

**Summary Joint BOS / FCPS Board Budget Committee Meeting**

February 21, 2017

***Committee Members Present:***

Sharon Bulova, Chairman  
Penelope Gross, Mason District (Vice Chairman)  
John Cook, Braddock District  
John Foust, Dranesville District  
Pat Herrity, Springfield District  
Catherine Hudgins, Hunter Mill District  
Jeff McKay, Lee District (Committee Chair)  
Kathy Smith, Sully District  
Linda Smyth, Providence District  
Dan Storck, Mount Vernon District

***School Board Members Present:***

Sandy Evans, Mason District (Chairman)  
Tamara Derenak Kaufax, Lee District  
Ryan McElveen, At-Large  
Megan McLaughlin, Braddock District  
Ilryong Moon, At-Large  
Dalia Palchik, Providence District  
Karen Corbett Sanders, Mount Vernon District  
Elizabeth Schultz, Springfield District  
Janie Strauss, Dranesville District  
Thomas Wilson, Sully District

Not Present: Pat Hynes, Hunter Mill District; Jeanette Hough, At-Large

February 21, 2017 Meeting Agenda:

<http://www.fairfaxcounty.gov/bosclerk/board-committees/meetings/2017/feb21-budget-agenda.pdf>

February 21, 2017 Meeting Materials:

<http://www.fairfaxcounty.gov/dmb/workshops/county-schools-joint-budget-development-milestones.pdf>

<http://www.fairfaxcounty.gov/dmb/workshops/schools-fy2018-advertised-budget-presentation-bos.pdf>

<http://www.fairfaxcounty.gov/dmb/fy2018/advertised/fy2018-advertised-cex-budget-presentation.pdf>

The meeting was called to order at 3:15 P.M.

After a brief introduction by Chairman Bulova introducing everyone to Conference Room 11, Supervisor McKay gives a brief overview and has everyone at the table introduce themselves. Supervisor McKay then moved to the first issue on the agenda, *Joint Budget Development Workgroup – Joint Budget Timeline*, Chief Financial Officer (CFO) Joseph Mondoro and FCPS Assistant Superintendent, Kristen Michael led the discussion:

- CFO Mondoro introduced the draft budget calendar (State, County and Schools on one document) related to budget development.
- CFO Mondoro and Assistant Superintendent Michael provided a detailed overview of the County and FCPS budget processes, timelines and deliverables summarized on the joint calendar, going month by month starting with the beginning of the fiscal year in July.
- Both stressed new touchpoints and areas of additional collaboration that will be areas of focus in future processes.

#### Board Discussion

- County Board members noted the budget is a yearlong activity, it never stops. Also appreciated inclusion of the legislative component on this document. Board members noted this was the first time a document such as this had been developed and felt it was a valuable tool that knitted the County and FCPS together in a very good way. School Board members (SBM) agreed, noting that the document was a great tool for transparency for the public as well. All thanked staff for their work.
- After inquiries by members of the School Board, CFO Mondoro provided additional information on the pay increase and pay review analyses that are noted on the County column of the document in October and November. SBMs show interest in these concepts, indicating this may be an area for further review on their side as well the potential for additional collaboration with the County. CFO Mondoro also discussed the Market Rate Adjustment (MRA) formula used by the County, which includes the Consumer Price Index (CPI) (40%), Federal Wage Adjustment (10%), and Employment Cost Index (ECI) (50%).
- Discussion ensued on the issue of enrollment being a primary driver of the school column on the document, including the impact of enrollment changes on land use/capital etc. Joint School Board/Planning Commission work in this area is noted as well, including the issue of aging schools/facilities.
- The Board asked that a clarification be made on a footnote underneath the state portion of the chart to show “short (45 day) and long (60 day) sessions.”

Following that discussion, the second item on the agenda, *FCPS FY 2018 Budget Presentation* was made by Steve Lockard, Interim FCPS Superintendent:

- Budget focused on employee compensation (2.3% average step increase)
- Discussed teacher salary scale implementation investment (\$33.2M needed for year two)
- Main Cost drivers are enrollment/student demographics, VRS, ERFC (local retirement), FCERS, Health Insurance Rates
- Discussed potential impact of proposed State changes. State budget will be finalized in March.

