

# Fairfax County Federation of Citizens' Associations

## *Resolution*

### *Fairfax County Advertised Fiscal Year 2009 Budget Plan and Fiscal Year 2009-2013 Capital Improvement Program*

#### **Background**

The County Executive's proposed fiscal year (FY) 2009 Budget Plan totals \$6.06B (billion), of which the General Fund portion is \$3.32B. Of the latter amount, \$1.74B would be transferred to the Fairfax County Public Schools (FCPS) including the debt service, \$125.2M (million) would be transferred for Metrorail, transit systems, etc. Debt service will total \$113.2M. The Board of Supervisors' Guidelines, anticipating the shortfall in revenue, provide that both the County and the school system will hold their FY 2009 budgets flat – no increases.

**Property Tax Rates** – The current real estate tax rate would remain at \$0.89 per \$100 of assessed value or could be increased by up to three (3) cents per \$100 valuation. One real estate tax penny will represent \$22.8M in tax revenue. The County Executive proposed no tax rate increase or reduction, but the Board of Supervisors advertised an increase up to three (3) cents per \$100 of assessed value. Total real estate values will increase only 0.51% with residential values decreasing from a gain of 20.57% in FY 2007 to a loss of 0.33% in FY 2009.

#### **Revenue**

- General Fund revenues are estimated to be \$3.30B, an increase of only 0.45%, with real estate tax receipts representing 60.0% of the revenue base.
- Residential property foreclosures have increased considerably and are expected to continue in FY 2010 and FY 2011, thereby reducing residential real estate tax revenue considerably.
- The deficit for FY 2010 and FY 2011 will be an estimated \$200M.
- Revenue from personal property taxes will be 15.6%, nearly 70% of which is provided by the state.
- Property taxes comprise 75.6% of General Fund revenues. Other local taxes, e.g., sales, Business, Professional, Occupational License (BPOL), utility, auto licenses, etc., total 5.27%. Revenue from the federal and state governments will be 0.9% and 2.8%, respectively. (As of March 1, 2008, Governor Kaine expected localities to absorb a state cut of 5.4%. The FY 2009-2010 state budget has not yet been decided.)

**Revenue Enhancements** – Some fees would be increased to offset an increase in the cost of providing service, as follows:

- Refuse collection fee increase from \$330 to \$345 per year
- Sewer service rate increase from \$3.74 to \$4.10 per 1,000 gallons of water used
- Sewer availability charge increase from \$6,506 to \$6,896 for new single-family home

**Expenditures and Reductions** – General Fund disbursements total \$3.32B. The original deficit was \$120M, but the County Executive made budget adjustments before presenting his

Advertised FY 2009 Budget plan. As cost-saving measures, the County Executive has taken the following actions:

**a. Compensation**

- A 4.0% reduction in agency salary budgets – 2 % earlier in the fiscal year and 2% more recently.
- A reduction of 50 percent in employee compensation increases, including the Pay for Performance program for general County employees and the Market Rate adjustment applied to public safety salaries and all pay scales.
- Partially funding inflationary adjustments or those required by population increases, federal/state mandates, or new service requirements.

**b. Other Reductions**

- Cut in capital project funding to \$6.9M plus \$22M in the Capital Improvement Program.
- Use of \$4.4M of the stormwater management real estate tax penny to fund 34 positions in support of this program.
- Use of \$0.6M of the affordable housing real estate tax penny to fund six (6) positions in support of this program.
- Use of one-time balances.

- c. Possible Further Reductions** – As the proposed budget was being printed, the Federal Reserve lowered interest rates and new state budget forecasts indicated further losses, resulting in County FY 2009 revenues of \$32M less than expected. The County Executive has proposed on February 25, 2008, a list of additional reductions to offset this deficit.

**New Initiatives** – There will be no new initiatives because of the lack of funding. The penny each for affordable housing and stormwater management will remain, but capital renewal general funds would be reduced to only \$6.9M. County and school athletic field maintenance would receive \$5.1M. The County Executive proposed adding an Energy Coordinator (\$0.1M) in a redirected position to develop energy efficiencies, conservation and cost savings. Various environmental projects, in furtherance of the Board of Supervisors' Environmental Agenda, will total \$0.6M.

**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 proposed FY 2009 budget for the Community Services Board programs would increase only \$1.47M, a 1.45% increase.

