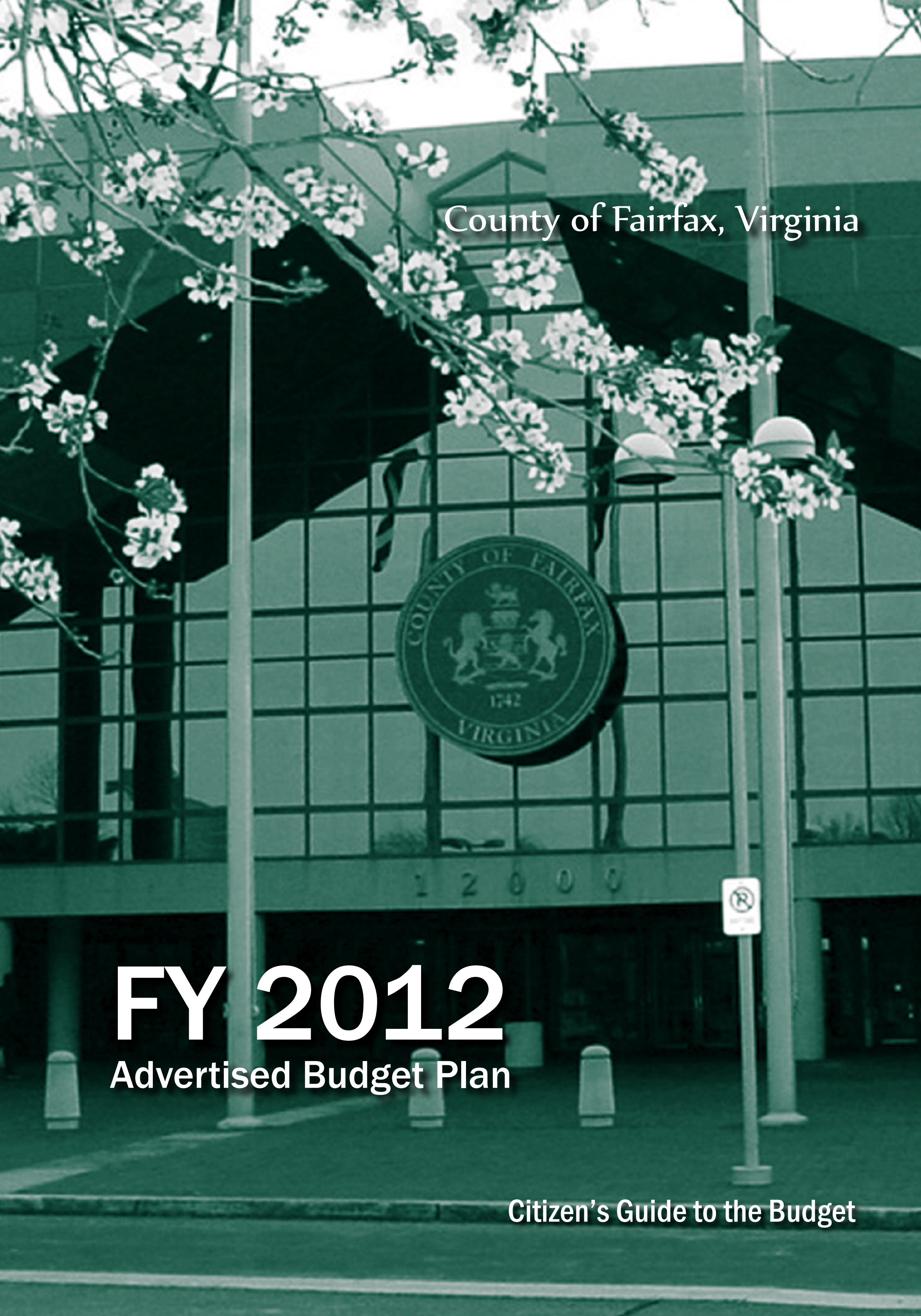
County of Fairfax, Virginia



FY 2012

Advertised Budget Plan

Citizen's Guide to the Budget

FY 2012 ADVERTISED BUDGET PLAN

The FY 2012 budget recommendations present a balanced, no expansion budget. The FY 2012 budget recommendation includes no tax rate increase. Instead, the moderate growth in the revenue base is sufficient to cover operational requirements. The County has held spending to a minimum, covering only required increases, and allowing for no compensation increases and only limited infrastructure investments. This is a bare-bones budget which fulfills minimum fiscal obligations and ensures the funding of essential services and core functions necessary for the continuity of operations. The result of these recommendations is an available balance of $30 million. This proposal includes a number of recommendations for the use of this balance, including retaining it for use in the FY 2013 budget.

The FY 2012 budget recommendation presents a balanced, no expansion budget. The FY 2012 budget recommendation includes no tax rate increase.

FY 2012 BUDGET SUMMARY

The FY 2012 Advertised Budget Plan totals $6,099,305,889, including General Fund Disbursements of $3,376,351,675, a decrease of $17,909,818 or 0.53 percent from the *FY 2011 Revised Budget Plan* and an increase of $68,232,761 or 2.06 percent from the FY 2011 Adopted Budget Plan. Funding increases in this budget are minimal and are tied to required disbursement allocations to fund obligations for infrastructure-related obligations for capital and IT-related projects, contract rate increases, County insurance, Metro/CONNECTOR increases, and benefit-related increases.

The recommended General Fund Transfer to Schools this year is equal to the level of funding given in the FY 2011 Adopted Budget Plan. Consequently, this funding level continues to reflect education as the County's highest priority and is consistent with the percentage proportion allocated to FCPS over the past few years at 52.5 percent. The proposed County General Fund transfer for school operations and debt service in FY 2012 totals $1,773.8 million, an increase of $2,761,538 or 0.16 percent over the FY 2011 Adopted Budget Plan. Within this amount, the transfer for School operations remains at the FY 2011 level of $1.610.3 billion and the transfer in support of School debt service is $163.5 million.

Fiscal Year 2012 Budget Summary

Projected increase in Revenues and Transfers In	$103 million
Required Disbursements increase	($68) million
Change in Balances	($5) million
Available Balance	**$30 million**

The County also provides additional support for the Schools in the amount of $58.9 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others. On February 3, 2011, the Fairfax County School Board approved a $2.2 billion advertised budget for FY 2012 that would give school employees raises, add more positions to address increased enrollment, maintain class sizes and necessitate a $48.8 million, or 3 percent, increase in the General Fund Transfer from the County to Schools. This request would require nearly a 3 cent real estate tax rate increase to fund and has not been included in this budget proposal. It is important to note that Fairfax County Public Schools will face more serious financial issues over the next couple of years. Among these challenges facing Schools in FY 2012 and beyond will be the cessation of federal stimulus funding in 2011 and 2012, an anticipated change in the state funding formula or Local Composite Index (LCI) for public schools which will probably result in less State aid to the County schools next year (FY 2013), and the repayment of the Virginia Retirement System (VRS) contribution that the legislature allowed school districts to defer this year.

The revenue scenario for the next several years includes projections of only limited revenue growth

The County's real estate values are clearly stabilizing. There is significant improvement in real estate property values in FY 2012. Rather than another year of loss in values, both residential and non-residential property are experiencing positive growth. Overall residential equalization reflects a 2.34 percent increase in FY 2012, compared to a 5.56 percent decline in FY 2011, while non-residential equalization has rebounded from a decline of 18.29 percent in FY 2011 to a 3.73 percent in FY 2012. However, revenue projections for both FY 2012 and beyond must be conservative. It is not unlikely that short-term upticks in County revenue could be followed by short-term declines. In fact, the revenue scenario for the next several years includes projections of relatively modest revenue growth.

