Response to Questions on the FY 2005 Advertised Budget Plan

Please Note – The Economic Development Authority (EDA) provided the responses to the following 9 questions asked by the McLean Citizens Association.

Request By: Supervisor DuBois

Question: Which other Economic Development Authorities within the Washington metropolitan area and in the state of Virginia are funded 100% by taxpayers. Are any EDA's funded totally by businesses, such as through a chamber of commerce?

Response: The question seems to presume an inaccuracy. The basic operations of the Fairfax County Economic Development Authority (FCEDA) are funded by the General Fund of Fairfax County. However, we have been successful in obtaining private contributions for specific programs and events. The World Congress on Information Technology was brought to Fairfax County by the FCEDA in 1998. That event was partly funded by Fairfax County. Contributions were also obtained for that specific event from other local, state, and federal government agencies as well as the private sector. The private sector contributed more than two million dollars for that specific event! Businesses are willing to contribute to specific events rather than ongoing operating expenses when those events have a direct impact on their companies' objectives or bottom line. In Fiscal Year 2003, special events of the FCEDA were supported by the private sector in the amount of $385,443. In Fiscal Year 2004, total private contributions to specific events sponsored by the FCEDA were lower due to the economic position of many businesses, however it has still exceeded $100,000. There are 21 cities and counties in the metropolitan Washington area that conduct economic development programs. Nearly all are entirely publicly funded although, as do we, seek private contributions for the conduct of special events of specific interest to their companies. Those that are 100% publicly funded include Montgomery, Anne Arundel, Calvert, St. Mary's, Frederick, and Howard Counties, and the City of Bowie, in Maryland; and, Loudoun, Arlington, Prince William, Spotsylvania, and Fauquier Counties and the cities of Fairfax, Falls Church, Alexandria, and Manassas, in Virginia. The only economic development program in metropolitan Washington that has a significant percentage of private funding is in Prince George's County, Maryland. Please see the response to question number 82 for elaboration. It should also be noted that employers add value to this community in other ways. They contribute immeasurably in terms of both hours and dollars to the Fairfax County Public Schools, the Libraries, the Parks, charitable organizations, the arts, and many, many more areas that enhance our general quality of life. There are many economic development programs around the state of Virginia. The only public-private partnerships of which I am aware are in the Richmond area and around Hampton Roads. The vast majority is entirely publicly funded or, again, seek private sponsorship only for specific events for which there is a demonstrable relationship to specific companies' bottom lines. Four years ago, the FCEDA engaged Dr. Stephen Fuller of George Mason University to prepare some research concerning the most comparable US jurisdictions (in economic compositions) to Fairfax County. That research showed that those communities, too, were 100% publicly funded. These communities include Cobb, County Georgia (metropolitan Atlanta); Mecklenburg County, North Carolina (metropolitan Charlotte); King County, Washington (metropolitan Seattle); Orange County, Florida (metropolitan Orlando);

DuPage County, Illinois (metropolitan Chicago); and Travis County, Texas (metropolitan Austin). There are factors to consider in this question beyond the initial potential impact on the budget.

a. Private funds are as susceptible to economic conditions as public dollars. A period of economic slowdown is precisely the time that we should become *more* aggressive than ever about business attraction and retention. Yet, this is the very time that private sources could NOT be supportive. The recession of the early 1990's demonstrated that those programs with private funding wither and had to cut back due to those losses or went out of business altogether at precisely the time they were most needed.

b. If we *were* successful in soliciting private monies, much of it would originate in either Tysons Corner or Reston. It is very likely that those sources would be primarily interested in seeing the impacts of the expenditures centered in Tysons Corner and Reston only. They would be unlikely to be interested in areas like Springfield, Annandale, Baileys Crossroads, Merrifield, or the Richmond Highway corridor.

c. I am very concerned that a private sector contribution would result in expectations of exercising disproportionate control over the program. The program should be consistent with the vision of the county's elected leadership, not a few private investors.

d. Economic development in Fairfax County is, at its heart, all about being able to provide for the economic well-being and the quality of life for the citizens of, workers in, and visitors to Fairfax County. This is a public responsibility.

e. Raising private capital is a professional exercise that, when done properly and effectively, generally costs about 30% of the total generated to pay for the costs of the campaign. The end result is going to be more and more meetings under the general task of "investor relations," and less time devoted to accomplishing the mission.

f. Efforts to attract private capital for FCEDA activities other than on a program-by-program basis would detract from our ability to generate funds for the special programs that are supported by non-county dollars, such as the Emerging Business Forum.

g. Fund-raising by the FCEDA would also detract from the fund-raising of other organizations, including those in support of the eradication and treatment of diseases, cultural groups and the arts, park and library foundations and other programs.

h. Research indicates that the *per capita* expenditure in Fairfax County on economic development programs is consistent with, or even less than, that of most of our neighboring jurisdictions. The same can be said of measures that are *per* office space, jobs, or labor force participants.

