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March 2, 2012

Introduction: The proposed Fairfax County FY2013 budget was released on February 28, 2012. The purpose of the work reported herein was to evaluate the budget for the Community Development agencies, with the exception of the Department of Transportation.

Summary: All of the proposed reductions appear reasonable, except considerably greater reductions seem possible for the Land Development Services (LDS), Fund 31¹. Additional savings on the order of \$6.5M per year seem possible at LDS. To provide flexibility for future increases in the LDS workload, contract personnel could be hired, rather than following what appears to be the present policy of retaining lightly loaded County personnel. Human Rights and Equity Programs (Fund 39) may have some room for reductions because it consistently over-estimates its needs, by an average of 13% in each of the last four years. As we recommended last year, better performance measures are needed for the Economic Development Authority (Fund 16) and the Planning Commission (Fund 36). Performance measures are completely absent from the Housing and Community Development Agency (Fund 38) budget and are sorely needed. Our conclusions this year are the same as our conclusions last year, with the exception that possible LDS savings this year are \$5.6M instead of last year's \$6.8M because some savings were realized last year.

The tax burden on taxpayers increased substantially from 2001 through 2009, during the housing bubble. After the bubble burst, there has been little relief. The proposed budget will increase the tax rate while the median income continues to fall, further burdening the taxpayer.

Discussion:

Capability of the Homeowner to Pay

Real-estate taxes are paid from income rather than house value; therefore, the ability of the homeowner to pay the tax depends on his income. The ability can be estimated on the basis of the median household income and the average real-estate tax. The median household income has decreased over the past two years, whereas the real-estate tax has increased (Exhibit 1), both being adjusted for inflation using the CPI-U. Common household items such as fuel and food have increased at a much higher rate, further eroding the homeowner's effective income. (In Exhibit 1, the income is divided by 20 so the two curves can be more readily compared.) Exhibit 1 is based on a tax rate of \$1.085/\$100 plus a \$0.025/\$100 assessment for stormwater treatment. A combined rate of \$1.083/\$100 would result in no tax increase. The \$1500 jump in taxes that is cited in the graph occurred during the housing bubble. There was no corresponding decrease after the bubble burst.

As further guidance in the budget deliberations, we have included in Appendix A a chart that compares the annual rates of increase of pertinent groups. The County non-school and school budgets have increased much faster than the CPI-U and private-sector income. The proposed FY2013 budget accelerates this trend except for the overall County budget.

¹ All of the Community Development agencies are under the General Fund (001). To use the County terminology, we should say "the funds for agency 31". For brevity, we use "Fund 31" and similar terminology for funds associated with other agencies.

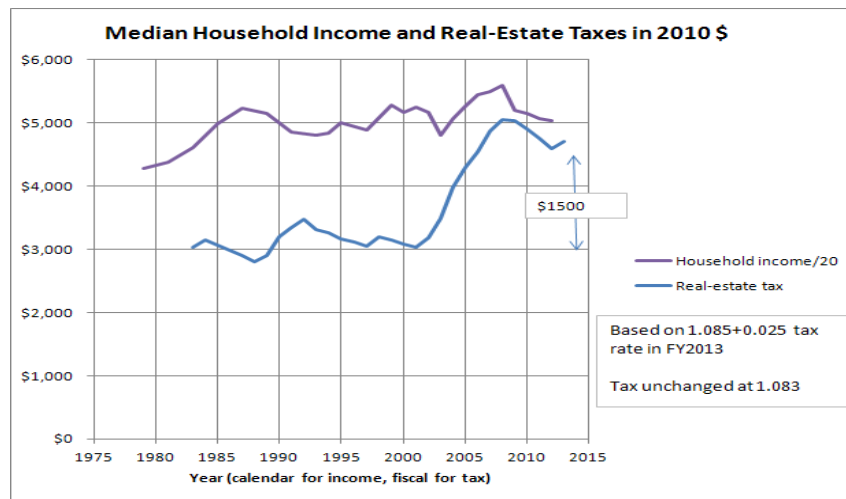


Exhibit 1: Real-Estate Tax vs. Household Income

Community Development Budgets (except Transportation)

We examined the proposed 2013 budget in light of the budget histories and the performance-measurement histories of each of the agencies and program areas. The County’s proposed budget for 2013 for the Community Development areas calls for a 4% reduction in the total budget for the combination of Funds 16, 31, 35, 36, 38 and 39 (Exhibit 2)². Over the past five years, the advertised budget has exceeded the actual expenditures for these funds by 6%; therefore, we might get a 10% reduction in actual expenditures.