Last Seven Years of Average Homeowner's Taxes

Fiscal Year	Mean Assessed Value of Residential Property	Real Estate Tax Rate Per $100	Tax Per Household	
FY 2006	$448,491	$1.00	$4,484.91	
FY 2007	$544,541	$0.89	$4,846.41	
FY 2008	$542,409	$0.89	$4,827.44	
FY 2009	$525,132	$0.92	$4,831.21	
FY 2010	$457,898	$1.04	$4,762.14	
FY 2011	$433,409	$1.09	$4,724.16	
FY 2012	$443,551	$1.09	$4,834.71	**+ $110.55**

The value of a penny on the Real Estate Tax rate is projected to increase from $18.7 million in FY 2011 to $19.3 million in FY 2012. Each penny change in the tax rate equals $44.35 on a taxpayer's bill. This budget recommendation proposes maintaining the Real Estate Tax rate at $1.09 per $100 of assessed value. Assuming no change in the Real Estate Tax rate of $1.09 per $100 of assessed value, FY 2012 Real Estate taxes per "typical" household would increase just $110.07 over FY 2011. Perhaps more significantly, the "typical" household will pay $11.70 less in Real Estate Tax in FY 2012 than it paid five years earlier in FY 2007.

ECONOMIC OVERVIEW

It is evident that the national, regional and local economies are *stabilizing*, although most analysts contend that the economy will continue to witness fluctuations punctuated by dips and uncertainties. While the revenue forecast for Fairfax County for FY 2012 and FY 2013 is slightly improving, most experts predict that economic growth will be slow to moderate for the next few years. Therefore, it is fair to assume that the County's revenue base will grow only moderately for the foreseeable future, and there will be little growth in discretionary disbursements in the budget. Growth averaging just three percent is expected over the next several years.

Local Economy

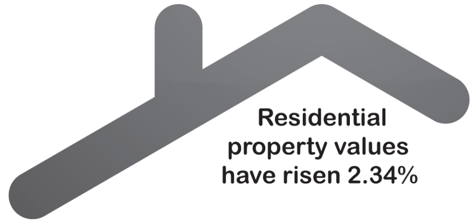
No region of the country was totally insulated from the adverse effects of the economy. In Fairfax County, nearly all homeowners saw losses in the value of their homes while several thousand lost their homes altogether through foreclosure. The current unemployment rate in Fairfax County is 4.6 percent with slow to no job growth in construction, financial services, information and communication industries, and manufacturing. However, the County's unemployment rate during the recession peaked at 5.5 percent in February 2010 so it appears that unemployment is stabilizing in the County and slowly reversing its upward trend.

As of January 2011, the unemployment rate in Fairfax County is 4.6% compared to the national rate of 9.0%

There are signs of optimism as the local economy stabilizes and improves. Job growth and expansion of the economy are being fueled by continued growth in the private sector. For instance, in 2010, defense contracting giant Northrop Grumman Corporation announced that it was relocating its corporate headquarters from Los Angeles to Fairfax County in summer 2011. Following its signing of a $3.8 billion deal last summer with National Geospatial-Intelligence Agency (NGA), the Loudoun-based company GeoEye announced that it was relocating to Fairfax County to be closer to NGA which is also relocating from Bethesda, Maryland to Fort Belvoir. Fairfax County is currently home to eight Fortune 500 company headquarters: Capital One Financial, CSC, Freddie Mac, Gannett Corporation, General Dynamics, SAIC, Sallie Mae, NII Holdings, Inc., and the addition of Northrop Grumman will make it nine.

Real Estate

After declining for four consecutive years, residential property values, which make up over 75 percent of the real estate base, rose 2.34 percent. Another signal that the County's housing market is stabilizing is a downward trend in mortgage delinquencies. Nonresidential property values also improved primarily due to strong increases in apartments and hotels. Office property values rose modestly, as lease rates stabilized and office vacancy rates declined.



FY 2012 GENERAL FUND REVENUES

FY 2012 General Fund revenues are projected to be $3,340,353,056, an increase of $102,848,445 or 3.1 percent over the FY 2011 Adopted budget level and $92,710,572 over the *FY 2011 Revised Budget Plan*. The net increase is primarily the result of a $60.7 million increase in current Real Estate Taxes based on rising assessments and no change in the Real Estate Tax rate of $1.09 per $100 of assessed value. In addition, Personal Property Taxes are projected to increase $23.7 million mostly due to an increase in vehicle levy and Other Local Taxes are expected to rise $7.0 million based on modest growth in various categories.

FY 2012 GENERAL FUND DISBURSEMENTS

FY 2012 General Fund disbursements are $3.376 billion, an increase of $68.2 million or 2 percent over the FY 2011 Adopted Budget Plan and a decrease of $17.9 million or 0.5 percent, from the FY 2011 Revised funding level. The increase over the Adopted budget is based on FY 2012 increased requirements of $78 million, offset by savings from agency budget cuts and reorganizations totaling $9.8 million. Increases in the County General Fund budget totaling $78.0 million fall into the following main categories: cost of County operations, human services requirements, debt service and capital construction, transportation, information technology and other.

> ***"We have worked hard to make strategic reductions in County spending while maintaining the high quality of our most critical services."***
>
> *- Anthony Griffin*
> *County Executive,*
> *February 22, 2011*

Cost of County Operations: $53.6 million

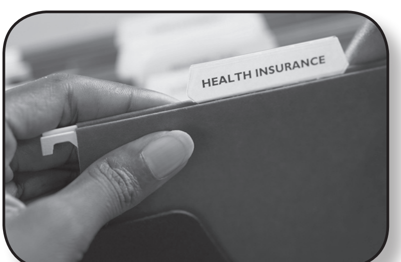
Over two-thirds of the increase in County General Fund disbursements is due to costs associated with ongoing County operations. These cost increases are driven primarily by current benefit requirements supporting the thousands of County employees who provide the quality services enjoyed by residents. As noted above, no funding is included for employee salary increases for the third consecutive year.

Retirement Funding

The FY 2012 budget includes a $15.4 million increase for fiduciary requirements associated with the County's retirement systems. All three of the County's retirement systems experienced significant value loss as a result of the global financial crisis during FY 2009. Consequently, the funding ratio of the Uniformed, Police Officer and Employees' retirement systems dropped outside of the approved funding corridor of 90-120 percent. Following the established corridor funding policy, the employer contribution rates for each system are increased to amortize the unfunded liabilities created by the fall in values. Like most public pension plans, upturns and downturns in the value of plan equities are smoothed over a period of 3 years and, as a result, the full impact of the FY 2009 equity loss will not be fully evident until FY 2013. In order to prepare for the fiscal impact of the anticipated increase in the employer contribution rates, $15 million was identified at the *FY 2010 Carryover Review* and held in reserve to offset the FY 2012 requirements.

