

# Fairfax County Federation of Citizens Associations

## DRAFT

### Resolution

#### Fairfax County Advertised FY 2005 Budget (for Membership Approval 4/25/04)

BACKGROUND: The FY 2005 Budget Plan as presented to the Board of Supervisors by the County Executive totals \$4.76 B (billion); the General Fund budget is \$2.74B.

Property Tax rates - The current real estate tax rate is \$1.16 per \$100 of assessed value. One real estate tax penny represents \$14.5M in tax revenue. One personal property tax penny equals about \$1.0M.

Revenue - General Fund revenues are estimated to be \$2.74B, with increased revenues due entirely to real estate tax receipts, which represent 60.5% of the revenue base, up 10% over FY 2001. In contrast, all other FY 2005 revenues combined are projected to *decrease* about \$1.0M. Real property assessments increased an average of 11.36%, all but 2.50% from reassessment of existing properties. Residential equalization values increased 11.29%; non-residential values increased 3.74%. Much of the remaining revenue is from personal property taxes (17.1%), 70% of which is provided by the state. Property taxes comprise 77.8% of Combined General Fund revenues. Other local taxes, e.g., sales, BPOL, utility, auto licenses, etc. (14.0%); and aid from the state (2.8%; down from 3.9% in FY 2001) and the federal governments (1.5%) provide most of the remaining revenue.

Revenue Enhancements – Some fees would be increased, providing an additional \$5M in revenue, as follows:

- The leaf collection fee would increase from \$0.01 to \$0.015 per \$100 assessed value due to increased service cost, increasing revenue by \$0.69M;
- The annual County refuse collection fee would increase from \$210 to \$240 (FY 2000 level) due to increased service cost, increasing revenue by \$1.53M;
- The Fairfax Connector bus fare would increase to \$1.00 per ride, with the increased revenue of \$0.9M used for route expansion;
- Institute a fee of \$3.00 per hour for community use of public athletic facilities to partially offset the cost of scheduling and coordinating the facilities; estimated revenue of \$1.7M;
- The sewer service rate would increase from \$3.03 to \$3.20 for 1,000 gallons to address increased costs of construction, operation and maintenance; and
- The sewer availability charge would increase from \$5,431 to \$5,621 for new single-family homes.

Expenditures - General Fund disbursements total \$2.74B. The schools transfer will be \$1.32B, an increase of \$81.5M (6.57%--the County guideline) plus \$126.5M in debt service for school facilities. Direct County operating expenditures (personnel, operations, recovered costs, capital equipment, and fringe benefits) total \$1.00B, a 2.5% *increase* over the FY 2004 revised budget. Debt service for County capital improvements will be \$100.0M.

Compensation - FY 2005 will be the third year of full implementation of the County's Pay for Performance system for non-public safety personnel. The performance rating range has been tightened to include six instead of seven points with 0.5 increments. This performance pay increase in FY 2004 was \$11.5M; in FY 2005 it will be \$9.4M. The market rate adjustment of 2.98% will be applied to the entire salary scale but will affect only new employees and those at the top of the scale. The Uniformed Public Safety

Personnel still use the old salary program and will realize both the market rate adjustment and merit step increases. Their compensation increased \$9.3M in FY 2004 and will increase \$11.34M in FY 2005.

Other Expenditures – Only necessary new requirements are included in the budget, resulting in 53 new positions for new facilities and public safety, including:

- New Fairfax Center fire station positions, and equipment - \$1.7M and 23 new positions
- Public Safety Communications Center operations - \$4.3M and 16 new positions
- James Lee Community Center expansion - \$0.49M

Other budget increases include:

- Metro funding increase of \$5.9M; 47.9% increase over FY 2004 transfer (total \$18.14M)
- Transit funding increase of \$1.6M for Fairfax Connector and VRE (total - \$21.21M)
- Health insurance 25% increase of \$7.77M, effective 1/1/05
- Retiree health benefits and retirement funding increase of \$13.04M
- Child care assistance - \$.68M net cost
- Paydown capital construction increase of \$4.46M (total of \$18.85M; \$8.36M from state)
- Two new SACC Centers (1 room each) - \$.95M (6 positions)

Capital Improvement Program – The County Executive concurrently released the FY 2005-2009 Advertised Capital Improvement Program (CIP), which proposes November 2004 bond referenda totaling \$310M, as follows:

- \$60M for parks (\$50M for County parks, \$10M for regional parks);
- \$52.5M for two new community libraries and renovation/expansion of other libraries;
- \$165M for transportation (\$110M for Metro capital projects and \$50M to match grant funds for major transit and highway projects, spot intersection and pedestrian improvements, and \$5M for new pedestrian initiatives);
- \$32.5M for human services and juvenile facilities (\$20M for human service capital renovation projects, \$10M for juvenile offenders facility and halfway house, and \$2.5M for renewal projects).

