

**Lee District Budget Advisory Group's  
Report for Supervisor Jeff C. McKay:**

# **Fairfax County's 2013 Budget**



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## EXECUTIVE SUMMARY

Our reaction to the FY 2013 Advertised Budget is one of cautious optimism. It appears we have weathered the worst of the “Great Recession” and the economy is slowly improving. The road traveled has been difficult and we are mindful of sacrifices made over the last four years: more than 500 positions eliminated and \$200 million in spending cuts. We agree with the County Executive’s theme of looking ahead as we prepare to face future financial challenges. It is within this framework that the Lee District Advisory Group submits its recommendations on the FY 2013 budget.

In general, we endorse the County Executive’s 2013 Advertised Budget; our one exception being we do not support the proposed funding level to the Fairfax County Public Schools (FCPS). At 52.5 percent, the County General Fund transfer to the Schools represents its single largest expenditure and that fact alone should single the FCPS out for special scrutiny. To that, we add our inability to fully understand the budget numbers presented by the FCPS. Each year, we raise questions and each year most questions go unanswered. For the fourth consecutive year, we are unable to confidently assess whether the proposed FCPS funding level is appropriate. Our serious concerns about the FCPS budget do not diminish the pride we have in our first-rate school system. The question is not do we need a top-rated school system but rather *how much should it reasonably cost*. We are recommending that funding be kept at the FY 2012 Adopted Budget level until these accountability and transparency issues are addressed.

We are pleased to see the County’s hard-working employees being recognized in the 2013 budget with a proposed market rate increase and continued support for their retirement and benefits packages. Similarly, we acknowledge the increased Public Safety funding while at the same time urging the County to continuing monitoring this area to ensure adequate 24/7 police coverage in our communities. Though we were unable to complete an in-depth analysis of the issues surrounding funding of our parks, we urge the County pay particular attention to their critical maintenance needs. We believe our long-term strategies from last year for improving the County’s financial posture are still valid and ask that they be revisited.

At Supervisor McKay’s request, we also looked at ways to make the budget more understandable for citizens. Though the County does an excellent job making a wide range of budget data available online, the large amount of information can be overwhelming and difficult to understand. We include recommendations in our report aimed at making the budget more understandable. We also explored the use of volunteers and conclude that volunteers have and continue to provide critical services to various program areas but they should not be viewed as a solution to budget cuts. We present our findings and recommendations on the use of volunteers as an appendix to the report.

We express our deep appreciation to Supervisor McKay for this opportunity to provide our input and to the County’s leadership for effectively meeting the difficult challenge of balancing citizen needs with the economic realities of diminishing resources. Finally, we would be remiss if we did not acknowledge outgoing County Executive Tony Griffin’s extraordinary leadership and public service. His steady hand at the helm will be greatly missed.

**INTRODUCTION** This is the Lee District Budget Advisory Group’s fourth year examining the Fairfax County budget. Our general reaction to the 2013 Advertised Budget is one of cautious optimism. The “Great Recession” seems to be behind us, our economy hit bottom and appears to be slowly trending upwards. This upward trend is reflected in the modest revenue increase projected in the FY 2013 Advertised Budget. Though spending has increased as well, with continued agency budget reductions, the proposed budget is balanced as required. The County Executive’s theme of “looking ahead” is most appropriate. It is not hard to imagine economic shockwaves rippling through the Washington DC metropolitan area in the near future as Congress grapples with national debt issues and the looming significant budget cuts to federal agencies and the Department of Defense. We remain cognizant of the tough choices made over the past four years to achieve our balanced budgets: more than 500 positions eliminated and \$200 million in spending cuts. Last year, the County Executive stated that the County budget reflected its “*new normal*” – that is, no expansion of existing programs, no creation of new programs and no restoration of previous reductions or eliminations. As we look forward and prepare to face future challenges, we need to remind ourselves of that “new normal” and be prepared for additional turbulence. It is tempting to focus on the potential moderate economic growth and look backwards to funding and operational levels of yesteryear. But we need to be mindful that while moderate revenue growth is projected for 2013 and the next several years, it may be below the levels needed to support the annual growth in projected expenditures for maintaining basic services and compensation increases. It is within the framework of this economic reality that the Lee District Budget Advisory Group provides its comment and recommendations for the 2013 Advertised Budget.

Our work this year expanded beyond examining the 2013 Advertised Budget. First, we were asked by Supervisor McKay to explore ways to make it easier for citizens to understand the County’s budget. We applaud the County for its transparency in providing a wide range of budget and operational data. The large amount of information can, however, be overwhelming and difficult to understand. We include findings and recommendations at the end of our report that address this issue. Secondly, in our search for solutions to challenging budgets, we often hear about using volunteers. In fact, the County already makes great use of this invaluable community resource. This year, our group devoted time to examining the issue of volunteerism. Our conclusion is that volunteers have and continue to provide critical services to various program areas but they should not be viewed as a solution to budget cuts. We present our findings and recommendations on the use of volunteers in Appendix One to this report.

**THE BUDGET ADVISORY GROUP** At Supervisor McKay’s request, the Lee District Budget Advisory Group was reconvened to provide advice on the Fairfax County budget. One new member joined the original “core” group this year. Our group represents a broad cross-section of backgrounds, experience and perspectives. Members bring to the table backgrounds in government and private sector fiscal management and experience in County government to include membership on significant boards, panels, and committees. Each member came to work with a willingness to apply reasoned judgments as to the efficacy of all County programs and services. All recommendations put forth in this year’s report are made on a consensus basis.

**GUIDING PRINCIPLES** In our first year we developed a set of guiding principles to provide a framework for our work. This year, as we have done in each subsequent year, we began our deliberations by reviewing and affirming these guiding principles. Minor changes were made for this year principles which are shown below.

1. The resulting budget must provide for good government -- a government that is effective, efficient, sustainable, measurable and responsive to the needs of its residents.
2. As the school system accounts for approximately 53% of the County expenditures, it must be subject to the same good government principles and practices as the County. There must be more accountability and transparency in the FCPS budget so that County residents can understand the true cost of the school system and the impact of the decisions made by the FCPS in using County funds.
3. 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.
4. All avenues of revenue enhancements must be rigorously explored and pursued including increasing the commercial tax base.
5. The County and the Schools 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 allocations should be prioritized accordingly. Even core functions should be reviewed for appropriate levels of spending compared to basic necessities.
6. 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. However, the focus must be more on smart spending rather than across-the-board adjustments.
7. Allocation of scarce budget resources should consider value vs. dollars invested.
8. Agencies and/or programs which have experienced a disproportionate rate of growth during past periods of increasing budgets should bear special scrutiny in the present and future budget years.

## **THE 2013 ADVERTISED BUDGET**

**Summary:** For the General Fund, FY 2013 revenues are projected to be \$3.46 billion and spending projected at \$3.52 billion. No real estate tax increase has been requested with this budget. As in prior years, total County increases have been reduced by savings from agency budget cuts and reorganizations which in FY 2013 total \$10.64 million. Some fee increases are also included such as Rec-PAC program fees, SACC fees, and CONNECTOR fares. The single largest disbursement from the General Fund is the transfer to the Fairfax County Public School

(FCPS). The proposed County General Fund transfer for school operations and debt service in FY 2013 totals \$1.85 billion, an increase of \$73.77 million or 4.16 percent over the FY 2012 Adopted Budget Plan. The County also provides additional support for the Schools in the amount of \$69.6 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others. Other increases in the County General Fund budget totaling \$80.74 million fall into the following main categories: cost of County operations, human services requirements, transportation, community development, public safety, and capital construction.

### **Lee District Budget Group Reactions:**

*Fairfax County Public Schools:* In general, this group endorses the County Executive's 2013 Advertised Budget and notion that fiscal constraint and vigilance must remain a high priority as we look ahead to future fiscal challenges. The one exception being we do not support the proposed funding level to the Fairfax County Public Schools; we continue to believe that special scrutiny is required here. We affirm that education is a top priority for our residents. We continue to take great pride in the fact that the school system provides a necessary and first rate education for the children of Fairfax County. We acknowledge that the schools contribute to the overall high quality of life in the County and serve as a key factor in the County's economic development efforts. However, funding this school system is costly – it represents the single largest expenditure from our General Fund. Our repeated annual pleas for clarity in the school budget go unanswered. Without a clear understanding of the FCPS budget, we lack the confidence to endorse any funding increase. This issue area is again the primary focus of our group's report and a separate write up with our findings and recommendations is provided in the next section of this report and as an Appendix Two.