Other Post-Employment Benefits (OPEB) Requirements

Beginning in FY 2008, the County was required to account for and report costs associated with Other Post-Employment benefits, which include a graduated (based on years of service) monthly subsidy to retirees to help offset the cost of health insurance, as well as an implicit subsidy by including retirees in the County's health insurance plans. Historically, these costs were funded on a pay-as-you-go basis. However, regulation changes in the Governmental Accounting Standards Board (GASB) Statement No. 45 require that the County accrue the future costs of these benefits. This methodology mirrors the funding approach used for pension benefits. Based on the actuarial valuation as of July 2010, the County's actuarial accrued liability for OPEB is $489 million. As a result, the annual required contribution is $35 million. For the past several years, much of the annual required contribution has been funded through the application of balances that were accumulated based on excess revenues received from employer contributions and additional General Fund contributions. However, these reserves have been exhausted and an increase in the General Fund transfer of $10.1 million is required in FY 2012. As a result of this action, funding for the annual OPEB requirement will be included in the baseline budget and this recurring cost will be covered by recurring funding.



Health Insurance

FY 2012 funding for health insurance and other benefits is increased $8.7 million over FY 2011 levels. This increase is primarily attributable to $8.4 million required for health insurance, including the impact of projected premium increases of 10 percent for all County health insurance plans effective January 1, 2012 and the full-year impact of January 2011 premium adjustments. It should be noted that these premium increases are projections only; final premium decisions will be made in the fall of 2011 based on updated experience. The remaining increase of $0.3 million is the net impact of adjustments in other benefits categories including Social Security, dental insurance, and life insurance.

Worker's Compensation and Self-Insurance

An increase in the General Fund transfer to Fund 501, County Insurance, of $7.2 million is required for FY 2012. Fairfax County has a statutory responsibility to provide Workers' Compensation benefits, including medical treatment and loss of wages due to related disability, to employees who sustain occupational injuries and illnesses. The Fund also provides for countywide commercial insurance and self-insurance. The County self-insures automobile and general liability claims.

Movement of a Portion of Grant Funding to General Fund

As part of the replacement of the County's legacy corporate computer systems, $6.1 million of grant revenues formerly accounted for in Fund 102, Federal/State Grant Fund, are now reflected in the General Fund, resulting in a commensurate increase in General Fund expenditures. This funding, primarily from 9 grants, no longer meets the grant definition as defined by the new system and now needs to be posted as General Fund revenue and expended directly from the General Fund. A corresponding adjustment has been made in Fund 102, Federal/State Grant Fund, for no net impact.

Limited Term Position Conversion

The County has reviewed the status of non-merit positions to ensure compliance with existing and new (both defined and evolving) requirements. This review is being driven by the Patient Protection and Affordable Care Act (PPACA), the Health Care and Education Reconciliation Act (HCERA), and Section 125 of the IRS Code on the provision of benefits to employees in certain non-merit positions. In addition to the regulatory compliance issues, the County has also reviewed personnel and payroll business practices as part of the FOCUS "blueprinting" process.

As a result of this review and consistent with Board approval in September 2010, 400 positions have been converted to Merit Regular and the process of competitively filling the positions has begun. New categories of non-merit positions "Benefits Eligible" and "Benefits Non-Eligible" are being created to accommodate the other business needs that must continue but which do not support full-time merit employees. A total of $4.0 million in additional General Fund resources have been included in the FY 2012 budget to reflect the full year cost of the conversion.

Major Human Services Requirements: $12.1 million

It continues to be critical that the County leverage its ability to assist the neediest in the community and maintain the safety net to which the Board is so committed. The $12.1 million General Fund expenditure increase and another $1 million increase in the Community Services Board are leveraged with federal and state funds.

"...the downturn in the local economy over the past several years has resulted in an upsurge in demand for many County services, especially in the arena of human services...so while our resources are diminished, the need for help is greater than ever."

- Anthony Griffin,
County Executive
February 22, 2011

Comprehensive Services Act (CSA) Support

An increase of $1.8 million is associated with the implementation of the state changes to programs for at-risk children. Specifically, the Human Services system will be implementing a System of Care initiative to support Intensive Care Coordination, the Family Partnership Program and enhanced Utilization Review. It is anticipated that providing these new services to the families and youth in CSA will reduce residential placements, increase the utilization of community-based services, reduce costs, and improve outcomes. The expenditure increase is offset by additional State revenue.

Child Care Assistance and Referral (CCAR) Program

An increase of $1,275,000 in Operating Expenses is associated with the Child Care Assistance and Referral (CCAR) Program. Funding is due to an increase in federal and state revenue to provide services which assist families with childcare costs, based on income levels. The expenditure increase is fully offset by an increase in state and federal revenue, for no net impact to the County.

School Health Program Resources

Twelve (12/12.0 SYE) additional positions are included for the School Health Program to begin implementation of a strategic plan to align school assignments by Fairfax County Public Schools (FCPS) clusters in order to maximize efficiencies and better respond to community needs. The additional 12 positions will allow the Health Department to target resources in those schools with a high concentration so high-risk students with chronic medical conditions such as diabetes, asthma, seizure disorders and life threatening allergies. Funding to fully support the costs of these positions is provided by the Virginia Department of Education through its Standards of Quality monies and is based on the number of nursing hours provided to school-age children. The funding can only be used to support school nurse positions or for contracted service professionals providing health services. These funds, allocated to the Schools, will be provided to the County through a transfer from the School Operating fund. Of the total funding of $3.8 million, half will support salaries, benefits and operating costs associated with the new positions and other Health Department support for the School Health program, and half will be made available to the school system for services provided by FCPS in support of the School health functions.

Fairfax-Falls Church Community Services Board (CSB) Intensive Community Treatment Teams

In FY 2012, 20/15.5 SYE new positions are being created, with no additional net cost to the General Fund. The positions will add six Intensive Community Treatment Teams (ICT). These teams will provide intensive, community-based case management and outreach services to persons with serious mental illness and/or serious substance use disorders. This treatment model aligns with the principles and recommendations of the Josiah H. Beeman Commission as well as the Fairfax-Falls Church Community 10 Year Plan to Prevent and End Homelessness and will ensure that individuals served by the CSB with the most acute and complex needs will receive appropriate levels of support. These expenditures are anticipated to be fully offset by Medicaid revenues.

Herndon Neighborhood Resource Center

Additional recurring funding of $245,000 is required to address the transition of funding for the Herndon Neighborhood Resource Center. The Herndon Neighborhood Resource Center (HNRC) opened in July of 1999 as a collaborative effort of the Town of Herndon and Fairfax County. The Center offers integrated services, including the WIC program administered by the Health Department, to address the complex social and physical challenges facing many of Herndon's neighborhoods. It is within walking distance to many of the neighborhoods in the Dulles Park/Alabama Drive area and located on the Fairfax Connector bus route 950. Beginning in FY 2012 the County will fully fund the HNRC. The services provided are essential to meet prevention objectives of the County's Human Service system and the clients served by the HNRC have limited options for these services. County staff have been working to identify options to maintain the services in this community and will be working to partner with a non-profit for management of the HNRC.

Herndon Neighborhood Resource Center

Contract Rate Increases
An increase of $3.2 million supports contract rate increases for the providers of mandated and non-mandated services in the Department of Family Services, Community Services Board, Health Department and Office to Prevent and End Homelessness. The expenditure increase is partially offset by an increase of $0.6 million in revenue for a net cost to the County of $2.6 million.

Revenue Alignment for Self Sufficiency Positions
An increase of $1.2 million in the Department of Family Services is associated with caseload requirements as a result of sustained and significant increases in requests for public assistance and the distribution of federal and state dollars for programs such as food stamps and Medicaid, which has required an increase in staff resources. The expenditure increase is fully offset by an increase in state revenue for no net impact to the County.

