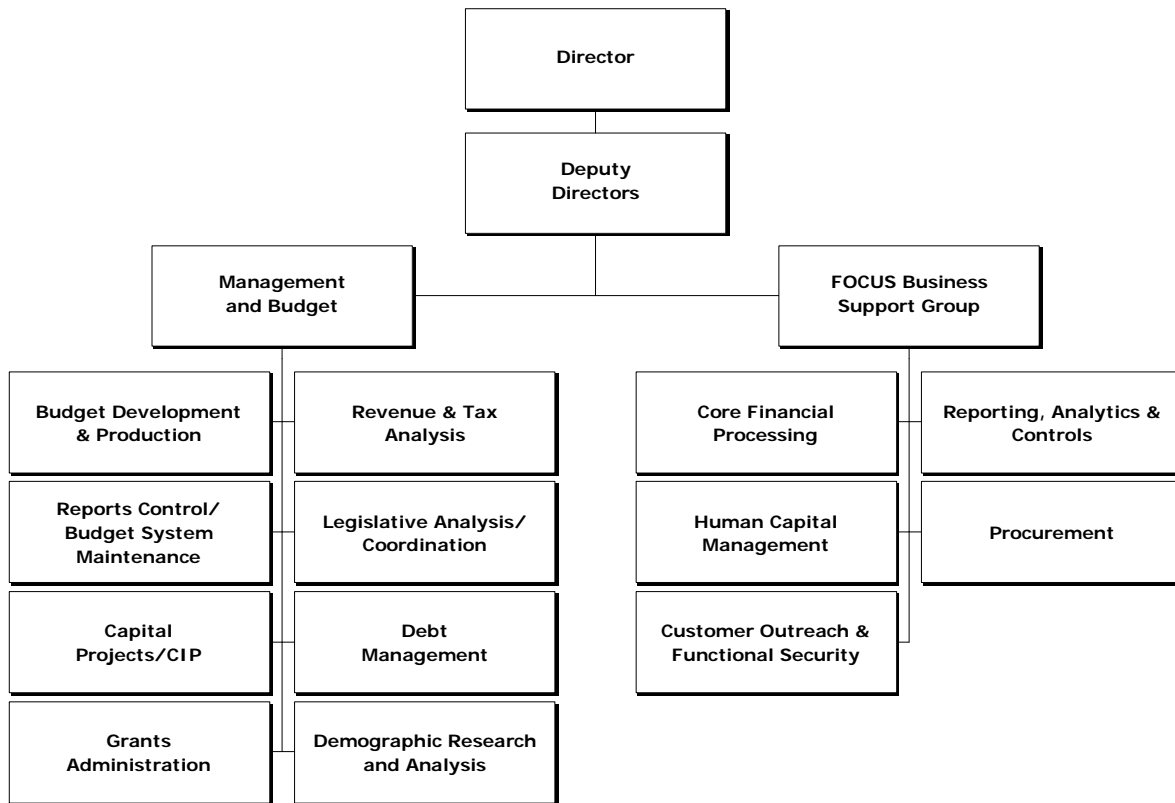


Department of Management and Budget



Mission

The mission of the Department of Management and Budget (DMB) is to provide financial and analytical consultant services; develop, implement and monitor a financial plan; and produce information for Fairfax County agencies, the Board of Supervisors, the County Executive, and residents in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making. In addition, the department serves as the centralized functional support organization for the County's enterprise resource planning system, FOCUS.

AGENCY DASHBOARD			
Key Data	FY 2014	FY 2015	FY 2016
1. Total County Positions (Official Position Count)	12,314	12,354	12,385
2. Total County Expenditures (in millions)	\$6,831.91	\$7,039.03	\$7,188.62
3. Number of FOCUS System Upgrades & Other Major Initiatives	28	48	48
4. Number of FOCUS Infra Tickets	311	313	331
5. Number of Financings	4	4	4
6. Number of Budget Q&As ¹	75	76	152

¹ Includes 92 Q&As answered as part of the FY 2016 Lines of Business process.