Agency	Fund number	2013 Advertised Budget	Slots for 2013	Increase above 2012 Adopted Budget			Historical Pct Over-estimate
				Dollars	Pct budget	Slots	
COMMUNITY DEVELOPMENT (except Transportation)	TOTAL	\$36,917,936	439	(\$1,501,876)	-4%	-12	6%
Land Development Services	31	\$12,347,102	148	(\$647,410)	-5%	-11	11%
Planning and Zoning	35	\$9,541,553	14	(\$537,751)	-6%	0	4%
Economic Development Authority	16	\$7,178,017	34	\$84,624	1%	0	0%
Housing and Community Development (operating)	38	\$5,635,141	218	(\$389,401)	-7%	-1	4%
Human Rights and Equity Programs	39	\$1,548,277	18	(\$7,883)	-1%	0	13%
Planning Commission	36	\$667,846	7	(\$4,055)	-1%	0	6%
PUBLIC SAFETY							
Land Development Services	31	\$8,555,353	112	(\$554,542)	-6%	-1	-13%

Exhibit 2: Budget Totals

Agency 31: Land Development Services (overall)

The proposed budget for Land Development Services (LDS) seems inconsistent. LDS has two program areas, one in Community Development and one in Public Safety. Dividing the budget for personnel services by the number of staff positions yields an average of \$62,700. The following table illustrates the dilemma (numbers in parentheses are negative numbers): Why does the dollar reduction per position reduction vary so much and why is it so different from the \$62,700? From FY2011 to FY2012, why is there a reduction in staff but an increase in personnel-services expenditures – an increase that is greater than the 2% salary increases for that period?

² We compare the FY2013 advertized budget to the FY2012 revised budget, rather than to the FY2012 estimated budget. The estimated budget is consistently higher than the actual budget, whereas the revised budget is closer to the actual.

Years	Year-to-year reduction		
	Positions	Personnel-services Expenditures	\$ per position
FY2010 to FY2011	51	\$1,914,387	\$37,500
FY2011 to FY2012	8	(\$489,265)	(\$61,200)
FY2012 to FY2013	12	\$14,100	\$14,100

