Response to Questions on the 2016 LOBs

Request By: Supervisor Cook **Relevant LOB(s):** LOBs #156, #158

Question: Provide an update on the number of chronically homeless individuals and the barriers they face.

Response:

According to the annual Point in Time report conducted by the Fairfax-Falls Church Partnership to Prevent and End Homelessness, the number of individuals reported as chronically homeless has decreased from 402 people in 2008 to 203 people in 2015, a reduction of nearly 50 percent. The most recent count was January 27, 2016 and the results will be available in early spring 2016. Two of the most significant reasons for Fairfax County's success in reducing the number of chronically homeless individuals is the adoption of the "Housing First" approach and investment in research-tested interventions, such as permanent supportive housing, as established in the Ten Year Plan to Prevent and End Homelessness that was adopted by the Fairfax County Board of Supervisors in 2008.

Chronically homeless individuals by definition must have "a diagnosable substance use disorder, serious mental illness, developmental disability, posttraumatic stress disorder, cognitive impairments resulting from a brain injury, or chronic physical illness or disability." Naturally such disabilities pose severe barriers to housing stability as they limit an individual's ability to be employed and earn sufficient income to afford even the most modest housing in the community.

The federal definition of "chronically homeless" provides a way to prioritize people with the longest histories of homelessness and most severe needs. The definition was recently updated by the federal government to mean:

"A homeless individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility. In order to meet the ''chronically homeless'' definition, the individual also must have been living as described above continuously for at least 12 months, or on at least four separate occasions in the last 3 years, where the combined occasions total a length of time of at least 12 months. Each period separating the occasions must include at least 7 nights of living in a situation other than a place not meant for human habitation, in an emergency shelter, or in a safe haven."

“Chronically homeless families are families with adult heads of household who meet the definition of a chronically homeless individual. If there is no adult in the family, the family would still be considered chronically homeless if a minor head of household meets all the criteria of a chronically homeless individual. A chronically homeless family includes those whose composition has fluctuated while the head of household has been homeless.”

Response to Questions on the 2016 LOBs

Request By: Supervisor McKay **Relevant LOB(s):** N/A

Question: What is the percentage of homeless individuals that refuse assistance?

Response:

The Office to Prevent and End Homelessness does not have data reflecting the percentage of homeless individuals that refuse assistance. It is generally perceived that this number is low. Refusing assistance is primarily associated with single adults who are unsheltered, have severe mental illness and, as a result, have difficulty trusting service providers who are offering assistance. Some of these individuals are rightfully suspicious, based on their experience, that the housing which fits their needs is readily available and will be offered without clinical prerequisites, such as completion of a course of treatment or evidence of sobriety. Typically community partners find that with persistence, and utilizing a Housing First approach and appropriate housing resources, initially resistant individuals can be persuaded to take advantage of assistance when offered.

Response to Questions on the 2016 LOBs

Request By: Supervisor Gross **Relevant LOB(s):** N/A

Question: Provide the information presented in slide 11 from the Human Services Discussion of Common Themes and Drivers.

Response:

Attached is slide 11 from the Human Services Discussion of Common Themes and Drivers presentation on Tuesday, March 8, 2016.

Table 1. Six Levels of Collaboration/Integration (Core Descriptions)

COORDINATED KEY ELEMENT: COMMUNICATION		CO-LOCATED KEY ELEMENT: PHYSICAL PROXIMITY		INTEGRATED KEY ELEMENT: PRACTICE CHANGE	
LEVEL 1 Minimal Collaboration	LEVEL 2 Basic Collaboration at a Distance	LEVEL 3 Basic Collaboration Onsite	LEVEL 4 Close Collaboration Onsite with Some System Integration	LEVEL 5 Close Collaboration Approaching an Integrated Practice	LEVEL 6 Full Collaboration in a Transformed/Merged Integrated Practice
Behavioral health, primary care and other healthcare providers work:					
In separate facilities where they:	In separate facilities where they:	In same facility not necessarily same offices, where they:	In same space within the same facility, where they:	In same space within the same facility (some shared space), where they:	In same space within the same facility, sharing all practice space, where they:
➢ Have separate systems ➢ Communicate about cases only rarely and under compelling circumstances ➢ Communicate, driven by provider need ➢ May never meet in person ➢ Have limited understanding of each other's roles	➢ Have separate systems ➢ Communicate periodically about shared patients ➢ Communicate, driven by specific patient issues ➢ May meet as part of larger community ➢ Appreciate each other's roles as resources	➢ Have separate systems ➢ Communicate regularly about shared patients, by phone or e-mail ➢ Collaborate, driven by need for each other's services and more reliable referral ➢ Meet occasionally to discuss cases due to close proximity ➢ Feel part of a larger yet ill-defined team	➢ Share some systems, like scheduling of medical records ➢ Communicate in person as needed ➢ Collaborate, driven by need for consultation and coordinated plans for difficult patients ➢ Have regular face-to-face interaction about some patients ➢ Have a basic understanding of roles and culture	➢ Actively seek system solutions together or develop work-a-rounds ➢ Communicate frequently in person ➢ Collaborate, driven by desire to be a member of the care team ➢ Have regular team meetings to discuss overall patient care and specific patient issues ➢ Have an in-depth understanding of roles and culture	➢ Have resolved most or all system issues, functioning as one integrated system ➢ Communicate consistently at the system, team and individual levels ➢ Collaborate, driven by shared concept of team care ➢ Have formal and informal meetings to support integrated model of care ➢ Have roles and cultures that blur or blend

Heath B, Wise Romero P, and Reynolds K. A Review and Proposed Standard Framework for Levels of Integrated Healthcare. Washington, D.C.SAMHSA-HRSA Center for Integrated Health Solutions. March 2013

Response to Questions on the 2016 LOBs

Request By: Supervisor Foust **Relevant LOB(s):** N/A

Question: What is the conviction rate as a percentage of Driving While Intoxicated (DWI) arrests?

Response:

The response was prepared by the General District Court with data provided by the Supreme Court of Virginia, drawing on the court's automated Case Management System.

The data in the table below reflects calendar year and is assigned to a year based on when the case was concluded. It includes all charges of DWI from Fairfax regardless of source (state police, Fairfax County Police, etc.)

The *Percentage Guilty DWI Cases* column represents convictions on misdemeanor cases and the *Percentage Certified to Grand Jury* column represents felony cases sent to the Circuit Court for disposition. The *Percentage Other Disposition* column includes Dismissed, Not Guilty, Not Prosecuted, and Did Not Appear (Fugitive File) cases. The number of DWI cases has trended lower since 2011. While this is attributable to several factors, increased education, prevention and outreach on the dangers of driving while intoxicated have contributed to the decline.

Calendar Year	Total DWI Cases	Guilty DWI Cases	Percentage Guilty DWI Cases	Certified to Grand Jury Cases	Percentage Certified to Grand Jury	Other Disposition	Percentage Other Disposition
2011	3,178	2,748	86.47%	65	2.05%	365	11.48%
2012	3,126	2,625	83.97%	56	1.79%	445	14.24%
2013	2,759	2,242	81.26%	44	1.60%	473	17.14%
2014	2,849	2,156	75.68%	61	2.14%	632	22.18%
2015	2,147	1,621	75.50%	45	2.10%	481	22.40%

Response to Questions on the 2016 LOBs

Request By: Supervisor Herrity **Relevant LOB(s):** LOB #47

Question: Provide the following data for the Office of the County Attorney: Five years of cost per capita; cost per capita compared to surrounding jurisdictions, as well as jurisdictions of similar size

Response:

Cost per Capita Benchmarks

The Office of the County Attorney has the overall lowest per capita cost of the jurisdictions surveyed. Montgomery County is the only jurisdiction surveyed that is similar in size to Fairfax County.

Local Jurisdictions	Population	City/County Attorney # of Positions	Agency Actuals or Approved FY 2015[1]	Cost Per Capita
Fairfax County	***1,125,385[2]***	***60***	***$7,005,486***	***$6.22***
Montgomery County, MD	1,004,709	43/72[3]	$6,286,494	$6.25
Henrico County	321,924	19	$2,139,959	$6.64
Prince George's County, MD	904,430	54	$6,341,900[4]	$7.01
Prince William County	446,094	27	$3,454,871	$7.74
City of Virginia Beach	450,980	39	$3,919,348	$8.69
Loudoun County	363,050	21	$3,162,034	$8.70

[1] Please note that the actual budget numbers do not take into account recovered costs or revenues as each jurisdiction varied widely.

[2] Source: http://www.fairfaxcounty.gov/demogrph/gendemo.htm

[3] Montgomery County has 72 full time positions but only 43 are charged to personnel services. The remaining 29 are fully funded and charged to other agencies.

[4] Prince George's County FY 2015 Actuals are not posted so approved budget used.

LINES OF BUSINESS
Fairfax County, Virginia

Cost per Capita History

Please note that the actual budget numbers do not take into account Work Performed for Others or Litigation Proceeds revenue.

Fiscal Year	Number of Positions	Actual Budget	Population	***Cost Per* Capita**
FY 2016	60[1]	$7180,788[2]	1,125,385	$6.38
FY 2015	60	$7,005,486	1,125,385	$6.22
FY 2014	60	$6,778,591	1,116,246	$6.07
FY 2013	60	$7,241,775	1,111,620	$6.51
FY 2012	60	$6,634,463	1,109,725	$5.97
FY 2011	60	$6,296,627	1,096,798	$5.74

[1] Two additional positions were reassigned to the County Attorney in December 2015; the Public Private Partnership/Housing Deputy and an L-5 attorney for the Stormwater Maintenance cases. Total positions for FY 2017 will be 62.