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Focus

The Department of Management and Budget is chiefly responsible for coordination of the County's annual budget process, which includes the financial forecast, development of budget guidelines, review of agency requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors and preparation of the Adopted Budget Plan, which exceeds \$7 billion for all funds, including over \$4 billion for General Fund Disbursements.

As a measure of the quality of its budget preparation, Fairfax County was awarded the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award by meeting rigorous criteria for the budget as a policy document, financial plan, operations guide and communications device for the 32nd consecutive year. The department will continue to build on this success for future budget documents in order to enhance the accountability, transparency, and usefulness of the budget documents.



However, the role of the agency extends considerably beyond budget preparation. DMB oversees the sale of bonds to fund the majority of the County's capital program, including school construction. Staff coordinates special financings in order for the County to take advantage of opportunities to provide critical facilities in a timely, cost-effective manner. The department is also the lead agency responsible for coordination and development of the County's Capital Improvement Program (CIP). In addition, the agency provides fiscal impact analysis for proposed legislation and coordinates requests for federal legislation.

DMB also coordinates the County's performance measurement program, including oversight of the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 15 service areas are benchmarked annually and comparisons of efficiency and effectiveness are included in the annual budget document. In July 2016, Fairfax County was awarded ICMA's Certificate of Excellence, its highest level of recognition for excellence in performance measurement, for the eighth consecutive year. Only 34 of 79 jurisdictions participating in ICMA's Center for Performance Measurement earned this prestigious award in 2016.



In FY 2018, the Economic, Demographic and Statistical Research (EDSR) unit is transferred from Agency 79, Department of Neighborhood and Community Services, to better align resources within County operations. EDSR conducts quantitative research, analysis and modeling in order to produce the County's official small area estimates and forecasts of population, households and housing units. EDSR also analyzes and summarizes existing housing characteristics, commercial and industrial space information, land use information, and economic and demographic data for Fairfax County. These data and analyses produced by EDSR are used by the County for program planning, CIP planning, policy initiatives, grant writing, budgeting, revenue forecasting, and performance measurement. This work is in close alignment with DMB operations, and therefore the relocation of the EDSR unit within DMB will allow for greater collaboration and integration of the unit's data with Countywide planning and decision-making.

DMB continues to partner successfully with the Department of Human Resources and all agencies to integrate workforce planning into County business operations in order to ensure that appropriate staffing

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resources are available to achieve strategic goals and objectives. This proactive focus enables the County to anticipate needs and collaborate on the most cost-effective means of meeting those needs.

The department is also home to the centralized functional support group for the County's enterprise resource planning system, FOCUS. The FOCUS Business Support Group (FBSG) serves in the capacity of functional system administrator for the various areas of the FOCUS system including Core Financial Processing, Human Capital Management, Procurement, Customer Outreach, Functional Security, and Reporting/Analytics and Controls. All aspects of the administration of the system are implemented in partnership with the core business process owners (Department of Human Resources, Department of Management and Budget, Department of Finance, Department of Procurement and Material Management, and the Fairfax County Public Schools), who determine how policies and procedures should be applied in the system, and the technical system administrators for the system (Department of Information Technology). The location of the FBSG within the Department of Management and Budget establishes a direct link to the Chief Financial Officer and offers direct oversight of the post-production support organization by the lead of financial processes.

The Department of Management and Budget supports the following County Vision Elements:



Creating a Culture of Engagement



Exercising Corporate Stewardship

In recent years, the use of technology has played a significant role in the dissemination of budget information. The department has expanded the availability of data on its website, which includes all information contained in published budget volumes, as well as quarterly reviews, budget calendars, economic data, and historical files. This increased transparency, coupled with a difficult economic situation, has brought about a renewed interest from residents in budget issues. As a result, the department has focused resources on expanding public access to essential information at all stages of the budget formulation process in order to afford residents a better understanding of their County government, the services it offers, and the role they can play. In FY 2013, the department reorganized its website, www.fairfaxcounty.gov/dmb/ to make the site more user-friendly and added a County Budget Primer, whereby residents can look up budget terms and find answers to common budget questions. The department also worked closely with staff from the Department of Information Technology, the Department of Finance, and Fairfax County Public Schools on a countywide transparency initiative that went live in the fall of 2013. Residents are able to visit www.fairfaxcounty.gov/transparency/ to view amounts paid to County vendors and expenditures by Fund or General Fund agency each month.