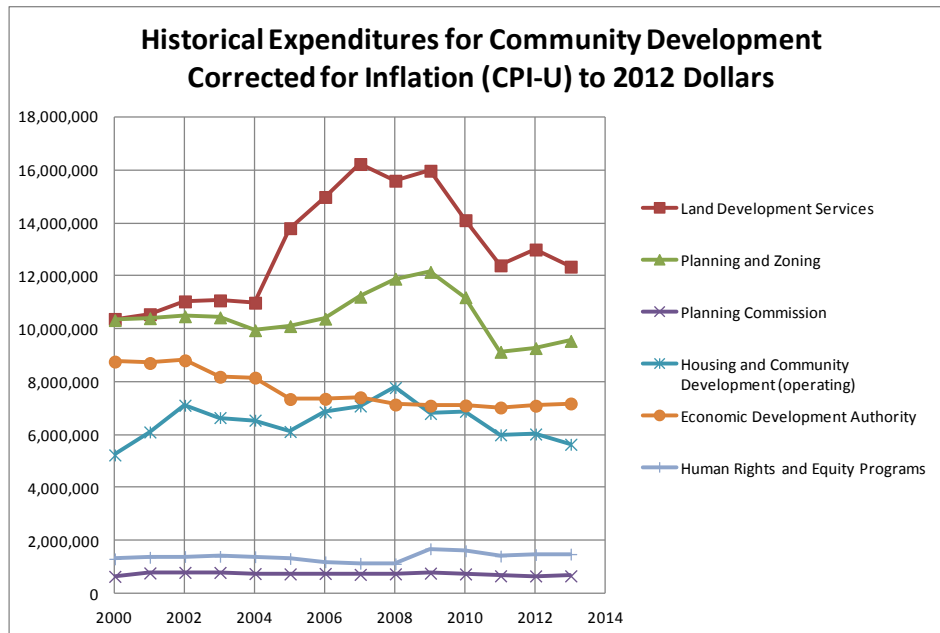


Exhibit 3: Historical Costs for Six Community Development Funds

In the following two sections, we call for a reduction in LDS staff because the apparent workload has decreased greatly over the past ten years (Exhibit 4). LDS responded that there are three compelling points that the Performance Measurement data does not make clear. (1) Since 2001 the nature of the County's regulatory work has changed, directly affecting the level of effort and resources required to maintain an effective program. For example, the County's environmental stewardship role has expanded in response to a number of influences including the Board of Supervisors' 2004 Environmental Vision, the expectations of the Fairfax community to mitigate any impacts of development to the county's natural resources, and the influence of a higher level of regulations at the state and federal level. (2) As the County has become more developed and urbanized the level of complexity has increased. For example, high density urban development require a high level of review to ensure the proffer requirements are met and the public infrastructure is designed and built correctly. Also, the level of public involvement and coordination greatly increases. (3) The County has stressed a county-wide coordinated code enforcement effort to effectively address overcrowding, blight, graffiti, grass complaints, unpermitted construction, and other property maintenance issues.

Land Development Services (Community Development Program Area)

The Land Development Services (LDS) Program Area of the Community Development Agency had a sharp rise in expenses, starting in 2004 (Exhibit 3)³. In this Area, the LDS staff increased from approximately 140 prior to 2004 to 189 in 2009⁴; however, the accomplishments have consistently decreased in all categories. In FY2010,

³ The budget for the Public Safety part of LDS is not included in Exhibit 3.

⁴ This increase was due in part to a reorganization that brought approximately 30 positions from Agency 25 in DPWES to Agency 31 (LDS), in keeping with the way these positions had been supporting the work of LDS.

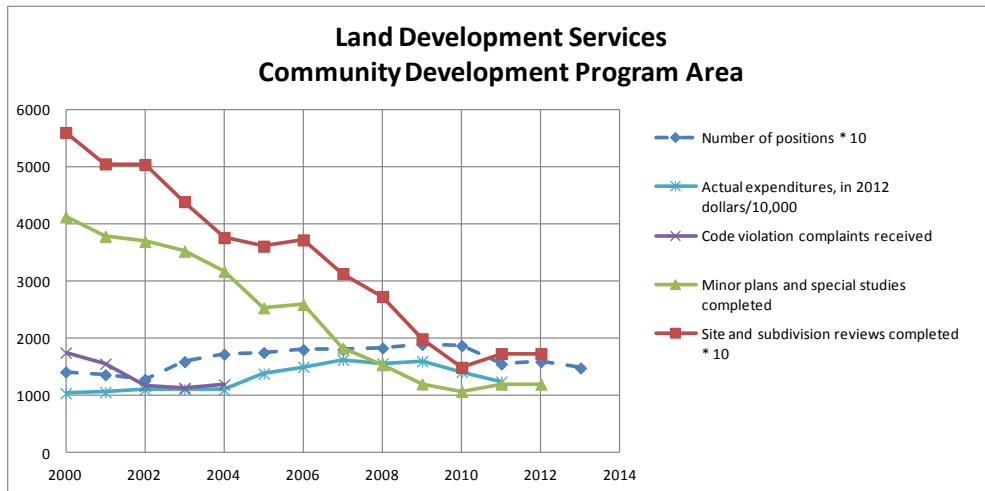


Exhibit 4: LDS Performance Measurements under Community Development

the output was approximately 25% of the output in FY2000 (Exhibit 4). Over this period, the rate of decrease changed little. A 50% reduction in staff would imply a reduction to 95 people. The budget proposal calls for 148 people for FY2013, down from the peak but far above the 95. A further reduction of 53 people (148 minus 95) seems possible. The expenditure for personnel services is approximately \$62,700 per person; therefore, reducing the positions by 53 corresponds to reducing expenditures by \$3,300,000 per year.

The reduction in positions has not caused an increase in review times. The average number of days to review a major plan in 2011 was 58 days, which is within 0.5 standard deviations of the average of 55.5 over the period from 2000 to 2011. (Future performance measures, other than staffing, are usually estimated as the same as for the previous year, so real data is available only up to 2011.)

The text in the budget documents states that the reduction in personnel has been accomplished by reorganizing the agency, transferring people to other agencies, and not filling vacant positions.