[2] Approved budget.

Response to Questions on the 2016 LOBs

Request By: Supervisor Herrity **Relevant LOB(s):** LOB #47

Question: Provide the number of Freedom of Information Act (FOIA) requests handled by the Office of the County Attorney.

Response:

FY 2011—133
FY 2012—126
FY 2013—165
FY 2014—165
FY 2015—188

As previously stated, these numbers only reflect the Freedom of Information Act (FOIA) matters that this Office formally opened as an assignment. This Office informally provides legal assistance to its clients in connection with a multitude of additional FOIA requests that are not reflected in these statistics. In addition, these statistics do not reflect the number of hours spent copying, reviewing, and redacting public records or documents for release. In particular, FOIAs requesting emails take an extraordinary amount of time due to the search by the Department of Information Technology (DIT) and then the review and redaction of each and every email before the documents can be released to ensure that the production of documents complies with FOIA and does not violate laws pertaining to the release of personally identifying information, such as social security numbers. To the best of our knowledge, the County does not track the total number of FOIAs responded to by all County agencies on an annual basis. The Police Department does track its statistics and for the 2015 calendar year received 479 requests. Similarly, the Department of Public Works and Environmental Services (DPWES) received 334 requests in 2015. Although this Office did not necessarily give legal advice on all of the FOIA requests received by the Police Department or DPWES, this Office routinely gives advice to all agencies on FOIA requests. These numbers from the Police Department and DPWES merely highlight the high volume of FOIAs received by the County.

Response to Questions on the 2016 LOBs

Request By: Supervisor Herrity **Relevant LOB(s):** LOB #47

Question: How much has been spent on external legal counsel in the last five years?

Response:

Please see the attached chart provided by the Office of the County Attorney:

OFFICE OF THE COUNTY ATTORNEY:			
2013			
	Fairfax Water	Reimbursing Fx Water for Legal Fees Incurred in joint defense	400,104.41
	Hunton Williams	EPA Clean Water Act	40,222.70
	Hunton Williams	Park Authority v. Voyten	44,005.43
	Kraftson Caudle LLC	Bid Protest - Elcon Enterprises	75,048.48
	Labaton Sucharow LLP	BNY Mellon-Virginia (Qui Tam)	5,362.00
	Morgan Lewis Bockius LLP	457(b) Ordinance	3,144.00
	Morgan Lewis Bockius LLP	General Benefits	4,917.00
	Morgan Lewis Bockius LLP	Restatement Project	3,281.50
	Sands Anderson PC	Fx Analytics Suit	373.45
			576,458.97
2014			
	Hunton Williams	EPA Clean Water Act	2,109.91
	Hunton Williams	Park Authority v. Voyten	113,068.95
	Hunton Williams	Tran et al v. BOS	715
	Morgan Lewis Bockius LLP	457(b) Ordinance	40,740.04
	Morgan Lewis Bockius LLP	General Benefits	24,285.43
	Morgan Lewis Bockius LLP	General Benefits	10,451.50
	Morgan Lewis Bockius LLP	Restatement Project	2,401.00
	Pesner Kawamoto Law Group	Fairfax County Housing	478
	Troutman Sanders LLP	EPA Clean Water Act	13,629.38
			207,879.21
2015			
	Hunton Williams	Grassley Inquiry	216,049.23
	Hunton Williams	Employee Grievance	198,862.98
	Morgan Lewis Bockius LLP	General Benefits	2,490.44
	Morgan Lewis Bockius LLP	General Benefits (costs for fiduciary training xfered to Retirement Agency)	23,464.90
	Troutman Sanders LLP	EPA Clean Water Act	5,401.00
	Greehan, Taves, Pandak	Employee Grievance	7,972.05
			454,240.60
2016	Greehan, Taves, Pandak	Employee Grievance	22,094.29
	Troutman Sanders LLP	EPA Clean Water Act	1,798.50
	Hunton Williams	Employee Grievance	581.93
	Kraftson Caudle	Crescent/Lake Anne Development	3,465.00
	Kraftson Caudle	Lewinsville Senior Center	5,393.25
	Kraftson Caudle	Community Library/Tysons Corner	2,591.75
	Morgan Lewis	Review Liability Insurance	4,511.50
	Morgan Lewis	IRS Determination Letters/Retirement	36,853.07
	Cantor Stoneburner	Fairfax County Human Rights Commission matter	675.00
			77,964.29

LINES OF BUSINESS
Fairfax County, Virginia

RISK MANAGEMENT:			
2013	Bancroft, McGavin, Horvath & Judkins, PC	Khadija Ahmed v. Phimmany Moungkhoth	24,773.94
	David J. Fudala	Estate of Debra E. Chiles v. Melvin M. Dunn Jr., et al.	149,185.23
			173,959.17
2014	Bancroft, McGavin, Horvath & Judkins, PC	Khadija Ahmed v. Phimmany Moungkhoth	37,788.12
	Bancroft, McGavin, Horvath & Judkins, PC	Jeannie Kuley v. Saly J. Fayez and Shawn M. Barrett	2,434.98
	Hunton & Williams, LLP	Morrison (FLSA Lawsuit)	356,053.80
			396,276.90
2015	Bancroft, McGavin, Horvath & Judkins, PC	Jeannie Kuley v. Saly J. Fayez and Shawn M. Barrett	19,877.18
	Bancroft, McGavin, Horvath & Judkins, PC	State Farm as subrogee of Santos Ramirez v. Daniel v. Holton, Jr. and Fairfax County	3,487.88
	David J. Fudala	John Geer, Estate of	2,542.60
	Hunton & Williams, LLP	Morrison (FLSA Lawsuit)	1,482,468.67
			1,508,376.33
2016	Bancroft, McGavin, Horvath & Judkins, PC	Jeannie Kuley v. Saly J. Fayez and Shawn M. Barrett	1,744.77
	Hunton & Williams, LLP	Morrison (FLSA Lawsuit)	241,483.85
	Hunton & Williams, LLP	Nancy Fry Loftus v. Edward L. Long Jr., and David P. Bobzien	122,659.72
			365,888.34
DPWES			
2013	Kraftson Caudle	Construction Claims	77,504.99
	Oldaker Law Group	Construction Claims	75,188.00
	Sidley Austin	Construction Claims	79,674.19
	Woodcock & Assoc, Inc.	Construction Claims	4,050.00
	AquaLaw	MS4 Permit/TMDL Appeal	114,700.68
	White & Case	Response to County's Audit Letter concerning work in FY 2011-12	779.9
	Williams Mullen	Negotiations with Covanta Fairfax to develop new Waste Disposal Contract	189,001.62
			540,899.38
2014	Kraftson Caudle	Construction Claims	33,636.25
	Oldaker Law Group	Construction Claims	119,204.00
	Sidley Austin	Construction Claims	25,312.50
	AquaLaw	Accotink Creek TMDL Appeal	135,925.75
	Williams Mullen	Negotiations with Covanta Fairfax to develop new Waste Disposal Contract	188,449.63
			502,528.13
2015	Oldaker Law Group	Construction Claims	44,461.00
	AquaLaw	MS4 Permit	2,016.00
	AquaLaw	Representation/consultation concerning Groundwater and Stormwater permit issues	12,374.00
			58,851.00
2016	Kraftson, Caudle	Noman Cole Jr. Pollution Plant CMAR Procurement	36,784.00
	AquaLaw	I-95 Landfill	4,085.00
			40,869.00

LINES OF BUSINESS
Fairfax County, Virginia

MANAGEMENT & BUDGET (DEBT SERVICE FUND)			
2013	Sidley Austin	Bond Counsel	525,215.94
	Ballard Spahr	Bond Anticipation Notes	11,368.17
			536,584.11
2014	Sidley Austin	Bond Counsel	937,586.85
			937,586.85
2015	Sidley Austin	Bond Counsel	663,893.72
			663,893.72
2016	Sidley Austin	Bond Counsel	405,003.00
			405,003.00
HOUSING			
2013	Ballard Spahr	Bond Counsel	62,098.48
	Pesner Kawamoto	Evictions/Administrative terminations	24,526.22
	Nixon Peabody	HCD Vouchers & Applications	11,336.50
			97,961.20
2014	Ballard Spahr	Bond Counsel	18,732.77
	Pesner Kawamoto	Evictions/Administrative terminations	37,226.21
	Nixon Peabody	HCD Vouchers & Applications	21,237.08
			77,196.06
2015	Pesner Kawamoto	Evictions/Administrative terminations	14,434.49
	Ballard Spahr	Bond Counsel	16,187.87
	Nixon Peabody	HCD Vouchers & Applications	27,412.60
			58,034.96
2016	Nixon Peabody	HCD Voucher & Applications	1,896.00
	Pesner Kawamoto	Evictions/Administrative terminations	29,488.32
	Ballard Spahr	Bond Counsel	3,056.15
			34,440.47
CABLE			
2013	Best, Best & Krieger	Cox cable franchise renewal	4,192.65
			4,192.65
2014	None		0.00
			0.00
2015	None		0.00
			0.00
DPZ			
2013	Best, Best & Krieger	FCC wireless tower siting	2,727.00
			2,727.00
2014	None		0.00
			0.00
2015	Best, Best & Krieger	FCC wireless tower siting	2,140.00
			2,140.00
FINANCE			
2015	Ballard Spahr	Crescent Apt Refi	11,697.35
			11,697.35

Response to Questions on the 2016 LOBs

Request By: Supervisors Smyth and Smith **Relevant LOB(s):** LOB #47

Question: Explain how the Office of the County Attorney supports Fairfax County Public Schools (FCPS), including types of assistance provided.

