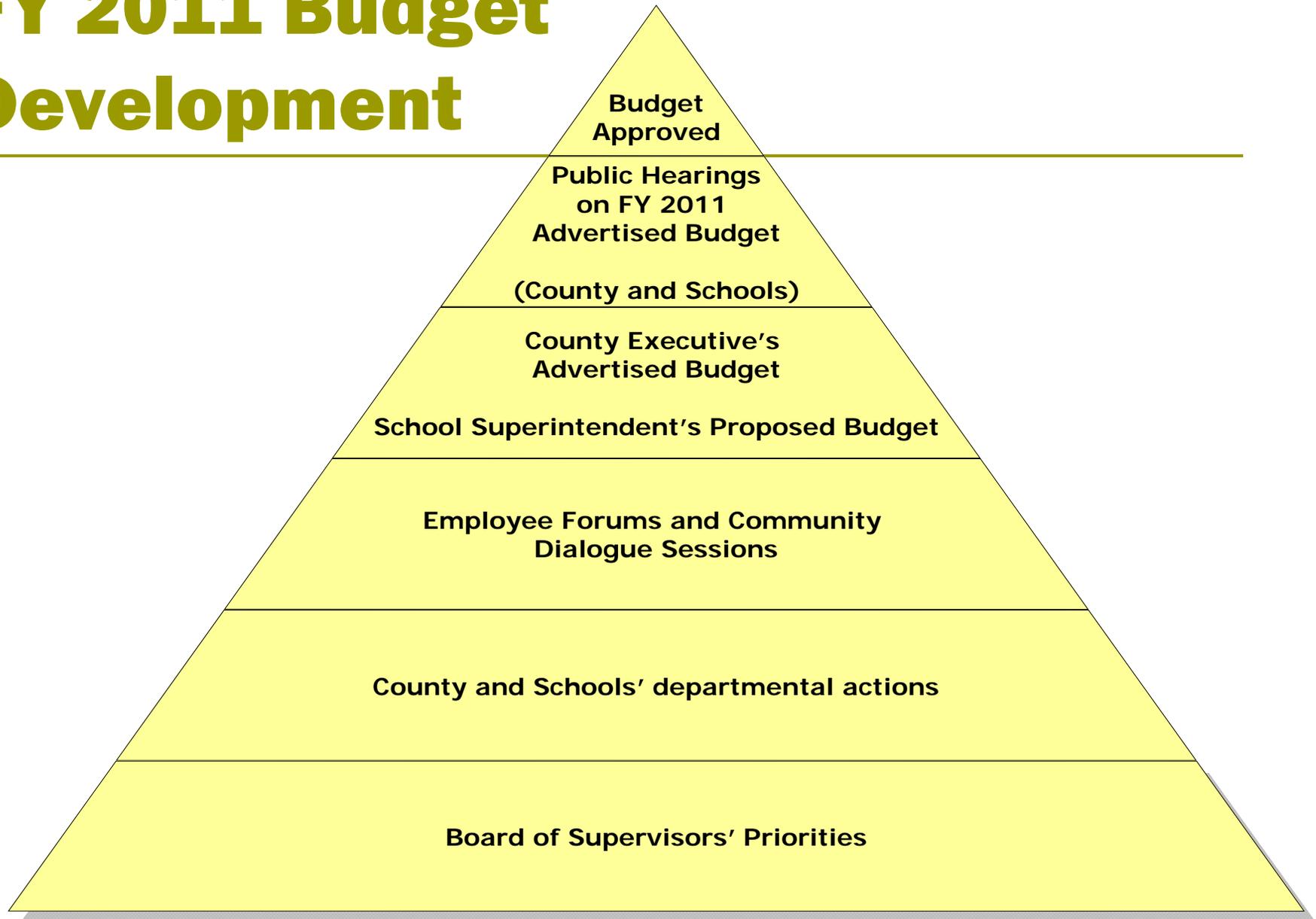
- **The Challenge:** Fairfax County is projecting a significant budget deficit for FY 2011 (beginning July 1, 2010). We are in the midst of a **multi-year, cyclical downturn** requiring that county and school decision-makers continue to make expenditure and revenue adjustments. Our ongoing challenge is to develop a budget with an appropriate level of services that are both **sustainable** and **acceptable** to the community.
- **The Response:** Fairfax County Government and Fairfax County Public Schools will use your **input as a key factor** to help guide the development of criteria for making budget decisions. By law, every municipality in the Commonwealth of Virginia must have a balanced budget. Ultimately, the County's elected officials will act upon proposed recommendations from the School Board and the County Executive to approve a balanced budget in late April 2010.