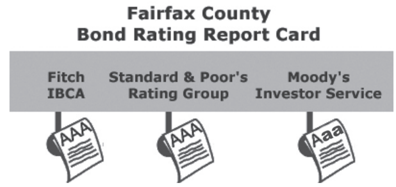
Capital Construction and Debt Service: $0.8 million

Capital Construction
The Capital Construction Program is essential to the sustainability of County services and is organized to meet the existing and anticipated future needs of the residents of the County. Reinvestment in County facilities is critical to avoid deterioration and obsolescence. The Capital Program is primarily financed by the General Fund, General Obligation Bonds, fees and service district revenues. The General Fund supported Capital Program of $16,084,369 reflects an increase of $506,963 over the FY 2011 Adopted Budget Plan level of $15,577,406.

It should be noted that to supplement the paydown program, short-term borrowing of $15,000,000 will provide for capital renewal project funding in FY 2012. In FY 2012 the County will have a projected facility inventory of over 8.5 million square feet of space which requires the planned replacement of building subsystems such as roofs, electrical systems, HVAC, plumbing systems, carpet replacement, parking lot and garage repairs, fire alarm replacement and emergency generator replacement that have reached the end of their useful life. As part of the FY 2011 Adopted Budget Plan, the Board of Supervisors approved a 3-year plan of short-term borrowing. FY 2012 is the second appropriation for capital renewal projects supported by short-term borrowing. A total of $35 million is anticipated to eliminate the current backlog which will allow for a more preventative and proactive maintenance program, increase the life cycle of County buildings, and enable the renewal program to reach a fairly consistent level of annual funding.

Debt Service

FY 2012 General Fund support of the County and Schools debt service requirements is $282.8 million, an increase of $0.3 million over the FY 2011 level. The FY 2012 funding level supports debt service payments associated with existing debt service requirements. During FY 2012 it is anticipated that a general obligation bond sale of approximately $280 million will be conducted to fund cash requirements for on-going capital projects for School and County purposes. This bond sale estimate is consistent with the FY 2012 - FY 2016 Advertised Capital Improvement Program (With Future Fiscal Years to 2021). It should be noted that the Capital Improvement Program assumes School bond sales of $155 million per year for the next five years. This represents an increase from $130 million to $155 million in FCPS bond sales between FY 2013 and FY 2016.



Transportation: $6.4 million

FY 2012 funding increases of $6.4 million are required to support mass transit related costs.

Metro Operations and Construction

The FY 2012 General Fund transfer in support of Metro Operations and Construction is increased by $3.9 million to $11.3 million. Based on current Metro system needs, Washington Metropolitan Area Transit Authority (WMATA) staff project an increased FY 2012 operating subsidy requirement from local jurisdictions of approximately 7 percent. The increased General Fund transfer, in combination with applied State Aid, will meet the anticipated increase in the subsidy requirement, as well as a prior year audit adjustment.

County Transit

The FY 2012 General Fund transfer for the County Transit Systems, the Fairfax CONNECTOR and the Virginia Railway Express (VRE), is $34.45 million, an increase of $2.5 million or 7.7 percent. This increase funds the expansion of bus services in the Fort Belvoir area, required as a result of the federal Base Realignment and Closure (BRAC). It also supports relocating bus services to a new Reston East Park & Ride. The current site will be permanently closed in March 2011 in preparation for the construction of the Wiehle Avenue Metro Station. In addition to increased General Fund support for County Transit, additional commercial and industrial tax funding will support expanded service to implement critical routes identified within the Transit Development Plan, including a new route servicing Tysons to Dulles Airport and improved frequency of routes in the Richmond Highway corridor.

Information Technology Requirements for Enhanced Operations and Efficiencies: $3.4 million

Information Technology Projects
Total General Fund support of projects in Fund 104, Information Technology, is $5.3 million, an increase of $2.1 million over the FY 2011 Adopted level. This funding supports several critical Information Technology projects which will replace existing legacy systems, complete the Public Safety wireless mobile replacement, and fund key projects for enhanced operations and security. In addition, an increase of $1.3 million to support annual software license and database license maintenance agreements, is included in the Department of Information Technology agency budget to support systems requirements of the FOCUS project as well as ongoing operations from other projects in post-implementation phase.

Use of Cable Funding to Support Key Technology Initiatives
It should be noted that two new information technology projects are being financed by a transfer from Fund 105, Cable Communications. Revenue in the cable fund is derived from franchise fees and may only be used for cable and I-NET related projects. In FY 2012, funding of $2.0 million is made available from cable revenues to support requirements associated with the deployment of technologies to secure access of new web-based social media functionalities. Utilizing the County's IT infrastructure, including the I-Net, this project will implement a protected web security gateway to provide for secure access for agency business needs, smart media/video streaming and data leakage protection. This project also improves compliance with regulatory standards, mitigates against cyber security threats to the County's networks and enables real time security monitoring. Funding of $3.7 million supports the Police Department's In-Car Video System project to install digital surveillance video cameras in the Police Department's 800 vehicle fleet. The In-Car Video system enables accurate recording of events, statements and scenes, enhances both the Commonwealth and County Attorneys' abilities to support cases and improves the department's accountability to the public. The In-Car Video System will utilize the County's I-Net to transmit, store, and access the video data.

Other Adjustments: $1.7 million
There are a small number of other increases in the budget based on requirements, including $0.8 million associated with new positions added at the *FY 2010 Carryover Review* in support of the Tysons Plan Amendment, $0.4 million in the Office of Elections for expenses related to redistricting, and $0.25 million in increased advertising funding for the Economic Development Authority.

Agency Budget Reductions and Reorganization Opportunities/Savings: ($9.8) million

In accordance with direction provided to agencies immediately after the adoption of the budget in Spring 2010, the FY 2012 budget includes agency budget reductions totaling $9.5 million. These reductions, which impact most County agencies, do not result in significant programmatic reductions but require agencies to hold positions vacant longer, to not fill some key position vacancies and to maintain work and service levels within reduced resource levels.

A commensurate savings of approximately $9.6 million will be identified as part of the *FY 2011 Third Quarter Review*. These savings have been anticipated and have been applied in the FY 2012 budget proposal.

In addition, the FY 2012 budget includes a number of reorganization changes for a total savings to the General Fund of $0.3 million. The FY 2011 budget included a considerable number of reorganizations and resultant savings to the General Fund. Staff has been hard at work in FY 2011 implementing these reorganizations which included the creation of the Department of Neighborhood and Community Services and the FOCUS project. Though not a "reorganization" the FOCUS project is designed to help the County improve performance and requires an enormous contribution from staff (in both the County and School organizations), many dedicated full time to the project and hundreds of others throughout the organization who assist with the project and fill in for staff dedicated full time to the effort. The implementation of the FY 2011 reorganizations and the FOCUS project is critically important and as such the list of reorganizations for FY 2012 is somewhat shorter and the savings, at $0.3 million, is smaller. The more significant reason for making these changes is improved, efficient and effective operations. The changes in the FY 2012 budget include:

- Scheduling, technology support and logistics associated with the use of the conference rooms at the Government Center complex have been consolidated and transferred to Fund 105, Cable Communications, resulting in a savings to the General Fund. This consolidation maximizes operations efficiencies by aligning video technology support with the Communications Productions engineer staff and leveraging technology, scheduling logistics and other resources to provide conference center services.