*Human Resources:* The 2013 Advertised Budget also provides for an increase in County operations to covers funding for an across-the-board 2.18 percent market rate increase for our hard-working County employees and continued support for the County's retirement and health benefit packages. We are especially pleased to see the proposed funding for the market rate increase; we have always asserted that our County government's greatest asset is its employees and were disappointed in previous years' budgets which included no employee compensation increases. On a separate but related note, our report last year also addressed challenges for funding the retirement system. We are pleased to see the Board of Supervisors' Personnel Committee recommend increasing the early retirement age from 50 to 55 for new hires. This is a good first step toward implementing our FY 2012 recommendation of incrementally increasing the eligibility age for early retirement from 50 to 62 and for normal retirement to age 65. We urge the Board of Supervisors to adopt the Personnel Committee's recommendation as a step toward controlling costs for the County's Retirement System while keeping it healthy and viable.

*Public Safety:* For public safety, we note that an increase of \$2.0 million is included in the Advertised Budget based on a review conducted at the Board of Supervisors' (BoS) direction that staff monitors the impact of funding reductions to public safety. The County Executive has recognized that the cumulative effect of cuts to the Police Department since FY 2008 resulted in the elimination of necessary flexibility for the Department to meet its requirements for 24/7 coverage of minimum staffing. In order to ensure that staffing can be maintained, this funding

has been added back. We are mindful of the tough choices which must be made in response to diminishing resources and are pleased to see the proposed increase to the Police budget. However, we again stress that public safety is a top concern for County residents and strongly urge that the County Executive and Board of Supervisors direct staff to monitor the Police department's use of the \$2.0 million to provide adequate 24/7 coverage to Fairfax County communities. We remain concerned that the funding for public safety may fall short of what is needed to keep our growing and rapidly urbanizing community safe. We encourage the County Executive and Board of Supervisors to pay particular attention to this and would like to see a more robust public safety component in the FY2014 budget.

We also believe that opportunities exist to better manage current public safety resources by optimizing the court time of police officers and lab technicians. We recommend that the County and Judiciary form a joint task force to look at ways to reduce in-court time for County employees. A more detailed discussion is included in Appendix Four.

*Parks:* In 2013, the increase in spending is being balanced by \$10.64 million in savings from agency budget cuts and some fee increases. One agency targeted for funding reduction is the Park Authority. A total reduction of \$658,964 or approximately 3% is being proposed. If these reductions are approved, the Park Authority's total General Fund reductions over the past five years, including one time and recurring cuts, will total approximately 28%. The area most impacted by these reductions is related to the general maintenance of the parks and facilities. Park Authority revenues include a mix of General Fund appropriations and fee-based revenues. Prior to the 2008 economic downturn, the overall annual funding mix was approximately 50% from the General Fund and 50% from fees for programs, services and facilities. The present ratio is 39% General Fund and 61% fee-based sources. This year, the budget group devoted considerable time discussing the Park Authority's changing funding mix and its impact on operations. We understand that revenue from the General Fund cannot return to the pre-2008 level; the Park Authority, along with the rest of County agencies, must adjust to a "new normal." We are not opposed to the concept of fee-based services and have in fact advocated them in the past. However, some critical questions are emerging: is the trending shift in the funding mix viable? Does it allow for adequate maintenance of our parks and facilities? Have there been unintended negative consequences? We did not explore these questions in-depth this year but have committed to do so in the coming year. In the meantime, we urge the Board of Supervisors to continue working with the Park Authority to ensure that the critical maintenance needs are met.

*Economic Development – Long Term Strategies:* In the 2013 Budget the County Executive points to the need to think in the long term, prepare and position the County to meet challenges in a strategic manner. Similarly, our report last year outlined several long-term strategies to improve the County's future financial posture for meeting future challenges. We believe our recommendations are still valid and urge the Board of Supervisors to revisit them as well as the strategies in the Fairfax County Economic Advisory Commission's 2011 plan titled *Fairfax County: Preserving our Quality of Life Requires Maintaining a Strong Economy*. In particular, we urge the County to continue efforts to increase its commercial tax base. Improving the balance between the commercial and residential tax base will create the robust commercial tax base needed to grow the County's ability to maintain excellent schools, police, parks,

libraries and support for the less fortunate. Our report last year also addressed promoting the concept of “live-work” communities across the County where office and other commercial space are made available for high density development. This concept would work toward balancing taxable real estate and also assist with: traffic issues, environmental conditions, building a sense of community, and upcoming BRAC impacts. There are examples in our area and across the country where live-work communities are thriving. We need commercial and residential in close proximity across the County. Not one instead of the other creating more transportation problems.

## **FAIRFAX COUNTY PUBLIC SCHOOLS**

At 52.5 percent, the County General Fund transfer to the Schools represents its single largest expenditure. As stated earlier, the County also provides additional support for the Schools in the amount of \$69.6 million. With any budget, the single largest expenditure should bear special scrutiny. This need for special scrutiny is amplified by our inability to fully understand the budget numbers presented by the FCPS. For the fourth consecutive year, we are unable to confidently assess whether the proposed funding to the FCPS is appropriate. Each year, we report that our analysis raises more questions than answers. And each year, most of those questions remained unanswered.

We want to be clear about our unwavering support for the FCPS. Education remains a top community priority and adequate funding is a must. Our residents are proud of this school system which provides a first-rate education to County children. Businesses cite our top-rated system as a key factor for moving to or remaining in Fairfax County. The question then is not do we need a top-rated school system but rather *how much should it reasonably cost*. We believe the FCPS budget lacks the transparency and accountability necessary for citizens to reach reasoned conclusions about an appropriate funding level. The need to address this lack of transparency and accountability has been a recurrent theme for the Lee District Budget Advisory Group and various other groups over the years. This issue is the proverbial “elephant in the room” and needs to be addressed. Many feel that by funding the schools at or above the current level, other County services that also contribute to our high quality of life such as public safety, parks, recreation and libraries, are being compromised. Our intent is to assist the public debate about funding priorities while avoiding programmatic cuts many would view as harmful to our schools and community. We are hopeful that with a newly elected School Board, a dialog can begin to address these budget concerns, which broadly stated are: the FCPS budget documents are unclear and difficult to interpret, information is difficult to locate and understand, appropriate explanations are not provided or evident, funding streams are difficult to follow, and getting forthright and timely responses to our budget questions remains a challenge. This group is cognizant that the Virginia Constitution provides, “[t]he supervision of the schools in each school division shall be vested in a school board” and as such, the Board of Supervisors cannot require specific changes to school operations. However, the Board of Supervisors is responsible for determining and approving an appropriate funding level to the FCPS each year. We believe it is most appropriate, therefore, for the Board of Supervisors to identify areas within the FCPS budget that repeatedly raise questions and hinder the public’s ability to fully and confidently

endorse funding increases to the FCPS. A summary discussion of our key issues is provided below and also discussed in greater detail in Appendix Two. All FCPS recommendations are provided in the Summary of Recommendations Section.

**Issue: Accountability and Transparency** This is the core issue for our group and cannot be overstated. We cannot endorse what we do not fully understand and key budget data presented raise concerns. For example:

Year-end balances: We consistently see large year-end balances in the School Operating Fund. The source for the actual balance figures shown below are from the FCPS Approved Budgets for 2010, 2011 and 2012. The Year-end balances include all carryovers, undelivered orders, set-asides (such as centralized textbook fund and future year starting balances) and reserves. We show only the actual year-end balances below for 2007-2011; however, our research shows that *since FY 2004, the School Operating Fund's year-end balance has exceeded \$100 million annually*. We are uncertain what contributes to these large balances. Are estimates used in constructing the budget inflated above historical actuals resulting in large balances? Is there any oversight for the seemingly large amounts of acquisitions made in the last 60 days of the fiscal year?

Fiscal Year	Actual School Operating Fund Year-end Balance
2007	\$128,875,393
2008	\$108,784,572
2009	\$118,117,835
2010	\$189,730,689
2011	\$260,728,079

Reserves and Contingency Funds: A number of reserves and contingency funds appear in the FCPS budget as detailed in the Appendix. These various funds have raised a number of questions which remain unanswered. We are unable to find clear definitions for year-end balance, School Board reserve and the contingency fund, their purposes; restrictions; how they are used and historical trend data.

