

County Executive Presentation of the FY 2014 Advertised Budget Plan

(includes Multi-Year Budget:
FY 2014 – FY 2015)

February 26, 2013



Fairfax County

Department of
Management and Budget

12000 Government Center Parkway,
Suite 561

Fairfax, VA 22035

703-324-2391

Budget Information:

www.fairfaxcounty.gov/budget

Provide feedback on the FY 2014
Advertised Budget Plan at:

www.fairfaxcounty.gov/budget/fy14-advertised-input.htm

SETTING THE STAGE FOR THE NEXT SEVERAL YEARS

- **Recognize that budget challenges are continuing**
- **Opportunity to put in place a longer term focus and planning perspective to frame the important financial and programmatic choices facing our community**
- **Multi-Year Budget**
 - Longer term perspective to evaluate budget choices/challenges
 - FY 2014 Budget Proposal and parameters for the FY 2015 Plan
 - Tax rate and funding decisions to cover both years
- **Areas for Further Analysis**
 - Capital Improvement Program (CIP): New facilities/renewals
 - Public Safety Staffing Plan based on metrics
 - Stormwater Management Program and Multi-Year Funding Plan
 - Human Services Results Based Accountability Model
 - Ongoing Review of Services for Further Efficiencies
 - Refinements of Measures and Metrics

WHEN THE FY 2013 BUDGET WAS ADOPTED (May 2012)

- **Optimism that recovery from 'Great Recession' would be moderately strong**
- **Residential assessments up 0.7 percent; non-residential strong upswing of 8.2 percent**
- **FY 2013 budget included a more complete compensation program for employees**
- **Assumed federal tax cuts and debt ceiling issues would be resolved and we would not go over the fiscal cliff**
- **Assumed sequestration would be avoided and a reasonable federal budget plan would be adopted**

BUDGET PERSPECTIVE

- **November 2012**

- Projected Shortfalls:

<u>FY 2014</u>	<u>FY 2015</u>
(\$169 million)	(\$274 million)

- **Budget Proposal**

- Current Projections:

<u>FY 2014</u>	<u>FY 2015</u>
\$2.41 million	(\$39.7 million)

FY 2014 and FY 2015 are interdependent

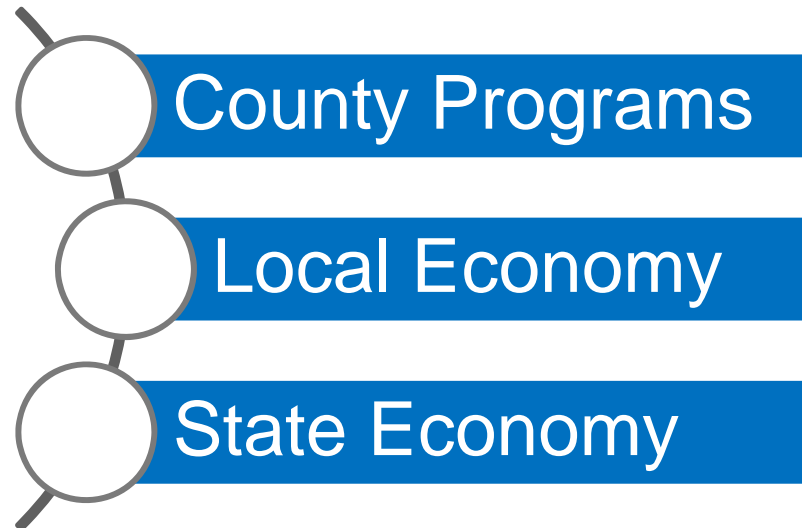
...AS OF TODAY

- **Fiscal cliff avoided – most tax cuts continued**
- **Social Security taxes allowed to return to previous levels, resulting in a 2.0 percentage point increase**
- **Decision on debt ceiling delayed until May 2013**
- **Sequestration set to take effect March 1, 2013 with no compromise plan currently on the table**

SEQUESTRATION

- The impact of sequestration is potentially significant and perhaps more importantly – largely unknown

Budget sequestration impact



- Our budget plan must prudently address this unknown

“TURNED OVER EVERY ROCK”

- **Increase in Total General Fund Budget – only 1.4% average annual growth between FY 2009 and FY 2013**
- **Cut agency budgets by more than \$150 million and eliminated more than 500 positions between FY 2009 and FY 2013**
- **Compensation increases eliminated in FY 2010 and FY 2011, curtailed in FY 2012**
- **Reduced Personnel Services significantly:**
 - Agencies working with fewer positions and required to hold more positions vacant
 - Position Turnover rates held at more than double the budgeted rate in FY 2007
- **Targeted fee and revenue increases**
- **Utilized one-time balances**
- **Engaged the community, employees, and businesses in budget discussions**

IMPORTANT CONSIDERATIONS: THIS BUDGET MUST

- **Protect our “Product”**
- **Be flexible to respond to “unknowns”**
- **Reduce structural deficit**
- **Include Investments To Take Advantage of Opportunities**

PROTECT OUR “PRODUCT”

- **Our “Product” includes:**
 - Outstanding school system
 - Robust workforce essential in attracting and retaining businesses
 - Safe community due to our excellent Public Safety workforce
 - Community that is environmentally conscious
 - Safety Net to catch those most in need
 - Great amenities such as libraries, parks and cultural activities
 - Strong financially managed County
 - Outstanding leadership by the Board of Supervisors

BE FLEXIBLE TO RESPOND TO "UNKNOWNNS"