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Request By: Supervisor DuBois

Question: Which other Convention and Visitor Bureaus within the Metropolitan Washington area and in the state of Virginia are/are not funded 100% by taxpayers? Are any Convention and Visitors Bureaus funded totally by businesses?

Response: Funding for Convention and Visitor Bureau (CVB) operations is a different issue than funding of economic development operations. Companies have repeatedly indicated that they will consider financial support when it relates directly to their corporate bottom lines. There is a very clear connection for CVB's to the impact on the bottom lines of hotels, restaurants, and other hospitality entities. For that reason, CVB's are far more likely to have budgeted contributions from the private sector for their ongoing operating expenses. From its inception, the basic operations of the Fairfax County Convention and Visitors Bureau (CVB) have been funded by the general fund of Fairfax County. Over the years, many private contributions have been received for specific events or activities, including the Visitor Center on the Richmond Highway corridor, trade show booths, and cooperative advertising programs. In the metropolitan Washington area, there are a variety of models. The only CVB's that are entirely publicly funded are those in Arlington and Prince William Counties. Most are funded others, in whole or in part, privately. Private sector funding for CVB operations in Fairfax County has been pursued by this office in the past. However, we were repeatedly advised by those seemingly the most likely contributors- large hotel chains- that contributions were not possible from them because such promotional and advertising costs were controlled by their corporate headquarters. There is now a proposal before the Board of Supervisors that is the result of newly-passed legislation that will allow the Board to raise the Transient Occupancy (TO) Tax from 2% to 4%. A portion of the net revenue would be used to finance a private, non-profit CVB. This they characterize as a public-private partnership. However, the only funding source that has been addressed for this new CVB is the TO tax. Thus, unlike most of the other CVB's in the region, this one will be 100% publicly funded. The hospitality community and the Chamber of Commerce have maintained that those taxes, as they are collected by the private sector, constitute the "private" contribution to the "partnership." As in the metropolitan area, there are numerous models for funding CVB's around the state, many of which have true private sector contributions in the form of fees, membership dues, or sponsorships. Such is also the case in many comparable jurisdictions around the United States, including Cobb County; Georgia, DuPage County, Illinois; Orange County, Florida; Santa Clara County, California; King County, Washington; and, the cities of Philadelphia and Austin.

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor DuBois

Question: Has the EDA calculated or otherwise determined the benefits to Fairfax County taxpayers of the additional jobs created through the EDA's marketing efforts? If so, what are those benefits? Do these calculations assume that there are any offsetting additional costs for taxpayers for additional jobs created? For example, the opening of a new business is likely to result in additional traffic congestion. If so, what are those offsetting additional costs?

Response: The comprehensive value of jobs to a community is not something that can be quantified. In the two years following the attacks of 9-11, only three major metropolitan markets in the United States did not suffer net job loss. The Silicon Valley lost nearly 150,000 jobs over that period. New York's losses were estimated as 85,000, and Boston's 65,000. The results were devastating to individuals and families. Housing values were affected, consumer confidence indices dropped, and retailers suffered. Jobs are of immense value to people and communities because employers help to offset the cost of our quality of life and reduce that burden on residents.

Over that same period noted above- the two years following 9-11- the only major markets able sustain their pre-9-11 job levels were Philadelphia and Atlanta. They broke even. Fairfax County experienced net job *growth* over that period of about 36,000. Most of those who were displaced from one company or industry were able to find employment in another. Anecdotal evidence comes from people in the community who report about brothers or sisters or friends who have lost their jobs and their homes in other communities around the country. Recent FCEDA focus group research indicates that citizens are aware of the conditions in other communities and are appreciative of having more, better, and consistent opportunities. This demonstrates the enormous value of a vital economy to a community.