- If proposed State revisions come through, the gap between the County Executive's proposed budget and the FCPS request is \$57.4M

The third item on the agenda, *FY 2018-FY 2019 Advertised Multi-Year Budget Presentation* was made by Edward L. Long, Jr., County Executive:

- Growth over the last decade has slowed to an average of 2.1% compared to 6.5% previous decade. This is the new normal. 58% of all revenues available are allocated to FCPS in Advertised budget.
- Real Estate tax rate raised 4 cents last year. The proposed Advertised budget is balanced with no change in the tax rate this year.
- Many unfunded priorities. Summarized on Slide 10.
- Budget challenges are here to stay.

Board Discussion on Agenda Items #2, #3, and #4, FY 2018 Tax Rate Discussion ensued:

- The issue of low income properties having the largest assessment increases is noted.
- After an inquiry by School Board member Strauss about the availability of several different data points, such as per capital wealth, education level per capita, and service industry jobs versus IT etc., it was noted that this information was available in the Trends and Demographics section of the Advertised Budget and ***CFO Mondoro stated he would email a link to this data.*** Board members noted that the ongoing challenge is that local government cannot access income. Real estate is the County's main resource and that is a constant challenge.
- Multiple School Board Members reiterated that it costs about \$56 million to cover the required cost drivers highlighted on School Board presentation page 15. Several advocated advertisement of a higher tax rate than the flat rate included in the County Executive's Advertised budget.
- Discussion ensued on several topics, including the number of positions eliminated from past budgets (slide 22 of the FCPS presentation was noted), the need for further analysis on pension and benefit-related issues, and the naming rights issue as an untapped source of revenue. Several perspectives from both County Board and School Board members were shared. The School Board notes it is working towards putting out a well thought out policy on naming rights.
- Discussion ensued on the vacancy rate and obsolete office space rate data provided on Slide 26 of the County Executive's (CEX) presentation. CEX Long notes that the "73% obsolete" figure is a number provided by the Economic Development Authority that is reflective of buildings that are 20+ years old. CEX Long further noted that this issue is a focus area of the County's Economic Strategic Success Plan and the County's Office of Community Revitalization and Reinvestment. Several Board members noted that this is not a Fairfax-specific issue but an issue for all of the region. The task is daunting as it reflects over 20 million square feet of space in the County.
- Discussion ensued on potential ways to bridge the gap between the County Executive proposed funding level for FCPS and the FCPS requested level. Options discussed included increasing salaries on the school side by the same amount as proposed by the CEX on County side, reviewing the list of reductions include on Slide 24 of the FCPS presentation, and

increasing the tax rate by a small amount. This was a long discussion that included input from many members of both Boards. Interim Superintendent Lockard noted that all things would need to be on the table for discussion.

- After an inquiry by a member of the School Board about County recruiting issues, CEX Long and CFO Mondoro provided general comments about County job classes that sometimes have recruitment and retention issues; however, they vary from year to year based on market conditions.
- Supervisor Foust asks about the difference in health care rate increases between the County and FCPS. After some discussion, he asks the following Budget Q&As:
  - **Q&A – Please provide a detailed comparison between the County and FCPS in terms of health care costs including differences between the programs, utilization rates etc.**
  - **Q&A - How does Fairfax County compare in terms of education spending per capita to other jurisdictions?**
- Discussion ensued concerning belief that some are benefitting from County services without paying appropriate fees. Examples cited included out of state plated cars residing in Fairfax County not being taxed and kids in schools who might live in bordering jurisdictions. It is noted that the County's Office of the Sheriff is already doing some positive work on the out of state cars residing in Fairfax issue.
- Discussion returns to at what level is the County going to advertise the tax rate at the Board meeting on February 28. Several Board members and SBM share their thoughts, with some proposing an increase of 2 cents to have the discussions with the community over the next few months.
- Chairman Bulova closes: She noted that many constituents mentioned the four cent increase on the tax rate last year was a burden. It is her position that may have contributed to the meals tax referendum being defeated in November. She notes she is only one person voting on the tax rate issue – but she won't vote to advertise an increase in the tax rate.
- Post meeting: **Supervisor Hudgins asked for circulation of proposed school reductions put forth by the FCPS task force.**

The next meeting of the Board Budget Committee is scheduled for 1:00 P.M. on Tuesday, 3/7/2017

The meeting adjourned at 5:45 P.M.