- **Federal Budget Deficit and Sequestration**
 - Federal spending is significant part of the County's economy:
 - Federal procurement in County - \$25 billion
 - Federal Civilian Employment in County – 4%
 - Personal Earnings of Federal Employment – 9.9% of total County
 - Cuts will impact County job growth and economic recovery
 - Office vacancy rates will remain elevated
 - May impact County Credit Rating, increase cost of borrowing for capital
- **State Budget**
 - Also significantly impacted by the Federal Budget
 - Decisions on spending will impact the County
- **Weather Events**
 - Derecho, Hurricane Sandy, etc.
- **Tax Appeals, Reviews**
- **Greater Flexibility at FY 2013 Carryover is necessary**

REDUCE STRUCTURAL DEFICIT

- **FY 2013 Budget relied on approximately \$61 million of one-time balances**
- **FY 2014 Advertised Budget Plan reduces this reliance on one-time balances to less than \$12 million**
- **Multi-Year goal is to continue reducing the use of one-time funds for recurring requirements**
- **Use one-time funds for needed non-recurring items**

INCLUDE INVESTMENTS TO TAKE ADVANTAGE OF OPPORTUNITIES

- **Invest to maintain our strong Product**
- **Some opportunities on the Horizon:**
 - Silver Line Phase I
 - Tysons Development/Redevelopment
 - Mosaic Development
 - Springfield Redevelopment
 - Route 1 Corridor Redevelopment
 - BRAC Opportunities
 - Silver Line Phase II
 - Reston Redevelopment
 - Countywide commercial revitalization areas
- **Will need staff investments to maximize planning efforts and resulting implementation actions**

HOW DO WE KEEP OUR PRODUCT STRONG

- **Community Consensus**
 - Residents comfortable with current service levels and program
 - Have downsized effectively and responsibly
- **Make an Investment to Get Through FY 2014 and FY 2015**
 - Requires constrained spending and strategic funding
 - Requires a 2 cent increase in Real Estate Tax Rate
 - Limits increases to Fairfax County Public Schools
 - Ongoing Review for service efficiencies
 - Reductions to be made surgically, not with a budget ax

FY 2014 BUDGET PROPOSAL AND FY 2015 PLAN

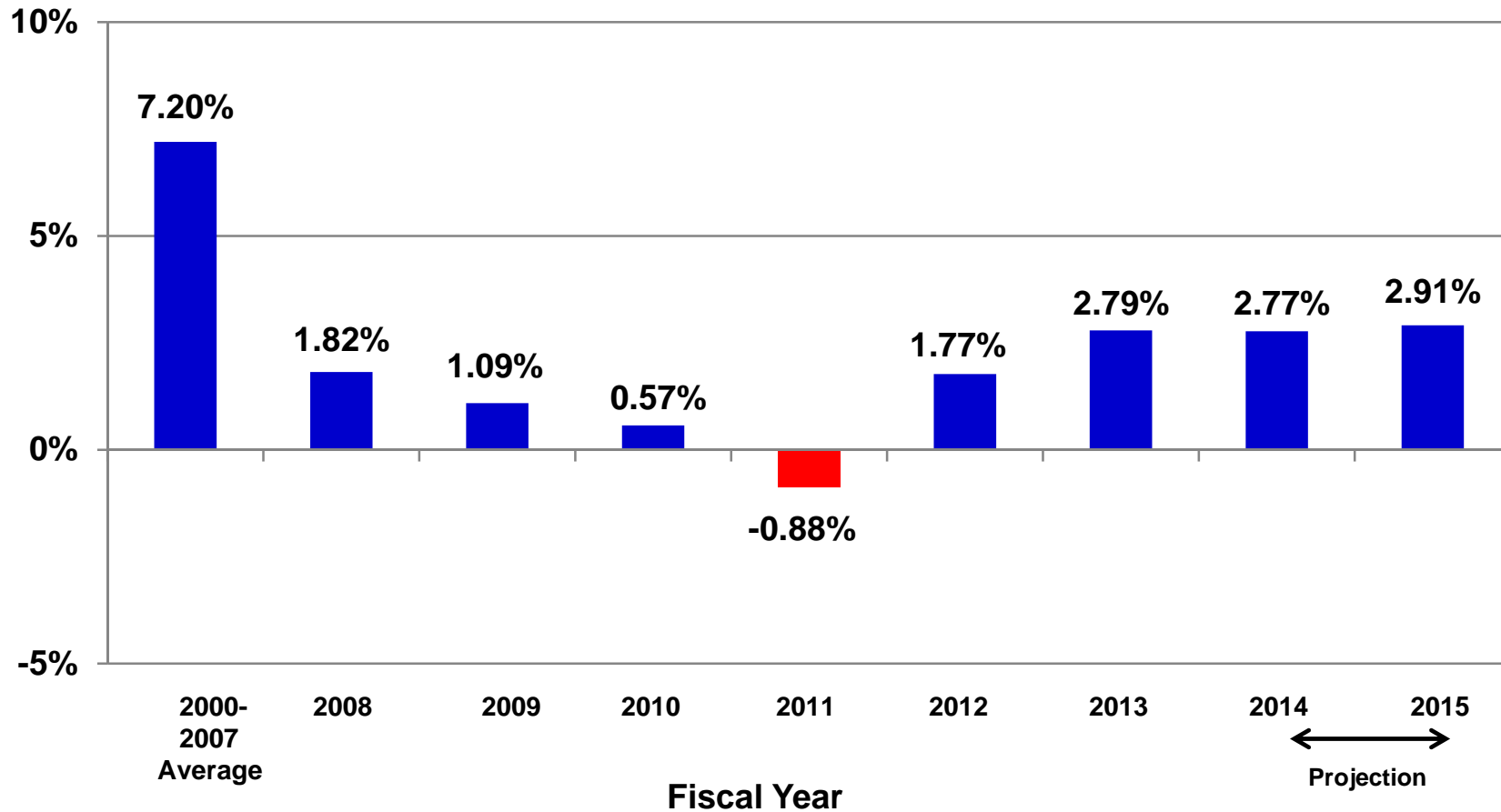
- **Linked budget recommendations which will cover both years**
- **FY 2014**
 - Includes Revenue and Transfers In totaling **\$101.3 million**
 - Revenue increases, indirect costs, tax rate recommendation
 - Plan allocates these new resources to:
 - Fills most of the Structural Imbalance left from FY 2013 (\$61 mil) **(\$49.4) million**
 - Dedicates 80% of disbursement increase to FCPS **(\$41.3) million**
 - Funds Net Critical County Requirements:
 - Requirements of \$30 mil, less reductions of \$21 mil, including eliminating 91 positions, and Managed Reserve Adjustment **(\$8.2) million**
 - Available Balance for Other Requirements **\$2.4 million**
- **FY 2015**
 - Projected Shortfall – manageable **(\$39.7) million**