The Agenda

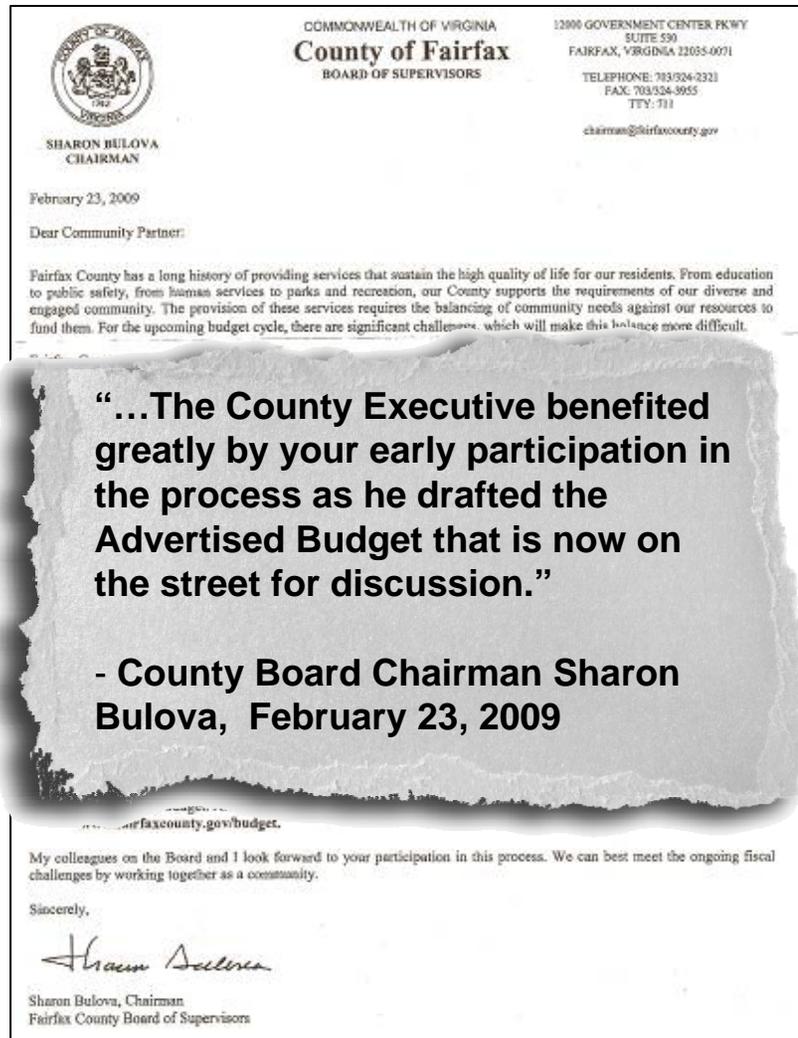
- **Introduction**
- **County Budget Presentation**
- **Schools' Budget Presentation**
- **Questions & Answers**
- **Small Group Sessions**
- **Report Out**
- **Wrap Up**



FY 2011 Budget Development



Benefits From Feedback to County and School Decision-Makers



The Outcome From the FY 2010 Community Dialogue Sessions



Fiscal Prudence in Fairfax

The Board of Supervisors comes together on a budget during tough times.

IT SEEMED unavoidable a few weeks ago that the Fairfax County Board of Supervisors would clash with the state's largest shortfall of the worst in the new city of Springfield) in a Republican seat. Yet from the shadow of a predecessor, the board proceeded to a district seat. Yet from the shadow of a predecessor, the board proceeded to a district seat. Yet from the shadow of a predecessor, the board proceeded to a district seat.

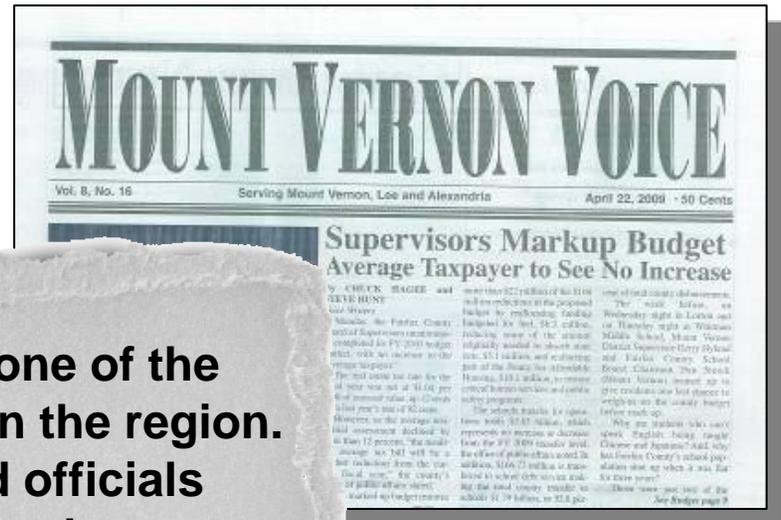
The county is viewing spending cuts and holding community feedback. The budget that closes 300 positions, eliminating pay raises. The property tax to \$1.05 per \$100. The cause of declining values most homeowners will pay about the same, or a little less, than they did last year.

A key pressure point was the county's rough-

“Fairfax has a reputation as one of the best-managed jurisdictions in the region. The way the county’s elected officials handled a challenging budget shows why.”

- The Washington Post, April 27, 2009

Fairfax has a reputation as one of the best-managed jurisdictions in the region. The way the county’s elected officials handled a challenging budget shows why.



Supervisors Markup Budget Average Taxpayer to See No Increase

By Chuck Hager and Steve Hunt
The Fairfax County Board of Supervisors on Monday approved a budget for fiscal year 2010 that will result in no increase in the average taxpayer's burden, according to a report released by the board. The budget, which is the first since the county's fiscal year 2009, includes a 1.5% increase in the property tax rate, but also includes a 1.5% increase in the state sales tax rate. The board also approved a 1.5% increase in the state sales tax rate. The board also approved a 1.5% increase in the state sales tax rate.

Small Group Discussions:

Outcome From The FY 2010 Community Dialogue Presentations

□ 20 Community Dialogue Sessions

- 718 members of the public attended the sessions
- 72 Small Group Discussions

Q3. What do you want County and School decision-makers to consider before making their final decision on the FY 2010 budget?