Land Development Services (Public Safety Program Area)

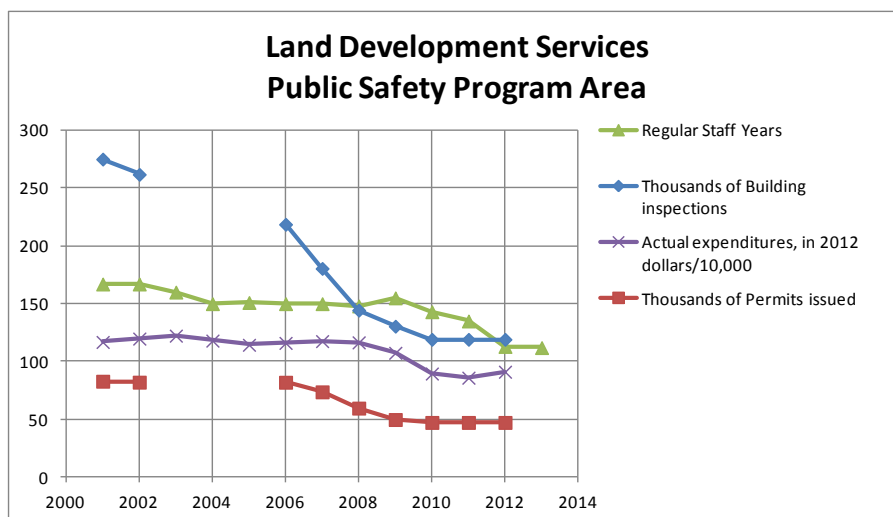


Exhibit 5: LDS Performance Measurements under the Public Safety Program

The performance measures for the Public Safety part of LDS show a decrease in production of almost 50% since 2006, whereas there has been only a 25% decrease in staffing (Exhibit 5). (Performance data were not reported for FY2003 through FY2005.) Expenditures decreased 25% since 2006, including a proposed 6% decrease for FY2013. The 50% reduction in work product implies that a 50% reduction in staff might be possible, so that the staff would consist not of the proposed 112 people but as few as 75. At the current per capita rate of \$62,700, reducing the staff to 75 would result in an additional cost saving of approximately \$2,300,000 per year.

Agency 35: Department of Planning and Zoning

The workload of the Department of Planning and Zoning (Fund 35) has decreased in some tasks, but increased in others (Exhibit 6). The APR’s associated with the redevelopments such as at Tysons Corner and Reston may offset the decrease in permits processed and applications reviewed for submission compliance. The proposed

