

# Department of Management and Budget

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LOB #49:

## **OPERATING BUDGET DEVELOPMENT**

### **Purpose**

The Operating Budget Development LOB coordinates the development of a sound fiscal plan for the County that reflects community priorities and responsible resource allocation and fulfills all legal requirements. This LOB is additionally responsible for ensuring the effective execution of the County's budget once adopted by the Board of Supervisors.

### **Description**

The Operating Budget Development LOB coordinates the County's annual budget formulation process, which includes a comprehensive financial forecast, development of budget guidelines, analysis 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 \$3 billion for General Fund Disbursements.

Annually, the Operating Budget Development LOB reviews over 200 agency budget requests and prepares estimates for over 300 tax and revenue categories for County funds, departments, grants, and projects. The annual Fairfax County budget process is an ongoing cyclical process simultaneously looking at three fiscal years (current and two future years). The budget year officially starts on July 1; however, the budget process itself is a continuum which involves both the current year budget and the next two fiscal years' budgets.

One of the primary responsibilities of the Operating Budget Development LOB is to coordinate and facilitate the successful execution and appropriation of the future year budget. This includes the preparation, production, and dissemination of the Advertised Budget Plan, the annual budget proposed by the County Executive for County general government operations for the upcoming fiscal year, which runs from July 1 through June 30. The Advertised Budget Plan is based on estimates of projected expenditures for County programs and it provides the means for paying for these expenditures through estimated revenues. According to the [Code of Virginia](#), the Board of Supervisors must approve a tax rate and adopt a budget for informative and planning purposes no later than the beginning of the fiscal year (July 1). Following extensive review, deliberation and public hearings to receive input from County residents on the County Executive's Advertised Budget Plan, the Board of Supervisors formally approves the Adopted Budget Plan typically in late April in order to satisfy the requirement that the Board of Supervisors approve a transfer to the Fairfax County School Board by May 1, or within 30 days of receiving state revenue estimates from the state, whichever is later.

In addition, staff in this LOB monitor current year budgets and review expenditure and revenue levels. Staff coordinate with agencies if trends indicate any potential over-expenditures or revenue shortfalls so corrective action can be taken early. Changes to the current year budget are made at the Third Quarter Review and the Carryover Review. This LOB is responsible for the countywide budget review at the Third Quarter Review to ensure conformance with spending limits and revenue estimates and the budgetary review at the close of each fiscal year to carry appropriations into the next fiscal year in support of continuing financial obligations (the Carryover Review).

The Operating Budget Development LOB maintains the County's budgeted position count, projects personnel costs for all agencies, including projections associated with pay for performance, merit increments for public safety, and other compensation-related adjustments, and analyzes the fiscal impact of benefit and retirement changes, and other cross-County issues with a budgetary or fiscal impact. Staff in this LOB also review approximately 200 Board items with a fiscal impact each year.

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In addition, the Operating Budget Development LOB provides oversight of County contributions to various nonsectarian, nonprofit, or quasi-governmental organizations whose mission is to improve the general health and welfare of the community. Funding of these contributory agencies is contingent upon submission and review of quarterly financial reports.

Staff in this LOB also manage the department's extensive website. In addition to the availability online of all of the County's published budget volumes, additional budgetary information including quarterly reviews, budget calendars, economic data, and historical files is available on the DMB's website at [www.fairfaxcounty.gov/dmb/](http://www.fairfaxcounty.gov/dmb/). 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. On the site, residents can access a County Budget Primer, whereby they can look up budget terms and find answers to common budget questions. On each page, residents can also provide feedback on the website itself and offer suggestions of what additional information might be helpful to them in understanding the County's budget.

The County also has a useful transparency website at [www.fairfaxcounty.gov/transparency/](http://www.fairfaxcounty.gov/transparency/) which enables the public to view amounts paid to County vendors. Visitors can view budgetary data and actual expenditures by Fund or General Fund agency each month. Fairfax County Public Schools also hosts its own transparency website - <http://www.fcps.edu/fs/transparency/index.shtml> – where data specific to FCPS funds, departments, and schools, can be viewed. Used in collaboration with information already available to residents, such as the County's budget and the Comprehensive Annual Financial Report, the transparency initiative provides residents with an additional tool to learn more about the County's overall finances or focus on specific areas of interest.

### Benefits

A budget is a fiscal plan that enables the County to plan for the future, measure the performance of County services, and help the public to understand where revenues come from and how they are spent on County services. The budget reflects the estimated costs of operation for the County's programs, services, and activities. The budget serves many purposes and addresses different needs depending on the "audience" including, County residents, federal and state regulatory authorities, elected officials, other local governments, taxpayers or County staff. The budget must comply with the Code of Virginia and regulatory requirements. Fairfax County is required to undergo an annual financial audit by independent auditors. Thus, the budget outlines the required information to serve legal and financial reporting requirements. The budget is prepared and organized within a defined basis of budgeting and financial structure to meet regulatory and managerial reporting categories of expenditures and revenues.