Top Responses
Protect vulnerable populations
Increase Real Estate tax rate to maintain taxes paid at current level
Increase Real Estate tax rate
Increase user fees
Don't allow across-the-board cuts without considering the impact in other areas
Increase parks fees
Support for Schools

7

Public and Employee Feedback from Web and Telephone Hotline

□ FY 2010 Feedback From The Public:

- 1,497 distinct comments via Web and Telephone:
 - 663 – County
 - 718 – Schools
 - 116 – Both

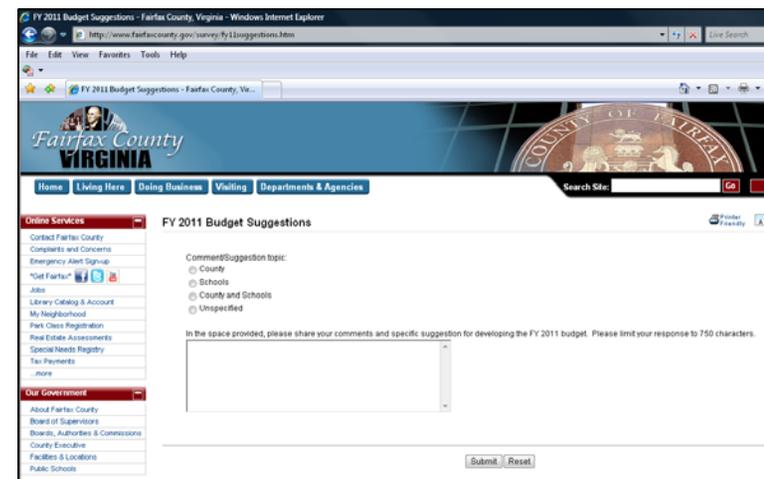
■ Top 5 County-Related Categories:

- Compensation
- Taxes
- Community and Recreation Services
- Expenditures
- Health

□ FY 2011 Community Dialogues process:

- To provide us with online comments or suggestions, go to:

- www.fairfaxcounty.gov/budget/survey/fy11suggestions.htm



The screenshot shows a web browser window displaying the 'FY 2011 Budget Suggestions' form on the Fairfax County website. The browser's address bar shows the URL: <http://www.fairfaxcounty.gov/survey/fy11suggestions.htm>. The page features the Fairfax County logo and a navigation menu with links for Home, Living Here, Doing Business, Visiting, and Departments & Agencies. A search bar is located in the top right corner. The main content area is titled 'FY 2011 Budget Suggestions' and includes a 'Comment/Suggestion topic:' section with radio button options for 'County', 'Schools', 'County and Schools', and 'Unspecified'. Below this is a large text input field with the instruction: 'In the space provided, please share your comments and specific suggestion for developing the FY 2011 budget. Please limit your response to 750 characters.' At the bottom right of the form are 'Submit' and 'Reset' buttons. A sidebar on the left contains 'Online Services' and 'Our Government' sections with various links.

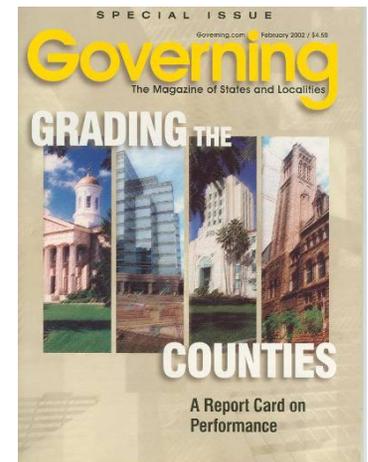
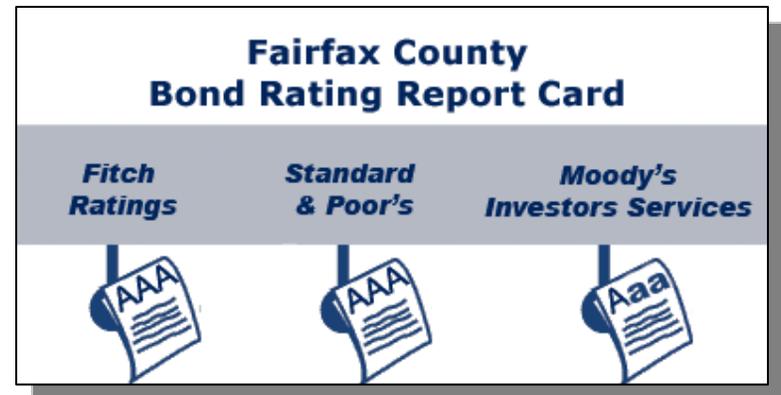
Summary of FY 2010 Actions to Balance the Budget

- ❑ Held County employee compensation at FY 2009 level
- ❑ Reduced funding in nearly every agency
 - Eliminated some programs/closed some facilities
 - Reduced service hours and level of service
 - Eliminated 306 positions
 - **Overall reduction of \$92 million or 3%**
- ❑ Kept County Transfer to the Schools at FY 2009 level
- ❑ Real Estate Tax Rate increase of \$0.12 from \$0.92 to \$1.04 per \$100 of assessed value
 - Average taxpayer **did not** see increase in their tax bill
- ❑ Implemented fee increases

Fairfax County: Excellent Bond Ratings and Management

- Fairfax County is just one of 23 counties in U.S. to get the highest-possible bond ratings from all three major rating organizations.
- “Fairfax County's 'AAA' rating reflects its strong, diverse economic base, with high wealth levels and low unemployment, **excellent financial planning and management**, and a low debt burden.... **The county's finances are well managed.**”

– *Fitch Rating Services*, January 2008



Efficiency and Effectiveness in the County Government

□ STRUCTURAL SUPPORTS

■ Audit Capabilities

- Annual external audit
- Auditor to the Board
- Internal Audit Agency
- Program audits/operational audits in agencies

■ Program Supports

- Nationally recognized Performance Measurement Program
- Pay for Performance Compensation Program
- Replacement schedules and reserves