FY 2014 BUDGET PROPOSAL

- **The total recommended FY 2014 budget for All Funds is \$7.017 billion**
- **General Fund Disbursements total is \$3.589 billion**
 - (0.37%) decrease from the *FY 2013 Revised Budget*
 - 1.45% increase over the FY 2013 Adopted Budget Plan
- **General Fund Direct Expenditures total is \$1.309 billion**
 - (2.49%) decrease from the *FY 2013 Revised Budget*
 - 0.37% increase over the FY 2013 Adopted Budget Plan

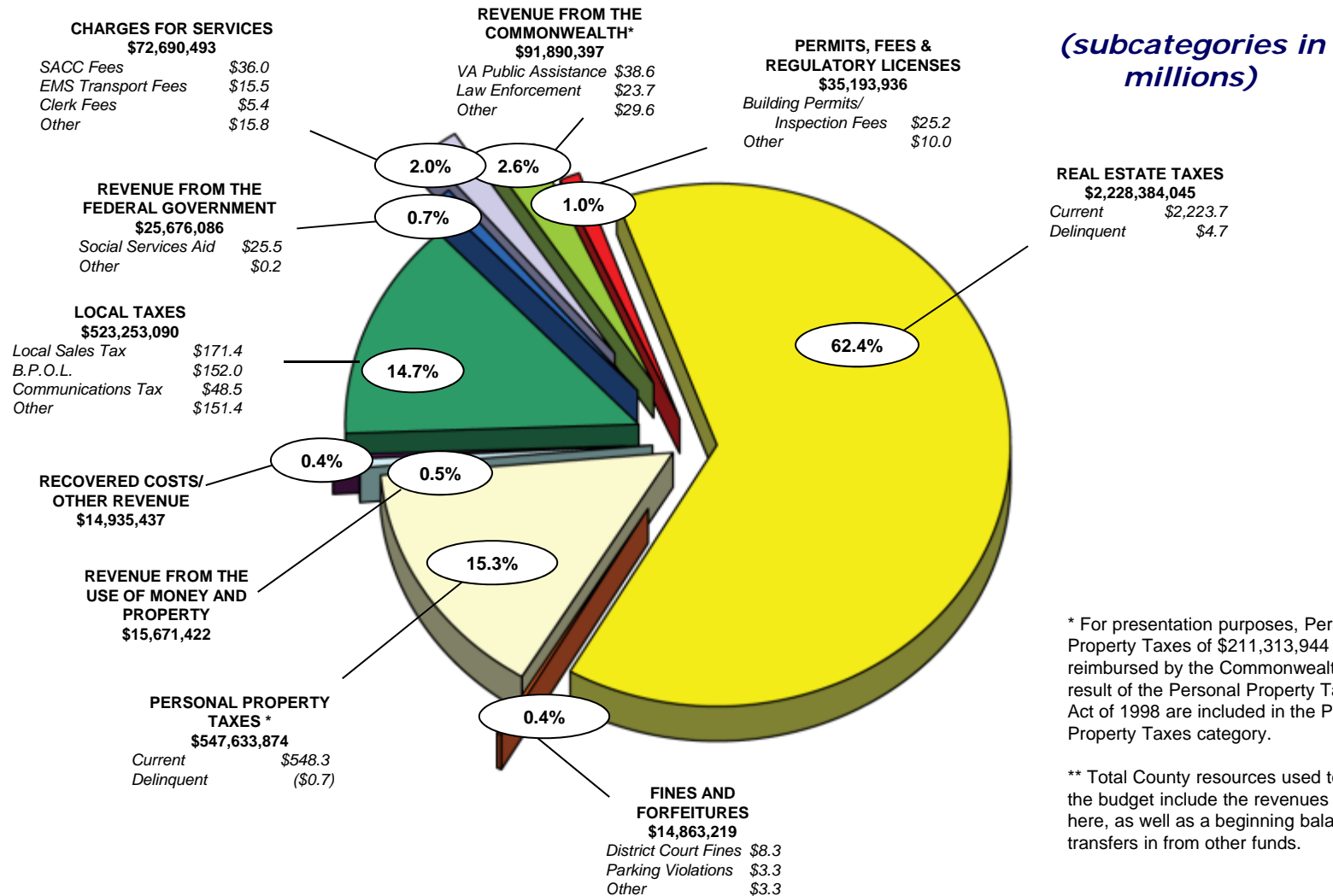
GENERAL FUND REVENUE GROWTH

Annual Percent Change – General Fund Revenue
FY 2000 – FY 2015



FY 2014 GENERAL FUND RECEIPTS

("WHERE IT COMES FROM")