As a growing and increasingly diverse community, Fairfax County faces significant budget challenges regarding increasing demands for services, as well as how to fund them. In addition to requirements associated with population growth, Fairfax County's budget has been impacted by external factors, such as restrictions on revenue diversification, which severely limit the County's flexibility in addressing budget requirements and also continue to place a disproportionate burden on property owners, particularly residential taxpayers. At the same time, the County faces the dual challenges of maintaining an aging infrastructure, while addressing the needs of a growing population that requires additional facilities.

The 2016 Lines of Business (LOBs) exercise was the first step of a multi-year process to shape the County's strategic direction and validate County priorities. The LOBs process was designed to consist of two phases. Phase 1 of LOBs was intended to educate readers on the array of services provided by Fairfax County and to begin discussions at the Board of Supervisors (Board) and community levels regarding which

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programs/services should be more closely evaluated. The first phase was successfully completed and work is now underway on Phase 2 which will focus on programs/services to be reviewed for improved efficiency and effectiveness. Ultimately, the Board will be better positioned to approve a sustainable financial plan to invest in the County's future success.

Opportunities for community engagement have been expanded through initiatives such as the FY 2016 LOBs which disseminated detailed and summary information regarding the County's vast array of programs and services, offered opportunities for community input at focused LOBs meetings and at routine community budget meetings, and solicited community feedback and input via a survey. Enhanced tools on the web page are also available to facilitate easier navigation and research and to generate community interest. The County continues to seek community feedback on the budget in FY 2018.

Budget and Staff Resources

Category	FY 2016 Actual	FY 2017 Adopted	FY 2017 Revised	FY 2018 Advertised	FY 2018 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$4,061,947	\$4,338,802	\$4,295,414	\$4,716,749	\$4,716,749
Operating Expenses	375,266	189,319	238,595	180,819	180,819
Capital Equipment	0	0	0	0	0
Total Expenditures	\$4,437,213	\$4,528,121	\$4,534,009	\$4,897,568	\$4,897,568
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	52 / 52	50 / 50	50 / 50	52 / 52	52 / 52

FY 2018 Funding Adjustments

The following funding adjustments from the FY 2017 Adopted Budget Plan are necessary to support the FY 2018 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on May 2, 2017.

- ◆ **Employee Compensation** **\$78,921**
 An increase of \$78,921 in Personnel Services includes performance-based and longevity increases for non-uniformed merit employees effective July 2017.
- ◆ **Transfer of Economic, Demographic and Statistical Research Unit** **\$310,143**
 An increase of \$310,143, including \$303,643 in Personnel Services and \$6,500 in Operating Expenses, and 3/3.0 FTE positions is included for the transfer of the Economic, Demographic and Statistical Research (EDSR) unit from Agency 79, Department of Neighborhood and Community Services, to better align resources within County operations. The EDSR unit conducts quantitative research, analysis and modeling in order to provide estimates and forecasts used by the County for program planning, Capital Improvement Program (CIP) planning, policy initiatives, grant writing, budgeting, revenue forecasting and performance measurement. This work is in close alignment with DMB operations, and therefore the relocation of the EDSR unit within DMB will allow for greater collaboration and integration of the unit's data with Countywide planning and decision-making.

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◆ **Alignment of Positions** **\$25,383**

A net increase of \$25,383 in Personnel Services reflects the transfer of 1/1.0 FTE position and funding of \$82,685 from Agency 57, Department of Tax Administration, partially offset by the transfer of 1/1.0 FTE position and funding of \$57,302 to Agency 06, Department of Finance. These transfers will more appropriately align the work performed by the respective positions.

