

**Approved Resolution**  
***Fairfax County Advertised FY 2007 Budget***

**Background**

The County Executive's proposed FY 2007 Budget Plan totals \$5.49B (billion), of which the General Fund portion is \$3.18B.

Property Tax Rates – The current real estate tax rate is \$1.00 per \$100 of assessed value. One real estate tax penny will represent \$21.9M (million) in tax revenue. The County Executive proposed a tax rate reduction of 7 cents.

Revenue – General Fund revenues are estimated to be \$3.32B, an increase of 8.8%, with increased revenues due primarily to real estate tax receipts, which represent 59.6% of the revenue base. Real property assessments increase an average of 11.8% (23.56% in FY06), with only 2.94% from new growth. Residential equalization values increase 20.57% compared with 23.09% in FY 06. Non-residential values increase 16.64% compared with 12.74% in FY 06 and 3.74% in FY 05. Revenue from personal property taxes will be 15.8%, 70% of which is provided by the state. Property taxes comprise 75.4% of General Fund revenues. Other local taxes, e.g., sales, BPOL, utility, auto licenses, etc., total 15.1%. Aid from the state will be 2.6%, and 1.3% will come from the federal government, nearly all of which is social services aid.

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

- Refuse collection fee increase from \$270 to \$315 per year
- Sewer service rate increase from \$3.28 to \$3.50 per 1,000 gallons of water used
- Sewer availability charge increase from \$5,874 to \$6,138 for new single-family home

Expenditures – General Fund disbursements total \$3.17B, a 2.74% increase of the FY06 revised budget. Direct County operating expenditures (personnel, operations, recovered costs, capital equipment, and fringe benefits) total \$1.17B, a 3.88% increase over the FY 2006 revised budget. Debt service for County capital improvements will be \$112.81M. Budget proposals are based on the Board's six priorities and seven Vision Elements.

Schools – The schools transfer will be \$1.52B, a 6.0% increase over FY 06 consistent with the BOS guideline. Additional County expenditures for school include \$142.69M in debt service for school facilities and \$56.6M 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 \$1.56B, an increase of 8.8% over FY 06 and \$40.2M above the guidelines.

Compensation – FY 2007 will be the fifth year of full implementation of the County's Pay for Performance system for non-public safety personnel. The performance rating range is 0-6 with 0.5 increments. This performance pay increase in FY 2006 was \$9.8M; in FY 2007 it will be \$10.8M. 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 4.25% market rate adjustment (3.07% in FY 06) plus an across-the-board salary adjustment of 2% based on a comparative review of neighboring jurisdictions. Merit step increments and shift differential costs total \$2.4M. The total uniformed personnel increases total \$21.2M.

Other Expenditures – The budget includes 156 new positions, of which 147 are for new facilities and public safety, including:

- A new Fire and Rescue 7<sup>th</sup> battalion - \$1.7M and 8 positions
- Addition of fourth fire technician to each Fire and Rescue company - \$3.3M and 32 positions
- Additional support for eight District Police Stations and emergency operations - \$4.2M and 29 positions
- Criminal Investigations Bureau supplement - \$0.9M and 6 positions
- Police Department support - \$0.5M and 5 positions
- Expansion of after-school program at middle schools - \$2.4M
- Youth Worker Program - \$0.1M
- New Jennings Courthouse expansion - \$9.3M and 32 positions
- New Katherine K. Hanley Family Shelter start-up costs and operations for 6 months - \$1.2M
- Several other projects related to adult and health services, Medical Reserve Corps, child care, The Enterprise School, and the new Operations Center – total of \$7.7M

Other proposed budget highlights, except for compensation, include:

- Continuing a penny of the tax rate for affordable housing and for storm water management
- Information Technology initiatives - \$16.8M (\$16.0M from General Fund)
- \$8.2M for Consolidated Community Funding Pool (10% increase over FY 06)
- \$11.1M to contributory agencies
- \$5.4M for higher fuel prices and \$0.8M for higher utility costs

“Investment Opportunities” to establish reserves for longer term liabilities, totaling \$137M, include:

- Reserve for GASB 45 (post-retirement health benefits) - \$10.2M
- Reserve for existing Jennings courtrooms renovation and elevators - \$15.55M
- Reserve for construction inflation adjustments - \$12.0M
- Reserve for County entryway signage enhancements - \$0.5M
- Reserve for land acquisition/facility opportunities - \$8.0M
- Reserve for critical Board infrastructure projects - \$10.0M (\$1.0M per district)
- Reserve for safety enhancements at bus shelters and bus stops - \$10.0M
- Reserve for capital renewal projects - \$11.84M (of estimated \$80M need over next ten years)
- **Reserve for Board consideration - \$56.85M**