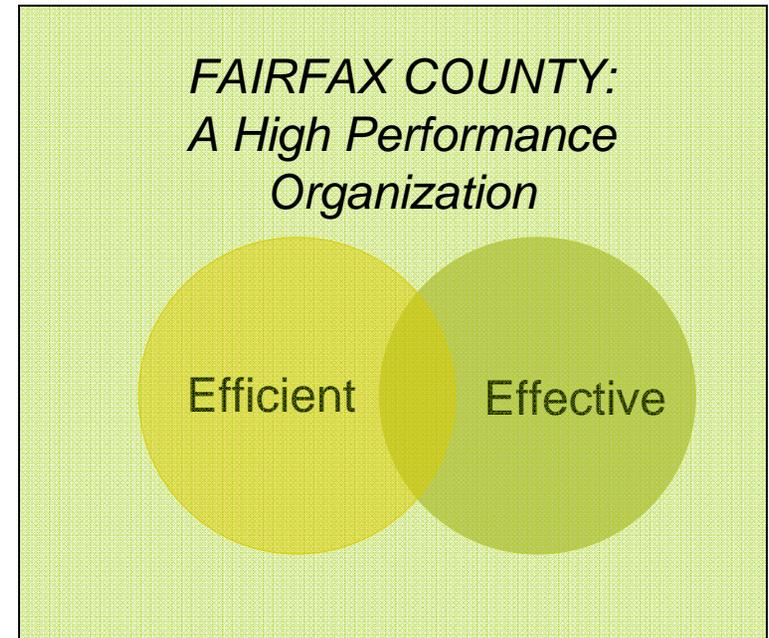
□ ONGOING WORK

■ Agency Reorganizations/Redesign/Reductions

- Further Reductions of 3% required in FY 2010 and FY 2011
- Smart Savings Task Force

■ In Progress Reviews

- Administrative Support functions
- Management/Supervisory Span of Control



Growth in the County Budget FY 2001-FY 2008

- **General Fund Disbursements**

 - Overall growth of \$1.17 billion or 54%

 - Average Annual Increase = 6%

- School Transfers = \$654 million or an increase of 61%

 - Schools growth is 56% of the total increase**

 - Average Annual Increase = 7%

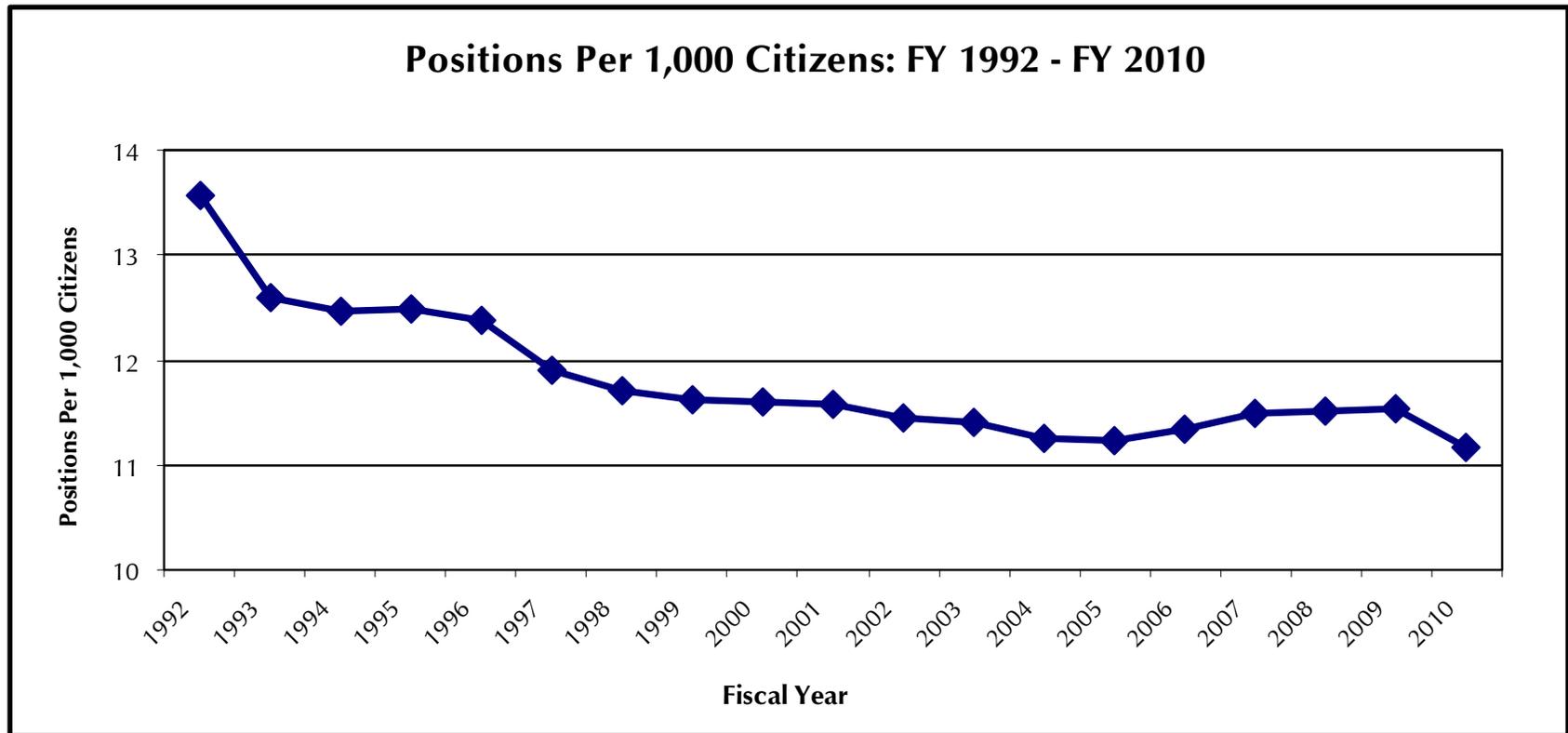
- County Disbursements = \$514 million, a 48% increase
County growth is 44% of the total increase