Response:

As a result of the 2009 County–FCPS Smart Savings Task Force, Division Counsel for the Fairfax County Public Schools (FCPS) and the County Attorney created a joint County-FCPS Shared Services Initiative. Specifically, both the County Attorney and FCPS Division Counsel agreed that economies could be achieved to the benefit of both FCPS and the County by referring school-related matters to the Office of the County Attorney in areas in which County attorneys have extensive experience, rather than FCPS referring such matters to outside counsel. In cases such as these, this is only practical when the County Attorney has the capacity to provide legal services within its existing staffing level.

Since 2009, FCPS has requested the assistance of the County Attorney for twenty-six matters. Ten of those matters were lawsuits filed against FCPS or its employees. Four lawsuits involved automobile accidents in which FCPS employees were sued. Three lawsuits involved employment-related claims filed against FCPS by employees or former employees of FCPS. Two lawsuits were filed against FCPS or its employees by an individual complaining about being banned from FCPS property. In addition to the ten lawsuits that the County Attorney defended on behalf of FCPS, two lawsuits were filed on behalf of FCPS for breach of contract against the same defendant. Judgments in favor of FCPS were obtained in both cases, and collected $30,150 on behalf of FCPS.

In addition, in late 2009 and 2010, the County Attorney advised the FCPS Division Counsel of the procedure for conducting a special election to fill a School Board vacancy. This Office prepared the necessary petition and court order for a special election that was presented to the Fairfax County Circuit Court, and prepared a preclearance submission to the Department of Justice to comply with Section 5 of the federal Voting Rights Act of 1965, as amended.

The remaining legal matters handled on behalf of FCPS included a variety of assignments. Those matters included eleven subpoenas, either for witnesses or documents, that FCPS requested be quashed, one employee grievance before the Civil Service Commission, and one motion that was filed against FCPS in a domestic case by the individual referenced above who was banned from FCPS property. Another such assignment involved a demand made on behalf of FCPS for breach of contract, which eventually resulted in the filing of the two breach of contract lawsuits referenced above.

Response to Questions on the 2016 LOBs

Request By: Supervisor Foust **Relevant LOB(s):** N/A

Question: How is the Communications Sales and Use Tax distributed between the General Fund and other various funds? Are there restrictions on the distribution of the tax?

Response:

The Communications Sales and Use Tax is a 5 percent state tax instituted in FY 2007 that replaced local telephone and E-911 taxes and cable franchise fees. Of the total tax, the portion attributable to cable television service is directed to Fund 40030, Cable Communications. Prior to FY 2015, the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, beginning in FY 2015, more Communications Sales and Use Tax revenue was directed to Fund 40090, E-911.

The Cable Communications Fund was established to provide accurate and auditable accounting of all cable revenues and cable-related expenses. While there is no legal requirement that Communications Sales and Use Tax revenues attributable to cable television service be segregated from other County funds, there are benefits to doing so. Segregating the Communications Sales and Use Tax revenue and Public, Educational, and Governmental capital access grants into a separate fund allows the County to audit and track those funds, matching them to expenses to demonstrate compliance with limitations on local franchising authority. The ability to match cable revenues and expenses shows a clear accounting of these funds and is also important as the County approaches franchise renewal negotiations in 2017-2020, when cable operators may seek to reduce their financial commitments to the County.

The Cable Communications Fund offsets General Fund expenses by providing annual funding for the Fairfax County Park Authority Showmobile program, Department of Human Resources Employee Lending Library for Video Instructional Services (ELLVIS), Fairfax County Police Department Assistant Producer position, Office of Public Affairs personnel and operating expenses, and Facilities Management Department maintenance of the cable production facility. The Cable Communications Fund also provides annual funding to the County Technology Infrastructure Services Fund (Fund 60030) to support staff and equipment costs related to construction of the I-Net, County Information Technology Fund (Fund 10040) to support multiple IT project requirements, County General Fund for compensation for staff and services provided by the County primarily for cable-related activities, and Fairfax County Public Schools for staff, services, and operating expenses.

As included in the FY 2017 Advertised Budget Plan, total Communications Sales and Use Taxes are projected to be $76.3 million in FY 2017. Of the total tax, Cable Franchise Fees of $18.3 million will be directed to the Cable Communications Fund. Of the remaining tax, $42.0 million will be posted in the E-911 Fund and $16.0 million will be posted to the General Fund in FY 2017. The distribution of the tax since FY 2015 is shown below.

Communications Sales Tax Revenue

Fund	FY 2015	FY 2016 Revised Budget Estimate	FY 2017 Advertised Budget Estimate
Fund 40030, Cable Communications	$18,125,762	$17,800,000	$18,300,000
Fund 40090, E-911	40,294,990	41,320,122	42,012,354
General Fund	20,816,708	16,705,277	16,005,070
Total	$79,237,460	$75,825,399	$76,317,424

Response to Questions on the 2016 LOBs

Request By: Supervisor Gross **Relevant LOB(s):** N/A

Question: Provide the wastewater sewer service charges for the last 10 years.

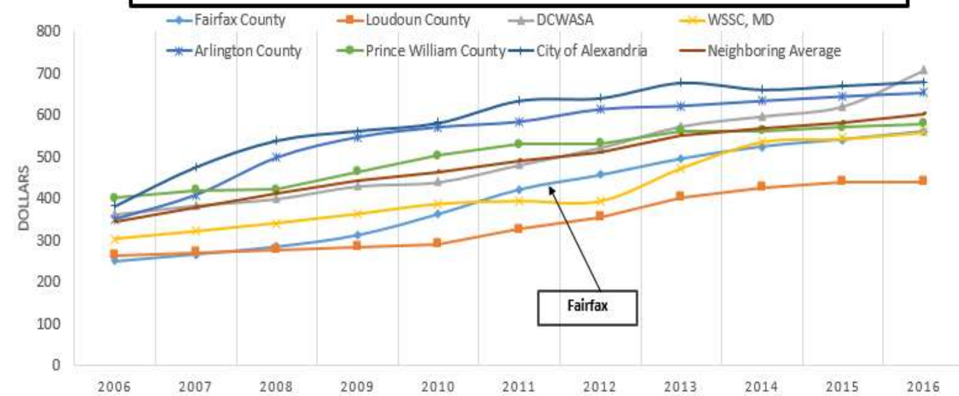
Response:

The following table shows the wastewater sewer service charges for the last 10 years and the percent increase from one year to the next. Also attached is a comparison of the annual sewer costs for the large utilities in the region.

Fiscal Year	Rate per 1,000 Gallons of Water	Base Charge	Quarterly Bill *(based on 18,000 gallons of water)*	Increase	
FY 2007	$3.50	-	$63.00	$3.96	6.71%
FY 2008	$3.74	-	$67.32	$4.32	6.86%
FY 2009	$4.10	-	$73.80	$6.48	9.63%
FY 2010	$4.50	$5.00	$86.00	$12.20	16.53%
FY 2011	$5.27	$5.00	$99.86	$13.86	16.12%
FY 2012	$6.01	$5.00	$113.18	$13.32	13.34%
FY 2013	$6.55	$5.50	$123.40	$10.22	9.03%
FY 2014	$6.55	$12.79	$130.69	$7.29	5.91%
FY 2015	$6.62	$15.86	$135.02	$4.33	3.31%
FY 2016	$6.65	$20.15	$139.85	$4.83	3.58%

Annual Household Costs for Sewer Service

Fairfax County has historically had the lowest costs in the region.
Fairfax has the second lowest, only Loudoun County has a lower cost.



Current Approved Rates – As of March 2016					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Rate (Flow Charge)	$6.65	$6.68	$6.75	$6.85	$7.05
Increase $/%	3.6%	3.6%	3.1%	3.0%	4.0%
Base charge	$20.15	$24.68	$27.62	$30.38	$33.42
Avg. Monthly Bill	$46.62	$48.31	$49.71	$51.23	$53.44
Monthly Increase	$1.61	$1.69	$1.40	$1.52	$2.21
Annual Increase*	$19.32	$20.28	$16.80	$18.24	$26.56

FY 2017 Rate study was recently completed, but not yet approved by the Board of Supervisors.

*Due to rounding, there may be slight differences related to the calculation of the annual increase amounts.

Response to Questions on the 2016 LOBs

Request By: Supervisors Storck and McKay **Relevant LOB(s):** LOB #222

Question: Describe mental health issues encountered in the jail and the partnership with the Fairfax-Falls Church Community Services Board.

Response:

The mental health issues encountered in the jail reflect those encountered in the general population. Substance abuse disorders, psychiatric illnesses and trauma are common. At least 40 percent of the inmate population suffers from mental illness and 17.4 percent of the Average Daily Population was required to take psychotropic medications in FY 2015. Deputies assigned to work with mentally ill inmates have received specialized training and typically work in pairs, as the management of these inmates is more intensive and involves more direct contact with the inmates for basic functions.