The *raison d'etre* of the FCEDA is to enhance the local economy. The chain of logic is really quite simple. I typically make between 30 and 50 presentations to community groups and business organizations each year and explain it as follows. It is always understood and well-received. The reasoning is this:

a. The Board of Supervisors provides for our collective quality of life through appropriations from the general fund.
b. Nearly two-thirds of the general fund of Fairfax County comes from real estate taxes.
c. Of that amount, less than 19% comes from the commercial side, down from 26% several years ago.
d. As the residential population has grown by 15,000 each of the past two years and will likely continue at a similar pace for another fifteen to twenty years, the demands for public services will continue in terms of quantity, quality, and breadth. The increasing diversity of the population also has implications for the costs of providing public services.

e. Residents demand more in public services than businesses. Businesses contribute more than they take out. The reverse is true for residents.

f. In order to increase the ability of the Board of Supervisors to sustain and improve our collective quality of life, the commercial side of the real estate tax revenues must be increased. This can only be accomplished through the increased occupancy of commercial real estate and the subsequent generation of demand by businesses for additional construction.

The issue of increased traffic has two responses. First, it should be noted that there are many cities and counties around the country that would be happy to accept the traffic in order to have the employment and other opportunities that are found in Fairfax County. Further, the *types* of jobs that have been attracted have enabled Fairfax County to have the second highest median family income in the entire United States. Much of our results relate not just to job creation, but to wealth creation and an exceptional quality of life.

The question has been posed to characterize increases in traffic as a result of business growth. The true generator of additional traffic has many sources, including the growth of the residential population which has and will continue to increase dramatically over the next several years. Given property rights laws and decisions in the Commonwealth of Virginia, there is very little a local elected body can do to curb that growth. The best that can be done is to prepare for it and to be positioned to continue to provide a high quality of life without placing the burden of those costs on residents alone. Business tax dollars help to offset the costs of public services for residents.

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor DuBois

Question: What is the correlation between each new job added in Fairfax County and the change in the county's population? (In other words, what is the mix of the current county residents and new county residents taking the newly created jobs?)

Response: The Fairfax County Board of Supervisors provides for our collective quality of life by providing high quality public services, funded by the General Fund. Business and residential real estate taxes comprise more than 60% of that total. To the extent that business tax dollars are available, the Board is able to minimize the burden on residents. A tax dollar contributed by a business results in a demand for far less than a dollar in public services. Contrarily, when a resident pays a tax dollar, he or she takes back much more than a dollar in public services. This is why the county needs the taxes businesses pay. It reduces the burden of public services for residents. Given the facts noted in item 2 above, it is not a negative to have job growth in Fairfax County without all of the accompanying residential growth. Last year in their budget deliberations, Loudoun County raised their real estate tax rate by five cents as Fairfax County was lowering it rate by five cents. That was because Loudoun County has experienced extraordinary growth in the residential population with less than proportionate growth in their business community.

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Request By: Supervisor DuBois

Question: How many of these new jobs are filled by Fairfax County residents versus residents of other local jurisdictions?

Response: The value of creating jobs in Fairfax County relates not just to providing employment opportunities for Fairfax County residents. A great part of the value is creating demand for commercial office construction that yields real estate taxes that enable the Board of Supervisors to fund our quality of life in the county. Because citizens take back in public services far more than they contribute in taxes, and because businesses take back far less in public services than they pay in taxes, it is beneficial to attract the business tax revenues without incurring all of the costs of residential public services. In short, businesses are helping us to relieve the burden of public service for residents. The percentage of county residents who occupy the jobs located in Fairfax County has increased dramatically in the last several decades.

- 1970 35.7% of county residents worked in Fairfax County
- 1980 37.8%
- 1990 50.0%
- 2001 54.0%

This also has positive implications for peoples' commute times, reverse commuting, clean air, and more.

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Request By: Supervisor DuBois

Question: What is the correlation between new jobs created in Fairfax County and the number of automobiles registered in Fairfax County?