* For presentation purposes, Personal Property Taxes of \$211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

FY 2014 GENERAL FUND RECEIPTS = \$3,570,191,999**

Fairfax County, Virginia: FY 2014 Advertised Budget Plan

REAL ESTATE TAX BASE

	2002	2003	2004	2005	2006	2007	2008
Equalization	9.70%	11.72%	9.94%	9.54%	20.80%	19.76%	2.47%
- Residential	11.26	16.27	14.55	11.29	23.09	20.57	(0.33)
- Nonresidential	5.92	0.52	(2.94)	3.74	12.74	16.64	13.57
Growth	3.94	3.42	2.54	2.50	2.69	2.94	1.68
TOTAL	13.64%	15.14%	12.48%	12.04%	23.49%	22.70%	4.15%
	2009	2010	2011	2012	2013	2014	2015
Equalization	(1.02)%	(10.52)%	(8.98)%	2.67%	2.53%	2.63%	1.75%
- Residential	(3.38)	(12.55)	(5.56)	2.34	0.71	3.50	2.00
- Nonresidential	7.00	(4.51)	(18.29)	3.73	8.21	0.14	1.00
Growth	1.53	0.57	(0.22)	0.60	0.74	0.77	0.80
TOTAL	0.51%	(9.95)%	(9.20)%	3.27%	3.27%	3.40%	2.55%

Projected Value of "One Penny" in FY 2014 = \$20.65 million in revenue



RESIDENTIAL MARKET

Residential Market – Calendar Year 2012:

- **Total Increase of 3.5% in residential equalization**
 - Reflective of increase in number of homes sold
 - Improvement in Home sale prices
 - Fewer days on the market
 - Lower number of mortgage delinquencies



RESIDENTIAL EQUALIZATION



Residential

Approximately 74.42% of total base

Residential Equalization Percent Changes

Housing Type (Percent of Base)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Single Family (72.8%)	(3.12)	(11.34)	(5.50)	2.10	0.70	3.13	
Townhouse/Duplex (18.8%)	(4.96)	(16.06)	(4.44)	3.73	1.20	4.50	
Condominiums (7.7%)	(4.54)	(19.51)	(10.45)	2.53	(0.06)	5.42	
Vacant Land (0.5%)	7.66	(7.08)	(6.68)	(3.50)	(1.66)	2.89	
Other (0.2%)	6.46	(4.99)	(3.60)	2.69	2.56	4.74	
Total Residential Equalization (100%)	(3.38)	(12.55)	(5.56)	2.34	0.71	3.50	2.00

NONRESIDENTIAL REAL ESTATE



- **Fairfax County's Office Vacancy Rates at Year-end 2012:**
 - Direct – 14.6% up from 13.8%
 - Including sublet space – 16.7% up from 15.7%

- **Leasing Activity was at a five-year low**
 - 9.7 million square feet of leasing activity -- down over 17% from 2011
 - Due to concerns over potential sequestration

- **Total 114.1 million Square Feet of Office Space in the County**
 - 12 buildings totaling 2.2 million square feet are under construction

- **Renewed Interest in Speculative Building**
 - Over two-thirds of the construction activity is 100% speculative reflecting confidence in Fairfax county office market.

NONRESIDENTIAL EQUALIZATION

Nonresidential Equalization Percent Changes

Category (Percent of Base)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Apartments (21.2%)	6.41	(6.96)	(12.69)	14.54	12.60	4.90	
Office Condominiums (4.3%)	4.78	(1.10)	(7.57)	(1.53)	(0.31)	(0.66)	
Industrial (6.6%)	14.08	(1.08)	(23.48)	(0.31)	6.75	0.69	
Retail (14.0%)	6.47	(1.74)	(16.07)	1.90	7.16	1.18	
Office Elevator (37.5%)	5.68	(6.62)	(24.31)	1.88	11.34	(2.41)	
Office – Low Rise (3.8%)	9.16	(3.35)	(23.86)	0.49	7.18	(1.72)	
Vacant Land (3.8%)	7.67	(3.87)	(26.53)	(2.07)	2.01	(0.74)	
Hotels (3.4%)	11.28	(7.06)	(34.03)	11.35	3.87	(3.94)	
Other (5.4%)	7.63	(2.07)	(12.84)	2.37	3.27	1.17	
Total Nonresidential Equalization (100%)	7.00	(4.51)	(18.29)	3.73	8.21	0.14	1.00

NONRESIDENTIAL REAL ESTATE REVENUE

Nonresidential

Commercial/Industrial percentage of total real estate assessment base:

- FY 1990 = 26.76% (highest rate in two decades)
- FY 2000 = 24.32%
- FY 2005 = 18.20%
- FY 2006 = 17.36%
- FY 2007 = 17.22%
- FY 2008 = 19.23%
- FY 2009 = 21.06%
- FY 2010 = 22.67%
- FY 2011 = 19.70%
- FY 2012 = 19.64%
- FY 2013 = 20.77%
- FY 2014 = 19.96%