- Transfer of the Seniors-on-the-Go! and the Taxi Access program from the Departments of Transportation and

Family Services to the Department of Neighborhood and Community Services. As a result, human services transportation services are further consolidated and transportation for seniors is coordinated.

> *"We have continually sought out opportunities to make organizational change to streamline our County government, find more efficiencies to reduce operational costs, and identify further reductions to lower the cost of providing services."*
>
> *- Anthony Griffin, County Executive February 22, 2011*

- Transfer of Access Fairfax from the Office of Public Affairs to the Department of Neighborhood and Community Services to provide a more focused link to clients at the South County Government Center.

- Transfer of support the Showmobile from the Department of Purchasing and Supply Management to the Park Authority, as the vast majority of use is at Park sites.

FY 2012 AND BEYOND

As a result of the revenue increase of $103 million offset by expenditure requirements of $68 million and balance adjustments of $5 million, the FY 2012 budget proposal results in a balance of $30 million. Prior to addressing possible uses for this balance, there are some very pressing requirements for the County in the near term which need to be considered.

All signs indicate that the economy – nationally, regionally and locally – is expected to show moderate to low growth at best with no appreciable increases in revenue for the County over the next several years. Since the "Great Recession" of 2007-2009 was deeper and more painful than earlier recessions, it is reasonable to assume that recovery will be slow and extended. Comparatively speaking, the economic recovery from the recession in the early 1990s extended almost 8 years before real, significant growth was realized in the County's housing market and other revenue streams. The County's budget must accept the economic realities of the "new normal" and adjust expectations for expanding existing programs and creating new programs in the face of limited revenue growth.

County Infrastructure Investment

In addition to continued funding of education, one of the County's most pressing challenges in this era of no-slow revenue growth is finding the resources to fund investment in infrastructure. Although little new funding is available for this investment in the FY 2012 budget, there are significant near-term requirements for the two key components: investment in employees and investment in infrastructure.

EMPLOYEES

County's employees are its greatest resource – they are the principal means by which County government provides the services that affect nearly everyone's daily routine more so than any other type of government, from public safety to public health to public education. Thousands of men and women provide these crucial services everyday to residents to provide for a high quality of living here in the County.

One of the most difficult challenges faced over the past three years is the continued lack of resources to provide County employees with compensation adjustments. This budget does not recommend increases in employee compensation; however, funding is included to maintain the County's benefits program. Benefits constitute an important and integral component of the County's overall compensation package. Moreover, the County's benefits programs are a mainstay in attracting, recruiting and retaining highly qualified staff. In order to maintain the County's competitiveness in this region, especially faced with a significant number of "Baby Boomers" projected to retire within the next five years, it is imperative that the County's benefits programs are competitive and sound at the present. Based on the Board's guidance in 2010, staff continues to review the County's retirement policies and programs. With funding designated at the *FY 2010 Carryover Review*, the Department of Human Resources is currently conducting a comprehensive retirement study with results expected to be presented to the Board of Supervisors in Summer 2011.

FY 2012 will mark the third consecutive year in which County employees will not have received any compensation adjustments

Compensation Program Recommendations

Earlier discussions with employee groups and the Board Personnel and Reorganization Committee recommended that the pay for performance program be revised to include both a market rate (MRA) component and a variable pay for performance (PFP) component. As a result, the County Executive has recommended a new program to be developed for implementation in FY 2013, subject to funding availability.

The Market Rate Adjustment will:

- continue to be calculated based on the approved formula
- be no less than 1 percent and no greater than 3 percent
- be applied to all employee groups and pay scales
- be implemented at the beginning of each fiscal year; and
- be complemented by a pay scale review every 3-5 years to maintain market competitiveness

Pay for Performance will:

- range from 0 percent to 3 percent
- not have any bonus component
- move to a single anniversary date with the implementation of the new payroll system
- require all reviews be completed in the Fall; and
- apply pay increases associated with PFP at the beginning of the calendar year

Stable Workforce

Despite significant population growth and the building of numerous new facilities to serve the needs of the community since 1990, the County has managed to keep a very stable workforce without significantly increasing staff. In fact, the County's positions per capita ratio, which currently stands at 11.34 per 1,000 residents, is currently 17 percent lower than the level 20 years ago largely due to increased efficiencies gained through information technology and reductions in administrative and management positions. This budget proposal includes the modest addition of 35/30.5 SYE new positions with 12/12.0 SYE positions for the Health Department, 20/15.5 SYE new positions for the Fairfax-Falls Church Community Services Board and 3/3.0 SYE new positions for the Reston Community Center. All of these additional positions are fully supported by non-General Fund sources.

PHYSICAL INFRASTRUCTURE

Physical Infrastructure is perhaps best defined as the physical assets of government, that is, public buildings, parks, sewer system, and technology systems that support efficient operation of local government and significantly contribute to the quality of life in the County. Past investment in this infrastructure as well as future requirements will support the continuation of high quality County services.

Information Technology

Due to limited growth and resources, the County will continue to leverage efficiencies through technology. Technology makes it possible for the County to deliver the same level of service with essentially the same number of staff to more residents and a greater number of public facilities than the County did in 1990. Technology continues to transform the way the County works and does business. Coping with growth in demand for services with limited resources, the County is faced with major challenges and opportunities where technological innovation is essential. In addition, high expectations from residents and the business community who want to interact and conduct business require use of automation to its fullest. In addition, Fairfax County government and Schools have embarked on a multi-year, joint initiative to modernize the portfolio of enterprise systems that support finance, human resources, budget, procurement and related administrative applications with an integrated approach that has the flexibility to meet current and future requirements. To aid greater responsiveness and transparency in government, the County is maximizing its web-based capabilities to enable residents and businesses to do business more easily and faster.

In order to leverage greater opportunities for collaboration and information sharing among Board members, County agencies, other governments, private/non-profit partners, media and the public, the County continues to expand and improve its Web 2.0 platform to support broader usage of social media, such as Facebook, Twitter and YouTube, by County staff. There is not a significant increase in Information Technology funding in the FY 2012 budget, rather the FY 2012 funding supports the completion of high priority projects and the costs associated with the legacy system replacement. There are other pressing and equally important technology infrastructure needs in the areas of human services, public safety, planning and development which must be prioritized over the next couple of years.

Capital Infrastructure

One of the County's most vital infrastructure needs centers on capital infrastructure. Much of the County's infrastructure is aging and key parts are in need of repair, renovation, rebuilding or replacement. In particular, the renewal of the County's building subsystems such as roof replacement, plumbing, and HVAC/electrical systems require increasing attention and funding. For several years staff has identified an estimated requirement of $22 to $26 million in capital renewal investment annually for the current building inventory. Annual capital renewal funding has never reached these projected required levels in the County. It is estimated that approximately $35 million in capital renewal projects are currently backlogged. The FY 2012 Advertised Budget Plan provides much more detail about the planning phase. The capital renewal program is budgeted at $15 million for work on 36 Category F projects which are those projects deemed to be "urgent/safety related, or endangering life and/or property." The County will have to continue monitoring and addressing its aging capital facilities.