Carryover: Each year, there are large amounts carried over. It is unclear what causes the large carryovers and whether this indicates the need for better budgeting and fiscal management. In previous years, we questioned whether accurate budget estimates are being used when actual expenditures fall far short of estimates. Some examples cited include:

- Estimated 2012 Automatic Carryover of \$29,621,444 (unspent local school funds from 2011). *This line item is now five times what it was in 2009.*
- Estimated 2012 Unencumbered Carryover of \$6,993,150 (unspent departmental funds from 2011).

A More Understandable Budget We believe that significantly expanding the narrative of the FCPS budget will provide greater accountability and transparency. Additionally, many of the issues raised later in this report on improving the County's budget also apply to the FCPS budget

NOTE: An excellent model for this recommendation exists in the 2013 budget proposed for Montgomery County Schools. MCPS is frequently used for comparison to FCPS: overall size, enrollment, demographics, etc. The MCPS was recognized with a Baldrige Excellence Award, attesting to its high standard of quality and commitment to full and transparent accountability. The MCPS budget provides individual chapters to each school department: K-12 Instruction, Curriculum and Instructional Programs, Special Education, Human Resources, Shared Accountability, Office of the Chief Technology Officer, etc. The document's size (60.7 MB vs. FCPS' 8.7 MB) may seem daunting but the document is well organized as a "portfolio" and the narrative clear and concise. Performance metrics are meaningful and assessments are objective. Where goals are not achieved, explanations are forthright. For these reasons and more, we strongly encourage FCPS and the School Board to consider the MCPS budget model.

### **Recommendations:**

- The Board of Supervisors hold funding flat at the 2012 Adopted Budget level for school operations until such time as all transparency and accountability issues have been resolved. That would result in reducing the County Executive's proposed transfer to FCPS by \$72.4M. (Note: The group is unable to confidently recommend an appropriate funding level for all of the reasons cited above. For this reason, we are recommending flat funding.)
- Establish a joint County and FCPS committee to address the budget transparency issues which have been raised. This is critical to building confidence in our ability to understand and endorse the "needs-based" budget which the FCPS presents each year and to assess overall efficiencies in the School program.

### **Issue: Program Reviews**

The FCPS' Strategic Governance Initiative serves as the primary means by which the School Board assesses school system performance through its Operational Expectations (goals) and Monitoring Reports. We strongly support the use of measurable, meaningful targets and their accompanying reports to maintain transparency and accountability to the community. Some school expenditures are easily tracked to operational expectations and accountability reports; many, however, are not. Were the FCPS to incorporate its assessment metrics with the budget, public scrutiny of budgetary needs would be demonstrably simpler. The FCPS' stated goals could be weighed against achievements and in light of financial priorities and limitations.

Program evaluations have been done for a number of programs, such as the Priority Schools Initiative and Foreign Language in the Elementary Schools. The FCPS has developed and utilized quality standards templates for this purpose. Our group is concerned about the number and scope of evaluations that are possible with existing staff.

**Recommendations:**

The Board of Supervisors strongly urges the FCPS to:

- Add an inspector general, ombudsman, independent auditor and/or other staff, reporting directly to the School Board, to oversee FCPS program evaluations and financial reviews; and gather other information to support effective policy-making and budgetary decisions. We acknowledge the School Board’s set-aside for a School-Board auditor but have not seen how the new position’s role will be defined.
- Require FCPS to prepare program budgets as a priority. (This recommendation is being made in context of no program budget prepared for FY2012. Staff explained this is due to workload resulting from implementation of FOCUS, the ERP project, even though budget staff devoted time to the compilation of the annual Washington Area Boards of Education or WABE Guide.) Our group strongly recommends the program budget be a highest-level priority and that program budgets be part of the schools’ budget documents, in keeping with our suggested Montgomery County Schools’ budget model.

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

The Code of Virginia now requires school divisions to complete the Annual Report of Expenditures. The information contained below is derived from the Annual School Report submitted every September by school divisions to the Virginia Department of Education. (A copy of the Annual School Report is included as Appendix Three.) In our review we noted significant variations between the Virginia Department of Education defined categorical expenditures and FCPS’ allocations.

Category	FCPS% of Operating Expenditures	VDOE’s % of Total Expenditures		
	2013 Proposed	2009	2010	2011
Instruction	85.9	67.44	68.70	66.61
Admin, Attendance, Health	4.5	3.10	3.08	3.07
Pupil Transportation	5.4	4.66	4.48	4.89
Operation & Maintenance Svcs		7.58	7.99	7.57
Food Svcs & Other Non-Instructional		2.73	2.81	2.88
Facilities	4.1	6.07	4.81	6.83
Debt Service & Fund Transfers		2.78	2.59	2.64
Technology		5.64	5.53	5.52
Contingency Reserve		0.00	0.00	0.00
* FCPS budget documents provide a breakdown of the Proposed Operating Fund 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:**

The Board of Supervisors strongly urges the FCPS to include these comparisons in their Advertised/Proposed Budget, along with Virginia Department of Education definitions of the expenses in each category where the FCPS' classifications vary and why.

**A MORE UNDERSTANDABLE BUDGET**

Citizen participation in the budget process is a crucial component of good governance and Fairfax County is to be commended for its public outreach efforts in this area. The County provides a wealth of budget information on its website and offers numerous ways for citizens to provide input during the various stages of the budget process. Most County residents' exposure to the details of the budget is online and while data are for the most part available, the information as presented can be overwhelming, confusing and difficult to digest. This year, the group was tasked by Supervisor McKay to find ways to make the budget process more understandable for citizens.

**Recommendation:** Solicit recommendations from citizens to improve the budget process.

- Conduct public outreach to solicit ideas on how to improve the budget.
- Place a prominent link on pages of the Fairfax County website requesting comments and recommendations on how to make the budget process and documents more understandable and user-friendly.
- Advertise the effort by means of email and e-newsletters sent out by Chairman Bulova and the individual District Supervisors.
- If appropriate, conduct town hall meetings to solicit information.

**Recommendation:** Develop a high-level "Citizen's Budget Primer" to be placed prominently on the County website.

Providing a high-level, concisely written citizen's budget primer to serve as a "roadmap" to the budget would be invaluable. Much of the content for this primer can be drawn from the existing documents. We note that the County currently publishes *the Citizen's Guide to the Budget* but this document serves another purpose -- that being, to provide a summary of the specifics in the budget for any given year. The budget primer would not be specific to any particular budget year and its purpose would be to provide a broad overview of the budgeting process and document(s).

The primer should be a concise document written in simple, non-technical language. Appropriate hyperlinks should be provided within the primer which would take the reader to

more detailed information and/or specific locations within the budget documents. As much of the information to be included in a primer already exists, the task would be to organize the information into an easily readable single document. Appendix Five provides some suggested topic areas for the primer.

**Recommendation:** Provide a clearer explanation of the various funds and how they are used.

Various funds exist; some agency operations may be funded entirely out of one fund while others use multiple funds. While these numerous funds are currently described in the budget documents, for the average citizen it is difficult to grasp the full cost of a program or service without a better crosswalk. The budget would be made more understandable by:

- Providing a presentation on the various funds and a chart showing which agencies have additional funds as part of their total budget picture.
- Using unambiguous definitions of agency and funds.
- Providing hyperlinks to specific funds when mentioned in the agency discussions in Volume One. (For example, in Department of Information Technology (DIT) software development projects are in Fund 104, when this is mentioned there should be a hyper link to Fund 104 and other funds that are part of the total budget picture of DIT.)

**Recommendation:** Provide analytical tools/data for citizens who want to delve further in the budget.

Identify True Cost of Program or Service One of the difficulties in trying to analyze the budget is that it may be difficult for the user to understand the true cost of a program or service area. For example, in order to understand the true taxpayer cost of the schools, one needs to consider not only the amount of funds transferred from the General Fund to the FCPS but also the other school related areas for which funding remains within the County. In the 2013 Advertised Budget, \$1.85 billion is proposed as the transfer to the Schools from the General Fund. In addition to this transfer, the County also would provide additional support for the Schools in the amount of \$69.6 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs. However for the average citizen trying to understand the cost of the schools, the additional support provided by County agencies may not be apparent as such information is not all contained in one single location within the budget. To address this concern, we suggest providing a comprehensive listing of programs and services which would describe each area and provide information and hyperlinks to other areas within the budget which have related expenditures.