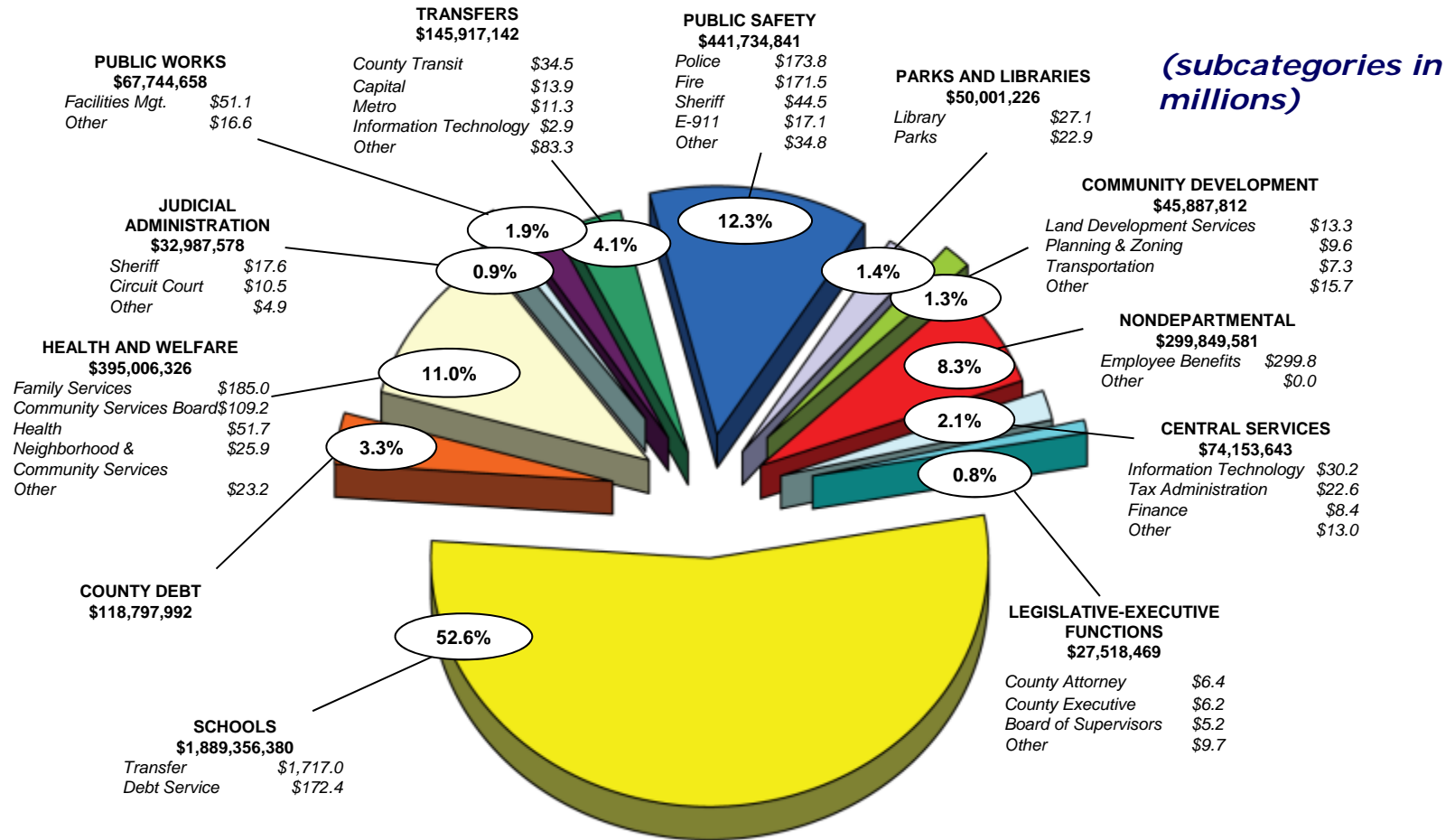


IMPACT ON TYPICAL FAIRFAX COUNTY HOUSEHOLD

Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate per \$100	Tax per Household
FY 2008	\$542,409	\$0.89	\$4,827.44
FY 2009	\$525,132	\$0.92	\$4,831.21
FY 2010	\$457,898	\$1.04	\$4,762.14
FY 2011	\$433,409	\$1.09	\$4,724.16
FY 2012	\$445,533	\$1.07	\$4,767.20
FY 2013	\$449,964	\$1.075	\$4,837.11
FY 2014	\$465,713	\$1.095	\$5,099.56

- Each penny change = \$47 on the tax bill
- Since FY 2008, Real Estate Taxes have increased \$272.12, or **\$262.45** an average annual increase of 0.9 percent per year, not adjusting for inflation.

FY 2014 GENERAL FUND DISBURSEMENTS ("WHERE IT GOES")



FY 2014 GENERAL FUND DISBURSEMENTS = \$3,588,955,648 *

* In addition to FY 2014 revenues, available balances and transfers in are also utilized to support disbursement requirements.