◆ **Reductions** **(\$45,000)**

A decrease of \$45,000 and 1/1.0 FTE position reflects reductions utilized to balance the FY 2018 budget. The following table provides details on the specific reductions:

Title	Impact	Posn	FTE	Reduction
Recognize Personnel Services Savings and Eliminate Vacant Position	This reduction would recognize Personnel Services funding associated with anticipated savings resulting from staff turnover and retirements. Additionally, this reduction would eliminate a vacant unfunded position no longer required based on an organizational redesign to generate efficiencies related to budget system administration and budget production.	1	1.0	\$30,000
Eliminate printing of Budget Documents	This reduction would eliminate the printing of Advertised and Adopted Budgets, including the Citizen's Guide. In recent years, the printing of budget volumes has been greatly curtailed; printed budgets are provided only to the Board of Supervisors, Senior Management, and Department of Management and Budget staff. Citizen's Guides are currently provided to residents at community meetings. As a result of this reduction, budget documents will be accessible only through the department's website.	0	0.0	\$15,000

Changes to FY 2017 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2017 Revised Budget Plan since passage of the FY 2017 Adopted Budget Plan. Included are all adjustments made as part of the FY 2016 Carryover Review, FY 2017 Third Quarter Review, and all other approved changes through April 30, 2017.

◆ **Carryover Adjustments** **\$27,582**

As part of the FY 2016 Carryover Review, the Board of Supervisors approved funding of \$27,582, including \$5,832 in encumbered funding in Operating Expenses and \$21,750 in unencumbered carryover in Operating Expenses associated with the Incentive Reinvestment Initiative.

◆ **Incentive Reinvestment Initiative** **(\$21,694)**

A net decrease of \$21,694 reflects 50 percent of the savings generated as a result of the careful management of agency expenditures during the fiscal year and was returned to the General Fund as part of the FY 2017 Third Quarter Review. The remaining 50 percent was retained by the agency to be

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reinvested in employee training, conferences and other employee development and succession planning opportunities.

Cost Centers

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The Management and Budget cost center is responsible for preparation and publication of the County's Advertised and Adopted budget plans, as well as the Capital Improvement Program. Additionally, the County's debt management program as well as economic, demographic and statistical research are coordinated in this cost center.

Category	FY 2016 Actual	FY 2017 Adopted	FY 2017 Revised	FY 2018 Advertised	FY 2018 Adopted
EXPENDITURES					
Total Expenditures	\$2,528,026	\$2,443,988	\$2,490,294	\$2,836,147	\$2,836,147
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	26 / 26	25 / 25	25 / 25	28 / 28	28 / 28
1 Chief Financial Officer	1	1 Business Analyst III	6 Budget Analysts III		
1 Deputy Director	1	1 Program & Procedure Coordinator	5 Budget Analysts II		
3 Management and Budget Coordinators	1	1 Financial Specialist III (1T)	1 Sr. Economic and Statistical Analyst (1T)		
2 Administrative Assistants V	4	4 Budget Analysts IV	2 Economic and Statistical Analysts (2T)		
0 Programmer Analysts III (-1)					
TOTAL POSITIONS			T Denotes Transferred Positions		
28 Positions (-1, 4T) / 28.0 FTE (-1.0, 4.0T)			(-) Denotes Abolished Position due to Budget Reductions		

FOCUS Business Support Group (FBSG)

The FBSG provides technical and functional support to all County users for the integrated FOCUS system, including financial, purchasing, budgetary, and human capital management issues. This cost center manages all security related to the system, coordinates with the Department of Information Technology on enhancements and upgrades to the system, and performs regular maintenance activities.