In order to help address mental health issues encountered in the jail, the Sheriff's Office has established both male and female mental health units, which have been moved from the general population to a more therapeutic area adjacent to Fairfax-Falls Church Community Services Board (CSB) staff. These units primarily operate using two types of supervision, single cell and dormitory. Inmates that are disruptive to the mental health community are housed in single cells located within the male/female intake centers where they can be monitored more closely.

In addition, the Sheriff's Office partners with the CSB's Forensic Services unit at the Adult Detention Center and facilitates the third intercept point in the County's "Diversion First" program.

As first responders, Crisis Intervention Team (CIT) deputies in the Sheriff's Office are trained to respond to incidents involving persons experiencing a mental health crisis when CSB staff are not on-site, such as overnight. The CSB clinicians work with the CIT deputies and medical staff to rapidly identify individuals with mental illness, substance use disorders, and/or intellectual disabilities. CSB clinicians at the jail assess individuals for risk, safety, and placement needs. The CSB will initiate a jail transfer for emergency psychiatric hospitalization for individuals who are a danger to themselves or others. The Sheriff's Office staff works in concert with CSB clinicians to expedite the transfer of individuals in crisis from the jail to a mental health facility.

When CSB staff is unavailable to facilitate a jail transfer, the Sheriff's Office will initiate Criminal Temporary Detention Orders (TDO's) for inmates that are in crisis and/or when there is a substantial likelihood that the inmate will cause serious physical harm to themselves or others as determined by Sheriff's Office staff. In these cases, CIT deputies, in addition to other Sheriff's

Office staff, act as the petitioner and transport the inmate to a hospital for evaluation and psychiatric treatment for persons under a criminal charge. In addition, the Sheriff Office's efforts extend to individuals that have bonded or served their sentence, but are in need of mental health treatment. In these situations the CSB staff, Mobile Crisis, and the Sheriff's Office seek to obtain a civil TDO. The Sheriff's Office conducts the transport of individuals suffering from mental illness to local mental health facilities as well as facilities outside of the Northern Virginia area on a regular basis.

The Sheriff's Office and the CSB staff at the Adult Detention Center are part of a matrix of interventions for justice-involved individuals supporting rapid release, when appropriate, by connecting or reconnecting individuals to community treatment and resources.

Response to Questions on the 2016 LOBs

Request By: Supervisor Herrity **Relevant LOB(s):** LOB #211

Question: Does the Animal Shelter track data on successful animal adoptions?

Response:

The Fairfax County Animal Shelter maintains a database, PetPoint, which tracks all animals entering the system, all medical treatments received while at the shelter, every stage or location change and disposition. The same system also records behavior notes and any history provided by previous owners or Animal Control Officers.

Through PetPoint, staff are able to track animals that are returned from an adopted home for any reason. The current best practice in animal welfare is to calculate returns in less than 30 days as adoption returns and returns after more than 30 days as owner surrenders. Research indicates that returns after 30 days are overwhelmingly due to factors in the home rather than a reflection of the success or failure of the adoption. For example, in 2015 only 165 or 5.5 percent of the 2,977 animals adopted were returned within 30 days. In addition, 257 animals were returned after 30 days for a total of 422 animals returned to the shelter. These figures indicate that the vast majority of animal adoptions are successful.

Additional detail on the reasons adopted animals were returned has been included on the following page. In addition, the 2015 yearly report submitted to the Virginia Department of Agriculture which summarizes the animals received by the shelter and the ultimate outcome of those animals has been included.

It is important to note that correlating returns and adoptions in a given year is problematic because an animal may be adopted in one year and returned to the shelter in a different year. The number of animals listed as "returns" in a given year does not necessarily reflect upon that year's adoptions and their success or lack thereof.

CY 2015 Returns:

Animals	Aggression to Animals	Aggression to People	Allergic to Animal	Behavior Issues	Bite History	Change in Lifestyle	Doesn't Like Other Pets	Escapes	Health of Animal	Health of Owner / Family	Landlord Issues	Moving	Not Enough Time	Not Housebroken / Housesoiling	Personal Problems	Too Active	Too Many Animals	Too Much Responsibility	Too Noisy	Unknown	Unrealistic Expectations	Other[1]	Total
Cat	1	7	15	15	3	2	9	1	12	7	4	6	2	10	9	0	6	2	0	1	0	4	116
Cockatiel	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	1	0	0	0	3
Cockatoo	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Conure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Dog	19	20	16	38	3	4	5	4	9	6	5	5	15	2	18	21	5	3	4	6	1	22	231
Domestic Rabbit	0	0	5	0	1	0	0	0	0	0	0	5	1	1	2	1	0	1	0	1	3	4	25
Ferret	0	0	2	0	1	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	6
Finch	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Guinea Pig	1	0	6	0	0	1	1	0	0	2	0	1	2	0	0	0	0	0	0	2	3	4	23
Hamster	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	1	4
Parakeet	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	2	0	0	0	0	0	3
Parrot	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Rat	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Total	21	28	44	53	8	12	15	8	21	18	9	17	27	13	29	22	13	6	5	10	7	36	422

LINES OF BUSINESS
Fairfax County, Virginia

2015 Report to the State:

Received

Species	On Hand January 1	Stray	Seized	Bite Cases	Surrendered by Owner	Received From Another Virginia Releasing Agency	Others	Total
Cats	59	343	42	48	905	70	43	**1510**
Dogs	60	1156	71	99	956	176	99	**2617**
Equine	0	0	2	0	0	0	0	**2**
Hybrid Canines	0	0	0	0	0	0	0	**0**
Livestock	0	0	0	0	2	0	0	**2**
Other Companion Animals	27	92	7	2	515	6	34	**683**
Poultry	0	6	0	0	8	0	0	**14**
Total	**146**	**1597**	**122**	**149**	**2386**	**252**	**176**	**4828**

Disposition

Species	Reclaimed by Owner	Adopted	Transferred to Another Virginia Releasing Agency	Transferred by Approved Out-Of-State Facility	Died in Facility	Euthanized	Miscellaneous	On Hand December 31	Total
Cats	69	1101	34	8	22	208	0	68	**1510**
Dogs	994	1263	63	8	4	198	0	87	**2617**
Equine	2	0	0	0	0	0	0	0	**2**
Hybrid Canines	0	0	0	0	0	0	0	0	**0**
Livestock	0	2	0	0	0	0	0	0	**2**
Other Companion Animals	6	600	21	2	13	22	2	17	**683**
Poultry	0	11	2	0	1	0	0	0	**14**
Total	**1071**	**2977**	**120**	**18**	**40**	**428**	**2**	**172**	**4828**

Response to Questions on the 2016 LOBs

Request By: Supervisor Storck **Relevant LOB(s):** LOB #224

Question: Provide information on the Fire and Rescue Department's prevention activities, specifically as it pertains to the *Safety in Our Community* and *Wellness in Our Community* programs.

Response:

A key cornerstone of the Fire and Rescue Department (FRD) mission is to create a safer community, thus enhancing the quality of life for the residents of Fairfax County. Community outreach is a core value and an integral part of this effort. Two of the largest outreach efforts, *Safety in Our Community* and *Wellness in Our Community,* have proved highly successful and are highlighted below.

Safety in Our Community (SIOC):
Fire and Rescue personnel interact face-to-face with residents while delivering the SIOC Program to communities throughout the County on Saturday afternoons, from mid-March through early December.

Primary focal points are:

- Assure homes have at least one working smoke alarm; personnel install alarms where needed at no charge to the resident.
- Assure outside/portable cooking appliances are positioned a safe distance from the home.
- Deliver timely educational information on injury prevention, including offering a home safety inspection, all with the mindset to "Prevent the 911 Call."

In March 2015, FRD implemented a new reporting tool, the Emergency Data Gathering Repository (EDGR), which has allowed the agency to better track the number of homes visited as part of the SIOC program. This past calendar year, FRD reached 10.0 percent of housing units. The following chart illustrates what has been achieved as part of the SIOC program:

SIOC ACTIVITIES							
Year	*Houses Reached*[1]	*Alarms Installed*	*Batteries Supplied*	*People Educated*	*Door hangers Left*	*Housing Units*[2]	*Percent of Housing Units Reached*
CY 2013	44,982	4,180	3,006	16,515	28,944	409,072	11.0%
CY 2014	54,841	4,636	3,110	20,827	38,515	409,979	13.4%
CY 2015	41,391	5,786	2,079	18,865	34,336	412,198	10.0%
Total	**141,214**	**14,602**	**8,195**	**56,207**	**101,795**		

[1] Data prior to March 2015 is based on an intranet form. From March 2015 forward, data captured through EDGR.
[2] Source: Fairfax County Department of Neighborhood and Community Services.

Wellness in Our Community (WIOC):

The WIOC initiative, started in April 2015, has been developed to complement the SIOC program, furthering the mission of creating a safer community and enhancing the quality of life for the residents of Fairfax County.

Primary focal points are:

- Promoting community wellness;
- Improving the quality of life for residents, citizens and visitors; and,
- Saving lives via emergency response.

All aforementioned focal points act as force multipliers to “Prevent the 911 Call.”

The File of Life (FOL) is the cornerstone of the WIOC initiative. The FOL, usually located on an occupant’s refrigerator door, allows first responders to obtain a quick medical history when the patient cannot offer one. If a patient is unconscious and unresponsive, a completed FOL can provide important, detailed medical information that otherwise would be unavailable.

