Fairfax County Federation of Citizens Associations, The Packard Center, 4022 Hummer Road, Annandale, VA 22003

Resolution

Fairfax County Advertised FY 2008 Budget and FY 2008-2112 Capital Improvement Program

Background

The County Executive's proposed FY 2008 Budget Plan totals \$5.8B (billion), of which the General Fund portion is \$3.32B. Of the latter amount, \$2.22B would be transferred out to FCPS, Metro, transit systems, debt service, etc.

Property Tax Rates – The current real estate tax rate is \$0.89 per \$100 of assessed value. One real estate tax penny will represent \$22.7M (million) in tax revenue. The County Executive proposed no tax rate increase or reduction.

Revenue –
- General Fund revenues are estimated to be \$3.29B, an increase of 2.88%, with real estate tax receipts representing 59.8% of the revenue base.
- Real property assessments will increase an average of 4.15% (11.8% in FY07), [with only 2.94% from new growth].
- **Residential** equalization values will **decrease** for the first time since 1998; the decrease will be 0.33% compared with increases of 20.57% in FY07 and 23.09% in FY 06.
- **Non-residential** values will **increase** 13.57% compared with 16.64% in FY 07, 12.74% in FY 06 and 3.74% in FY 05.
- Revenue from personal property taxes will be 15.6%, 70% of which is provided by the state.
- Property taxes comprise 74.4% of General Fund revenues. Other local taxes, e.g., sales, BPOL, utility, auto licenses, etc., total 14.7%. Revenue from the state will be 2.7%, and 0.9% will come from the federal government, nearly all of which is social services aid.

Revenue Enhancements – Some fees would be increased to offset an increase in the cost of providing service, as follows:
- Refuse collection fee increase from \$315 to \$330 per year
- Sewer service rate increase from \$3.50 to \$3.74 per 1,000 gallons of water used
- Sewer availability charge increase from \$6,138 to \$6,506 for new single-family home

Expenditures – General Fund disbursements total \$3.32B, a 1.34% increase over the FY07 revised budget. Direct County operating expenditures (personnel, operations, recovered costs, capital equipment, and fringe benefits) total \$1.2B, a 3.88% increase over the FY 2007 revised budget. Debt service for County capital improvements will be \$113.37M. The proposed budget, with a funding shortfall of $27M, has been balanced using $21M set aside by the Board during FY 2006 and $6M anticipated to be available during FY 2007 Third Quarter Review.

Schools – The proposed schools transfer is $1.73B, which is 52.3% of General Fund disbursements. This represents a 3.5% increase over FY07, consistent with the BOS guideline of 3.5%, plus $8.0M for the second phase of the Schools' Initiatives for Excellence and $147.9M in debt service for school facilities. Other County expenditures for schools include $60.5M for school nurses, clinic room aides, Comprehensive Services Act (CSA), Head Start, SACC, school crossing guards, and School Resource Officers. The School Board requested a transfer of $1.60B plus $8M for the Initiatives for Excellence, an increase of 5.1% over FY07 and $78.4M over the FY07 transfer.

Compensation –

- A 2.0% personnel **reduction** in each department ($16.28M savings) will help to meet budget limitations due to the flattening residential real estate market.

- FY 2008 will be the sixth year of full implementation of the County's Pay for Performance system for 8,000 non-public safety personnel. The performance rating range is 0-6 with 0.5 increments. The performance pay increase was $9.8M in FY 2006, $10.8M in FY 2007, and it will be $12.0M in FY 08. [Fringe benefits will increase 8.2% to $14.8M.]

- The Uniformed Public Safety Personnel still use the old salary program and will realize both the market rate adjustment and merit step increases. They will receive a 2.9% market rate adjustment (4.92% in FY 07). Merit step increments and shift differential costs total $3.0M, and a 1% decrease in the employee retirement contribution will cost $1.0M. The total uniformed personnel increases total $15.8M.