Some of the County's Infrastructure

- **Over 8.5 million sq. ft. of space maintained by the County's Facilities Management Division (FMD) at 189 County owned facilities, including 11 parking garages and 14 radio towers**
- **Over 537,000 sq. ft. of buildings maintained by the Park Authority**
- **644 miles of walkways maintained by Public Works**
- **300 miles of walkways maintained by the Park Authority**
- **505 FCPS athletic fields at over 175 school sites**
- **287 athletic fields (owned by the Park Authority**
- **32 operational turf fields throughout the County**

Future Infrastructure Investments

The challenge for future funding is compounded by the necessary investments the County is currently making in a number of large, significant projects such as the Tysons redevelopment, the replacement of the 43-year-old Massey Public Safety Building, the building of the new Woodburn Mental Health Center, and a significant revitalization effort throughout the County. The County is in the midst of an ambitious and effective plan to revitalize and redevelop the areas of Tysons, Merrifield, McLean, Springfield, Baileys Crossroads, Annandale and the Richmond Highway corridors. In particular, the County's vision to transform Tysons Corner will make it a livable, walkable, urban downtown for Northern Virginia. Tysons is the heart of the County's commercial growth. This plan will transform Tysons from a sprawling, car-centered area into a high-density, pedestrian-friendly urban center that will eventually grow over the next few decades to about twice the current 44 million square feet of commercial and residential space. It is projected that the population of the Tyson's region could increase from 17,000 to 100,000 over the next 20 years. Transportation staff estimate that this new urban center will require $3.5 billion in road and transportation improvements over the next two decades. This makeover of Tysons has already begun, and ground was broken in 2009 on the first phase of an extension of the Metrorail system, which will bring four new Metrorail stations to Tysons. Much further analysis, alternative costing and financing review will be necessary over the next year to develop community consensus and focused decisions on how to pay for these investments.

Massey Public Safety Building

Construction of the Tysons East Station at Route 123 and Coleshire Road (Capital One Headquarters in background).

These necessary and worthwhile projects, as well as ongoing infrastructure needs for repair, renovation and replacement, will pose significant funding challenges for the County in FY 2013 and FY 2014. Many of these current infrastructure projects will require funding increases within the next two to four years and will require the Board to prioritize funding and project timelines as deferring or delaying investments in these critical infrastructure needs is not possible.

SOME CHOICES ON USING AVAILABLE BALANCE

Like all budgets, this one is extremely important since the choices and decisions made in the next few months will have long-term ramifications for the progress the County makes in further stabilizing government and shoring up much needed investments for future critical infrastructure needs. In April 2010, the Board of Supervisors explicitly directed the County Executive to prepare a budget proposal for FY 2012 that "considers the affordability of taxes for our residents and businesses and attempts to keep the taxes steady with FY 2011." This budget reflects this guidance. With the recommendations in this budget proposal, there is a balance of $30 million which equates to less than 1.0 percent of the General Fund budget. As a result, there is flexibility for the Board during its deliberations on the FY 2012 budget. Options include:

1. Use it for employee compensation increases: The balance could be used to fund a one- time, non-recurring bonus for County employees. This could include a 1 percent bonus which would cost approximately $7.8 million or an across-the-board flat-rate bonus. A $1,000 net bonus for County employees would cost approximately $15.7 million.

2. Increase the General Fund transfer to Schools: The balance could be used to increase the County transfer to the Fairfax County Public Schools. The FCPS School Board requested a General Fund transfer for school operations of $1.66 billion, an increase of $48.8 million or approximately 3 percent above the FY 2011 level. This budget proposal includes no increase to the School transfer. Each one percent increase in the School transfer is $16.1 million.

3. Reduce the Real Estate Tax rate: The balance could be used to reduce the Real Estate Tax rate. Each one cent reduction in the tax rate would cost $19.3 million and results in savings to the average homeowner of $45 annually.

4. Use it to make up for potential loss in revenue from the Commonwealth or State authorized revenue sources.

5. Use it to fund other priorities and unfunded initiatives cited in this budget: The balance could be used to fund current unfunded requirements.

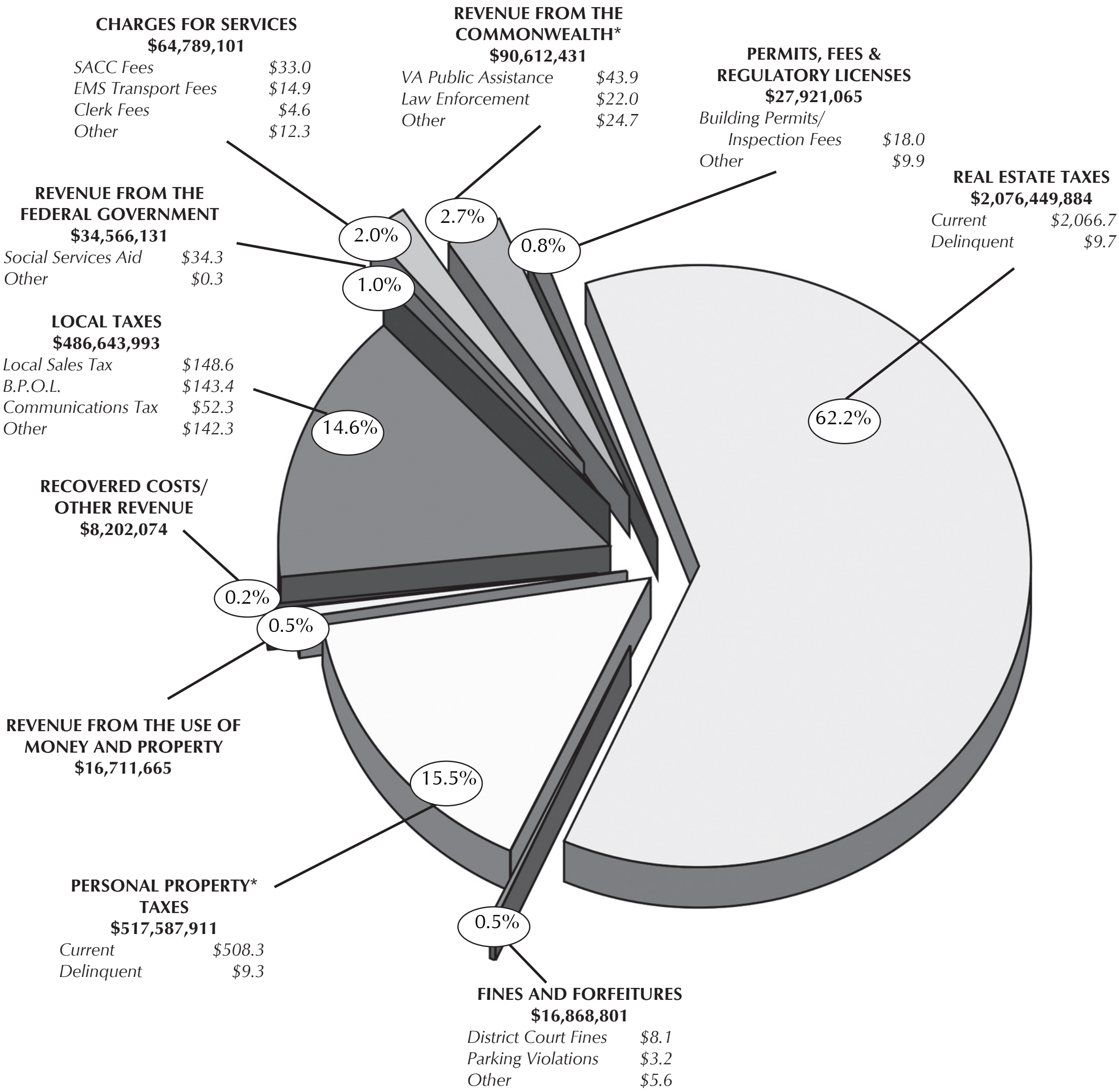
6. Save it for the required, contractually obligated $20 million payment which remains for completion of the joint County-Schools FOCUS project.