ON THE SPENDING SIDE OF THE BUDGET

- **Increase in Total Disbursements** **\$51.2 million**
 - **Transfer to Support Fairfax County Public Schools** **\$41.3 million**
 - **County Requirements:**
 - **County Spending increases** **\$30.4 million**
 - **County Reductions** **(\$20.5) million**

- **Limited funding for County programs to Maintain Investment, including 11 / 11.0 FTE new Public Safety positions**
 - **Includes additional reductions**
 - Eliminates 91 / 91.0 FTE positions which will require selected Reduction-in-Force (RIF)

- **New STRIVE Program proposed for County employees compensation**
 - No FY 2014 Salary Increases except for Longevity adjustments for Public Safety to preserve scale
 - Sustainable, Affordable and Comprehensive Program recommended for FY 2015 (MRA, Police Retirement Contribution, Market Study Adjustments)

FAIRFAX COUNTY PUBLIC SCHOOLS

- The combined transfer for School operating and School debt service is \$1.89 billion
 - The County's support of FCPS represents 52.6% of total County disbursements. (Currently: 52.2%)
- FY 2014 Transfer for School Operations = \$1.72 billion
 - An increase of \$33.7 million or 2.0% over the FY 2013 level
- School Board Request = \$1.78 billion General Fund Transfer
 - An increase of \$95.4 million or 5.7% over FY 2013
 - \$61.7 million more than recommended in the County Advertised Budget
 - Would require an additional 3 cent Real Estate tax increase to fully fund School Board request
- FY 2014 Transfer for School Debt Service = \$172.4 million
 - Increase of \$7.6 million over FY 2013
 - School bond sales at \$155 million per year
- The County also provides additional support for the Schools in the amount of \$69.8 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



COST OF COUNTY OPERATIONS

\$28.64 MILLION

-
- **No FY 2014 Salary Increase** **\$0 million**

 - **Full-Year Impact of FY 2013 Salary Adjustments/
and FY 2014 Public Safety Longevity Adjustment
to Maintain Pay Scale** **\$12.90 million**

 - **Retirement Funding** **\$0.83 million**

 - **Health Insurance and Other Benefits** **\$11.04 million**
 - Projected premium increases of 8% for all health insurance plans, effective January 1, 2014

 - **County Insurance Requirements** **\$1.49 million**

 - **STRIVE Implementation – Employee Development** **\$0.35 million**

 - **Vehicle Services and Facilities Maintenance Requirements** **\$0.26 million**

MAJOR HUMAN SERVICES REQUIREMENTS \$10.67 MILLION

- **Community Services Board Requirements \$7.62 million**
 - Incorporated baseline funding consistent with funding included at *FY 2012 Carryover* to offset reduced revenue and to fund service requirements. Includes funding for:
 - Infant Toddler Connections program (\$1.0 m)
 - New Intellectual Disability (ID) Graduates (\$1.1 m).
- **Child Care Assistance and Referral (CCAR) \$2.50 million**
Rate Increase
 - State implements reimbursement rate
 - Maintains the number of children served at approximately 4,700 children

PUBLIC SAFETY

\$3.99 MILLION

- **E-911 Fund Support** **\$1.50 million**
 - Based on declining Communication Sales and Use tax revenue as well as agency requirements

- **Silver Line Rail Phase I** **\$1.37 million**
 - 9/9.0 FTE Police Officers

- **Animal Shelter Expansion** **\$0.12 million**
 - 2/2.0 FTE additional positions to support expanded facility

- **Fire Apparatus and Ambulance Replacement** **\$1.00 million**
 - First of multi-year funding to provide sufficient funding for apparatus and ambulance replacement

***CAPITAL CONSTRUCTION,
DEBT AND ENVIRONMENT***

\$0.44 MILLION

-
- **Capital Construction (Total - \$13.93 million) (\$1.50) million**
 - **County Debt Service (Total - \$118.80 million) \$1.94 million**
 - **Stormwater Services Fee - No FY 2014 Fee Change**
 - Proposed to remain at \$0.02 per \$100 of assessed real estate value in FY 2014
 - Supports the increasing federal and state regulatory requirements pertaining to the Municipal Separate Storm Sewer System (MS4) Permit requirements, and State and Federal mandates associated with the Chesapeake Bay
 - Long-term funding and staff plan to be developed in 2013