Transportation highlights are:

- Metro funding – total obligation of \$61.3M; \$19.5m from General Fund
- County transit systems - \$30.7M

Capital Paydown Program – The budget includes \$26.16M for

- Capital renewal (\$2.45M) – general maintenance, generator replacement, repairs, etc.
- Park maintenance (\$2.18M) – general and grounds maintenance at non-revenue supported park facilities, ADA compliance projects
- Athletic field maintenance (\$5.06M) – includes \$0.9M for synthetic turf (\$0.5M from Athletic Services Fee)
- Trails and Sidewalks (\$0.4M) – repair and replacement of sidewalks; trail maintenance

- New and renovated County facilities (\$5.89M) - \$1.0M for land acquisition, \$1.0M for Salona purchase payment, \$3.18M for Lorton Central Max facility building stabilization mitigation, \$0.4M for Commercial Revitalization District maintenance, etc.
- Senior initiatives (\$1.2M) – \$0.5M for CARE program, \$0.4M for new long-term care non-profit, and \$0.3M for Incentive Fund—grants.
- Emergency management (\$0.7M)
- Roads/Developer defaults/Survey and mapping (\$1.68M) - \$1.0M for spot improvement program, \$0.45M for developer default projects, etc.
- Payments and obligations (\$1.87M) - \$0.75M for new SACC Centers, \$1.01M for contribution to NVCC, etc.
- Revitalization initiatives (\$0.9M)
- Courthouse expansion opening (\$4.76M) for systems and loose furniture.

The advertised FY 2007-2011 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 FCPS bonded indebtedness separate from the transfer to FCPS for operating funds. 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, 8.2% of Combined General Fund Disbursements, and 0.09% of the market value of taxable property. There will be one bond referendum on the November 2006 for public safety in the amount of \$125M. Projects would include design, construction and related costs for various public safety projects including the renovation and expansion of the Reston, McLean and Fair Oaks Police Stations, a new replacement Great Falls Fire Station, Phase I improvements for the Fire and Rescue Training Academy, renovation and capital renewal of portions of the Historic Courthouse, renovation and expansion of the West Ox Animal Shelter, and capital renewal of Facilities Management major system upgrades at older public safety buildings.

**Proposed Resolution**

WHEREAS, real estate assessments have skyrocketed again this year for at least the sixth consecutive year with double-digit residential assessment increases; the residential sector increased 20.57% and the non-residential sector 16.64%, the latter representing the second consecutive double-digit increase;

WHEREAS, the County Executive proposes a reduction in the real estate tax rate of 7 cents, from \$1.00 to \$0.93 and proposes once again that one cent of the tax rate (\$21.9M) be dedicated annually to affordable housing and one cent to the stormwater management (SWM) program.

WHEREAS, the advertised FY 2007 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 becoming increasingly reliant on real estate tax revenue, especially residential property tax receipts, to provide funding of the County and schools programs. In FY 2007, 59.6% of General Fund receipts will come from real estate taxes whereas 49.8% came from this source in FY 2000. Residential property owners have seen their assessments rise in double-digit percentages for each of the past six years. Including new growth, the real estate tax base will increase 22.7%.

WHEREAS, rescission of the County decal would result in less County administrative burden and personal relief from the nuisance of scraping and replacing the decal each year, but it works against diversification of County revenue sources.

WHEREAS, the federal and state governments mandate Fairfax County and other local governments to provide specific programs and services without providing sufficient funds for implementation. In FY 2006 these mandates cost the county \$1.193B, and increase of \$114M over FY 2005, but for which the county receives only \$533M, a difference of \$660M (about 30 cents on the real estate tax dollar). Since FY 1996, the average annual growth rate for mandate costs borne by the County is more than 8% per year.

WHEREAS, the Fairfax County School Board requested an 8.8% increase in funds transfer from the County, the advertised budget calls for a 6.0% increase for a total transfer of \$1.52B for school operations. This does not include \$142.7M for schools debt service or \$56.6M for County-funded programs such as SACC, ACS, Head Start, School Resource Officers, nurses, clinic aides, etc. All school-related funding represents 52.2% of the advertised County budget. While school enrollment has stabilized, the number of students with special needs continues to rise and requires more funding. The federal and state governments continue to underfund the No Child Left Behind, Individuals with Disabilities Education Act, and the Standards of Learning mandates. Also, the cost of benefits continues to outpace inflation. As of March 9, 2006, state funding support for FCPS is still being determined by the General Assembly.