More Downloadable Spreadsheet Data The County currently provides some data in downloadable spreadsheets (General Fund Statement, Summary of General Fund Expenditures, Summary of Appropriated Funds, Summary of Non-Appropriated Funds). There are likely other

data that could benefit from similar grouping and presentation. Here we would suggest in the outreach effort described in the first recommendation above that citizens be asked about what specific data they would find useful in this format.

Accountability and Clearer Explanations The County’s budget documentation each year should show in clear, plain, and understandable context what is gaining and what is losing from prior years and WHY (e.g., rationale for the change(s)). Other than just dollar changes, it difficult to determine what is happening inside the various departments from what is provided to the public and the restructuring/reorganizations make it almost impossible. County staff know what is being proposed and should be willing to explain the changes and the underlying reasoning as well as performance metrics and how they measure up. The County should demand the same from FCPS particularly as it applies to their year-end balances. A uniform format should be established and applied to each department which addresses all of the following areas:

- Mission
- Major Functions
- Trends and Accomplishments
- Major Mandates
- Strategies
- Performance Measures and Metrics (three year performance and trends)
- Budget Explanation (narratives and dollars for budget year and prior two years)
  - Continuing salaries
  - Realignments
  - Changes
  - Inflation
  - Other
  - Efficiencies and Reductions

Historical Trend Data Provide budget data which gives historical trends for funding and spending by program area to cover a ten year period.

Apples-to-Apples Make sure that whenever data are presented for comparison purposes – such as comparing Fairfax County expenditures to those in surrounding counties –it is done so in a manner which allows for a balanced and realistic comparison. For example, providing funding as a percent of the total budget in addition to dollar amounts is more helpful to citizens rather than providing only the dollar amounts.

## **CONCLUSION**

As always, we remain grateful to Supervisor Jeff McKay for the opportunity to provide input to the Fairfax County budget. We remain cautiously optimistic that our County has weathered the worst of the “Great Recession” and that the economy is trending upwards slowly but steadily. The County Executive suggests “looking forward” as this year’s theme for the budget. We

would amend that to say “looking forward while accepting our new normal.” We must be mindful that though incremental revenue increases are projected for the near future, they alone will not be sufficient to cover growth in the cost of the many programs which contribute to the high quality of life so valued by our citizens.

This year we endorse the County Executive’s FY 2013 Advertised Budget with one notable exception -- that being our belief that the Fairfax County Public Schools Operating Fund funding level should be held flat until the recurrent accountability and transparency issues are resolved. We are pleased to see the County’s hard-working employees being recognized in the budget with a proposed market rate increase and continued support for their retirement and benefits packages. Similarly, we acknowledge the increased Public Safety funding while at the same time urging the County to continuing monitoring this area to ensure adequate 24/7 police coverage in our communities. Though we were unable to complete an in-depth analysis of the issues surrounding funding of our parks, we urge to the County pay particular attention to their critical maintenance needs. We believe our long-term strategies from last year for improving the County’s financial posture are still valid and ask that they be revisited.

We express our deep appreciation to the County’s leadership for effectively meeting the difficult challenge of balancing citizen needs with the economic realities of diminishing resources. Finally, we would be remiss if we did not acknowledge outgoing County Executive Tony Griffin’s extraordinary leadership and public service. His steady hand at the helm will be greatly missed.

## Summary of Recommendations

### **FAIRFAX COUNTY PUBLIC SCHOOLS** (pages 8-10)

- The Board of Supervisors hold funding flat at the 2012 Adopted Budget level for school operations until such time as all transparency and accountability issues have been resolved. That would result in reducing the County Executive's proposed transfer to FCPS by \$72.4M. (Note: The group is unable to confidently recommend an appropriate funding level for all of the reasons cited above. For this reason, we are recommending flat funding.)
- Establish a joint County and FCPS committee to address the budget transparency issues which have been raised. This is critical to building confidence in our ability to understand and endorse the “needs-based” budget which the FCPS presents each year and to assess overall efficiencies in the School program.
- The Board of Supervisors strongly urges the FCPS to:
  - Add an inspector general, ombudsman, independent auditor and/or other staff, reporting directly to the School Board, to oversee FCPS program evaluations and financial reviews; and gather other information to support effective policy-making and budgetary decisions. We acknowledge the School Board’s set-aside for a School-Board auditor but have not seen how the new position’s role will be defined.
  - Require FCPS to prepare program budgets as a priority. (This recommendation is being made in context of no program budget prepared for FY2012. Staff explained this is due to workload resulting from implementation of FOCUS project, even though budget staff devoted time to the compilation of the annual WABE Guide.) Our group strongly recommends the program budget be a highest-level priority and that program budgets be part of the schools’ budget documents, in keeping with our suggested Montgomery County Schools’ budget model.
- The Board of Supervisors strongly urges the FCPS to include comparisons in their Advertised/Proposed Budget, along with Virginia Department of Education definitions of the expenses in each category where the FCPS’ classifications vary and why.

### **A MORE UNDERSTANDABLE BUDGET** (pages 10 -11)

- Solicit recommendations from citizens to improve the budget process:
  - Conduct public outreach to solicit ideas on how to improve the budget.
  - Place a prominent link on pages of the Fairfax County website requesting comments and recommendations on how to make the budget process and documents more understandable and user-friendly.

- Advertise the effort by means of email and e-newsletters sent out by Chairman Bulova and the individual District Supervisors.
- If appropriate, conduct town hall meetings to solicit information.
- Develop a high-level “Citizen’s Budget Primer” to be placed prominently on the County website.
- Provide a clearer explanation of the various funds and how they are used. Various funds exist; some agency operations may be funded entirely out of one fund while others use multiple funds. While these numerous funds are currently described in the budget documents, for the average citizen it is difficult to grasp the full cost of a program or service without a better crosswalk. The budget would be made more understandable by:
  - Providing a presentation on the various funds and a chart showing which agencies have additional funds as part of their total budget picture.
  - Using unambiguous definitions of agency and funds.
  - Providing hyperlinks to specific funds when mentioned in the agency discussions in Volume One. (For example, in Department of Information Technology (DIT) software development projects are in Fund 104, when this is mentioned there should be a hyper link to Fund 104 and other funds that are part of the total budget picture of DIT.)
- Provide analytical tools/data for citizens who want to delve further in the budget.

**EFFECTIVE USE OF VOLUNTEERS IN FAIRFAX COUNTY** (Appendix One)

- The Board of Supervisors continue to:
  - recognize and encourage the efforts of current volunteers in Fairfax;
  - enhance volunteer recruitment and outreach efforts to Fairfax County residents; and
  - focus on improving volunteer coordination among different Fairfax County entities to eliminate duplication of record keeping and background management requirements, and ensure that volunteers are able to easily find opportunities suited to their qualifications and volunteer preferences.

**FAIRFAX COUNTY PUBLIC SCHOOLS** (Appendix Two)

*Not included in the main report, but presented for consideration here:*

The Board of Supervisors strongly urges the FCPS to:

- Provide a detailed accounting of Undelivered Orders from FY 2010 and 2011 which fully explains last-minute outlays.
- Significantly expand the FCPS budget narratives to provide greater accountability and transparency.

- 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.
- 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 drawdown. (Triggers might include revenue shortfalls of established amounts, student population increases above estimates, and/or emergency situations like the fire that destroyed Dogwood Elementary.)
- Clearly document transfers from any FCPS account established as a reserve or contingency. These would include staffing/flexibility, school materials, and School Board reserve.
- Clearly identify receivables accrued to prior fiscal years and establish a process for significant scrutiny of year-end expenditures which comprise 2% of the operating fund.
- Modify the Operating Revenue & Expenditure Details in the FCPS Proposed Budget to reflect two previous fiscal year's actual, the current year's approved budget and estimates, and the coming year's proposed. 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. 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.
- Include adjustments made during the fiscal-year-end budget review along with greater detail of how carryover funds will be spent during the current year.
- The Board of Supervisors support FCPS placeholders for objective, independent reviews of programs or departments for maximum efficiencies, such as that currently proposed for Food & Nutrition Services.