Through its strong fiscal and debt management practices and adherence to the County's established financial policies, DMB has played in a key role in maintaining the County's Triple A rating from all three bond rating agencies (Standard and Poor's, Moody's, and Fitch Investors Service) which has resulted in the bond sale savings totaling more than \$470 million since 1975.

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 30<sup>th</sup> 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.

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## Mandates

The Code of Virginia (§§15.2-516 and 2503) requires that the County Executive submit a proposed budget to the Board of County Supervisors no later than April 1 for the upcoming fiscal year.

Sections 15.2-2506, 58.1-3007, and 58.1-3321 of the Code of Virginia govern the public notice requirements that guide the County's budget review and public comment period. After receipt of the proposed budget, the first action by the Board of Supervisors (BOS) is to authorize the advertisement of the proposed tax and levy rates. Once the proposed rate is advertised, the BOS can adopt lower tax and levy rates, but cannot, without additional advertisement, adopt higher rates. The timing of the advertisement is tied to the amount of increased revenue anticipated by the proposed rate. The Code of Virginia also requires the BOS to hold public hearings on the proposed budget and the proposed tax and levy rates to collect public comment. The County prepares and approves an annual budget in compliance with sound financial practices, generally accepted accounting principles, and the provisions of the Code of Virginia which control the preparation, consideration, adoption, and execution of the County budget.

The County's budget is prepared in accordance with "Generally Accepted Accounting Principles" (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). These principles are also used to prepare the County's audited Comprehensive Annual Financial Report (CAFR).

As required by the Code of Virginia (§ 15.2-2503), the County Executive must submit to the Board of County Supervisors a proposed budget, or fiscal plan, on or before April 1 of each year for the fiscal year beginning July 1. All local governments in the Commonwealth of Virginia must adopt a balanced budget as a requirement of state law no later than by July 1. A budget is balanced when projected total funds available equal total disbursements, including established reserves.

## Trends and Challenges

The challenge for DMB for the coming fiscal years will be to develop a balanced budget that meets community, infrastructure, and organizational needs during times of continued population growth, increasing economic uncertainty, and slowing revenues.

DMB continues to undertake efforts to streamline operations by ensuring that technology is fully leveraged and that budget-related procedures add value to the process, both in terms of quality and type of data presented to the public and the Board of Supervisors, and in order to address the needs of a growing population without adding staff and to provide more time for value-added analysis. For example, the annual budget (Volumes 1 and 2, as well as the Overview) is available on CD-ROM, to reduce printing and mailing costs, and on the County's Internet site to enable the public to search for information more efficiently. As DMB has increased the amount and type of information available to the public, including quarterly budget reviews as well as the annual budget, citizens are accessing this information more frequently. DMB staff will continue to identify and implement enhancements both to published documents and information presented on DMB's Internet homepage in order to improve public access, and on its intranet sites to improve efficiency and enhance communication between agencies.

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## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #49: Operating Budget Development</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$1,020,340	\$1,141,521	\$1,219,638
Operating Expenses	94,629	110,514	53,080
<b>Total Expenditures</b>	<b>\$1,114,969</b>	<b>\$1,252,035</b>	<b>\$1,272,718</b>
General Fund Revenue	\$0	\$0	\$0
<b>Net Cost/(Savings) to General Fund</b>	<b>\$1,114,969</b>	<b>\$1,252,035</b>	<b>\$1,272,718</b>
<b>POSITIONS</b>			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
<u>Positions:</u>			
Regular	18 / 18	17 / 17	16 / 16
<b>Total Positions</b>	<b>18 / 18</b>	<b>17 / 17</b>	<b>16 / 16</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Total County Expenditures (in millions)	\$3,379.84	\$3,511.13	\$3,636.63	NA	NA
Percent variance in actual and projected expenditures	2.3%	2.1%	1.5%	2.0%	2.0%

### Total County Expenditures (in millions):

Budget analysts in the Department of Management and Budget are responsible for creating forecasts, reviewing and analyzing budgetary requests, and consistently monitoring expenditures for 43 General Fund agencies and 76 other funds. In FY 2015, expenditures in all appropriated and non-appropriated funds (excluding Fairfax County Public Schools funds, before audit adjustments) totaled over \$3.6 billion. This represents an over 7 percent increase over the past two fiscal years as a result of growth and new funding streams, particularly in the area of transportation.

### Percent variance in actual and projected expenditures:

The Department of Management and Budget continues to achieve considerable accuracy in forecasting expenditures. Over the past three years, the department has achieved variances below or slightly over the 2.0 percent target. In FY 2015, the variance between actual and projected General Fund expenditures was only 1.5 percent. This indicates very accurate fiscal forecasting and careful budget management to achieve savings.