***STATE ASSUMPTION OF CCAR
PAYMENT PROCESSING***

(\$13.32) MILLION

AGENCY REDUCTIONS

(\$20.52) MILLION

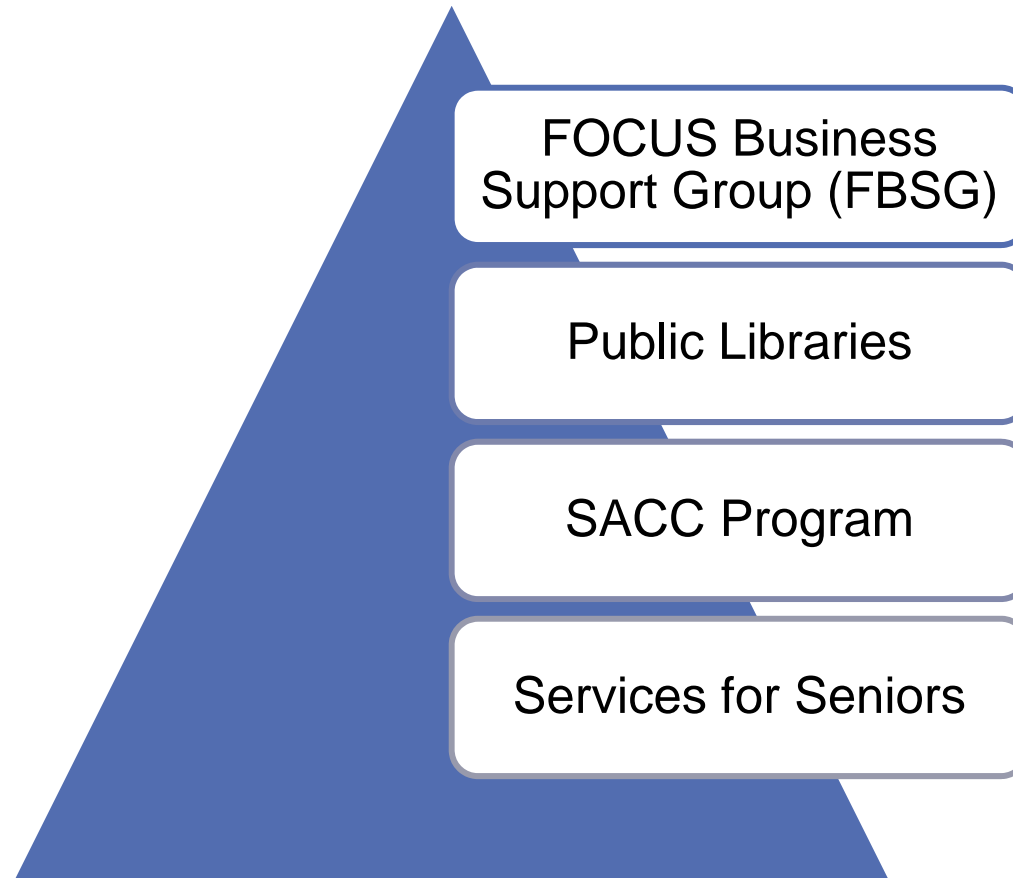
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- **Department Reductions** **\$13.83 million**
 - **Information Technology Project Reductions** **\$2.37 million**
 - **Contributory Payment Reductions** **\$2.32 million**
 - **County Share of CONNECTOR Support** **\$2.00 million**
 - **Eliminated 91 merit positions**
 - **Additional Recommended Revenue Adjustments of \$3.15 million:**
 - SACC fees
 - Rec-PAC program fees
 - Land Development Fees

- **Complete list of FY 2014 Reductions are available online at**

<http://www.fairfaxcounty.gov/dmb/fy2014/advertised/FY2014-reductions.pdf>

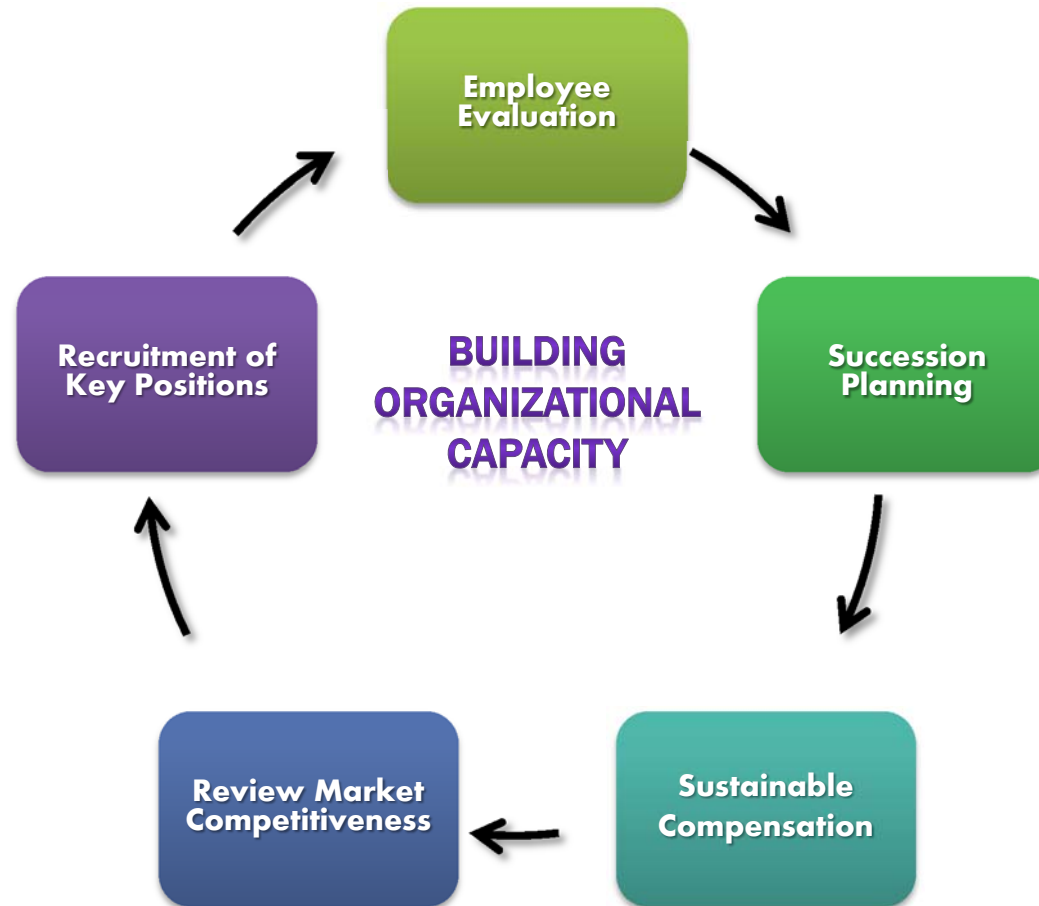
ONGOING REDESIGN WORK

- **Redesigning in budget:**



PROPOSED INITIATIVE: STRIVE

(Sustainable Training, Resources and Incentives for Valued Employees)