Other Expenditures – The budget includes **70 new positions for staffing new facilities and public safety**, including:

- 8 police detectives - $1.1M
- 1 victim services advocate (Police Department) - $0.1M
- 2 Criminal Justice Academy instructors and one police psychologist - $0.3M
- 3 Juvenile Court positions (counselors and IT) - $0.2M
- 14 employees for new Public Safety and Transportation Operations Center - $3.2M
- New SACC Center expansion at Key Center - $0.2M
- K. Hanley Family Shelter, opening summer 2007, full-year operating cost - $0.3M
- Health Department - $2.4M
- New Youth Crisis facility, full-year cost - $0.6M
- School-based substance abuse and violence prevention and early intervention (12 schools) - $0.6M

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Other proposed budget highlights of continuing or increased funding include:

- Continuing a penny each of the tax rate for affordable housing and for storm water management - $22.7M each
- Capital renewal projects - $21.9M
- Athletic field maintenance - $4.9M
- Land acquisition - $2.0M
- Transportation "spot improvements" - $1.0M
- Environmental projects (including use of landfill gas to heat West Ox campus) - $0.7M
- Wildlife biologist and staff person for Animal Shelter - $0.1M
- Transportation (continuing obligation):
    - County transit operations - $34.7M
    - Metro operating and capital - $18.5M (total County contribution - $64.9M)
- Information Technology - $13.8M
- 2 new and 2 renovated libraries (staff, equipment, operations) - $2.7M
- Countywide voter mailing (645,700 registered voters) of new voter information cards, etc. - $0.3M
- Support for expanded Fairfax Public Law Library - $0.04M
- Consolidated Community Funding Pool - $8.7M (5% increase over FY 07)
- Increases in health insurance premiums, retiree health benefits, dental insurance and retirement funding - $7.4M
- Higher fuel and utility costs ($3.9M) and O&M for 7 new facilities ($1.5M)

Other new initiatives proposed by the County Executive for FY08 are:

- A comprehensive revitalization strategy with establishment in the County Executive's office of a new Community Revitalization and Reinvestment committee, one element of which will be a competitive Neighborhood Grant Program ($0.1M) of $2,000 to $3,000 each with the goal of stabilizing communities;
- Supervised visitation and supervised exchange program ($0.1M) for cases of joint parental custody and foster care children;
- Support of global climate change strategy ($0.1M) to support energy efficient or renewable energy projects.

The Human Services area of the budget addresses all programs that serve the needs of various populations, from low-income residents to the homeless to seniors.

- The County's population is aging in place. Since 1970, the median age has increased from 25.2 years to 37.6 years of age. From 2000 to 2020 the number of residents over the age of 65 is expected to grow by 80 percent, comprising 1 out of every 9 residents. The proposed budget includes $66.56M for senior services, including $0.925M for the Senior Plus Program.
- The state subsidy for the Child Care Assistance and Referral (CCAR) program has been cut by $13M; the budgeted amount represents a 30% decrease ($10.36M) in funding affecting 2,025 children. The waiting list has now grown to more than 3,500 eligible children.

- The budget includes $0.9M to address the long (16 day) waiting period for adults to receive a mental health evaluation and $0.58M for an eight-bed Youth Crisis Care facility to youths aged 12-17 in crisis with mental health problems.

Capital Improvement Program – The advertised FY 2008-2012 Advertised Capital Improvement Program (CIP) provides for capital projects from all funding sources—bonds, General Fund, proffers, etc. The FCPS has a separate CIP for which the County pays the bonded indebtedness in addition to the transfer to FCPS for operations. The proposed total debt service is well within the parameters set by the County's financial principles, e.g., it represents 8.0% of General Fund disbursements (10% allowable maximum) and 0.09% of the market value of taxable property (3% allowable maximum). There will be two bond referenda on the November 2007 ballot--transportation of $125M and schools of approximately $280M.