#### **FAIRFAX COUNTY OPTIMIZING COUNTY TIME IN COURT (Appendix Three)**

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 technology and policy to make more effective use of witness resources.

## **2012 LEE DISTRICT ADVISORY GROUP REPORT RECOMMENDATIONS FOR THE BOARD OF SUPERVISORS TO REVISIT:**

Our report last year outlined several long-term strategies to improve the County's future financial posture for meeting future challenges. We believe our recommendations are still valid and urge the Board of Supervisors to revisit them. They include:

### Economic development

- Increase efforts to ensure timely Zoning and Building permitting for near-term commercial construction.
- Streamline Comprehensive Plan Amendment and Zoning processes to keep pace with changing requirement.
- Revamp and update Comprehensive Plan guidelines to promote live-work communities.
- Seek legislative efforts to create an emphasis with financial incentives for attracting businesses. (Business uses generally create a net positive financial impact sooner compared to residential which is generally net negative for many years to come.)
- Re-calibrate guidelines, goals and financial incentives to achieve desired commercial percentages.
- Create alternatives to Personal Property Taxes for business assets (computers and furniture). (Potentially create exemptions for offices in the home and possibly provide offsets for businesses that promote telework.)
- Build partnerships with business community for targeted funding/grants.
- Prioritize "quality of life" initiatives which further promote economic development and growth for the County, such as:
  - increase emphasis on multi-modal solutions including transit, bikes, and pedestrian routes in local areas,
  - focus on completing sidewalks infrastructure for access to schools and new business areas,
  - promote Arts and Cultural centers/Community theaters to enhance the live-work environment in Fairfax County.
- Continue to aggressively pursue GSA site redevelopment for office/commercial uses. Seek Federal legislation, State subsidies, and offer County land as new site, (*Ask Congress to force GSA to sell the property for office/commercial uses. Revenues from the sale would help to offset relocation costs and, in exchange for County providing a free site for the*

*relocation, County would benefit from appropriate commercial development near the transit center and proximate to BRAC sites, Fairfax County Parkway, and the Interstates.)*

Transportation We recommend that the Board of Supervisors:

- Direct staff to study the feasibility of implementing a miles-driven user fee which also takes into consideration impacts to existing taxes, the considerable coordination efforts needed with surrounding jurisdictions and the federal government, and legislative requirements.
- Continue to actively identify and pursue Federal and State grants for transportation across the board.
- Continue to seek legislative authority to balance growth with planning and developer contributions to better manage hidden and indirect costs and impacts.
- Identify or generate funding that would be made available to participate in infrastructure improvements where infrastructure investments are contributed by the private sector to support economic development initiatives.

## *Appendix One*

### **Effective Use of Volunteers in Fairfax County**

Fairfax County's success can be attributed to more than good local government management and abundance of good jobs. Another major component is the people. There are many people willing to volunteer their time, talents and knowledge. Volunteering brings people together to work on a goal. Volunteers are a reflection of and an invaluable resource to our community. As we approach yet another year of a challenging budget, let us not think of volunteers as an "answer or solution" to cutting an agency's budget. In Jeffrey Brundey's "The Effective Use of Volunteers: Best Practices for the Public Sector," he writes of myths surrounding the use of volunteers in public organizations for the delivery of services. These include thinking of volunteers as "free" labor and the use of volunteers doesn't impose costs on the host agency. Fairfax County has many volunteer opportunities that have the hours and accomplishments documented.

The attached table shows information on volunteerism for Citizens Corps Council, Department of Family Services, Fire and Rescue Services, Libraries, Parks, Police and Volunteer Fairfax County. The information was obtained from questions asked of each department or organization or from public information sources.

Each entity reports strong volunteer participation and effective use of its volunteers. All that were questioned have liability issues with respect to their volunteers that are covered by a Fairfax County provided insurance policy or a private insurance policy.

All appreciate the support of the Supervisors in encouraging more volunteerism in Fairfax County and asked for continued support through resolutions, announcements and other recognition of volunteers. There were some requests for better coordination of volunteer management among the different entities that use the same volunteer pool and increased assistance with community outreach in the recruitment of volunteers. It should be noted that an increase in volunteer participation may require an increase in staff to supervise and coordinate the volunteers. However, the benefits to the County of increased community participation and the resultant sense of pride and "belonging" should outweigh the costs of increased supervision.

Regarding the comment above on improved coordination of volunteer management as well as better outreach and communication, each entity strives to improve its outreach and communication efforts. A couple of the agencies involved with the pilot Volunteer Information Management System are very positive in their outlook on its potential to allow for better coordination, information sharing, communication and outreach. The use of social media was also suggested as a way to improve outreach and communication.

Several entities are active in the recruitment of retiring "baby boomers" while others do not use age specific targeting. Many use the Volunteer Fairfax County recruitment programs targeted specifically to retirees and those nearing retirement.

Fairfax County should always be on the lookout for opportunities to provide volunteer service, not to save money, but to help build “community” and provide service that government cannot provide with paid career staff. The County is encouraged to continue to include money for volunteer service and continue to look for good volunteer opportunities. As budget decisions are made after several years of reductions and cuts, increasing volunteerism at the expense of paid career services should not be considered.

Based on this feedback we recommend that the Supervisors: 1) continue to recognize and encourage the efforts of current volunteers in Fairfax; 2) continue and enhance volunteer recruitment and outreach efforts to Fairfax County residents; and 3) continue to focus on improving volunteer coordination among different Fairfax County entities to eliminate duplication of record keeping and background management requirements, and ensure that volunteers are able to easily find opportunities suited to their qualifications and volunteer preferences.

## Volunteerism in Fairfax County – Compiled March 2012

	Citizen Corps Council	Family Services	Fire and Rescue	Libraries	Parks	Police	Volunteer Fairfax County
1) How many volunteers do you have?	4000 community-wide volunteers in 2010 gave 40,000 hours.	DFS works with more than 1700 volunteers.	300 operational and 250 administrative volunteers.	About 1300 volunteers.	2115 volunteers in 2011 gave 199,459 hours valued at \$4,394,081.77.	98 Volunteers in Police Service (VIPS) gave 17,491 hours valued at \$524,730.00. 110 Auxiliary Police Officers (APOs) gave 45,367 hours valued at \$1,361,010.00.	16,000 volunteers (NOVA) on record from agency and non-profit feedback. Not all volunteer placements are reported.
2) Are they doing what you want or would it be more productive to redirect their efforts?				Need information desk volunteers (MLS Degree or previous library work required) and gardeners.	Volunteers currently used on golf courses, lake and farm parks, RE Center, Program support, Resource Management and Park Ops Divisions.		Yes
3) What are the legal and liability issues you face regarding your volunteers?		System of checks and balances such as liability forms, training and background checks as well as County provided insurance.		Covered under County's volunteer insurance program.	County covers personal and excess automobile liability and accident insurance. Excludes dangerous power equipment.	Supervisors recently covered VIPS under same policy (with different coverage) as Auxiliary Police Officers (VFIS Trust Policy).	Have private insurance coverage.
4) Is there something the Supervisors can do to make it easier to use volunteers?	Assistance with community outreach and awareness, more interaction with Vol Managers, better recognition of volunteers, development of recruitment and selection criteria.			Need additional staff to be able to utilize additional volunteers.	Provide funding to provide supervisors for "designated volunteers" from the Sheriff's office. Continued recognition of volunteers and referrals from BOS offices.	Assistance by way of resolutions, public announcements and other actions to acknowledge the VIPS and APO programs.	Need better coordination among the agencies. Need a coordinator of the volunteer coordinators to better facilitate task which may not need duplication.