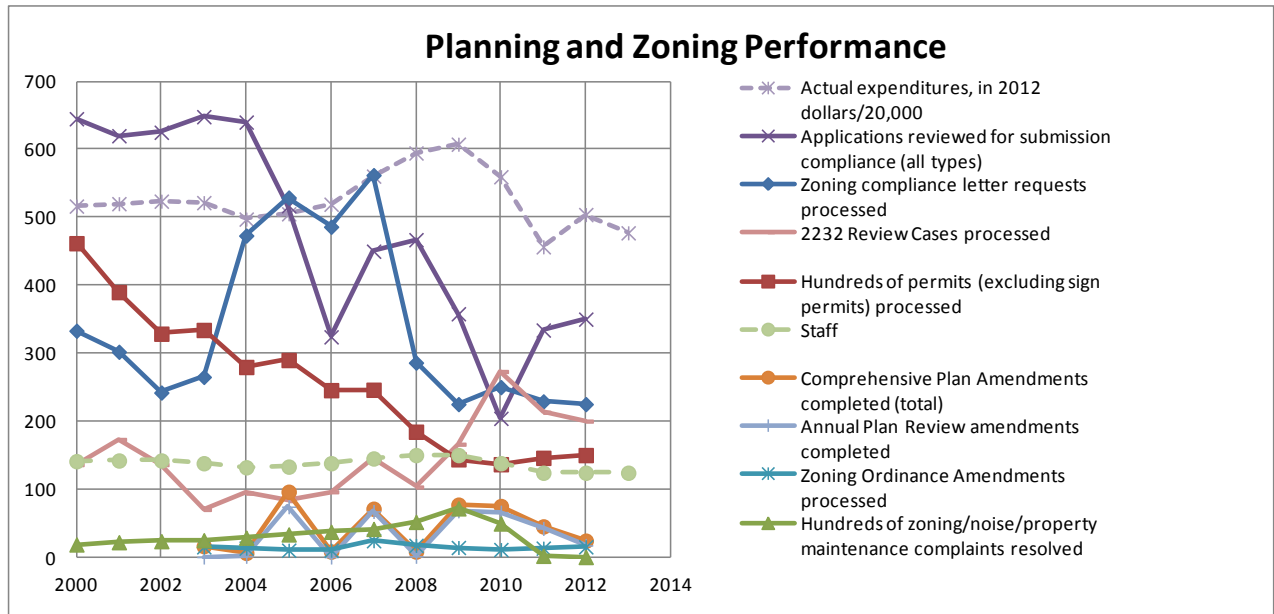


Exhibit 6: Department of Planning and Zoning

6% reduction in expenditures is based on the revised FY2012 budget. It is an increase of 7.6% from the FY2011 actual expenditure – that last year for which we have the actual expenditure. The workload does not seem to justify this increase from the FY2011 expenditure.

Agency 39: Human Rights and Equity Programs

The workload associated with Fund 39 (Human Rights and Equity Programs, HREP) has been gradually decreasing (Exhibit 7); however, the Equity Programs, which were transferred from the County Executive’s office in 2009, has partially offset this decrease. HREP has consistently over-estimated its personnel need (13% average over the years 2007-2011); therefore, it appears that a 10% decrease for FY2013 would be reasonable, as compared to the proposed 1% decrease. The workload increase has been in the areas of training programs and reviews of diversity plans.

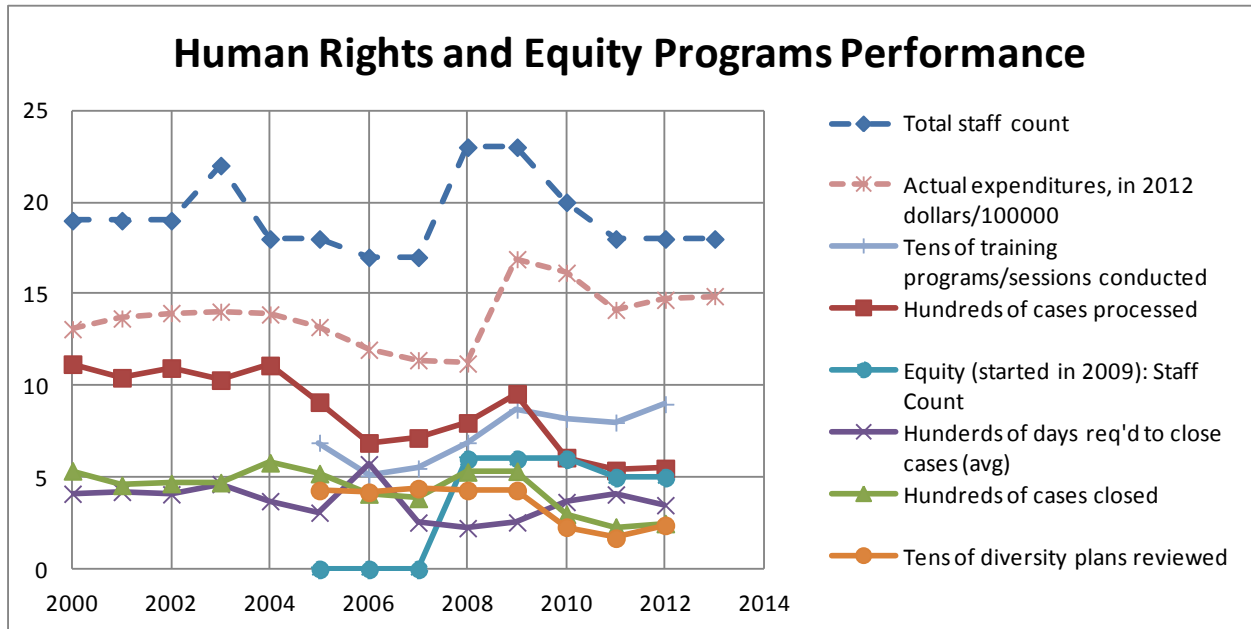


Exhibit 7: Performance of Human Rights and Equity Programs

Agency 16: Economic Development Authority

The performance of Fund 16 (Economic Development Authority, EDA) is difficult to measure (Exhibit 8). EDA takes credit for the increase in County jobs and companies, but the increment due to the EDA is unknown. The EDA seems to be important to the County, but, as we stated last year, better means of measuring performance are needed⁵. For example, the EDA might log how many referrals are obtained from the VEDP, how many database entries the VEDP has obtained from the EDA, and how many businesses and jobs came to Fairfax as a result of referrals and other contacts. Jobs and businesses lost should also be reported, if only so the effect of County governance can be tracked. Measures are also needed to justify the existence of the foreign offices maintained by the EDA. The expenditure per employee is over \$200,000, which is more than twice the \$84,000 average for all of Community Development.