Proposed Resolution

WHEREAS, residential real estate equalization assessments have dropped dramatically this year to a 0.33 % decrease, but the non-residential equalization assessments have maintained a healthy increase of 13.57%, which will help to balance County revenues; new growth shows a 1.68% increase, down from 2.94% in FY 2007;

WHEREAS, the advertised FY 2008 budget links its spending program to the Board of Supervisors' Priorities to carry out its vision elements—education, public safety and gang prevention, affordable housing, environmental protection, transportation improvements, and revenue diversification to reduce the burden on homeowners;

WHEREAS, the County is largely reliant on real estate tax revenue, especially residential property tax receipts, to provide funding of the County and schools programs. In FY 2008, 59.8% of General Fund receipts will come from real estate taxes whereas 49.8% came from this source in FY 2000. Including new growth, the real estate tax base will increase 4.15% in FY 2008, compared with a 22.7% increase in FY 2007.

WHEREAS, the County Executive reported the federal and state governments mandate that Fairfax County and other local governments provide specific programs and services without providing sufficient funds for implementation. In FY 2007, these mandated programs cost the county $1.268B, for which the county received only $553M, a difference of $715M. Including the FCPS mandated programs costing $262M, the total impact represents about 50 cents on the real estate tax dollar.

WHEREAS, FCPS has requested a County transfer increase of $78.4M (5.1%); the County budget guideline to FCPS for FY 2008 was a 3.5% increase; of the FCPS request, $8M represents a commitment by the County to contribute to the teacher Initiatives for Excellence Program. Thus, the FCPS requested increase in the transfer is $70.4M (4.61%), or $17M over the County's guideline. Further,

- FCPS has savings and budget reductions from FY06 and FY07 enabling an increased carryover of $9.8M to be applied to the FY08 budget, and FCPS has held department increases to FY07 costs.
- The FCPS FY08 budget includes a 2% COLA plus step increases (an average of 2.2%) for those teachers and employees with less than 20 years of service; those FCPS teachers and employees with over 20 years in teaching, i.e., our most experienced teachers, are scheduled to receive only a 2% pay increase unless they are eligible for their every-three-years step increase.
- The FCPS transfer request includes $27.0M mandated by Federal or State governments and $35.1M for market scale adjustments and health benefits.
- The FCPS budget includes 21 program expansions in addition to those associated with Federal and State mandated increases and employee compensation; the FCPS budget proposes no new programs.
- These FCPS program expansions include adding full-day kindergarten to 21 schools ($5.6M), an expansion of the foreign language immersion program ($0.7M), and another 19 programs. Eliminating all of these other expansions except for membership adjustment for increases in special education and ESOL membership ($1.3M), alternative school program to serve expelled students who previously attended a privately-funded program ($1M), custodial supplies ($.06M) and computer maintenance to cover expiring warranties ($0.4), would mean a total County transfer increase of about $60.6M not including the $8M County commitment for Initiatives in Excellence, nor the $1.6M for a 3% salary increase for those FCPS teachers and employees with over 20 years' experience.

WHEREAS, except for the real estate tax, nearly 90% of County revenues are capped, limited or controlled by the state, costing the County millions in possible revenue to offset real property taxes because it does not have the same taxing authority as cities and towns;

WHEREAS, the County Executive has directed a 2% across-the-board personnel reduction; he also proposes 70 new positions, primarily associated with new facilities and public safety;

WHEREAS, the County Executive addressed the sharp increase in the cost of the Pay for Performance system in the early years of its implementation by establishing an average maximum increase of 4.5%, but these merit increases steadily grown in cost, representing $12.0M in FY08 compared with $10.8M in FY 2007 and $9.8M in FY 2006.

WHEREAS, the Board of Supervisors directed that a comprehensive review of the current compensation system for general county employees be undertaken and completed prior to FY08 budget preparation; the central findings of the study were that current compensation and pay for performance is generally competitive but tend to favor new hires over current employees, resulting in needed revisions to the process, which should be reflected in the Board's budget decisions;

WHEREAS, the County Executive addresses a number of human services programs, among them:

- *Decreasing* the budget by $10.36M for the Child Care Assistance and Referral (CCAR) Program because of a decrease of $13M in the federal and state subsidy; the budgeted amount represents a 30% decrease in funding, affecting 2,025 children. The waiting list has now grown to more than 3,500 eligible children.
- setting aside $0.2M in reserve pending Board approval to establish an Office to Prevent and End Homelessness;
- including a one-time increase of $0.9M to address the 16-day waiting period between a request for adult mental health service and provision of an assessment;
- the County was designated one of 10 communities leading the nation with "great" ideas for serving its increasingly aging population, and the Board of Supervisors has appointed a Long-Term Care Coordinating Council of community leaders to assess and plan programs to serve seniors;
- funding of $0.58M would fill a critical need by providing an eight-bed Youth Crisis Care facility for mental health intervention and services for youth aged 12-17 in crisis;
- including $0.41M for the Hypothermia Response Program to provide the homeless with hypothermia emergency shelters during the cold winter months; there is also $0.12M in the CSB budget for 2 positions to support this program;

WHEREAS, the County Executive has also released the Advertised Capital Improvement Program (CIP) for Fiscal Years 2008-2012, which proposes $181.67M from the General Fund plus approximately $ 1.95B in bond funds for capital projects. In addition, the County Executive

- Proposes a revision to the "Ten Principles to Sound Financial Management" to authorize the use of *variable rate debt* "to increase the County's financial flexibility, provide opportunities for interest rate savings, and help the County manage its balance sheet through better matching of assets and liabilities;"
- Has established a Construction Inflation Reserve to reflect the true costs of capital projects in the CIP to be implemented in coming years; and
- Has an inter-departmental team provide guidance on security issues at proposed new County facilities and will apply the principles of Crime Prevention through Environmental Design in the design phase of all future County facilities.

WHEREAS, the advertised General Fund budget includes $34.7M (an 11.8% increase) for County transit system funding and $18.5M (a 7.0% increase) for Metro capital, operations and maintenance obligations;

THEREFORE BE IT RESOLVED, that the Fairfax County Federation of Citizens Associations (the Federation) appreciates the County Executive submitting to the Board of Supervisors a fiscally responsible proposed budget regarding the tax rate, programs and/or initiatives.

BE IT FURTHER RESOLVED, that the Federation offers the following observations regarding the FY 2007 Advertised Budget Plan and the FY 2007-2011 Capital Improvement Program:

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a. County Vision and Board Priorities – We again commend the budget's focus on the Board's six priorities in carrying out the seven elements of the County Vision. Further, we support each of the priorities—education, public safety and gang prevention, affordable housing, environmental protection, transportation improvements, and revenue diversification to reduce the tax burden on homeowners.

b. County Management – We also commend the County on having one of the lowest ratios of government employees per capita as well as one of the lowest crime rates of any jurisdiction of its size in the country while having the fewest safety officers per capita. This speaks well for County management and the quality of its work force.

c. Bond Rating – We applaud the County for retaining its triple AAA bond rating for many years, thanks in large part to its wise policies in the "Ten Principles of Sound Financial Management." We hope the County retains this status for many years to come.

d. Real Estate Tax Rate – We appreciate Fairfax County having one of the lowest real estate tax rates in the Northern Virginia region. Because the County provides programs and services mandated but not funded by the federal and state governments that cost County taxpayers about 50 cents on their real estate property tax dollar, according to the County Executive's message, we encourage the Board of Supervisors to continue urging our state and federal legislators to fully fund their mandates.

e. Legislative Authority – It is essential that the General Assembly grant counties, specifically Fairfax with the Urban County Executive form of government, the same taxing authority as cities and towns, which would allow diversification of the County's revenue base. We will strongly support the County's efforts to obtain such enabling legislation.

f. Revenue Additions–We recognize the need to increase the refuse collection fees to prevent a financial loss in providing this service. We also recognize the necessity of increasing the sewer service rate in order to ensure that the County's sewage treatment plants meet discharge standards set by EPA.

g. Programs

(1) Stormwater Management Program – We *strongly support continuation of dedicating one penny on the tax rate for the storm water management program* because 70% of County streams are in only fair to poor condition. This problem must be attacked in several ways--by educating the public on how to be good environmental stewards, by enforcing the County's environmental ordinance requirements, and by convincing the development community that it is in everyone's best interests to protect natural resources to the extent possible during construction. We realize that much more than the one penny per year will be required to solve the significant, accumulated stormwater management problems that need to be addressed. This is an important countywide issue that we hope receives timely attention and will support enhancing the pace of resolving the current situation.