	Citizen Corps Council	Family Services	Fire and Rescue	Libraries	Parks	Police	Volunteer Fairfax County
5) Is there need for better outreach and communication with your volunteers?		VITA team, regular staff interaction, use of volunteer coordinator. Would like to be able to use social media.		Involved with acquiring and implementing a county-wide volunteer management system.	The Volunteer Information Management System promises to help immensely with volunteer management, outreach and communication. Looking forward to its agency wide implementation.	Constantly striving to improve outreach and communication.	Always looking for ways to improve on outreach and communication
6) Are there plans to enlist retiring baby boomers in your volunteer efforts?		Yes. VITA plans to increase outreach to recent retirees in October of 2012. Many other outreach efforts to retirees are under way.		Participate in Venture into Volunteering every year.	Uses various enlistment activities and as several initiatives to enlist volunteers. None are specific.	None. Using existing volunteer base and other community volunteer efforts.	Encores Services, Lifetime Leadership Program, Venture into Volunteering. Need to check Council on Aging statistics on retirees who stay in the area.
7) Are there key areas where use of volunteers would free up county staff and save money?		Recruitment and management of other volunteers. Basic office tasks such as data entry. Transportation for families, child care, interpreters, partners for acquiring in-kind or voluntary donations.		Volunteers are used to enhance the mission of the library and improve services provided. No actual dollar savings to the county.	Volunteers are currently utilized numerous ways to free up general fund and/or revenue fund dollars (see detailed answer to question number 2 in write-up provided by the Park Authority).	Every effort is made to match volunteer skills to their assignment, be it special detail, training or administrative.	Would not answer.

## **Fairfax County Public Schools**

### **ISSUE #1: ACCOUNTABILITY AND TRANSPARENCY**

We believe FCPS's budget documents lack appropriate accountability and transparency. We further believe the only way the public--via the Board of Supervisors--can achieve such full disclosure and understanding is by holding the School Operating Fund transfer flat at last year's level until the issues which have been repeatedly raised are addressed. This would not indicate a lack of support for education and our children, or a lack of dedication to the future of our County. Rather, it is a reflection of our inability to endorse the FCPS budget requests because the budget lacks the transparency and accountability necessary for citizens to make reasoned conclusions about how much funding is needed. It is our intent to compel FCPS to develop procedures for self-examination and improvement in its financial and programmatic accountability to all stakeholders—County decision-makers and residents.

Our findings and observations are outlined below. We stress that we do not reach any definitive conclusion about the appropriateness or inappropriateness of the issues raised. However, we note that our repeated questions to gain clarity in these areas remain unanswered.

Four categories designated by FCPS for their unspent 2011 funds bear scrutiny:

- Automatic Carryover is a line item first referenced in budget questions during the 2010 budget preparation cycle and defined as “Unobligated funding from the current year that is moved forward to the next year. This form of carryover is reserved for schools and primarily covers their supply and hourly accounts. It allows schools the flexibility of multi-year planning for a portion of their funding and has been especially helpful during the economic downturn.”(emphasis added) “In addition, FCPS allows schools to carryover unspent funding from their supply and hourly accounts. This carryover encourages schools to use a multi-year planning effort to meet student needs.” These two statements stand in stark contrast to FCPS' stated “needs” to accommodate both student growth and populations requiring greater services, such as ESOL and students in poverty. This line item is now five times what it was in 2009. Scrutiny of hourly expenditures shows nearly all hourly accounts have risen steadily over the years documented in the budget documents, but comparisons to budgeted allocations is not possible. Our review of the budget shows the greatest percentage of this line item derives from unspent Instructional Materials & Supplies budgets as well as contingency reserves & special project funds controlled by the cluster offices.
- Undelivered Orders in 2010 and 2011 exceeded \$50 million annually; in 2011 it was greater than the fiscal year starting balance. We question how much oversight is being given to purchases being made in the final 60 days of the fiscal year that are accounting for more than

2% of the total operating fund expenditures. We recommend that the Board of Supervisors request a detailed accounting of Undelivered Orders from FY 2010 and 2011 to fully understand these last-minute outlays.

- Unencumbered Carryover also was first referenced by FCPS in 2010 and was defined during the 2012 budget process as “See “automatic carryover” with the exception that this funding must be requested by the department and approved by leadership. Also referred to as “critical needs” carryover, this is the avenue for schools and departments to carry forward funding to the next fiscal year for non-recurring costs. Examples include the carryover of the balance of special funds (equal opportunity, neediest kids, etc) and funding for change management training for the joint County-FCPS Enterprise Resource Planning (ERP) project.” The Lee District Group can find no public document where leadership approval for these funds was requested and/or granted. We are unable to document the so-called critical needs funds for central FCPS departments, no accounting for additional expenditures for “equal opportunity” or “neediest kids.” and no documentation for un-budgeted expenses related to the ERP project. This description seems inadequate given the additional \$1.26 million provided, above the designated school transfer, for the Priority Schools Initiative in 2011.
- The Centralized Textbook Fund line item was created for the 2013 Proposed Budget. It is one of three budgeted line items for textbook expenditures from the Operating Fund. FCPS in 2013 has proposed spending \$18 million on Textbooks (up from \$15.256 estimated in 2011), \$4.4 million from the Centralized Textbook Fund, and zero for Online Textbooks (down from \$5.458 million estimated in 2012). [It is worth noting that new schools’ textbook startups are funded by CIP accounts.] The largest annual expenditure for textbooks in recent years occurred in FY2008, \$13.5 million. Since then, purchases have hovered in the \$10-12 million range annually. The proposed budget document offers no explanation or description of the new fund and how it varies from current textbook acquisition processes or other textbook line-item expenditures.

**A More Understandable Budget:** A significantly expanded narrative for the budget would provide greater accountability and transparency.

Bring strategic governance measures and outcomes into the budget document to provide clear and consistent justification for budget requests based on these metrics. Additionally, we recommend FCPS and the School Board review Operational Expectations (goals) with an eye toward incorporating industry standards and documented best practices<sup>1</sup> to programmatic and departmental measures, where applicable. Consider an OE for the budget process that seeks to reduce questions about the budget by increasing the details provided in the document itself.

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<sup>1</sup> Best Practices should be clearly defined & supported through independent, data-driven research

- Provide cross-referencing (even hyperlinks?) from fund statements and revenue/expenditure details to narratives detailing the line items. It is reasonable to expect that every line item in these charts will have an explanation of some kind in the narratives.
- Staffing standards and accompanying funding formulae are outlined but do not afford the public substantive explanation. It is clear that additional staffing funds are made available to support students with greater needs--those who qualify for free or reduced-price meals (FRM), special needs, and English language learners. What is not clear, however, is how this staffing is utilized to address the needs.
  - In the case of ESOL services, there appears to be a disconnect between need and staffing projections. This student population is projected to increase 35.4% in 2013 while the number of ESOL teacher positions (89) is projected to remain at 2012 levels.
  - It would be helpful to understand how ESOL services are delivered, what they encompass, how long students qualify for ESOL supports, and whether targets for language fluency are being reached.
  - Apart from additional staffing dollars allocated to schools, how does the FRM population benefit from these funds? What programs or supports are employed to target this group of students and how do they vary among school levels (elementary, middle, high)?
  - FRM status affords students waivers or reductions of some school fees, such as gym uniforms or parking fees, it is unclear how all school fees are addressed to permit equity in participation. We recommend including details of school-based Educational Contingency Accounts (ECAs) and Administrative Accounts (AAs), like the charts provided in response to budget question #20 from Sandy Evans (<http://www.boarddocs.com/vsba/fairfax/Board.nsf/goto?open&id=8PJM9Z5A2F91>), and how these local accounts support students in poverty. Incorporating data on booster club and parent-group contributions to address these needs would be helpful in the budget appendices.
  - Funding formulae provide schools with allocations for their instructional materials, including textbooks. Expenditures for textbooks annually are traditionally millions of dollars under the adopted budget figure, suggesting a need to re-examine the formula and/or whether it consistently applies to yearly costs. In other words, is the annual allocation of textbook expenditures for every student practical?
- Incorporate decisions made through School Board actions during quarterly budget reviews, as they are a key for current fiscal-year estimates.

NOTE: An excellent model for this recommendation exists in the 2013 budget proposed for Montgomery County Schools. MCPS is frequently used for comparison to FCPS: overall size, enrollment, demographics, etc. Its budget presentation was recognized with a Baldrige Excellence Award, attesting to its high standard of quality and commitment to full and transparent accountability. The MCPS budget provides individual chapters to each school department: K-12 Instruction, Curriculum and Instructional Programs, Special Education, Human Resources, Shared Accountability, Office of the Chief Technology Officer, etc. The document's size (60.7 MB vs. FCPS' 8.7 MB) may seem daunting. The document is well organized as a "portfolio" and the narrative clear and concise. Performance metrics are meaningful and assessments are objective. Where goals are not achieved, explanations are forthright. For these reasons and more, we strongly encourage FCPS and the School Board to consider the MCPS budget model.