 - Average Annual Increase = 6%

 - Public Safety= 19% of increase

 - Human Services = 9% of increase

Summary of Position Changes FY 1992 – FY 2010



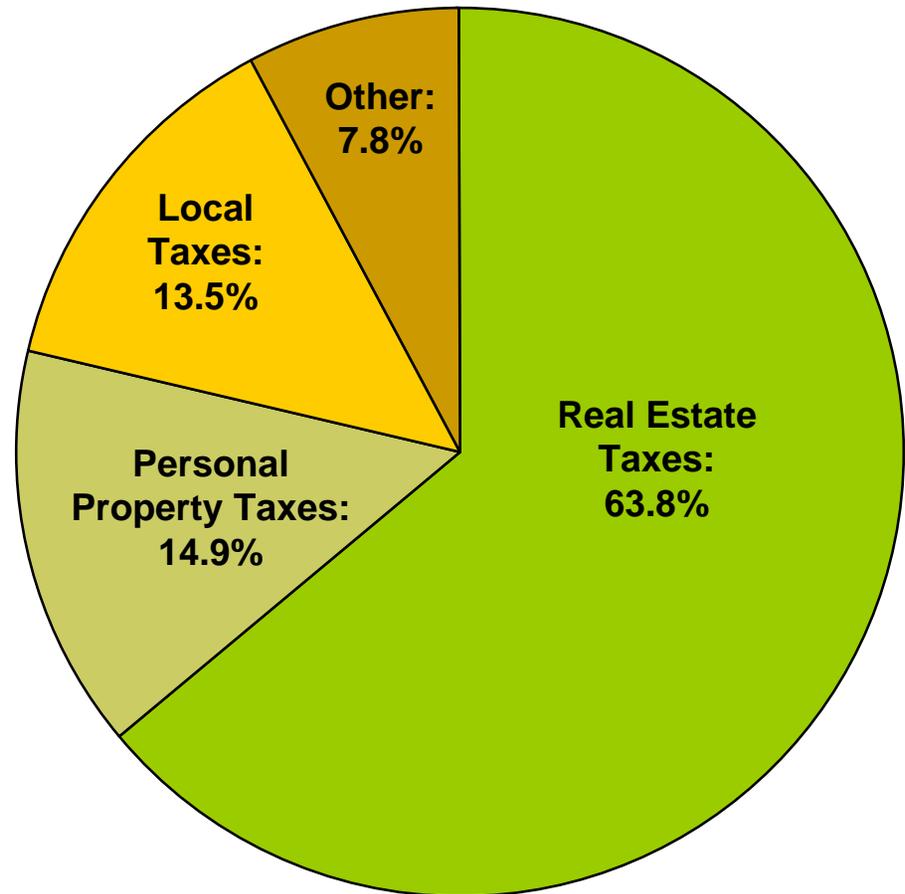
Snapshot of Fairfax County

County's Tax Structure

- Over-reliant on Real Estate Taxes, which make up nearly 64% of total General Fund revenue
- Nearly 75% of Real Estate Tax revenue comes from Residential property
- State limits/controls/caps nearly 90% of the County's non-real estate tax revenue
- State levies and collects all income taxes

Virginia is a Dillon Rule state

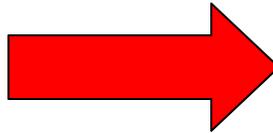
- Counties have only those powers expressly granted to them by the General Assembly
- Limits locality's flexibility to raise revenue and diversify tax base



*FY 2010 Adopted General Fund Receipts:
"Where It Comes From" Pie Chart*

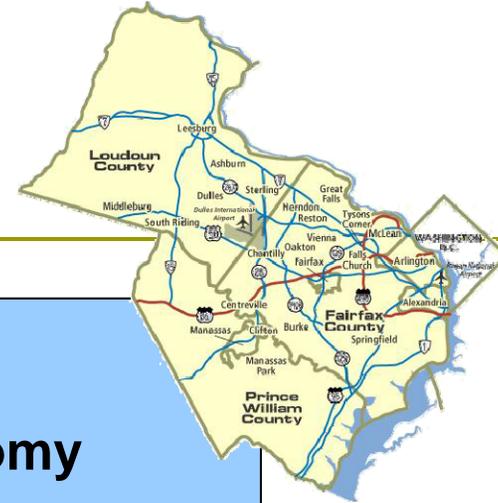
The Economic Picture: National and Local

National Economy



- Officially in recession since December 2007
- As of August 2009, a net of 6.9 million jobs lost since the beginning of the recession
- Unemployment rate of 9.7% as of August 2009
- Consumer Confidence hit record lows early in 2009 but has rebounded somewhat
- Over the 12 months ending July 2009, the Consumer Price Index has fallen 2.1%

Local Economy



- Number of jobs in Northern Virginia declined 14,300, or 1%, in June 2009 compared to a year earlier
- Fairfax County's unemployment rate was 4.8% in July 2009 compared to 3.0% in July 2008
- Total unemployment insurance claims in Fairfax County rose 116% to 5,818 claims from July 2008 to July 2009
- Federal procurement spending increased to \$17.0 billion in Fairfax County in FY 2008 for a gain of 24.2 percent over FY 2007