Category	FY 2016 Actual	FY 2017 Adopted	FY 2017 Revised	FY 2018 Advertised	FY 2018 Adopted
EXPENDITURES					
Total Expenditures	\$1,909,187	\$2,084,133	\$2,043,715	\$2,061,421	\$2,061,421
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	26 / 26	25 / 25	25 / 25	24 / 24	24 / 24
1 Deputy Director	1	1 Accountant III	2 Management Analysts III		
1 Management and Budget Coordinator	1	1 Budget Analyst III	4 Business Analysts II		
1 Budget Analyst IV	7	7 Business Analysts III	2 Business Analysts I (-1T)		
4 Business Analysts IV					
TOTAL POSITIONS			T Denotes Transferred Position		
24 Positions (-1T) / 24.0 FTE (-1.0T)					

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Key Performance Measures¹

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate/Actual	FY 2017	FY 2018
Percent variance in actual and projected revenues	0.2%	0.9%	2.0%/0.6%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.1%	1.5%	2.0%/1.5%	2.0%	2.0%
Interest rate for GO bond sale	2.84%	2.68%	2.45%/2.45%	2.87%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	\$46.07	\$22.04	\$20.97/\$20.97	\$23.02	NA
Savings associated with refundings (in millions)	\$4.38	\$18.48	\$12.00/\$12.00	NA	NA
Accuracy of five-year population forecasts measured as difference between forecast made five years ago and current estimate	3.5%	1.6%	5.0%/0.2%	5.0%	5.0%

¹ Performance measure for the Economic, Demographic and Statistical Research Unit shifted from the Department of Neighborhood and Community Services to the Department of Management and Budget in FY 2018.

A complete list of performance measures can be viewed at www.fairfaxcounty.gov/dmb/fy2018/adopted/pm/20.pdf

Performance Measurement Results

A critical measure of accurate fiscal forecasting and careful budget management is minimal variance between projected and actual revenue and expenditures. The Department of Management and Budget continues to be successful in projecting and managing the County's budget to achieve minimal variance between projected and actual revenues and expenditures. During FY 2016, DMB exceeded the 2.0 percent target for revenue projections by achieving a variance of only 0.6 percent from the final General Fund budget estimate of \$3.82 billion. The actual variance for expenditures of 1.5 percent also exceeded the target as County managers continued to prudently manage their departmental budgets.

Through diligent fiscal management, Fairfax County is able to borrow at the most competitive rates available. The County continues to realize savings on bond sales based on its Triple-A rating from all three bond rating agencies, a distinction shared as of January 2017 by only 46 counties, 12 states, and 33 cities nationally. Bond ratings are a measure of a government's financial condition. It means that financial professionals have evaluated the County's fiscal management practices over a period of time and have expressed confidence that Fairfax County is able to meet its scheduled interest and principal payments. Fairfax County's Bond ratings are determined by Moody's Investors Services, Standard & Poor's Corporation, and Fitch Investors Service and represent the highest ratings that can be awarded for general obligation bonds. Ratings for special financings are lower based on credit issues unique to each financing, but benefit from the County's underlying general obligation bond rating.

When DMB sells bonds on behalf of the County for capital facilities and infrastructure, the Triple-A rating results in significant interest rate savings. On January 24, 2017 the County conducted a General Obligation Public Improvement bond sale for the Series 2017A via a competitive sale in the par amount of \$259.4 million at a low interest cost of 2.87 percent. This refunding achieved net present value debt service savings of approximately \$12 million over the life of the bonds, and does not extend the original maturity on any of the refunded bonds. There were five bidders and the second lowest bid was only 0.01 percent higher than the winning bid. The number of bids and tight proximity of the bids reiterated a strong support of the County's bond offerings and credit ratings.

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As a result of the County's excellent triple-A bond rating, the County has saved an estimated \$795.44 million from County bond and refunding sales. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for residents.

The accuracy of the Economic, Demographic and Statistical Research (EDSR) unit's population forecasting assumptions, methodology and model is important because the forecasts are used to plan for future facilities and programs. For FY 2016, EDSR exceeded their accuracy target with the population forecasts made in 2011 for 2016 being only 0.2 percent different than the actual FY 2016 population. While there are no industry standards for an acceptable error level for population forecasting, research published in 2011 by the Bureau of Economic and Business Research at Warrington College of Business Administration concluded that County level population forecast errors of +/- 5.5 percent or less for a five-year horizon forecast could be considered a "good record of forecast accuracy."