⁵ The legal counsel for the Virginia Economic Development Partnership (VEDP), which is the official State authority (not agency) for dealing with economic development, said that there is no mandate for locality EDA's. A statement about the Fairfax County Economic Development Agency (FCEDA) that it is mandated by a 1964 Act may have been true, but it is not true today. Section 15 of the present Code of Virginia, which addresses locality EDA's, has nothing about being mandated. Richmond and Norfolk have EDA's, but many counties do not. When a company is looking to come to Virginia, the VEDP helps them with the research, including directing them to Fairfax County as appropriate. FCEDA is the point of contact for the VEDP, both in sending people to Fairfax and in obtaining data from Fairfax concerning opportunities (e.g., available office buildings). The relevant laws were cited in Appendix C of our FY2012 budget review, which can be found at <http://www.fairfaxfederation.org/committees/Budget/ResolutionBudgetFY2012AppBAnalysisofthe2012BudgetsforCommunityDevelopmentDraftV030911.pdf>

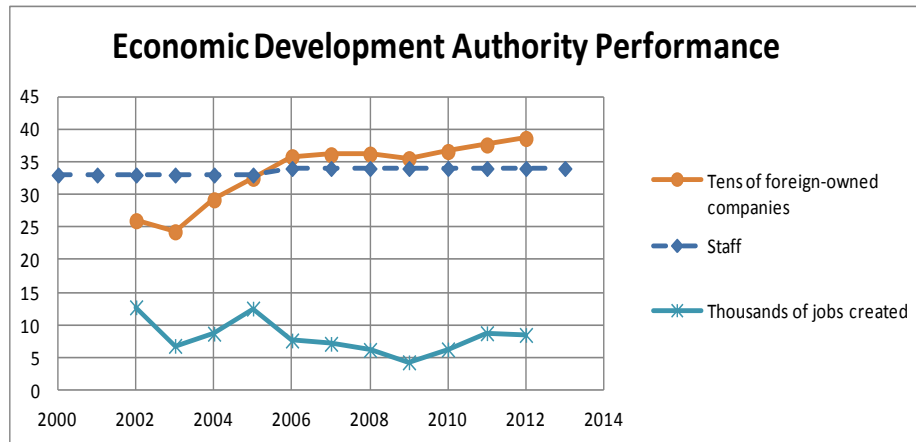


Exhibit 8: Performance of the Economic Development Authority

Agency 38: Housing and Community Development

Fund 38 (Housing and Community Development, HCD) remains without measures of performance to be reported in the budget plan. Because HCD has many countable dwelling units under its jurisdiction, measures of performance could be easily established – and should be. The measures should be based on the purposes of the HCD programs and what requires the time of the HCD staff. (The budget in Exhibit 9 is the budget to manage the programs, not the amount invested or spent on housing.)