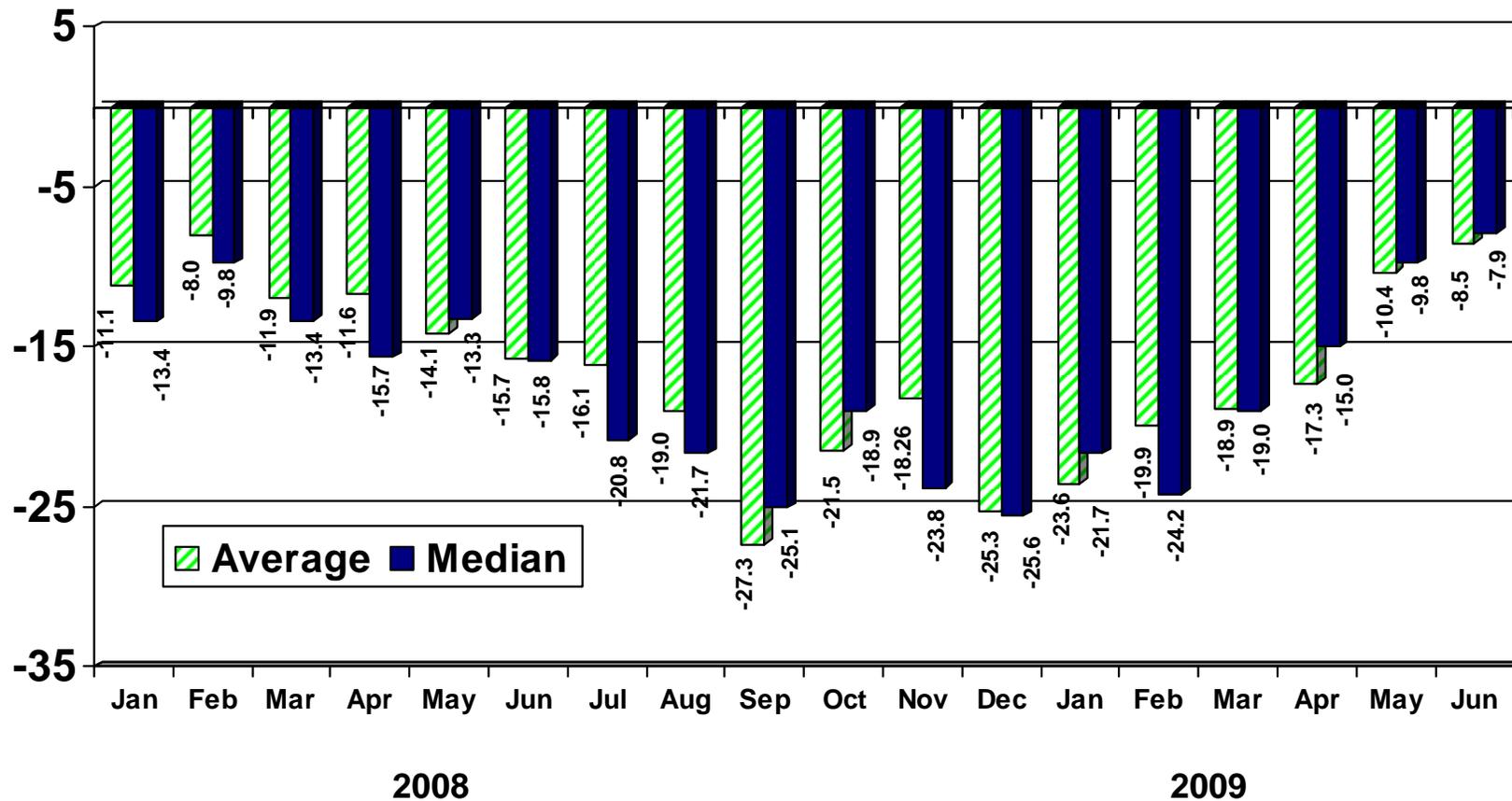
Fairfax County's Housing Market

- Price declines have continued into 2009
 - Average sold price down double digits in each month through May
 - Declines slowed down considerably in June, July, and August

- Approximately 921 foreclosed homes are currently owned by the mortgage lender, down from a high of 2,257 in September 2008

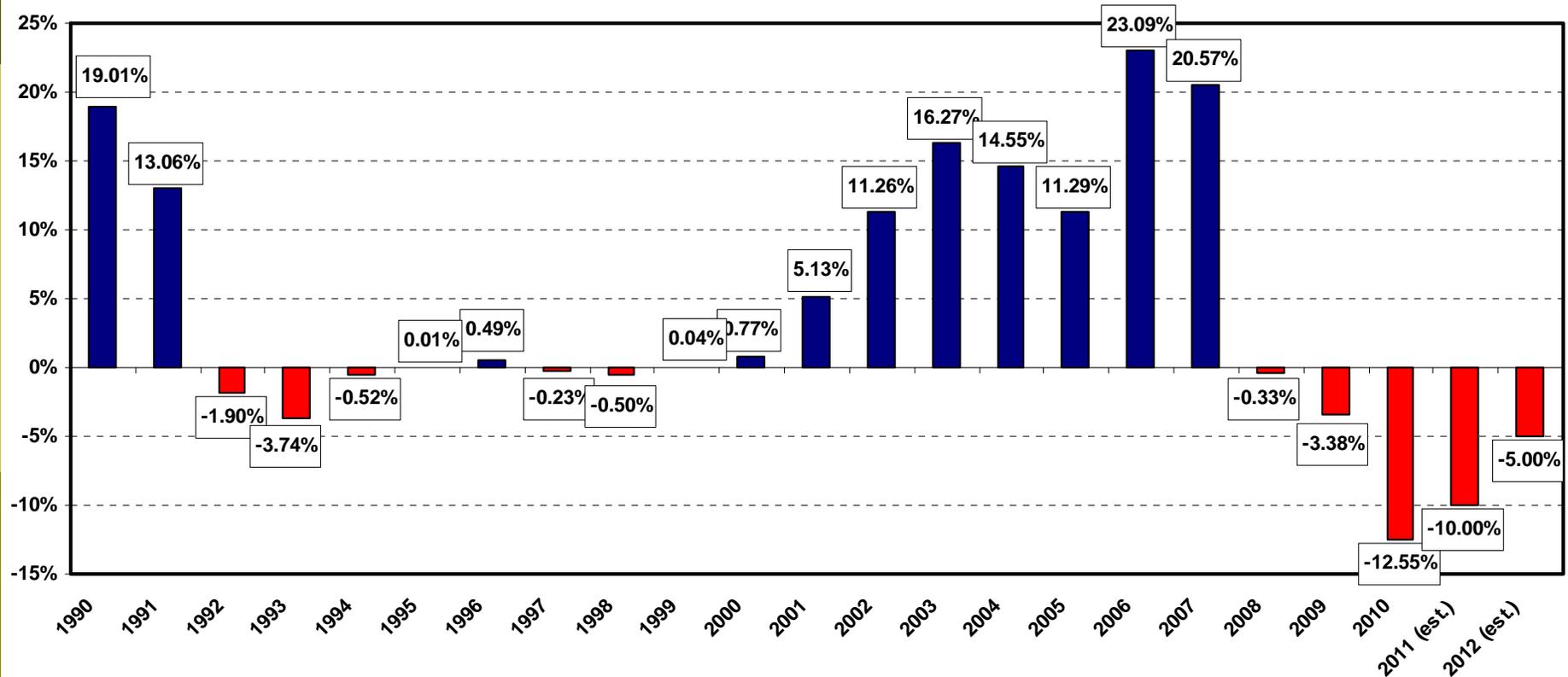
- Market Positives
 - Sales of homes have risen 14.3% during the first six months of 2009
 - Average number of days to sell a home has fallen each month since November after rising for 41 consecutive months
 - This positive uptick does not have an immediate impact on assessments