**Public Schools** – The proposed schools transfer is \$1.59B, the same level as in FY 2008. In February 2008, the School Board asked for \$1.65B, or 3.8% above the FY 2008 transfer, a difference of \$63.75M. In addition, the County's transfer for School Debt Service will be \$154.63M, an increase of 4.6% over the FY 2008 Revised budget. The operations and debt service transfer totals \$1.74B, which is 52.4% of General Fund disbursements.

Other County expenditures for schools include \$63.5M for school nurses, clinic room aides, Comprehensive Services Act (CSA), Head Start, School Age Child Care (SACC), school crossing guards, and School Resource Officers.

**Capital Improvement Program** – The advertised FY 2009-2013 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. 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 2008 ballot – \$60M for parks and \$40M for public safety facilities.

## **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% in FY 2008. New residential and non-residential growth in FY 2008 shows a 1.68% increase, down from 2.94% in FY 2007, whereas the estimated growth in FY 2009 will be a 1.53% increase.

**WHEREAS**, the advertised FY 2009 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, which represents 60.0% of General Fund receipts. Including new growth, the real estate tax base will increase 4.15% in FY 2009, compared with a 22.7% increase in FY 2007.

**WHEREAS**, FCPS has requested a County transfer of \$63.7M, a 3.8% increase; the County budget guideline to FCPS for FY 2009 was no increase over FY 2008 because of flat County revenues;

**WHEREAS**, the proposed FCPS budget totaled \$2.26B or 2.9% increase over the FY 2008 approved budget, the projected deficit was about \$100M, while dealing with planned opening of two new elementary schools, and the unexpected and unbudgeted enrollment increase of about 1400 students in FY 2008, which coupled with a new expected increase of as many as an additional 1100 students in FY 2009, including at least 200 students with special education needs, results in \$14.4M;

**WHEREAS**, the FCPS Superintendent has kept department budgets below FY 2007 levels and proposed \$46M in budget reductions or increased fees (fees for taking of AP, IB and PSAT tests and participation in activities except that those students on free or reduced lunch programs would not be required to pay these fees), and as instructed by the Fairfax County Public School Board (FCSB) included expansion of all-day kindergarten to 21 schools, expansion of the Foreign Language in the Elementary Schools (FLES) program to 16 schools, and the phased-in development of a computerized district-wide student information system (SASI) that will ultimately reduce the workload on teachers in this extensive recordkeeping era, thereby reducing the budget shortfall to \$55.8M or a 3.3% increase in transfer funding from the County;

**WHEREAS**, more than 200 individuals (students, parents, teachers, and interested citizens) presented testimony on the proposed FY 2009 budget to the FCSB on two public hearing dates and more than 7500 e-mails were sent to FCSB members;

**WHEREAS**, some of these reductions proposed by the Superintendent are expected to result from reprogramming efficiencies, especially from some Central Office cuts and redesign of the summer school program, other reductions affected programs for special education students and

students at risk, and to a lesser degree gifted students, even though there is a pressing need to reduce the academic achievement gaps involving some minority groups;

**WHEREAS**, the FCSB (1) recognized the need to restore or partially restore some programs, (2) eliminated the Superintendent's proposed additional fees for tests and participation, and (3) agreed to offset some of these increases with reduction in all-day kindergarten from 21 to 10 schools, reduction in the FLES program from 16 to 8 schools, and some reduction in funding for the SASI program, and the FCSB has requested a County transfer increase of \$63.7M, which is the smallest percentage increase requested, and if fully funded, would be the smallest percentage transfer increase in many years.

**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 directed a 2% across-the-board personnel service reduction as part of the FY 2008 budget and has ordered a second 2% reduction totaling \$16.5M for FY 2009;

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

- The Child Care Assistance and Referral (CCAR) Program would increase \$2.6M to offset a state reduction, but the County is providing child care to about 1600 fewer children than before the \$10.6M state funding reductions of FY 2007 and FY 2008.
- Places in reserve \$4.1M to offset an anticipated expenditure shortfall for the Comprehensive Services Act (CSA). A reduction of 25% of the reserve (\$1M) and a reduction of \$1M in the CCAR program – a total of \$2M – is proposed to help offset revenue shortfall.
- Adds \$2.0M to fund limited contract rate increases to providers, many of which address mental health, substance abuse treatment, and needy family situations. An additional \$0.6M is included for mental health adult outpatient services.