**FCPS Operating Fund Year-end Balances, Reserves, Contingency Funds, Needs-Based Budgeting, Fiscal Year Estimates:** The Lee District Budget Advisory group has examined this issue in each of our four annual reports. It continues to merit prominence in our recommendations because of the level of funds involved and continued lack of public accountability and transparency associated with them. The period since 2008 has seen the worst economic downturn since the Great Depression. Public coffers at all levels of government have been squeezed. County and school staff has endured multiple years of flat salary levels. Need for school and county services, meanwhile, has risen due to the economic impacts. It goes without saying that maximized use of all available resources has been a top, if not THE, priority for County leaders and residents alike. 2008 to the present are years during which carryovers or reserves of any significance would not have been expected; indeed, few were budgeted. Our concerns are as follows.

- In the past four years, staffing reserves have provided \$10-17 million in funds for about 150-180 positions. According to the FCPS Chief Financial Officer, there has been just one year when positions were 'returned' to the operating fund from the reserve. Does this suggest a need to increase the budgeted funds for staffing levels overall?
- The flexibility reserve is set at \$8 million annually, reduced to zero in most proposed budgets, and returned to \$8 million in the approved budgets as funds are available. There is no defined process for truly reserving this amount; no contingency amount is reported under VA Dept. of Ed requirements on the Annual Report of Expenditures.
- The 2013 Proposed Budget includes \$3 million for an Employee Compensation Reserve in addition to a 2% market rate adjustment and step increases for all employees.

The justification provided for Food & Nutrition Services to hold a \$16 million (and growing)

reserve is to reach a target equal to three months' operations. This is the maximum level allowable by the USDA's school lunch program and twice that of the school division overall. The proposed FNS reserve represents **18.3%** of the school food fund's 2013 disbursements; in contrast, the FCPS division-wide flexibility reserve represents 0.3% of operating fund disbursements.

- In the School Operating Fund's FY12 estimated budget, there are tens of millions of dollars in a variety of contingencies, reserves, carryovers or undesignated expenditure categories: Employee Compensation (\$3 M); School Materials (\$10.5M); School Flexibility (\$8M); School Initiatives, including "Target Funding" (\$4.9M); Unallocated Grants (\$11.7M); Construction Contingency (\$1M). These are in addition to reserves or carryovers held in other school funds: Grants & Self-Supporting Fund (\$14.8M starting balance); Construction Fund (\$75M starting balance & \$201M "Additional Contractual Commitments"); Insurance Fund (\$8.6M reserve for catastrophic occurrences, which changes annually based on income/expenditures); FNS (\$16.8M).

**Total: \$164.3M**

Current practice affords little or no public accountability about undelivered orders, which have exceeded \$50 million in each of the past two years and represents 2.2% of 2012 estimated disbursements. We recommend increased School Board scrutiny of this expenditure, including: what purchases are being made in the final 30-60 days of the fiscal year; the rationale or justification for such expenditures at year end regardless of budgetary availability; if expenditures consistently occur in certain programs, departments or budget areas; etc. Increased scrutiny of year-end purchasing is common practice in federal government agencies.

The year-end budget review, part of a quarterly process, provides little to no justification for the School Board or the community for increasing expenditures by more than \$100 million in FY 2012. Line items totaling \$90 million are described only as "other commitments," are added to FY 2012 expenditures (now referred to as "FY 2012 Estimated"), and were not justified for specified school needs during 2012.

Since FY2004, the School Operating Fund's year-end balance has exceeded \$100 million annually.

The FY2010 Approved was the last FCPS budget to project a year-end balance greater than \$0, while the balances have consistently grown and exceeded approved amounts by tens of millions of dollars (see chart below). Consistent savings and effective planning have allowed FCPS to build its reserve for the Virginia Retirement System (VRS) repayment to \$60,600,000, set aside

\$50+ million for future starting balance(s), and maintain unexpended cash balances during the greatest economic downturn since the Great Depression. Additional note: The FCPS 2011 Annual Report of Expenditures shows a fiscal-year-end balance of \$370,594,067.63.

Fiscal Year	School Operating Fund Year-end Balance Approved	School Operating Fund Year-end Balance Actual
2007		\$128,875,393
2008	\$10,000,000	\$108,784,572
2009	\$0	\$118,117,835
2010	\$28,000,000	\$189,730,689
2011	\$0	\$260,728,079

Sources: FCPS Approved Budgets 2010, 2011, 2012. Year-end balances include all carryovers, undelivered orders, set-asides (such as centralized textbook fund & future year starting balances), and reserves

### Recommendations:

- The Board of Supervisors hold funding flat at the 2011 Adopted Budget level for the School Operating Fund until such time as all transparency and accountability issues have been resolved. That would result in reducing the County Executive's proposed transfer to FCPS by \$72.4M. (Note: The group is unable to confidently recommend an appropriate funding level for all of the reasons cited above. For this reason, we are recommending flat funding.)
- Establish a joint County and FCPS committee to address the budget transparency issues which have been raised. This is critical to building confidence in our ability to understand and endorse the “needs-based” budget which the FCPS presents each year and to assess overall efficiencies in the School program.

*Not included in the main report, but presented for consideration here:*

The Board of Supervisors strongly urges the FCPS to:

- Provide a detailed accounting of Undelivered Orders from FY 2010 and 2011 which fully explains these last-minute outlays.
- Significantly expand the FCPS budget narratives to provide greater accountability and transparency.
- 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.

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

drawdown. (Triggers might include revenue shortfalls of established amounts, student population increases above estimates, and/or emergency situations like the fire that destroyed Dogwood Elementary.)

- Clearly document transfers from any FCPS account established as a reserve or contingency. These would include staffing/flexibility, school materials, and School Board reserve.
- Clearly identify receivables accrued to prior fiscal years and establish a process for significant scrutiny of year-end expenditures which comprise 2% of the operating fund.
- Modify the Operating Revenue & Expenditure Details in the FCPS Proposed Budget to reflect two previous fiscal year's actual, the current year's approved budget and estimates, and the coming year's proposed. 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. 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.
- Include adjustments made during the fiscal-year-end budget review along with greater detail of how carryover funds will be spent during the current year.

**Additionally, the Board of Supervisors strongly urges the School Board to:**

- Review Operational Expectations (goals) with an eye toward incorporating industry standards and documented best practices<sup>2</sup> to programmatic and departmental measures, where applicable. Consider an OE for the budget process that seeks to reduce questions about the budget by increasing the details provided in the document itself.
- Increase scrutiny and oversight of year-end spending, which currently results in what appears to be a large amount of undelivered orders for the coming year.

**ISSUE #2: PROGRAM REVIEWS**

FCPS' Strategic Governance Initiative serves as the primary means by which the School Board assesses school system performance via its Operational Expectations (goals) and Monitoring Reports. We strongly support the use of measurable, meaningful targets and their accompanying reports to maintain transparency and accountability to the community. Some school expenditures are easily tracked to operational expectations and accountability reports; many, however, do not.

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<sup>2</sup> Best Practices should be clearly defined & supported through independent, data-driven research.

Were FCPS to incorporate its assessment metrics with the budget process (see recommendations for Transparency & Accountability above, including following the Montgomery County Public Schools budget model), public scrutiny of budgetary needs would be demonstrably simpler. FCPS' stated goals could be weighed against achievements and in light of financial priorities and limitations.

Program evaluations have been done for a number of programs, such as the Priority Schools Initiative (PSI, targeting reduction of the achievement gap) and Foreign Language in the Elementary Schools (FLES). FCPS has developed and utilized quality standards templates for this purpose. Our group is concerned about the number of evaluations that are possible with existing staff. We are also concerned that such evaluations be presented in full context. Example: the first-year assessment of the PSI provides no context for achievement measures against the entire school division. How do scores and assessment measures from the priority schools compare to those achieved in all schools?

### **Recommendations:**

The Board of Supervisors strongly urges the FCPS to:

- Add an inspector general, ombudsman, independent auditor and/or other staff, reporting directly to the School Board, to oversee FCPS program evaluations, financial reviews, and gather other information to support effective policy-making and budgetary decisions. We acknowledge the school board's set-aside for a School-Board auditor but have not seen how the new position's role will be defined.
- Make preparing program budgets a priority. (This recommendation is being made in context of no program budget prepared for FY2012. Staff explained this is due to workload resulting from implementation of FOCUS project.) Our group strongly recommends the program budget be a priority over staff time devoted to production of the WABE guide. We further recommend a program budget be included in future proposed budgets, as modeled in the Montgomery County Schools budget referenced above.

