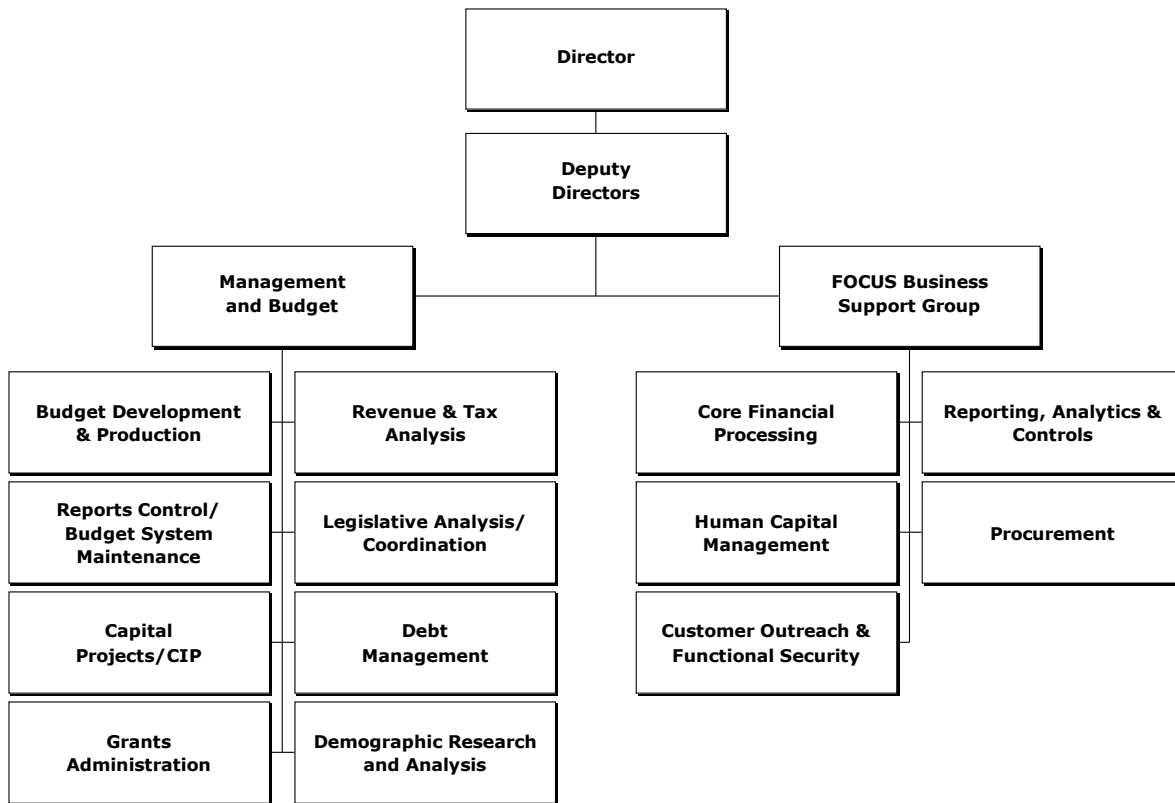


Department of Management and Budget




Mission

The mission of the Department of Management and Budget (DMB) is to provide financial and analytical consultant services; develop, implement, and monitor a financial plan; and produce information for Fairfax County agencies, the Board of Supervisors, the County Executive, and residents in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making. In addition, the department serves as the centralized functional support organization for the County's enterprise resource planning system, FOCUS.


Focus

The Department of Management and Budget is chiefly responsible for coordination of the County's annual budget process, which includes the financial forecast, development of budget guidelines, review of agency and program requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors and preparation of the Adopted Budget Plan, which exceeds \$7 billion for all funds, including over \$4 billion for General Fund Disbursements.

The Department of Management and Budget supports the following County Vision Elements:



Creating a Culture of Engagement



Exercising Corporate Stewardship

Department of Management and Budget

As a measure of the quality of its budget preparation, Fairfax County was awarded the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award by meeting rigorous criteria for the budget as a policy document, financial plan, operations guide and communications device for the 34th consecutive year. The department will continue to build on this success by enhancing accountability, transparency, and usefulness of the budget.