Since the introduction of the EDGR application personnel have reported distributing over 40,000 FOLs. Additionally, the FOL has been used as a resource over 1,000 times on Emergency Medical Services events.

Response to Questions on the 2016 LOBs

Request By: Supervisor Herrity **Relevant LOB(s):** LOBs #156, #158

Question: Provide data on the number of individuals who were moved from the homeless shelters to housing arrangements and remain in stable housing arrangements one year later.

Response:

The Office to Prevent and End Homelessness (OPEH) uses a Homeless Management Information System (HMIS) to track client data and information about homeless assistance programs in the Fairfax-Falls Church community. Based on data available in the HMIS, OPEH estimates that approximately 85 percent of families and individuals who move from emergency shelter to permanent housing remain in stable housing arrangements one year later. In FY 2015 a total of 1,296 homeless individuals moved from emergency shelter to permanent housing. Therefore, it is estimated that approximately 1,102 will remain stably housed one year later. Those individuals who return to homelessness are disproportionately single adults with disabilities. This estimate is generally consistent with data reported by other jurisdictions across the country.

It is important to note, though, that there are limits to current data collection methods. The HMIS only contains client data reported by homeless assistance providers in the Fairfax-Falls Church community. Individual client data is generally not shared across local jurisdictions due to privacy and confidentiality reasons, therefore it is difficult to determine if a family or individual returned to homelessness in another jurisdiction. National, state and local partners are working on improving data collection and sharing methods, within the bounds of the law, in order to better understand and serve the population of people experiencing homelessness.

Response to Questions on the 2016 LOBs

Request By: Board of Supervisors **Relevant LOB(s):** N/A

Question: Provide information regarding the Business, Professional and Occupational License (BPOL) Tax including a brief history / explanation of current state maximum rates, Fairfax County rates and a comparison with surrounding jurisdictions.

Response:

The BPOL tax became a revenue source at the state level following the War of 1812. Except for a reduction in the tax rate for Research and Development firms, state maximum rates have not changed since 1978. A 1978 report to the Governor and General Assembly by the Revenue Resources and Economic Commission, noted that these maximum rates reflect the relative differences in operating ratios between broad categories of similar activities, i.e., the gross profit ratios for similar business activities as reported by the Internal Revenue Service in Statistics of Income: Business Income Tax Returns, 1970.

Fairfax County's authority to levy a BPOL tax dates back to 1952; however the County first exercised its taxing authority in 1967 when it imposed a Retail Merchants Tax. A business license tax was levied on all types of businesses beginning in FY 1970. Attachment 1 provides a summary of Code Amendments to the BPOL Tax in Fairfax County.

Staff located three studies relating to Fairfax County's BPOL Tax. In 1982, Fairfax County hired John L Knapp, to study the equity of the County's BPOL Tax rates. That study concluded that because the BPOL tax is passed on to the consumer any attempt to adjust tax rates for business' profitability are unnecessary. The Executive Summary of this study is provided in Attachment 2.

In 1993, KPMG Peat Marwick completed a study of the County's business taxes including BPOL, Business Personal Property and the Consumer Utility Tax. The study outlined options for reform or replacement of the BPOL Tax. The Executive Summary of the KPMG study is provided in Attachment 3.

In 1994, the Business Tax Study Group and comprised of private sector officials released a report on the BPOL Tax. The study resulted in several changes to the BPOL ordinance (summarized in Attachment 1.) The Executive Summary of the Business Tax Study report is provided in Attachment 4.

Rate Comparison

Attachment 5 provides the State maximum BPOL rate by category, BPOL rates of all Northern Virginia localities and selected other large jurisdictions in Virginia.

In addition, the publication *Virginia Local Tax Rates, 2014* published by the Weldon Cooper Center for Public Service provides the median tax rate for a few business categories by type of locality. That information is reproduced below with state maximums and Fairfax County's rate added for comparison.

Maximum and Median BPOL Tax Rates Per $100 in 2014
Compared to Fairfax County's Rates

		Median Rates*			
Business Category	**State Maximum Rate**	**Cities**	**Counties**	**Towns**	**Fairfax County Rate**
Contracting	$0.16	$0.16	$0.12	$0.13	$0.11
Retail	$0.20	$0.20	$0.15	$0.14	$0.17
Repair, Personal Services & Business Services	$0.36	$0.36	$0.20	$0.18	$0.19
Financial, Real Estate & Professional Occupations	$0.58	$0.58	$0.32	$0.25	$0.31
Wholesale**	$0.05	$0.12	$0.05	$0.05	$0.04

*Median rates were calculated by the Weldon Cooper Center for Public Service, Virginia Local Tax Rates, 2014

**The median city rate of $0.12 is above the state maximum of $0.05 because many cities operate under grandfather clauses that allow them to impose a higher rate.

Fairfax County
History of Business Professional Occupational License Code Amendments

1964 - Virginia General Assembly authorized all counties to impose a local business license tax.

1967 - Fairfax County imposes a Retail Merchants Tax.

October 1, 1969 - Fairfax County adopts a comprehensive BPOL tax on businesses effective for FY 1970. The ordinance includes the taxation of Research and Development (R&D) firms.

July 1970 - The Board eliminates taxation on two of the three categories of R&D including electronic and physical science research service and science research and development service.

July 1973 -The Board removes the third category (economic and social science research services) of R&D from taxation.

November 28, 1988 - The Board removes the exemption for R&D firms and taxes these firms at a rate of $0.31/$100 of gross receipts effective January 1, 1989.

January 29, 1990 - The Board approves amendments to the BPOL ordinance that 1) excludes from the definition of gross receipts amounts paid by advertising agents for any customer for advertising space, radio time, television time, electrical transcription, pressings, art work, engraving, plate, mats, print, printing stock and postage; and 2) licensing advertising agents and firms as a business service rather than a professional, specialized occupation.

FY 1991 - While no change in the local ordinance was required, the state created a uniform definition of a motor vehicle dealer's gross receipts for BPOL whereas, automobile dealers are allowed to exclude trade-ins from their gross receipts beginning in FY 1991.

April 27,1992 - The Board approves an amendment that temporarily reduces the tax rate on Real Estate brokers from $0.31/$100 of gross receipts to $0.01/$100 in FY 1993 and FY 1994; $0.10/$100 in FY 1995; and back to $0.31/$100 in FY 1996 and beyond.

July 27, 1992 - The Board approves an amendment that separates gross receipts from management fees and sales commissions of Real Estate Brokers. The tax on management fees is reduced from $0.31/$100 of gross receipts to $0.01/$100 in FY 1993 and FY 1994; $0.10/$100 in FY 1995; and to $0.19/$100 in FY 1996 and beyond.

September 21, 1992 - The Board adopts an amendment to exempt from BPOL taxation non-profit businesses with an Internal Revenue Code 501 (c) (6) designation from the IRS. Previously, only membership dues collected by trade, business, professional, services, or civic associations were exempt from BPOL taxation.

February 22, 1993 - The Board adopts an amendment that clarifies taxation of craft show merchants. Craft show promoters are not to be taxed on the proceeds of the craft show merchants, but are taxed on their commissions at $0.20 per $100. Individual craft show merchants are taxed on their sales (if sales at a rate of $0.17 per $100).

May 17, 1993 - The Board adopts an amendment to reduce the BPOL tax rate on gross receipts from federally funded Research and Development from $0.31 per $100 to $0.03 per $100, the maximum rate allowed following approval of state legislation during the 1992 Virginia General Assembly.

July 12, 1993 - The Board adopts an amendment that excludes from the definition of gross receipts the pass-through funds of any money lender organized, registered and doing business as a cooperative association.

April 18, 1994 - Based on a recommendation of the Business Tax Study Group, the Board adopted an amendment that levies a flat $30 fee for businesses with gross receipts between $10,000 and $50,000 rather than a tax rate based on gross receipts. Those businesses with gross receipts less than $10,000 continued to have no BPOL tax liability.

November 21, 1994 - Following the Business Tax Study Group recommendations, the Board adopts changes to the BPOL ordinance in order to equalize service rates, align the tax burden with cash flow for builders and developers and increase administrative efficiency and simplify filing. The approved amendments reduced the number of tax rate categories from 17 to ten. In addition, exemptions were adopted for income generated from subleasing property if the revenue was incidental to the company's primary business activity.

September 9, 1996 - Following legislation that required statewide uniformity of BPOL ordinances, the Board approved amendments that included the exemption of certain nonprofit organizations and a change in the tax threshold which exempted firms with gross receipts between $50,000 and $100,000 from the BPOL Tax, but charged a flat fee of $50.

November 24, 1997 - The Board adopts an amendment to provide for a three-year phase-out of the BPOL Tax on all gross receipts solely derived from the design, development, or other creation of software for lease, sale, or license in the following manner: 33 1/3 percent excluded in FY 1999; 66 2/3 percent excluded in 2000 and 100 percent excluded in FY 2001 and beyond.

THE EQUITY OF THE FAIRFAX COUNTY BUSINESS, PROFESSIONAL, AND OCCUPATIONAL LICENSE TAX

by

John L. Knapp, Ph.D. Economic Consultant

March 1982

Executive Summary

The statutory incidence (legal liability for payment) of the business, professional, and occupational license tax (BPOL tax) is clearly upon business firms. Economic incidence—the final distribution of the tax burden after the process of shifting the burden has been completed—is more difficult to measure. Nonetheless, the determination of economic incidence is crucial for any examination of tax equity. This study describes and analyzes many theories about the economic incidence of the BPOL tax and concludes that the long-term economic incidence of the BPOL tax is similar to that of a general sales tax which is borne by consumers. If this is the case, then attempts to adjust the tax rate for business firms' ability to pay as measured by some indicator of profitability are unnecessary. Such a viewpoint is not the one implicit in the state guidelines for a BPOL tax. .