*Not included in the main report, but presented for consideration here:*

- The Board of Supervisors support FCPS placeholders for objective, independent reviews of programs or departments for maximum efficiencies, such as that currently proposed for Food & Nutrition Services.

**ISSUE #3: COMPARE & CONTRAST VIRGINIA DEPARTMENT OF EDUCATION CATEGORICAL REPORTS WITH THOSE OF FCPS**

§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 (VDOE). (A copy of the FCPS report for FY2011 is attached.) Our committee reviewed this document and noticed significant variations between VDOE’s defined categorical expenditures and FCPS’ allocations (see “School Expenditure Categories FCPS-Defined vs. VA Dept. of Education Reporting” on p. 8):

Category	FCPS% of Operating Expenditures	VDOE’s % of Total Expenditures		
	2013 Proposed	2009	2010	2011
Instruction	85.9	67.44	68.70	66.61
Admin, Attendance, Health	4.5	3.10	3.08	3.07
Pupil Transportation	5.4	4.66	4.48	4.89
Operation & Maintenance Svcs		7.58	7.99	7.57
Food Svcs & Other Non-Instructional		2.73	2.81	2.88
Facilities	4.1	6.07	4.81	6.83
Debt Service & Fund Transfers		2.78	2.59	2.64
Technology		5.64	5.53	5.52
Contingency Reserve		0.00	0.00	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:** The Board of Supervisors strongly urges the FCPS to include these comparisons in their Advertised/Proposed Budget, along with VDOE definitions of the expenses in each category, where FCPS’ classifications vary and why.

SCHOOL DIVISION NAME: FAIRFAX COUNTY

**SUMMARY OF EXPENDITURES AND BALANCES - FISCAL YEAR 2011**

CLASSIFICATION OF EXPENDITURES:	Fiscal Year 2011 Total	PERCENT OF TOTAL EXP.
INSTRUCTION	1,628,661,501.37	66.61%
ADMINISTRATION, ATTENDANCE AND HEALTH	75,075,363.32	3.07%
PUPIL TRANSPORTATION	119,482,523.80	4.89%
OPERATION AND MAINTENANCE SERVICES	184,968,636.71	7.57%
SCHOOL FOOD SERVICES AND OTHER NON-INSTRUCTIONAL FACILITIES	70,369,798.91	2.88%
DEBT SERVICE AND FUND TRANSFER	166,989,494.15	6.83%
TECHNOLOGY	64,466,099.05	2.64%
CONTINGENCY RESERVE	134,971,585.81	5.52%
<b>TOTAL EXPENDITURES</b>	<b>2,444,985,003.12</b>	<b>100.01%</b>

**FISCAL YEAR 2011 - BALANCES AT CLOSE OF YEAR**

DESCRIPTION	AMOUNT
SCHOOL OPERATING FUND	275,866,239.63
SCHOOL DEBT FUND	0.00
SCHOOL CONSTRUCTION FUND	75,779,874.00
TEXTBOOK FUND	0.00
TEXTBOOK ESCROW FUND	0.00
LOTTERY ESCROW FUND	0.00
SCHOOL CONSTRUCTION ESCROW FUND	0.00
SCHOOL FOOD FUND	18,947,954.00
CARRY-OVER STATE FUNDS FROM STATE AGENCIES	0.00
DISTRICT FUNDS	0.00
FEDERAL FUNDS	0.00
OTHER FUNDS	0.00

**TOTAL END-OF-YEAR BALANCES 370,594,067.63**

**TOTAL EXPENDITURES AND BALANCES 2,815,579,070.75**

**REVENUES REPORTED IN FISCAL YEAR 2011**

**Fiscal Year 2011 Revenues:**

Sales Tax Receipts	152,174,592.94
State Funds	307,541,186.47
Federal Funds	136,207,714.77
City - County Funds	1,638,792,064.81
District Funds	0.00
Other Funds	136,202,873.51
Loans, Bonds, etc.	130,299,881.25
<b>Total Receipts</b>	<b>2,501,218,313.75</b>

**BALANCES AT BEGINNING OF YEAR**

	AMOUNT
School Operating Fund	203,744,582.00
School Debt Fund	0.00
School Construction Fund	94,573,900.00
Textbook Fund	0.00
Textbook Escrow Fund	0.00
Lottery Escrow Fund	0.00
School Construction Escrow Fund	0.00
School Food Fund	16,042,275.00
Carry-Over State Funds from State Agencies	0.00
District Funds (Capital Outlay and Debt Service)	0.00
Federal Funds	0.00
Other Funds	0.00

**Total Balances 314,360,757.00**

**Total Receipts and Balances 2,815,579,070.75**

## **Fairfax County Optimizing County Time in Court**

**Issue:** A review of the County budget showed diminishing County resources. This is especially true in the police portion of the budget. 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 and technology 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 a literature review combined with real world experience.

The court commands a large list of experts that are necessary for a criminal trial. While safeguarding defendant's rights many courts have found opportunities to integrate audio and video links that allowed for testimony. In the case of professional witnesses, substantial in court waiting time has been avoided. It is recognized that defendants' rights are paramount, but the costs to produce an expert need not include wasted waiting time. Officers and lab technicians may only need to testify for ten minutes, yet waiting time adds many multiples to that time. Group member observation included examples of officers at a 9:00AM calendar testifying hours later, some as late as 2:00 PM.

Infrastructure has always been difficult in any of these projects. The County has done much to keep a modern infrastructure and the intention of this recommendation is to leverage that infrastructure. Voice over IP is becoming the norm for phone systems and these networks require very little tweaking to support 30 frames per second (FPS) video. Some jurisdictions have gone as far as to initiate testimony from a patrol car. This recommendation is to start with baby steps, but to have a plan to try to bring these economies as broadly as possible. Time spent waiting in a court room is not effective use of patrol or other police resources. . The work of the court can be accomplished with cooperation with collaboration among the court, DIT, and the police department.

**Recommendation:** That 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 technology and policy to make more effective use of witness resources.

## **Citizens Budget Primer**

### Suggested Areas for Inclusion

At a minimum, the primer should cover the following topics:

- What is the budget and what are the key points to consider when looking at it. In this introductory section, key points are presented which help set the context for viewing the budget. Some suggested points to include:
  - The budget is the County's plan for how it will spend your money and how it will pay for the services and programs.
  - Our budget is affected by the national, state and local economic factors.
  - We are required to have a balanced budget.
  - We have limited ability to raise revenues.
  - County is disadvantaged under state formula for allocating resources back to County (e.g. for schools K-12, transportation, health and human services).
  - Our ability to cut the budget is also limited partly by federal mandates, state earmarking, and court orders.
- Where does the money come from and where does it go.
  - Use the existing pie charts for this section.
- What programs and services are covered by the budget.
  - Identify some common misconceptions among the citizens about services provided by the State, Federal or County governments and provide clarity.
  - Provide an explanation about the School transfer and what authorities the Board of Supervisors have/do not have with regard to the funds transferred. Also, briefly describe what school-related services are covered by the General Fund **in addition to** the transfer to the Schools. This is particularly important as the Schools funding is the single largest expenditure from our General Fund.
  - Provide a list of programs and services with a brief explanation of each. Appropriate hyperlinks should be included directing the reader to budget details. If related funding is found in more than one area of the budget, include such information here
- How the budget is organized.
  - Provide a listing of the various budget documents such as the Overview Volume, Volume 1, Volume 2, etc. along with a brief explanation of each and appropriate hyperlinks.

- How the budget is constructed.
  - Describe what process is used, who the key players are and the timeline. Capturing this information in a graphic/flowchart would be most helpful.
  - Include a clear definition of the different budgets phases and documents which explains why we have advertised, adopted and revised budgets. To the uninitiated, the presence of these various budgets can be confusing.
  - Provide an explanation of the different funds and their significance along with a chart showing which agencies have additional funds as part of their total budget picture.
- Describe how information can be found within the budget, to include a cautionary note that funding costs for a program or service area may be captured in more than one location of the budget document.
- Glossary of budget terms
- Glossary of acronyms
- A listing of all the various charts and tables which are available with brief explanations of each.
- An index of the budget topics.