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 proposes 156 new positions, 147 due to new facilities and public safety and 9 new positions related to workload demands.

WHEREAS, the County Executive has addressed the bloat in the Pay for Performance system by establishing an average maximum increase of 4.5%, resulting in FY 2007 merit increases of \$10.8M compared with \$9.8M in FY 2006.

WHEREAS, the County Executive has also released the Advertised Capital Improvement Program (CIP) for Fiscal Years 2007-2011, which proposes \$26.16M from the General Fund plus approximately \$7.5M in bond funds for capital renewal and major maintenance.

WHEREAS, the annual salary of the Board of Supervisors has been \$57,000 since 1998, and the salaries of elected local board and council members in Montgomery County, MD, and the District of Columbia are much higher than even the salary proposed by our Board.

WHEREAS, the advertised budget includes increases for transportation to meet its Metro capital, operations and maintenance obligations, as well as to support County transit systems, such as Connector bus service enhancement.

THEREFORE BE IT RESOLVED, that the Fairfax County Federation of Citizens Associations (the Federation) appreciates the County Executive having submitted to the Board of Supervisors a proposed budget with considerable flexibility 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:

- a. County Vision and Board Priorities – We 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
  - (1) Again this year, we stress that residents cannot be expected to continue to fund County government primarily with rapidly escalating real estate taxes. This is the sixth year of double-digit residential assessment and tax increases. Residents are concerned about the significant increase in these taxes again this year. We support reduction of at least 10 cents in the tax rate for FY 2007 and recommend consideration of a further reduction if such a decrease will not jeopardize essential programs. If third quarter excess revenues allow, after consideration of unmet critical needs, we recommend a further reduction in the real estate tax rate.
  - (2) Northern Virginia, because of its proximity to Washington, D.C. and Dulles Airport, is a magnet for businesses to locate here. With every new business attracted here by the EDA come new families and children, all of whom require public services—education, transportation facilities, police, fire and rescue, libraries, etc. The burden of financing these facilities and services falls primarily on the residential homeowner. We recommend a reduction of the County’s contribution to the EDA and a cost-sharing of EDA with the local business community.
  - (3) Since the County provides programs and services mandated but not funded by the federal and state governments that cost County taxpayers 30 cents on their real estate property tax dollar, we urge the Board of Supervisors to continue urging our state and federal legislators to fully fund their mandates.
  - (4) There are pros and cons regarding the proposed rescission of the County vehicle decal. On balance, the Federation (\_\_\_ supports \_\_\_ does not support) getting rid of the decal.
- e. Legislative Authority – It is essential that the General Assembly grant counties 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 dedication of one penny on the tax rate for storm water management program since 70% of the County streams are in only fair to poor condition. This problem must be attacked from several angles, e.g., educating the public on how to be good environmental stewards, enforcement by the County of environmental ordinance requirements, and convincing the development community that it is in everyone’s best interests to protect natural resources to the extent *possible* during construction.
  - (2) Affordable Housing – The ability of middle-income and lower-income workers to afford housing in the County is becoming increasingly difficult with rapidly increasing property values. 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 dedication of one and a half pennies of the real estate tax rate for affordable housing in the expectation of the achievement of the County’s goal of preserving 1,000 affordable units and creating 210 new affordable units by the end of FY 2007.
- h. Schools – The Superintendent and School Board feel they need a transfer increase of at least 8.8%, an increase of \$40.1M above the 6.0% guideline increase, to support unfunded mandates, the increase of students needing special services, higher benefit premiums, and to meet program goals. We believe the quality of our public school system must remain as high as possible and we therefore support the Tier 3 proposed funding level, which would require an increase of \$105.9M over the FY 2006 transfer.
  - i. Capital Improvement Program – We commend the long-range view of the County’s capital program needs by including the long-range forecast beyond the coming five years. Since the Advertised CIP follows the County’s priority needs, we offer no specific comments on it. 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.
  - j. Board salaries – The Federation supports increasing the salary of the members of the Board of Supervisors from \$57,000 to \$75,000 per year, effective in January 2008.
  - j. 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.
  - k. 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.
  - l. Bottom Line – The net expenditures of our recommendations may slightly exceed net revenues, taking into consideration the third quarter surplus, in which case we recommend that the difference be taken from “Investment Opportunities.”