The state guidelines, which establish maximum rates for four major classifications of business, are based on the implicit assumption that rates should be adjusted for (1) business firms' use of the market, and/or (2) profitability, both of which are measured by operating ratios. "Operating ratio" is defined as follows:

$$\text{operating ratio} = \frac{\text{gross receipts - cost of goods}}{\text{gross receipts}}.$$

Based on an analysis of U.S. Internal Revenue Service (IRS) data, this study concludes: (1) operating ratios are not a good indicator of profitability; (2) operating ratios vary over time; (3) operating ratios for different forms of business organization, (proprietorship, partnership, and corporation) within the same industry vary, and a major reason for this variation is the manner in which businesses report items on their income tax returns; (4) operating ratios vary among subcategories of business which are grouped under the same general industry; and (5) operating ratios vary by size of firm even after allowance *for* industry and form of business organization.

Fairfax County has several options in regard to the BPOL tax in addition to the status quo. A tabular summary of the options is shown below:

	Total Revenue Based on 1980 Gross Receipts[a]	Numberof Present 14 CategoriesPaying[b]		
		More Tax	Less Tax	Same Tax
Status quo	$ 8,879,260			14
<u>Conformity with state guidelines</u>				
Option 1. Maximum rates .	13,601,377	14	0	0
Option 2. Proportionate rates, no increase in total revenue	8,838,550	6	8	0
Option 3. Proportionate rates, no tax increase for any category	3,562,859	0	13	1
<u>Nonconformity with state guidelines</u>				
Option 4.--Uniform rate ($0.16) for all business classes	8,745,822	2	11	1
Option 5.--Limited subclassifications	<13,601,377	Depends on number of classes and operating ratios		
Option 6.—Numerous subclassifications	<13,601,377			

Source: Table 7.

a/ Excludes license taxes on rental owners, wholesalers, and utilities since they are not covered by state guidelines of the 14.

b/ In 1980, there were no firms in 2 of the 14 categories; those without taxable sales were premium stamp suppliers and vending machine operators.

When it commissioned the study, the Board asked several-specific questions:

1. <u>“Can BPOL rates be more equitable?</u>" The answer depends on the theory of economic incidence which is accepted. In my view, in the long-run, the tax is borne primarily by consumers. If this is the case, then there is no need to adjust the tax rate for business firms' ability to pay as measured by some indicator of profitability and a uniform rate (Option 4) would be preferable.

Creation of many tax rates for particular types of business (Options 5 and 6) would simply cause greater administrative complexity without making the tax more equitable. Although the state guidelines permit numerous subclassifications within each of the four broad classes, I feel that such subclassifications would violate the spirit and intent of the guidelines. The staff work which was the. basis for the guidelines contained no suggested maximum rates for subcategories, and when the staff examined the IRS data base which presumably would be the basis for establishing subcategories, the staff questioned the feasibility of using it for precise adjustment. Furthermore, a major reason for enacting the guidelines was the desire to eliminate relatively high tax rates that some localities had imposed on narrow business categories. By establishing four broad categories, the General Assembly simplified BPOL tax structures and, removed some of the perceived inequities. Establishment of numerous sub-categories would be a policy in an opposite direction from the guidelines ' approach.

An alternative to the status quo or a uniform rate would be to abandon Fairfax County's present fourteen business tax categories in favor of the four "categories in the state guidelines (Option 1, 2, or 3). The state guidelines represent a compromise between the common business attitude that the tax is borne completely by business and the economic theory assumption that most of the tax is shifted to consumers. Thus, the guidelines establish the four major categories on the basis of profitability, but there is no attempt to vary rates within major categories. Although I would prefer that the same rate be used for all types of businesses, I feel that the state guidelines can be tolerated, since products and services within very broad classes of consumption are treated equally. Moreover, the guidelines crudely approximate a tax on value added. Value added may be considered a broad measure of market use.

Implementation of the guidelines could be accomplished by using state maximum rates (Option 1), proportionate rates with no increase in revenue (Option 2), or proportionate rates with no tax increase for any category (Option 3).
Since Options 1 and 2 would involve tax increases for some businesses, and since in the short-run a portion of the economic incidence is borne by businesses, the Board might wish to make rate adjustments over several years rather than all at once. .

2. "Are the [present Fairfax County] rates within the guidelines established by the General Assembly?" The answer is "yes." Therefore, the status quo could be continued.

3. "Can a relationship between the tax and the profitability of various business categories be established?[11]- The answer is "no", since economic incidence is not a direct function of profitability. Furthermore, operating ratios, the basis for establishing different rates for a classified gross receipts tax, are a poor measure of profitability since they include many costs that are subtracted in deriving net income, and they depend to some extent on the tax accounting procedures employed. ,

4. The Board also "..requested that the study include a review of the proper groupings, i.e., businesses which cannot pass along costs should not be placed in the same category with those which can." The inability to shift the tax would be a short-run phenomenon depending primarily on consumers' responsiveness to an increase in price. This will depend on many factors including the size of the item in consumers' budgets, the existence of substitutes, and the time and travel cost of shopping elsewhere. These factors will vary for individual firms, even those of the same size and in the same industry. Thereis no source that contains the type of information desired by the Board.

COMPARATIVE STUDY OF FAIRFAX COUNTY BUSINESS TAXES

Submitted to:

**Fairfax County
and the
Fairfax County Chamber of Commerce**

Presented By:

**Policy Economics Group
KPMG Peat Marwick**

September, 1993

EXECUTIVE SUMMARY

The Policy Economics Group of KPMG Peat Marwick conducted this study of business tax policy for Fairfax County and the Fairfax County Chamber of Commerce to accomplish the following three objectives: '

- to provide an objective and comprehensive comparison of Fairfax County's overall business taxes on selected industries with those of competitor jurisdictions;

- to evaluate current Fairfax County business taxes with a focus on the Business Professional and Occupational Licensing (BPOL) tax, the utility consumer tax, and the personal property tax on equipment; and

- to assess the implications of major business tax policy alternatives for Fairfax County on a revenue neutral basis. .

Methodology

The Business Tax Competitiveness Model developed by the Policy Economics Group of KPMG Peat Marwick is a key analytical tool that has been used to perform the analysis of current and alternative Fairfax County business tax policies.

The Business Tax Competitiveness Model calculates before and after-tax rates of return on a prototype investment by a representative firm in each industry. Balance sheets and income statements for the representative firms are based upon actual financial data for each industry. The Model projects income and taxes over a thirty year period. Effective tax rates are calculated as the measure of overall tax burdens on investment The effective tax rate is the difference between pretax and after-tax rates of return divided by the pretax rate of return on investment. The effective tax Tate is the widely-accepted measure of business tax burden since it accounts for the time value of money over the life of an investment The impact of tax law provisions that are sensitive to timing, such as tax depreciation rules and property tax assessment policies, are properly measured.

The study includes eight industries that were selected because of their significance to the economic development of Fairfax County. It is important to note that these results are limited to the jurisdictions and industries that are included in the study. Given the small sample of industries and jurisdictions, the results cannot be generalized to all industries and jurisdictions in the U.S. The eight industries are:

- Management Consulting and Public Relations
- Engineering and Architecture
- Printing and Publishing
- Computer Manufacturing
- Wholesale Trade
- Retail Trade
- Leasing
- Computer Services

Eight comparison jurisdictions have been included in the study. These jurisdictions are generally perceived to be attractive locations for the service and high-technology businesses that form the core of the Fairfax County economy. The eight competitor jurisdictions are:

- Montgomery County, Maryland
- DeKalb County (Atlanta), Georgia
  Raleigh, North Carolina
- San Jose, California
- Charlotte, North Carolina
- Indianapolis, Indiana
- Austin, Texas
- Princeton, New Jersey

The Business Tax Competitiveness Model has also been used to examine the implications of business tax policy alternatives to the BPOL tax.

Key Findings

<u>Comparative Business Tax Analysis</u>

- Based upon the quantitative analysis of the sample industries and jurisdictions included in the study, structural issues have been identified relating to three specific Fairfax County business taxes:

  - the Business Professional and Occupational Licensing tax;
  - the personal property tax on equipment; and
  - the utility consumer tax.

- These three taxes are sources of concern regarding the competitiveness, efficiency and equity of the Fairfax County business tax structure.

- Business tax burdens vary across industries depending upon a variety of factors. For example, industries that have disproportionate shares of computers and other equipment will tend to have relatively high effective tax rates in jurisdictions such as Fairfax County, which include personal property in the property tax base. Industries with low profit margins will have above-average tax burdens under a gross receipts tax.

Of the eight industries included in the study, retail trade, engineering and architectural services and leasing have relatively high effective tax rates in Fairfax County. Effective tax rates on the two manufacturing industries are relatively low in Fairfax County.

Retail trade and engineering and architectural services are disproportionately burdened by the BPOL (gross receipts) tax and the utility consumer tax.

Evaluation of Current Fairfax County Business Taxes

- Competitiveness, economic efficiency (uniformity across industries), and equity are three key criteria for evaluating state and local business tax policy.