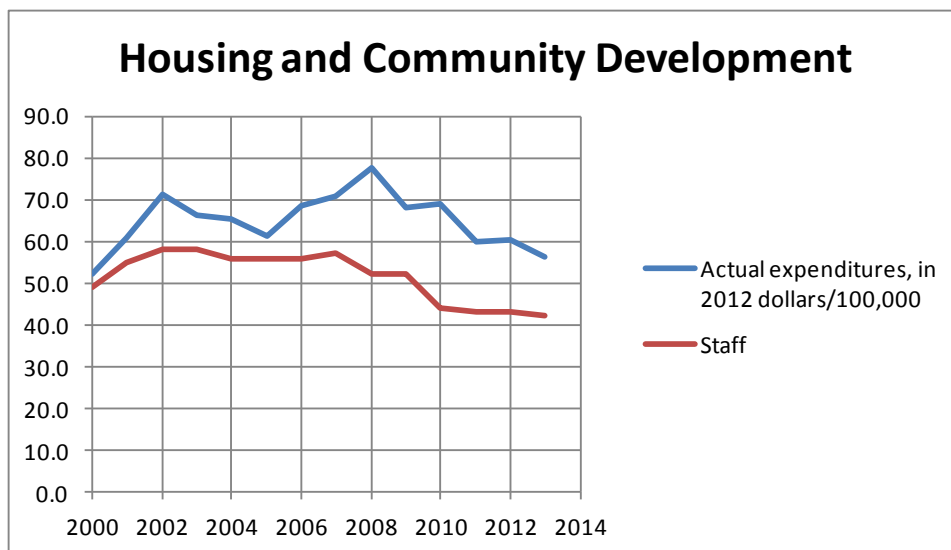


Exhibit 9: Performance of Housing and Community Development

Agency 36: Planning Commission

The performance measures associated with Fund 36 (Planning Commission, PC) are in terms of the number of meetings and pages generated, rather than production (e.g., the number of cases judged). The number of cases itself would be insufficient because the amount of effort by the PC staff depends on the complexities of the cases, so some ranking of the complexity would be needed. The complexity might include a measure of the opposition to the proposed plan. The number of APR Notifications that

were verified, one measure of performance, ranged from 23 to 143 for the years 2000 through 2010, with 65 being verified in 2010. Other performance measures remained within the multiyear average, although the PC staff was reduced from 8 to 7 people two years ago, when the workload decreased. PC personnel support the County Planning Commission, so the accomplishments of the two are intertwined.

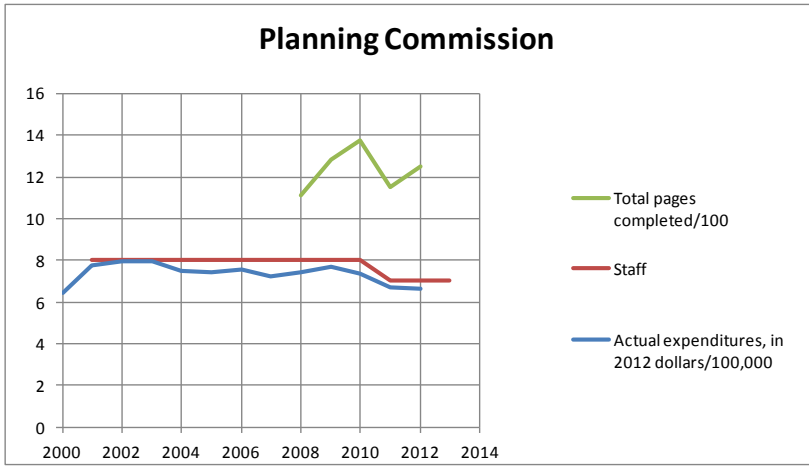


Exhibit 10: Performance of the Planning Commission

Appendix A: Historic Annual Rates of Increase

Description	Average annual increase (2000-2011)	Proposed average annual increase (2011-2013)
Non-school Fringe Benefits	8.52%	9.93%
FCPS Benefits	6.79%	16.36%
Transfer to Public Schools	5.47%	2.20%
School Budget	4.77%	7.39%
County Budget	4.75%	2.78%
A typical teacher	4.32%	
Personnel Services	4.25%	3.07%
A typical professional in private sector	3.23%	
CPI-U	2.39%	
County-wide median income	2.21%	
Number of school-system employees	1.40%	2.86%
Number of non-school employees	0.41%	2.78%
County population	1.03%	0.41%

Appendix B: Proposed Resolutions

Resolution 1: Improving the Performance Measurements (Medium priority)

WHEREAS the accomplishments of most departments and agencies are well reported in the County's proposed budget under the heading of Performance Measurement Results, and

WHEREAS some County offices report activities, such as attending meetings, rather than accomplishments,

Therefore

BE IT RESOLVED that the Federation requests that Performance Measurement Results be required of all agencies and that these Results be formulated in terms of accomplishments and not activities.

Resolution 2: Reducing the budget for Land Development Services (High priority)

WHEREAS the Performance Measurement Results for the Land Development Services unit show that the workload of that unit has decreased consistently and substantially since FY2000,

WHEREAS the Land Development Services is to be congratulated for proposing a \$1.5M reduction in its budget,

WHEREAS another reduction of \$6.5M seems possible in the Land Development Services budget to match the decrease in workload,

WHEREAS the County wants to decrease expenditures to meet budget limitations, and

WHEREAS the workload of Land Development Services is and can more so be supported by outsourcing under emergency conditions,

Therefore

BE IT RESOLVED that the Federation agrees with the proposed decrease in the Land Development Services personnel to 260 and suggests that a reduction to 180 can be made without injury to the performance of the unit.