Budget Options – The County Executive presented to the Board of Supervisors an itemized list of 143 potential budget reduction actions totaling about \$39M should the Board opt to increase its transfer to FCPS, should there be less state funding than currently estimated, or should the Board wish to reduce the real estate tax rate. He also listed 3 potential budget enhancements, one of which (transient occupancy tax) would require state legislative authorization.

### **Proposed Resolution**

WHEREAS, the proposed FY 2005 budget supports “core services of government,” linking the budget by program area to County vision elements as published in the “Fairfax County Strategic Planning Initiative;”

WHEREAS, the County is becoming increasingly reliant on real estate tax revenue, especially residential property tax receipts, to provide funding of its programs and the FCPS transfer. In FY 2005, 60.5% of General Fund receipts will come from real estate taxes whereas in FY 2000, 49.8% came from this source. Residential property owners have seen their assessments rise in double digit percentages for each of the past four or five years. Including new growth, the real estate tax base will increase 12.04%, but receipts from all other sources will **decrease by about \$1.0M.**

WHEREAS, the Fairfax County School Board has requested a transfer by the County of \$1.36B for FY 2005, a 9.7% increase over FY 2004. This request is \$38.8M more than the County's Budget Guideline, which established a 6.57% increase based on estimated FY 2005 revenue. The School Board's requested increase of \$120.4M over FY 2004 is due primarily to increases in salary and benefits (84.7% of FCPS budget). This includes a 7.1% increase in compensation, comprised of a market adjustment, step increases, decrease of one teacher work day, and assumption of a portion of the employee VRS retirement contribution.

WHEREAS, the School Board's proposed budget does not include any increase for new or expanded programs despite the challenges of meeting No Child Left Behind requirements and SOL remediation programs. Any shortfall between \$20M and the requested \$38.8M in additional revenue from the County may need to be met through increased class sizes and/or reduction of existing programs.

WHEREAS, FCPS will apply a beginning balance of \$34.8M to their FY 2005 budget, due in part to slower growth in student membership. The County funds 75% of the FCPS budget, with 53% of County expenditures proposed for transfer to FCPS in FY 2005.

WHEREAS, except for the real estate tax, 90% of County revenues are capped, limited or controlled by the state, costing the County up to \$82M in possible revenue (6 cents in the real estate tax rate) because it does not have the same taxing authority and tax rates as cities;

WHEREAS, the County Executive proposes 53 new positions, mostly due to new or renovated facilities and 42 new positions (\$2.75M) for School Aged Child Care and other Centers, Family Shelter, etc.;

WHEREAS, the County Executive has addressed the bloat in the three-year-old Pay for Performance system by reducing the number of rating points from seven to six, resulting in FY 2005 merit increases of \$9.4M compared with \$11.5M in FY 2004;

WHEREAS, the County Executive has also released the Advertised Capital Improvement Program (CIP) for Fiscal Years 2005-2009, which proposes bond referenda in November 2004 totaling \$310M for libraries, parks, transportation and human services;

WHEREAS, \$18.85M is included for paydown capital construction, including maintenance of County and park facilities (\$3.49 million), athletic field maintenance and a lighting/match program (\$3.23M), storm drainage projects (\$2.74M), new or renovated County facilities - Laurel Hill asbestos removal and land acquisition reserve (\$4.14M), payments and obligations (\$2.7M), revitalization initiatives (\$0.94M), and other projects (\$1.53M). The actual General Fund transfer is \$10.5M, with the remainder provided by State revenues of \$8.4M.