7. Save it for upcoming critical needs in FY 2013: The balance could be held in reserve to address FY 2013 requirements and beyond or to support the infrastructure requirements noted above.

FY 2012 GENERAL FUND RECEIPTS

("WHERE IT COMES FROM")

(Subcategories in millions)



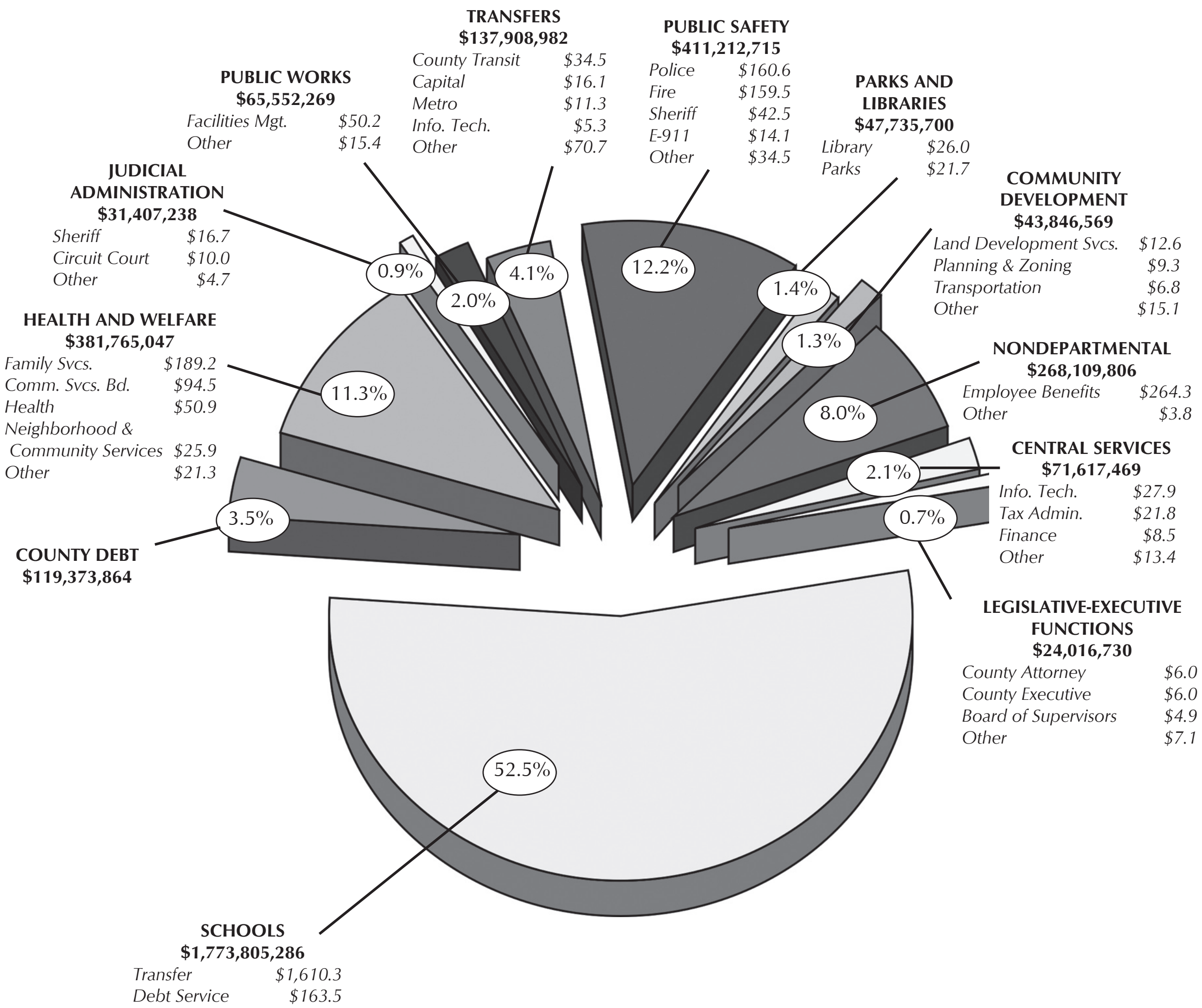
FY 2012 GENERAL FUND RECEIPTS = $3,340,353,056**

* For presentation purposes, Personal Property Taxes of $211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

FY 2012 GENERAL FUND DISBURSEMENTS ("WHERE IT GOES")

(Subcategories in millions)



FY 2012 GENERAL FUND DISBURSEMENTS = $3,376,351,675 *

** In addition to FY 2012 revenues, available balances and transfers in are also utilized to support disbursement requirements*

Summary General Fund Statement

(in millions of dollars)

	FY 2010 Actuals	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2012 Advertised Budget Plan	Inc/(Dec) Over Adopted	% Inc/(Dec) Over Adopted
Beginning Balance [1]	**$185.39**	**$137.05**	**$240.28**	**$126.30**	**($10.75)**	**(7.84%)**
Revenue [2,3]	$3,350.61	$3,237.50	$3,247.64	$3,340.35	$102.85	3.18%
Transfers In	$12.12	$6.73	$8.06	$7.48	$0.75	11.13%
Total Available	**$3,548.12**	**$3,381.28**	**$3,495.98**	**$3,474.13**	**$92.85**	**2.75%**
Direct Expenditures [2]	$1,161.44	$1,193.61	$1,259.27	$1,236.75	$43.15	3.61%
Transfers Out						
School Operating [4]	$1,626.60	$1,610.33	$1,611.59	$1,610.33	$0.00	0.00%
School Debt Service	163.77	160.71	160.71	163.47	2.76	1.72%
Subtotal Schools	*$1,790.37*	*$1,771.04*	*$1,772.30*	*$1,773.81*	*$2.77*	*0.16%*
Revenue Stabilization	$16.21	$0.00	$0.00	$0.00	$0.00	-
Metro	7.41	7.41	7.41	11.30	3.89	52.48%
Community Services Board	93.62	93.34	93.34	94.45	1.11	1.19%
County Transit Systems	21.56	31.99	31.99	34.46	2.46	7.70%
Capital Paydown	20.89	15.58	15.91	16.08	0.51	3.25%
Information Technology	13.43	3.23	13.23	5.28	2.06	63.75%
County Debt Service	110.93	121.87	121.87	119.37	(2.50)	(2.05%)
OPEB	9.90	9.90	9.90	20.00	10.10	102.02%
Other Transfers	62.08	60.15	69.05	64.85	4.70	7.81%
Subtotal County	*$356.03*	*$343.47*	*$362.69*	*$365.79*	*$22.33*	*6.50%*
Total Transfers Out	$2,146.40	$2,114.51	$2,134.99	$2,139.60	$25.09	1.19%
Total Disbursements	**$3,307.84**	**$3,308.12**	**$3,394.26**	**$3,376.35**	**$68.23**	**2.06%**
Ending Balance	**$240.28**	**$73.16**	**$101.72**	**$97.78**	**$24.61**	**33.64%**
Less:						
Managed Reserve	$68.01	$66.16	$67.89	$67.53	$1.36	2.06%
FY 2009 Audit Adjustments [5]	0.73				0.00	-
Balances held in reserve for FY 2011 [6]	12.97				0.00	-
Third Quarter Reductions [7]	35.34				0.00	-
Retirement Reserve [8]	20.00				0.00	-
Reserve for State Cuts [9]		7.00			(7.00)	(100.00%)
Reserve for FY 2011/FY 2012 [10]			23.95		0.00	-
FY 2010 Audit Adjustments [2]			2.54		0.00	-
Additional FY 2011 Revenue [3]			7.34		0.00	-
Reserve for Board Consideration [11]				30.25	30.25	-
Total Available	**$103.23**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**0.00%**