(2) Affordable Housing – The ability of lower- and middle-income workers to afford housing in the County is becoming increasingly difficult with high housing costs. We strongly *support the County's program to preserve existing affordable housing stock and to invest in programs that will provide such housing* so that employees can live closer to their places of employment. We support continued dedication of one penny of the real estate tax rate for affordable housing.

(3) Human Services – In light of all the proactive work being done to enhance the quality of life and address the needs of the homeless, those needing mental health services, and seniors who are aging in place in the County, the Federation supports the following proposed programs and expenditures:

- $66.56M for the seniors program, including $0.915M for the Senior Plus Program, as well as establishment of a Long-Term Care Coordinating Council;
- Setting aside $0.2M in reserve pending results of the Strategic Plan to End Homelessness and establishment of an Office to Prevent and End Homelessness;
- a one-time increase of $0.9M to address the 16-day waiting time between a request for adult mental health service and provision of an assessment; and
- funding of $0.58M to fill critical need by providing an eight-bed Youth Crisis Care facility for mental health intervention and services for youth aged 12-17 in crisis.

We express our deep concern about the decrease of $10.36M in the Child Care Assistance and Referral Program (CCAR) because of the $13M reduction in state subsidy and encourage you to plead with the Governor for assistance for this program.

h. Schools –The Federation could support the entire FCPS increased request of 4.6% in the County transfer, but we recognize that this is a tight budget year for the County. While we have not identified the amount of money involved in the several expansions of County programs, we have accepted that there is less flexibility than normal in the County budget.

(1) The Federation has identified only those FCPS activities that are mandated, fair, or in our opinion essential to the functioning of our education program. This results in the elimination of all of the FY 2008 Expenditure Adjustments in the FCPS proposed budget, including the transportation study ($0.3M), except for the compensation & benefits, membership adjustments, and transfer categories, and three items (alternative school program, custodial services and computer maintenance) in the new resources category. These reductions total $9.8M, plus the $1.6M for those teachers and employees scheduled to receive only a 2% salary increase. The Federation therefore requests a County transfer of $62.2M (about 4.1%) plus the $8M previously committed by the County for the Schools' Initiatives for Excellence.

(2) Further, the Federation has always supported full-day kindergarten and hopes that the BOS could identify an additional $2.7M to fund full-day kindergarten at 10 additional schools.

i. Capital Improvement Program –
- We commend the County for providing funding for some capital improvements, such as major maintenance, from the General Fund to supplement use of bond financing for major capital projects, which we understand the rating houses appreciate.
- We also commend the County Executive for establishing a Capital Inflation Reserve to present a more realistic picture of actual construction costs in future years. For future budgetary planning, we continue to *recommend that each proposal for a new facility should include the projected annual costs of operation and maintenance*.
- We agree with the County Executive's program to address security issues at new facilities by applying Crime Prevention through Environmental Design principles. In addition, we *recommend the application of "green building" principles to conserve energy and mitigate stormwater runoff and its impacts.*

k. Citizen Participation – Once again, we *encourage the Board of Supervisors to re-establish the Citizens Budget Advisory Committee* to follow the budget process, look at long-range trends, and submit recommendations on important budget issues to the Board for their consideration.

l. Value Analysis and Value Engineering – The Federation membership approved at its September 2005 meeting and sent to the Board a resolution *encouraging the County to use the Value Analysis and Value Engineering process to assess its programs* to determine how they might be accomplished more efficiently. As an example, we cited the savings realized by New York City, which has been following this approach in its programs. It is appropriate at annual budget preparation time that we reiterate our support for this efficiency approach to county programs to realize any cost savings possible while carrying out operations efficiently and effectively.

BE IT FINALLY RESOLVED, that the Federation appreciates the challenges that you, the Board, face and the hard choices that you will be making because we understand the budget numbers represent the variety of services provided to all the citizens of Fairfax County.

Approved at the Federation membership meeting on March 29, 2007.