Percent Change in Average and Median Sales Price from Same Month Prior Year



Source: Metropolitan Regional Information Systems (MRIS)

Annual Changes in Residential Equalization: FY 1990 – FY 2010



Note: Equalization is the annual assessment of real estate to ensure that assessments accurately reflect current market values. Equalization reflects the increase in value for property simply as a result of market value. It does not reflect an increase in value stemming from renovation, construction or expansion.

Nonresidential Real Estate Weakening

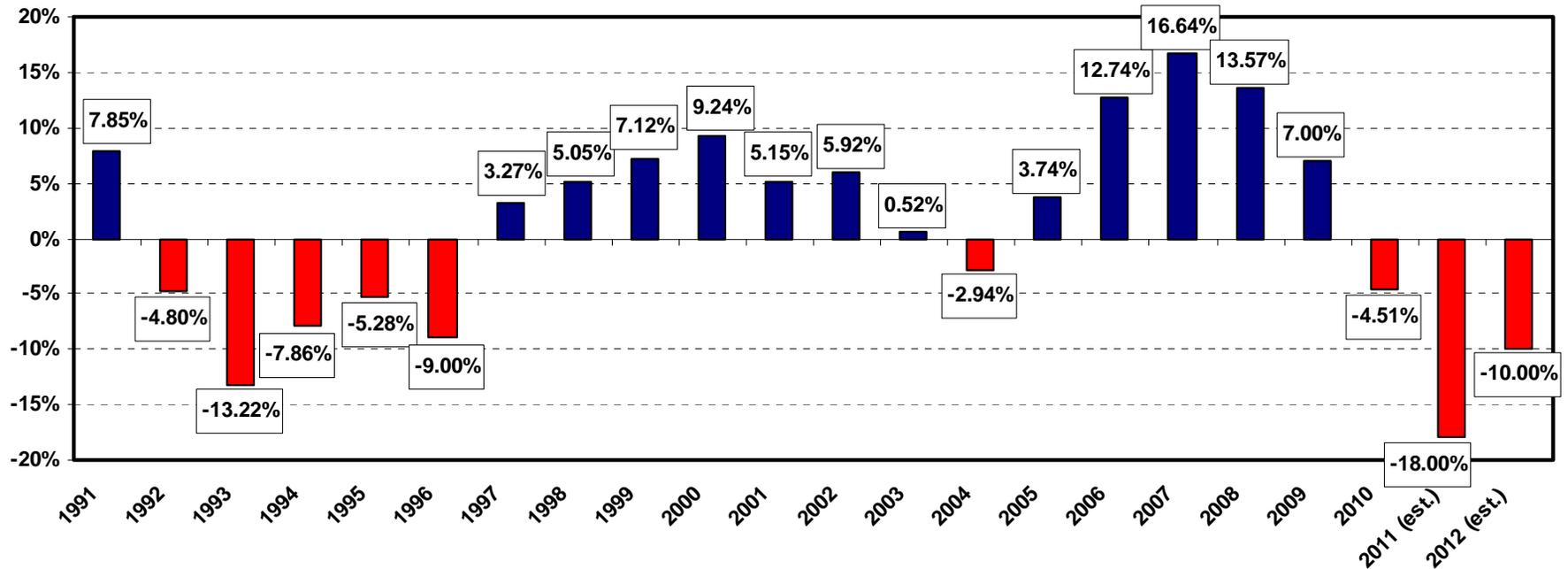
Nonresidential Values are Projected to Fall 18.0% in FY 2011

- Office Vacancy rates rising
 - As of year-end 2008 12.1%, 14.5% with sublets
- 1.8 million square feet of office space under construction as of year-end 2008
 - 37% or 660,000 square feet is speculative
 - Direct available office space topped 13.4 million square feet in 2008, a record year-end amount
 - Negatively impacts lease rates and vacancy rates