WHEREAS, the advertised budget includes \$74.5m for Metrorail and Metrobus operations and capital requirements and \$20.3M for County transit systems, the latter an increase of \$3.6M;

THEREFORE BE IT RESOLVED, that the Fairfax County Federation of Citizens Associations (the Federation) commends the County Executive for proposing a budget that stays within expected revenues and a Capital Improvement Program that begins to address major capital requirements;

BE IT FURTHER RESOLVED, that the Federation offers the following observations regarding the FY 2005 Advertised Budget Plan and the FY 2005-2006 Capital Improvement Program:

- a. Strategic Planning Initiative and Program Budgeting – We applaud the County Executive for instituting a forward-looking strategic plan and vision for the County and its employees as a basis for

program budgeting. We applaud in particular the linkage of the budget to the County's Core Purpose that includes seven measurable goals to protect and enhance the quality of life in Fairfax County.

b. Taxation Issues

(1) Real Estate Tax Rate– We repeat this year that residents should not be expected to continue to fund County government with rapidly escalating real estate assessments and taxes. This is the fourth year of double-digit assessment and tax increases. Residents are concerned about the significant increase in real estate taxes they will be required to pay again this year. We support a 2-cent reduction in the tax rate for FY 2005 because other revenue sources will actually decrease, the non-residential real estate tax base has increased only 3%, and there will be no alternative funding sources available to the County until the General Assembly takes action to rectify the situation.

(2) Bond Rating – We applaud the County for retaining its triple AAA bond rating for many years, thanks in large part to its wise policy in the “Ten Principles of Sound Financial Management.” We hope the County retains this status for many years to come.

(3) Tax Structure – We remain concerned about the increasing percentage of the General Fund revenues derived from the real property taxes, especially for residential landowners. For three years we have strongly supported “the Board of Supervisors in advocating for a change in the state-local taxing structure to reduce local reliance on the real and personal property taxes.” We appreciate, and have supported, your pushing for tax structure reform with the General Assembly.

c. Program Reductions – The County would have to cut existing programs in order to offset a reduction in the real estate tax rate. FY 2005 direct expenditures to support all County programs other than schools will be increased only 2.5%. There are some of the 143 items in the “Summary of FY 2005 Options” that might be considered to generate more available funding. One program we feel should definitely not be cut is the pilot after-school program at Holmes Intermediate School as a deterrent to possible gang activity.

d. Schools – While it is necessary to hire and retain good teachers, the School Board's plan to grant employees a 7.1% compensation increase is unrealistically high at this time because of limited funding, especially considering that total compensation and benefits are competitive with adjacent jurisdictions. The County should hold its transfer to FCPS to the Budget Guideline of a 6.57% increase.

e. Revenue Additions– To alleviate the current heavy revenue dependency on residential real estate taxes, we reluctantly support the proposed user fee increases for use of athletic facilities, refuse and leaf collection, Fairfax Connector fares, and sewer service, realizing that this puts a burden on some of those same people who will be paying higher real estate taxes. We do not support instituting an **ambulance fee** until the cost-benefit analysis has been completed and implementation of the fee has been justified.

f. Pay for Performance –We applaud the County Executive for compressing the performance rating scale from seven to six points for non-uniformed employees, which has resulted in a reduced expense for this program from \$11.5M in FY 2004 to \$9.4M in FY 2005.

g. Capital Improvement Program – We support the placement on the November 2004 ballot of bond referenda totaling \$310M for libraries, parks, transportation, and human and juvenile services. While

this list seems long and expensive, the only major bond referenda since 1990 other than for schools has been for public safety facilities and parks. It is essential that the County address its own needs for new facilities and renovation of older facilities. For future budgetary planning, any proposal for a new facility should include the projected costs of equipment, furnishings, annual operation, and maintenance.

- h. Stormwater Management - Again this year, we reiterate our concern that the County has yet to begin to fund a program for stormwater control projects, which have a backlog of 660 identified unfunded projects at a cost of more than \$325M. With 70% of the streams in the County in only fair to poor condition and with many streambanks and streambeds badly eroded, it is essential that the Board of Supervisors address the implementation of a stormwater utility program *post haste*.
- i. Citizen Participation – Once again, the Federation encourages the Board of Supervisors to re-establish the Citizens Budget Overview Committee to follow the budget process, look at long-range trends, and submit recommendations on important budget issues to the Board of Supervisors for their consideration.