**WHEREAS**, the County is faced with significant financial obligations in its health care and retirement obligations;

**WHEREAS**, the County Executive has released the Advertised CIP for Fiscal Years 2009-2013, which proposes \$22.06M for Paydown Capital Projects from the General Fund in FY 2009, a decrease of \$13.3M from the FY2008 level. In addition, the County Executive proposes bond referenda in November 2008 in the amounts of \$60M for parks (\$50M for Fairfax County and \$10M for the Northern Virginia Regional Park Authority) and \$40M for public facilities.

**WHEREAS**, the advertised General Fund budget includes adding 41 positions to the Office of Transportation from new funds to be received as a result of General Assembly action in 2007 which have been deleted because of the lack of NVTA funding for projects. *However, the 2008 General Assembly rescinded some of those funding sources, and the Supreme Court found on February 29, 2008 that the Northern Virginia Transportation Authority (NVTA) cannot impose taxes and fees so the Office of Transportation will not receive all of the funding they had expected.*

**WHEREAS**, the proposed budget would transfer \$34.7M for County transit system funding and \$17.5M (a decrease of \$4.8M or 13.8%) 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 FY 2009 budget recognizing a significant reduction of anticipated revenues.

**BE IT FURTHER RESOLVED**, that the Federation offers the following observations regarding the FY 2009 Advertised Budget Plan and the FY 2009-2013 CIP:

- 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. **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.
- c. **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.
- d. **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 the Environmental Protection Agency (EPA). Finally, we do not oppose an increase in the sewer connection fee.
- e. **Real Estate Tax Rate** – We support an increase in the tax rate by three (3) cents per \$100 valuation until such time that the average property values return to the January 2007 level, at which time the rate should revert to 89 cents per \$100 valuation. Further, neither the County nor the school system (FCPS) should undertake new programs or expand current programs. Finally, the revenue from the increased real estate tax rate should be divided approximately two-thirds for FCPS and one-third for the County.

**f. Programs**

- (1) **Stormwater Management Program** – *We strongly support continuation of dedicating one penny on the real estate tax rate for the stormwater management program* because 70% of County streams are in only fair to poor condition. 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. Because the County must cut costs this year, and in the years to come, we agree that a portion of the penny can be used to pay the salaries of personnel whose work supports this program if other County revenue will not cover these service costs.

- (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** – We support each of the small increases proposed in the human services area, such as \$2.6M for the Child Care Assistance and Referral (CCAR) program to offset the most recent cut in state funding, placing in reserve \$4.1M for anticipated expenditure shortfall for the Comprehensive Services Act (CSA), and adding \$0.6M for mental health adult outpatient services. These are very small increases to serve growing needs for all aspects of human services throughout the county. However, we oppose the proposed reduction of the CSA reserve by 25% and the reduction of the CCAR program by \$1M as well as the proposed elimination of the increase of \$0.3M in the Consolidated Community Funding Pool.
- (4) **Transportation** – The Federation has no comment on transportation funding until such time as the General Assembly acts to replace the lost NVTAF funding. We do feel that transportation funding should be accomplished on a regional or statewide basis rather than by local jurisdiction.
- (5) **Elections** – While revenues are scarce, consider a sufficient number of optical scanning machines in time for the November 2008 election that are fully compliant with the Help America Vote Act (HAVA), until such time as the federal government issues regulations on the specific type of voting machines required.
- g. **Public Schools** – Recognizing that FCPS is one of the highest rated school districts in the country and recognizing that this contributes to attracting businesses to Fairfax County and enhancing our property values and quality of life, the Federation urges the Board of Supervisors to contribute approximately two-thirds of an increased real estate tax rate of three (3) cents to FCPS for the FY 2009 budget year. This represents an amount that the Federation believes is necessary to maintain the current educational program.
- h. **Capital Improvement Program**
- We commend the County for providing some 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 bond rating houses appreciate. We regret that the General Fund allotment for this purpose had to be decreased to \$6.9M.
  - 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.
- i. **Citizen Participation** – Once again, we encourage the Board of Supervisors to re-establish the Citizens Budget Advisory Committee to monitor the budget process, look at long-range

trends, and submit recommendations on important budget issues to the Board for their consideration.

- j. **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 of reduced revenues and increasing needs throughout the schools and services sectors of the County.

*Approved at the Federation membership meeting on March 27, 2008.*