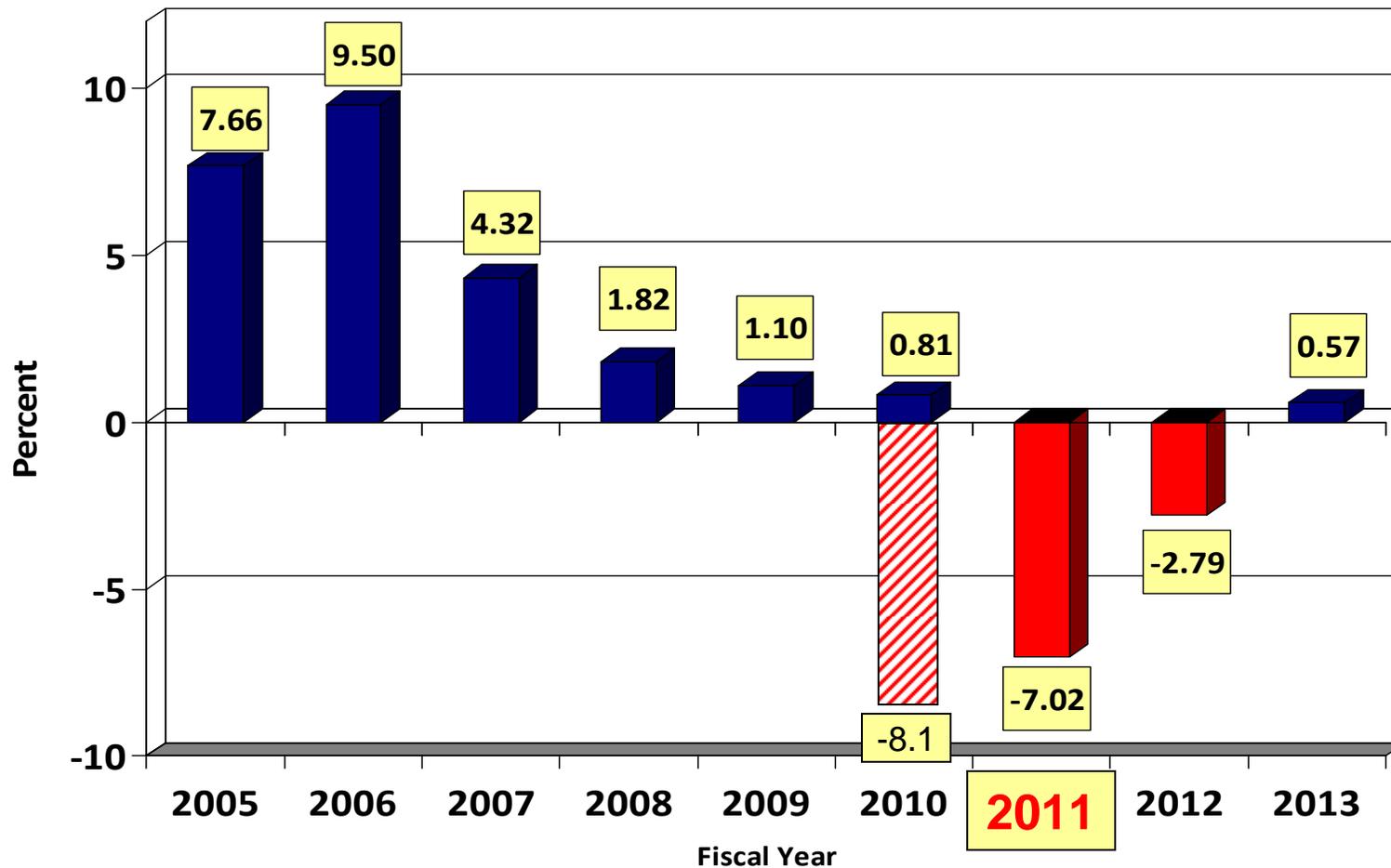


Annual Increases in Nonresidential Equalization: FY 1990 – FY 2013

Nonresidential Equalization



Percent Change in General Fund Revenue



Without the 12 cent real estate tax rate increase and other revenue enhancements, revenue in FY 2010 would have declined 8.1%.

Impact on Typical Fairfax County Household

Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate Per \$100 of Assessed Value	Average Tax Per Household
FY 2002	\$234,749	\$1.23	\$2,887.41
FY 2003	\$276,945	\$1.21	\$3,351.03
FY 2004	\$321,238	\$1.16	\$3,726.36
FY 2005	\$361,334	\$1.13	\$4,083.07
FY 2006	\$448,491	\$1.00	\$4,484.91
FY 2007	\$544,541	\$0.89	\$4,846.41
FY 2008	\$542,409	\$0.89	\$4,827.44
FY 2009	\$525,132	\$0.92	\$4,831.21
FY 2010	\$459,228	\$1.04	\$4,775.97
FY 2011 (est.) *	\$413,305	\$1.04	\$4,298.37

* Assumes no real estate tax rate increase.

FY 2011 Forecast

FY 2011 Projected Shortfall

(\$315.6 million)

□ **Projected Revenue loss of \$232.5 million or a decrease of 7.02% from FY 2010**

□ **Anticipated Disbursement Requirements of \$83.1 million:**

- Projected increase in employer contributions for retirement based on investment loss \$35.0m
- Projected debt service requirements \$19.3m
- One time balances used in FY 2010 which are not recurring \$15.8m
- Other \$13.0m

□ **Disbursement Assumptions:**

- **No pay increases for County Employees**
- **No increase in Schools Transfer**
- **No increase in capital funding**
- **No increase in IT funding**
- **No increase in Metro/CONNECTOR funding**

FY 2011 Community Dialogue

Small Group Process

Purpose: To gather comments from the public which will be used as a key factor to help guide the development of criteria for making budget decisions.

Small Group Discussion Questions

1. Based on your experience, which FY 2010 budget decisions were **a)** most acceptable? and **b)** least acceptable?

2. Budgeting requires a balance of priorities based on what community members value about Fairfax County. Considering what you heard as part of your group's discussion for question 1, discuss strategies (including but not limited to those on the **Potential Strategies** handout) and, as a group, recommend a framework and rationale for balancing the FY 2011 budget that addresses your group's priorities.

What Happens Next?

- ❑ Community Dialogue process will be completed in November 2009
- ❑ Comments via web and phone will be accepted through mid-December 2009:
 - www.fairfaxcounty.gov/budget
 - **Budget Hotline: 703-324-9400**
- ❑ Community and employee feedback will be forwarded to the Board of Supervisors for their review and to the County Executive for his consideration as part of the development of the budget
- ❑ County Executive will propose the FY 2011 Advertised Budget at end of February 2010
- ❑ The community will have another opportunity to provide feedback on the budget during the public hearings on the proposed budget which will be held in early April 2010
- ❑ Board of Supervisors will adopt the budget in late April 2010