[1] The FY 2012 Advertised Budget Plan Beginning Balance reflects the FY 2011 Revised Managed Reserve of $67,885,230 and, as noted below, balances held in reserve for FY 2012 requirements totaling $23,953,143, the net impact of FY 2010 audit adjustments of $2,539,239, and additional FY 2011 revenue of $7,339,516. In addition, the beginning balance includes $15,000,000 set aside in reserve in Agency 89, Employee Benefits, at the *FY 2010 Carryover Review* for anticipated increases in the FY 2012 employer contribution rates for Retirement and $9,580,000 in reductions anticipated to be taken at the *FY 2011 Third Quarter Review* and held in reserve to balance the FY 2012 budget.

[2] In order to appropriately reflect actual revenues and expenditures in the proper fiscal year, FY 2010 revenues are increased $1,890,845 and FY 2010 expenditures are decreased $648,394 to reflect audit adjustments as included in the FY 2010 Comprehensive Annual Financial Report (CAFR). As a result, the *FY 2011 Revised Budget Plan* Beginning Balance reflects a net increase of $2,539,239. Details of the FY 2010 audit adjustments will be included in the FY 2011 Third Quarter package. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2012 budget.

[3] *FY 2011 Revised Budget Plan* revenues reflect a net increase of $7,339,516 million based on revised revenue estimates as of fall 2010. The *FY 2011 Third Quarter Review* will contain a detailed explanation of these changes. It should be noted that this amount has been set aside in reserve and utilized to balance the FY 2012 budget.

[4] The proposed County General Fund transfer for school operations in FY 2012 totals $1,610.3 million, which reflects no change from the FY 2011 Adopted Budget Plan level. It should be noted that the Fairfax County Public Schools Superintendent's Proposed budget reflects a General Fund transfer of $1,659.1 million, an increase of $48.8 million or 3.0 percent over the FY 2011 Adopted Budget Plan. In their action on the Superintendent's Proposed budget on February 3, 2011, the School Board maintained the Superintendent's transfer request.

[5] As a result of FY 2009 audit adjustments, an amount of $728,086 was available to be held in reserve in FY 2010 and was utilized to balance the FY 2011 budget.

[6] As part of the *FY 2009 Carryover Review*, $12,429,680 was identified to be held in reserve for FY 2011 requirements. As part of the *FY 2010 Third Quarter Review*, an additional amount of $542,445 was set aside and held in reserve for FY 2011 requirements. This balance was the result of decreased Managed Reserve requirements attributable to reductions taken as part of the *FY 2010 Third Quarter Review*. This reserve was utilized to balance the FY 2011 budget.

[7] As part of the *FY 2010 Third Quarter Review*, $35,340,186 in reductions were taken and set aside in reserve for FY 2011 requirements. This amount was assumed in the beginning balance for the FY 2011 Adopted Budget Plan and was utilized to balance the FY 2011 budget.

[8] As part of the *FY 2009 Carryover Review*, $20,000,000 was set aside in reserve in Agency 89, Employee Benefits, for anticipated increases in the FY 2011 employer contribution rates for Retirement. This amount was assumed in the beginning balance for the FY 2011 Adopted Budget Plan and was utilized to balance the FY 2011 budget.

[9] An amount of $7,000,000 was set aside in reserve as part of the FY 2011 Adopted Budget Plan to offset potential reductions in state revenue beyond those accommodated within FY 2011 revenue estimates. As part of the *FY 2010 Carryover Review*, $1,255,755 of this reserve was utilized to fund the Priority Schools Initiative for the Fairfax County Public Schools. The remaining balance was reallocated to a reserve for FY 2011 critical requirements or to address the projected FY 2012 shortfall.

[10] As part of the *FY 2010 Carryover Review*, $23,953,143 was identified to be held in reserve for critical requirements in FY 2011 or to address the projected budget shortfall in FY 2012. It should be noted that this reserve has been utilized to balance the FY 2012 budget.

[11] As part of the FY 2012 Advertised Budget Plan, a balance of $30,249,733 is held in reserve for Board of Supervisors' consideration in the development of the FY 2012 budget.

TAX AND FEE FACTS

Type	Unit	FY 2010 Actual Rate	FY 2011 Actual Rate	FY 2012 Recommended Rate
Real Estate	$100/Assessed Value	$1.04	$1.09	$1.09
Personal Property	$100/Assessed Value	$4.57	$4.57	$4.57
Integrated Pest Management Program	$100/Assessed Value	$0.001	$0.001	$0.001
Refuse Collection	Household	$345	$345	$345
Refuse Disposal	Ton	$60	$60	$60
Solid Waste Landfill Ash Disposal	Ton	$13.50	$13.50	$15.50
Leaf Collection	$100/Assessed Value	$0.015	$0.015	$0.015
Sewer Availability Charge	Residential	$7,310	$7,750	$7,750
Sewer Service Charge	Per 1,000 Gallons	$4.50	$5.27	$6.01
McLean Community Center	$100/Assessed Value	$0.024	$0.024	$0.023
Reston Community Center	$100/Assessed Value	$0.047	$0.047	$0.047
Commercial Real Estate Tax For Transportation	$100/Assessed Value	$0.11	$0.11	$0.11
Stormwater Services District Levy	$100/Assessed Value	NA	$0.015	$0.015

Public Hearings on the FY 2012 Budget

Public Hearings on the FY 2012 Advertised Budget Plan, and the FY 2012 - FY 2016 Capital Improvement Program (With Future Years to 2021) will be held in the Board Room of the Fairfax County Government Center on the following dates and times:

Date	*Time*
March 29, 2011	6:00 p.m.
March 30, 2011	3:00 p.m.
March 31, 2011	3:00 p.m.

To sign up to speak at one of the public hearings, call the Clerk to the Board's Office at 703-324-3151 or 703-324-2391 (TTY 711) or to access the form to sign up to speak, go to **https://www.fairfaxcounty.gov/bosclerk/speaker_bos.htm**

The public can send written testimony or communicate generally with the Clerk to the Board's Office by e-mail at:

clerktothebos@fairfaxcounty.gov

FY 2012 Advertised Budget is Available:

On the Fairfax County website at: ***http://www.fairfaxcounty.gov/dmb/***

Reference copies of all budget volumes are available at all Fairfax County Public Libraries. Copies of all budget volumes on compact disc version are available from the Department of Management and Budget.

Prepared by the
Fairfax County Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, VA 22035

703-324-2391

http://www.fairfaxcounty.gov/budget

The County of Fairfax is committed to a policy of nondiscrimination in all County programs, services and activities and will provide reasonable accommodations upon request. To request special accommodations, call 703-324-2391, TTY 711. Special accommodations/alternative information formats will be provided upon request. Please allow five working days in advance of events in order to make the necessary arrangements.