Response: This question seems misdirected. The correlation between new jobs and cars holds less logic than does the correlation between new residents and the number of cars. That correlation between the residential growth and the number of cars in the county is the critical trend to observe. From 1980 to 2004, the county's population increased by 73%, from about six hundred thousand to more than one million. Over the same period of time, the number of households grew by 83%. In the same period, the number of vehicles registered in the county increased by more than 90%. In 2003, there were nearly eight hundred thousand vehicles registered in Fairfax County. Of course, much of the traffic in Fairfax County originates from our neighboring jurisdictions. Loudoun County's growth in vehicle registrations over that same period increased by a staggering 384%! The average rate of growth throughout the United States over that same period of time was just 46%. Thus, the real issue here is the number of vehicles, not per job, but *per capita* or per household. Here's what has happened in Fairfax for vehicles per household:

- 1980 1.87
- 1990 1.91
- 2000 2.02
- 2003 2.16

The increase in the number of cars on the road is a direct function of two things: the number of households in Fairfax County, and the relative affluence of this community. Given the presumption that more affluent communities tend to have more cars per household, it is likely (although the data is not available) that this is a more prominent issue in areas like McLean than it may be in other parts of the county or the region.

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Request By: Supervisor DuBois

Question: What is the correlation between new jobs created in Fairfax County and the number of new students attending Fairfax County Public Schools?

Response: The number of children in the Fairfax County Public Schools is not a function of business growth. Increases in the school population are the result of residential growth.

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Request By: Supervisor DuBois

Question: Have the EDA's operations ever been subject to a program or performance audit versus a financial audit. If so, what are the results?

Response: Every year for the past twenty years, the citizen Chairman of the FCEDA presents the Annual Report of the FCEDA to the Board of Supervisors. Periodically, the Commissioners and the Board meet to discuss FCEDA activities at length. A series of such meetings has recently been initiated by the Board to review long-term programmatic directions. The FCEDA sustains a financial audit on an annual basis. In the last twenty years, every audit has been "clean." No management or financial issues have been raised. The performance of the FCEDA and its staff, both individually and collectively, is measured by the FCEDA Commission using a Balanced Scorecard. This scorecard is an index of 17 factors determined each year by the Commission to be the thrust of the programs for that year. Each year, the results of FCEDA performance are measured against the scorecard and formally approved by the FCEDA Commission. The approval by the Commission is predicated upon an **independent** audit of the numbers reported. In each of the past four years that the scorecard system has been in place, those audits have demonstrated an extremely high correlation between the results reported and the findings of the **independent** auditor. The programs of the FCEDA and the allocations of the annual funding are determinations made by the FCEDA Commission. This is a group of seven men and women from the business community who are appointed, at-large, by the Board of Supervisors. **They are strictly volunteers who receive no compensation for their involvement.** Their role is to translate general Board direction into action. The role of the staff is to implement the programs approved by the Commission.

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor DuBois

Question: Can the EDA demonstrate that it produces greater benefits to Fairfax County taxpayers than other similar agencies that are not fully funded by taxpayers?

Response: This question appears to presuppose that the source of funding is the driver of success. That is simply NOT the case. Programs are successful or not because of the quality of the product, the quality of the staff, and the support of the county, the Board, and other strategic partners in the effort. The source of the dollars being expended does NOT have an impact on effectiveness. Economic development programs throughout the region, the state, the nation, and the world regard the Fairfax County Economic Development Authority as the model. FCEDA results are well known and the agency is generally regarded as the very best, regardless of the different sources of funding. Fairfax County realizes a significant return on its investment in the FCEDA. Notwithstanding the value of jobs and the creation of wealth, employers create demand for office space. Taxes from commercial real estate enable the Board of Supervisors to provide a high quality of life while minimizing the burden of those costs on residents. This becomes even more critical as the county continues to grow and become increasingly diverse. The ongoing operations of the Fairfax County Economic Development Authority are funded by the county's General Fund. Contributions are received for special events that companies ca relate directly to their particular bottom lines. By contrast, the only community in the Washington metropolitan area with private contributions for economic development operating costs is Prince George's County, Maryland. The economic development program of Prince George's County, Maryland has not been one of the most effective in the region. Other programs envy the reputation and successes of the economic development program in Fairfax County. An official in the San Jose Office of Economic Development in the Silicon Valley wrote: "You have done a much better job in Fairfax County of identifying the strengths of your community and selling those advantages. We are trying to emulate your efforts- and frankly are nowhere near where we need to be. San Jose has 'gotten away with this' because of the intensity of uses and services here. We know we can't continue to rest on our laurels!" In the two year period following 9-11, the Silicon Valley suffered a net job **loss** of 145,000! Over that same period of time, Fairfax County experienced a net job **gain** of 36,000. It was the only major job market in the United States to enjoy a net job gain in that period of time.