- Structural issues relating to these three criteria have been analyzed with respect to the Fairfax County BPOL tax, utility consumer tax and personal property tax on business equipment.

- The imposition of a gross receipts tax by local governments as a general business tax is relatively uncommon. In addition to Fairfax County, only two of the eight competitor jurisdictions - DeKalb County, Georgia and Charlotte, North Carolina - impose a gross receipts business tax.

- The BPOL tax ranks low in terms of uniformity. The gross receipts tax base tends to result in cascading or multiple taxation as business-to-business transactions as well as final sales to consumers are included in the tax base. Effective tax rates vary considerably and tend to be highest on businesses with high ratios of cost of goods sold to gross receipts.

- The BPOL tax raises equity concerns because it burdens small businesses or startup businesses which operate on relatively low profit margins and are therefore especially sensitive to these concerns.

- The study industries with the highest effective tax rates under the BPOL tax are retail trade, engineering and architectural services, and computer services. These industries play a very important role in the service-based Fairfax economy.

- The personal property tax on business equipment is an issue of special importance to businesses in an era in which information technology is key to maintaining a competitive edge. For example, faster depreciation for computers to reflect more rapid technological advances could improve the competitiveness and economic efficiency of Fairfax County business taxes.

- The utility consumer tax has an uneven impact across industries since it depends upon how intensively an industry uses energy and telecommunications services. Retail trade, printing and publishing and wholesale trade have the highest effective tax rates under the utility consumer tax.

- With respect to the BPOL tax, a number of administrative and legal issues have been identified relating to nexus (jurisdiction to tax), allocation of receipts of multi-jurisdictional businesses, and classification of firms which operate more than one line of business. Although resolution of these issues is beyond the scope of this study, these issues merit further study.

<u>Assessment of County Business Tax Policy Options</u>

- Four revenue-neutral alternatives have been identified for consideration. These options are illustrative alternatives and should not be construed as KPMG Peat Marwick recommendations.

  - reform of the BPOL tax by restructuring tax rates to better reflect the relationship of net income to business receipts;

  - replacement of the BPOL tax with a county corporate income tax with a rate of 6 percent;

  - replacement of the BPOL tax with an additional 0.7 percent local sales tax rate;

  - replacement of the BPOL tax with a tax applied to the gross income of businesses after subtraction of cost of goods sold.

- Option 1, the BPOL tax would be restructured so that the rate structure more closely relate to observed differences in profits-to-gross receipts As a result, the BPOL tax would be more neutral in its impact across industries. However, the BPOL tax would continue to impose an additional burden on businesses in Fairfax County that would not be experienced by businesses in most competitor jurisdictions.

- Under Option 2, the BPOL tax would be replaced with a county corporate income tax with a rate of 6 percent. This option would be more efficient in relating the tax burden to a firm's ability to pay. However, local corporate income taxes are relatively uncommon and the combined state-local tax rate of 12 percent would be among the highest in the U.S. A local corporate income tax could have a significant adverse impact on Fairfax County's image as a place to locate businesses.

- Under Option 3, the BPOL tax would be replaced with an additional local sales tax at a rate of 0.7 percent. Although the BPOL tax is often viewed as a business tax and the sales and use tax is viewed as a consumer tax, both taxes are similar in that they use gross receipts as the tax base. The sales and use tax has two advantages. First, the structure of the sales and use tax is designed to reduce cascading or multiple taxation. Second, the state sales and use tax statutes and regulations provide a relatively clear framework for defining the tax base so as to minimize compliance issues related to interpretation of the tax law. However, they differ significantly in terms of the extent to which services are included in the tax base.

- Option 4 which would substitute gross income for gross receipts as the business tax base would be more equitable than the current gross receipts base since business purchases of goods would not be double-taxed. However, simply using gross income would create new inequities because of the differences in accounting across industries.

Attachment 4

EXECUTIVE SUMMARY:

BUSINESS TAX STUDY GROUP

REPORT AND RECOMMENDATIONS

FAIRFAX COUNTY, VIRGINIA

SEPTEMBER 14, 1994.

SEP 2 6 1994

EXECUTIVE SUMMARY: BUSINESS TAX STUDY GROUP

SEPTEMBER 14, 1994

BACKGROUND:

Since the fall of 1993, a Study Group comprised of private and public officials has been analyzing business taxes in Fairfax County. This group, chaired by Supervisor Robert B. Dix, Jr., Hunter Mill District, was formed to build upon the initial findings of a Comparative Study of Fairfax County Business Taxes presented by the Policy Economics Group of KPMG Peat Marwick. This study was a public/private venture jointly commissioned by the Board of Supervisors and the Fairfax County Chamber of Commerce.

On December 6, 1993, the Initial Report and Recommendations of the Business Tax Study Group was presented to the Board of Supervisors. As noted in the December report, the Study Group made the following recommendations:

I. Replacement of BPOL with a corporate income tax was not a desirable alternative, and replacing BPOL with a BPOL-type levy on gross income could in fact create even more challenges than exist today.

II. Possibility of replacing the current BPOL levy with an increase in the local option portion of the sales tax by approximately one-half cent should be left on the table for further consideration.

In recommending this, the Business Tax Study Group wants to emphasize that it views BPOL as an undesirable tax which, in the long run, should be replaced or phased-out. The Business Tax Study Group recognizes however that this is a complex issue and the Study Group will continue to review and consider all available options in pursuit of this goal.

The local sales tax proposal was transmitted to the State for their consideration as they conduct, a state-wide study of BPOL taxes pursuant to a mandate from the 1994 General Assembly. A copy of this letter, dated December 20, 1993, is attached to the Executive Summary.

Additionally, two other proposals were transmitted to the State for their review, along with the local sales tax issue. This includes the possibility of establishing a local option administrative appeal procedure for BPOL similar to the present boards of equalization: and, a request that the State committee carefully review the present statutory exemptions to BPOL, such as those granted to insurance companies, insurance agents, publishers, broadcasters and manufacturers.

As a general rule, the Business Tax Study Group supports the State effort to establish greater statewide uniformity in the administration of the BPOL tax. It is also the consensus of the Study Group that businesses should not have to pay the tax during the review of a legitimate appeal. If the appeal is upheld however, the appropriate penalties and interest should accrue to the original due date.

III. Additionally, two specific proposals first raised' in the Study Group's December 6, 1993, report have now been ' formally adopted in Fairfax County. The first was an amendment to the taxable threshold for BPOL taxes adopted by the Board of Supervisors on April 11, 1994. This amendment authorized businesses with gross receipts between $10,000 and $50,000 to be taxed at a flat rate of $30.00, rather than on a percentage of gross receipts. While this action had some revenue loss, it should improve the economic climate for many small businesses. Of 9,749 business accounts affected, it was estimated that 76% experienced an average tax reduction of approximately $39.

The second Study Group recommendation was that the depreciation of business computer equipment be accelerated for personal property tax purposes. This proposal recognized the prevailing market conditions for computer equipment and helped support the competitive advantage of the County for economic development. This proposal was formally endorsed by the Board of Supervisors, and the depreciation schedule was 'changed in the summer of 1994 after an-extensive study by the Office of Assessments. The changes will officially take effect in 1995 (FY 1996).

CURRENT REPORT:

IV. Finally, the group also committed to further study possible reforms to the current BPOL structure, evaluating business categories, classifications, definitions and exemptions. The present report is a product of the group's continuing study in this area. The focus of the current report is on BPOL taxes only. The Study Group has reviewed the Business Utility Tax and decided not to propose any changes to the current law.

To the highest extent possible, the charter of the study group was to keep its proposals revenue neutral. This goal was not completely achievable as a number of progressive recommendations could result in the potential loss of approximately $1.0 million in General Fund revenue. This is approximately 1.8% of the BPOL revenue estimate in the FY 1995 Adopted Budget Plan. However, it is important to note that BPOL revenue collections at the end of FY 1994 were stronger than anticipated. If this trend continues in FY 1995, BPOL revenue collections in excess of the budgeted estimate could offset the loss from the Study Group proposals.

A final caveat should be noted in this regard. Responsible estimates of the revenue impact have been attempted throughout this study. However, in a couple of cases there was simply insufficient data from which to make a complete analysis. Thus, half of the $1.0 million reduction is a "soft" estimate. In this case it was necessary to make revenue extrapolations from very small data sets. Therefore, the reliability of these estimates cannot be established prior to implementation. The other half of the estimated revenue loss stems from the proposed tax rate - changes. These estimates are substantiated by available data.

NEW PROPOSALS:

1. <u>Amend Section 4-7-22, Renting .By Owners</u>-- adopt new exemption which eliminates a BPOL requirement on gross receipts earned, from subleasing property where the sublease revenue is incidental to the company's primary business activity. This, would be deemed non-taxable miscellaneous income. Applicable only where a tenant (non-owner) sublets rented space to another occupant. Rental receipts of the property <u>owner</u> would still be fully subject to BPOL.
Potential impact = $(452,000).

2. <u>Amend Section 4-7-1 B (1)</u>-- adopt new exemption which excludes from taxable revenue general and administrative (G&A) intra-company reimbursements or transfer payments. This exclusion would generally involve companies that simply have their "headquarters" here, and have no other specific sales made or services rendered from the Fairfax location.
An example of this is an internal division "paying" corporate headquarters for G&A services. Applies only to internal company transfer payments. Does not apply to payments between separate corporate entities, subsidiaries or partnerships. Existing state code exemption already deals with inter-company payments between affiliated corporations. Potential impact = $(130,955).