STRIVE

(Sustainable Training, Resources and Incentives for Valued Employees)

- **Sustainable Compensation**

- Affordable within current capacity
 - FY 2014 – No compensation increase
 - Market Rate Adjustment (MRA) – FY 2015, FY 2017
 - Merits/Pay Increase – FY 2016, FY 2018
 - Yearly Market Analysis and Adjustments

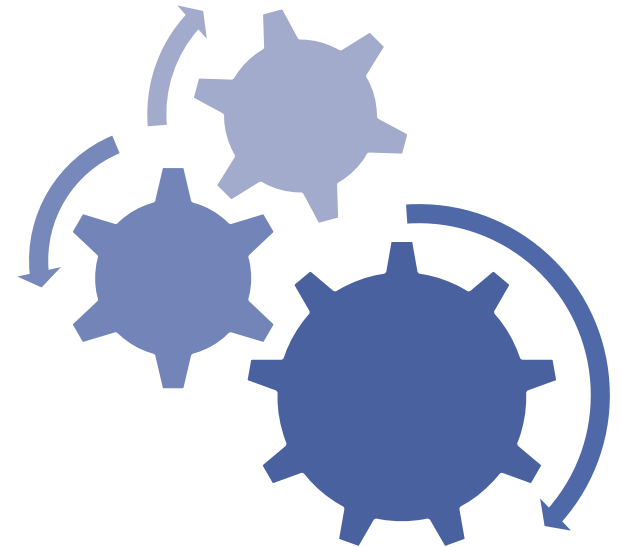
- **Performance Management**

- Reinstitute evaluations for non-uniformed employees
- Simplification of Process
- Emphasis on Employee Development Activities

- **Succession Planning**

- 25% of employees eligible for Retirement by December 2015
- Over 3,000 employees eligible

3 Elements



FY 2015 BUDGET PLAN

- **Increased Revenue** **\$103.76 million**
 - A 2.9% increase
 - Residential equalization up 2%; Non-residential equalization up 1%
 - No change in the Real Estate Tax Rate

- **Increased Disbursements:** **(\$131.22) million**
 - Fairfax County Public Schools: 3% increase for Operations
 - Funds debt service for \$155 million annual bond sale
 - STRIVE Compensation - \$25.4 million
 - 69 New Positions: for public safety, new facilities, etc.
 - Human Services requirements: Funds new ID graduates and ITC program

- **Recurring Structural Imbalance /
Managed Reserve Adjustment** **(\$12.24) million**

- **Projected Shortfall** **(\$39.70) million**
 - Assumes Same Real Estate Tax Rate Recommended for FY 2014

For more information, see the *Multi-Year Budget – FY 2014 and FY 2015* section of the Overview

DASHBOARD INITIATIVE

- New initiative to identify key Budget Drivers
- Dashboards for all General Fund and General Fund Supported agencies as well as a Countywide dashboard
- First step of multi-year implementation



COUNTYWIDE DASHBOARD

Key Data	FY 2013	FY 2014	FY 2015
1. Residential Real Estate Equalization	0.71 percent	3.50 percent	2.00 percent
2. Commercial Real Estate Equalization	8.21 percent	0.14 percent	1.00 percent
3. Projections for School Enrollment Growth/cost of growth and demographic changes	3,907/ \$48 million	2,857/ \$22 million	3,007/ \$25 million
4. Increases in Employee Compensation	\$51.2 million	\$1.2 million	\$25.4 million
5. Impact of Sequestration	Unknown	Unknown	Unknown
6. Other unknowns (economy, job growth, tax appeals)	Unknown	Unknown	Unknown

SUMMARY

- **Comfortable with level of service provided**
- **Reasonable investment to protect our “Product” or strengths**
- **Put in place a longer term focus and planning perspective to frame the important financial and programmatic choices facing our community**
- **Position the County to address Unknowns**
- **Maximize future opportunities**

FOR MORE INFORMATION AND HOW TO SHARE YOUR INPUT

Your feedback on this budget proposal is appreciated:

www.fairfaxcounty.gov/budget/fy14-advertised-input.htm

The entire *FY 2014 Advertised Budget Plan* and the *FY 2014 – FY 2018 Capital Improvement Program* (CIP) are available on the Internet:

•**<http://www.fairfaxcounty.gov/budget>**

All of these County documents are available on one compact disc from the Department of Management and Budget (DMB).

In addition, one reference copy of the budget is available at each County library facility.

FY 2014 BUDGET SCHEDULE

February 26, 2013	County Executive presents <u>FY 2014 Advertised Budget Plan</u>
March 5, 2013	Advertisement of FY 2014 tax rates and <i>FY 2013 Third Quarter Review</i>
April 9-11, 2013	Public Hearings on FY 2014 Budget, <i>FY 2013 Third Quarter</i> and <u>FY 2014-FY 2018 Capital Improvement Program</u>
April 23, 2013	Budget Mark-Up
April 30, 2013	Budget Adoption

To sign up to speak at one of the public hearings, call the Clerk to the Board's Office at (703) 324-3151 or (703) 324-2391 (TTY 711) or to access the form to sign up to speak, go to

https://www.fairfaxcounty.gov/bosclerk/speaker_bos.htm

The public can send written testimony or communicate with the Clerk's Office by email at: **clerktothebos@fairfaxcounty.gov**