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3. Rate Chancres Collapses the existing 17 separate categories into only 10. Of the current 17 categories, 11 will have no rate change, 3 will have a lower rate, and 3 will have a tax increase. Potential impact = $(438,557).

Three categories receive lower tax rate (Business Services, Personal Services, Telephone Co.) which reduces the tax rate for approximately 3,451 business accounts.

Two categories receive a rate increase (Money Lenders, Repair Services). Also, Builders and Developers keep their existing tax rate but will now be taxed on gross receipts instead of gross expenditures. These changes will result in a tax increase for approximately 1,396 business accounts.

Combined .with the collapsed categories is improved clarification/modernization of businesses specifically listed.in each category.

Key benefits

- SIMPLICITY, CLARITY, AND PREDICTABILITY FOR BUSINESSES
- FACILITATES CUSTOMER SERVICE
- HELPS EQUALIZE "SERVICE" RATES
- HELPS EFFICIENCY OF ADMINISTRATION
- BRINGS TAX BURDEN IN SYNC WITH CASH FLOW (builders & developers)
- 71% OF' THE 4,847 ACCOUNTS AFFECTED WILL GET TAX REDUCTION

TIMING

- 17 individual categories would be retained for 1995, but all tax rate changes can be made and implemented as of January 1, 1995.
- Total collapse into 10 categories (i.e., form taxpayers use, data on computer screens) would be completed by 1996 due to computer programming requirements.

Attachment 4

-- CATEGORY AND RATE CHANGE SUMMARY --

Business Categorv	Existing Rate	Proposed Rate	Greatest Est. Tax Chancre	' Average Est. Tax Change	% Change
Research & Development	. 03	. 03			
Wholesale Merchants	.04	. 04			
Builders & Developers	.05	.05	$ 10,972	$ ' 429	33.11%[1]
Real Estate Brokers	.10	. 10[2]			
Contractors	.11	.11			
Retail Merchants	.17	.17			
Retail/Wholesale Merchants	.17	.17			
Business Services	.20	.19	$(13,243)	$(211)	(5.00)%
Personal Services	.22	.19	$ (144,233)	$(258)	(13.64)%
Repair Services	.18	.19	$ 6,814	$ 58	5.56 %
Money Lenders	.16	.19	$ 11,494	$ 535	18.75 %
Utilities	.24	.24			
Telephone Co. ' s	.26	.24	$(19,903)	$ 7,434	(7.69)%
Amusements .	.26	.26			
Hotels/Motels	.26	.26			
Renting By Owners	.26	.26			
Professional & Specialized	.31	.31			

Builders and Developers are currently taxed per $100 of gross, expenditures. Study Group proposal is to tax them on gross receipts instead. Current data suggests that aggregate receipts for this category exceed aggregate expenditures by roughly 33%. THIS SHOULD DEFER THE TAX LIABILITY SO THAT IT BECOMES IN SYNC WITH BUSINESS CASH FLOW.

For 1994, Real Estate Brokers are still taxed at $0.01 per $100 of gross receipts. Under current law this will increase to $0.10 in 1995 and back to $0.31 in 1996. This future rate structure for brokers is retained by the Study Group proposal.

NEW PROPOSALS, continued:

(THESE PROPOSALS CODIFY AND CLARIFY EXISTING LAW OR ADMINISTRATIVE PRACTICE; OR HAVE NEGLIGIBLE REVENUE IMPACT)

4. Further amend Section 4-7-1-- Consolidates and clearly identifies the exclusions, exemptions and special definitions in one 'main section:

   A. Codifies the need for apportionment among other jurisdictions and spells out the type of taxes that factor into apportionment formula.

   B. Codifies existing administrative policy to exclude from taxation receipts from gifts, miscellaneous dividends and interest income.

   C. Proposes new exemption for the .miscellaneous sale of capital assets when such receipts are incidental to the business activity of the person. (Estimated revenue loss is negligible).

   D. Proposes special definition for businesses leasing or renting aircraft to classify them as a Wholesale Merchant. This is a business recruitment initiative.

5. Amend Section 4-7-11, Penalties-- .

   A. Incorporate State law whereby "upon nonpayment reasonable attorney's or collection agency fees may be recovered by the County." Such fees shall not exceed 20% of the delinquent tax bills.

   B. Reflect 1994 State law change by adding section which halts collection activity while taxes are being appealed to the Office of Assessments.

6. Amend Section 4-7-22, Renting bv Owners-- changes the rental threshold for BPOL (i.e., from 2 to 4 before liable).

7. Amend Section 4-7-30, Telephone Companies-- instead of taxing a telephone company only on their 'Local Exchange' gross receipts, wording has been changed. Tax basis would- now be on "all sales of goods or services to the ultimate consumer with an exclusion of all receipts from long distance telephone calls." Supports the County's ability to tax- the local' receipts generated by cellular telephones.

8. Produce an Informational Booklet on BPOL-- Law and Administration. This should be a joint project between the County and the Fairfax County Chamber of Commerce.

FY 2016 BPOL Rate Comparisons
(per $100 of Gross Receipts)

	Amusement	Builders and Developers	Business Service Occupations	Consultant/ Specialist	Contractors
State Max	**$0.36**	**$0.16**	**$0.36**	**$0.36**	**$0.16**
Fairfax County	$0.26	$0.05	$0.19	$0.31	$0.11
Vienna	flat rate	$0.12	$0.22	$0.22	$0.12
Falls Church	flat rate	$0.16	$0.36	$0.36	$0.16
Fairfax City	$0.00	$0.16	$0.27	$0.27	$0.16
Arlington	$0.25	$0.16	$0.35	$0.36	$0.16
Loudoun	$0.21	$0.13	$0.17	$0.17	$0.13
Prince William	flat rate	$0.13	$0.21	$0.13	$0.13
Herndon	$0.21	$0.13	$0.21	$0.40	$0.13
Alexandria	$0.36	$0.16	$0.35	$0.35	$0.16
VA Beach	$0.36	$0.16	$0.36	$0.36	$0.16
Henrico	$0.20	$0.15	$0.20	$0.20	$0.15
Chesterfield	$0.19	$0.14	$0.20	$0.20	$0.14
Richmond	$0.36	$0.19	$0.36	$0.36	$0.19
Average Rate if Levied, w/o Fairfax County	**$0.27**	**$0.15**	**$0.27**	**$0.28**	**$0.15**

FY 2016 BPOL Rate Comparisons
(per $100 of Gross Receipts)

	Rent of House/ Condo	Repair Service	Research & Development	Retail Merchants	Telephone Companies	Wholesale Merchants
State Max	$0.00	$0.36	$0.03	$0.20	$0.50	$0.05
Fairfax County	$0.26	$0.19	$0.03	$0.17	$0.24	$0.04
Vienna	$0.17	$0.22	$0.00	$0.17	$0.50	$0.10
Falls Church	$0.38	$0.36	$0.00	$0.19	$0.50	$0.08
Fairfax City	$0.27	$0.27	$0.03	$0.20	$0.50	$0.05
Arlington	$0.28	$0.35	*see note	$0.20	$0.50	$0.08
Loudoun	$0.16	$0.16	$0.03	$0.17	$0.50	$0.05
Prince William	$0.00	$0.21	$0.03	$0.17	$0.50	$0.05
Herndon	$0.05	$0.21	$0.00	$0.13	$0.50	$0.05
Alexandria	$0.50	$0.35	$0.00	$0.20	$0.50	$0.05
VA Beach	$0.00	$0.36	$0.00	$0.20	$0.50	$0.12
Henrico	$0.00	$0.20	$0.00	$0.20	$0.50	varies
Chesterfield	$0.00	$0.20	$0.10	$0.19	$0.50	$0.10
Richmond	$0.58	$0.36	$0.00	$0.20	$0.58	$0.22
Average Rate w/o Fairfax County	$0.30	$0.27	$0.05	$0.18	$0.49	$0.08

*Arlington does not have a Research and Development classification. Those activities are classified as Professional or Specialized with a tax rate of $0.36/$100.

FY 2016 BPOL Rate Comparisons
(per $100 of Gross Receipts)

	Hotels and Motels	Money Lenders	Personal Service Occupations	Professional and Specialized	Real Estate Brokers
State Max	$0.36	$0.58	$0.36	$0.58	$0.58
Fairfax County	$0.26	$0.19	$0.19	$0.31	$0.31
Vienna	$0.22	$0.52	$0.22	$0.52	$0.52
Falls Church	$0.07	$0.52	$0.36	$0.52	$0.52
Fairfax City	$0.40	$0.40	$0.27	$0.40	$0.40
Arlington	$0.36	$0.36	$0.35	$0.36	$0.36
Loudoun	$0.23	$0.16	$0.23	$0.33	$0.33
Prince William	$0.26	$0.33	$0.21	$0.33	$0.33
Herndon	$0.26	$0.20	$0.21	$0.40	$0.40
Alexandria	$0.35	$0.35	$0.35	$0.58	$0.58
VA Beach	$0.36	$0.58	$0.36	$0.58	$0.58
Henrico	$0.20	$0.20	$0.20	$0.20	$0.20
Chesterfield	$0.20	$0.20	$0.20	$0.20	$0.20
Richmond	$0.36	$0.58	$0.36	$0.58	$0.58
Average Rate if Levied, w/o Fairfax County	$0.27	$0.37	$0.28	$0.42	$0.42