DMB's role extends considerably beyond budget preparation. For example, DMB oversees the sale of bonds which fund the majority of the County's capital program, including school construction; coordinates special financings which optimize the timely and cost effective provision of critical facilities; and leads the coordination and development of the County's Capital Improvement Program (CIP). In terms of legislative analysis, DMB monitors and analyzes proposals at the state level for fiscal impact and partners with agencies on issues concerning changes on the federal level that have programmatic and/or fiscal impacts on the County.

DMB also coordinates the County's performance measurement program, including oversight of the County's participation in the International City/County Management Association's (ICMA) comparative data initiative where 15 service areas are benchmarked annually and comparisons of efficiency and effectiveness are included in the annual budget document. In 2018, Fairfax County was awarded ICMA's Certificate of Excellence, its highest level of recognition for excellence in performance measurement, for the tenth consecutive year. Fairfax County is one of 29 jurisdictions recognized for this prestigious award and one of 57 jurisdictions recognized overall. DMB is leading an effort to update the performance measurement and benchmarking programs to align data gathering, utilization and presentation across the organization and to make data more accessible to decision-makers and residents.



The Economic, Demographic and Statistical Research (EDSR) unit in DMB conducts quantitative research, analysis and modeling in order to produce the County's official small area estimates and forecasts of population, households and housing units. EDSR also analyzes and summarizes existing housing characteristics, commercial and industrial space information, land use information, and economic and demographic data for Fairfax County. These data and analyses produced by EDSR are used for program planning, CIP planning, policy initiatives, grant writing, budgeting, revenue forecasting, and performance measurement. This work closely aligns with DMB operations and is allowing greater collaboration and integration of the unit's data with Countywide planning and decision-making.

DMB continues to partner successfully with the Department of Human Resources and all agencies to integrate workforce planning into County business operations to ensure that appropriate staffing resources are available to achieve strategic goals and objectives. This proactive focus enables the County to anticipate needs and collaborate on the most cost-effective means of meeting those needs.

Department of Management and Budget

The department is also home to the centralized functional support group for the County's enterprise resource planning system, FOCUS. The FOCUS Business Support Group (FBSG) serves in the capacity of functional system administrator for the FOCUS system. All work is implemented in partnership with the core business process owners (Department of Human Resources, Department of Management and Budget, Department of Finance, Department of Procurement and Material Management, and the Fairfax County Public Schools), who determine how policies and procedures should be applied in the system, and the technical system administrators for the system (Department of Information Technology).

DMB leads many efforts that intersect with the budget, as well as those that involve cross-cutting issues and many or all County agencies. Currently, for example, DMB is helping to coordinate parts of the County's strategic planning process that kicked off in November 2018. This effort will build upon and align strategic efforts that have been previously undertaken by agencies and initiative teams (Economic Success, One Fairfax, etc.) and will be the first strategic plan for the County as a whole. As the process unfolds in 2019, there will be:

- ◆ Defined priorities for 2020 and beyond, organized around 7-10 areas;
- ◆ A set of community-centric and quantifiable performance indicators developed for each priority area;
- ◆ Prioritized strategies and implementation paths to achieve the outcomes on key performance indicators; and,
- ◆ The integration of other planning efforts such as economic success, Fairfax County Public Schools strategic plan, One Fairfax and more.

Significant focus is being placed on engaging with the entire community, including segments of the population that have been under-represented in past efforts. Working with residents and employees via community conversations and an online survey, the initial phase of the process has resulted in the identification of nine priority areas. For more information, go to <https://www.fairfaxcounty.gov/strategicplan>.

As a growing and increasingly diverse community, Fairfax County faces significant budget challenges regarding increasing services demands in a climate of constrained fiscal resources. In addition to requirements associated with population growth, Fairfax County's budget has been impacted by external factors. Restrictions on revenue diversification, for example, severely limit the County's flexibility in addressing budget requirements and place a disproportionate burden on property owners, particularly residential taxpayers. Similarly, balancing the maintenance of an aging infrastructure with the needs of a growing population requiring expanded or new facilities is challenging.

The tight fiscal constraints that have dominated budget decisions in recent years have generated increased interest from residents on budget issues. As a result, the department has worked to expand public access to information at all stages of the budget formulation process and to increase transparency. For example, DMB continues to engage residents and businesses by participating in community meetings on the budget and provide support to civic groups. This affords residents a better understanding of their County government, the services it offers, and the role they can play in shaping budget decisions.

In recent years, the use of technology has played an increasingly significant role in the dissemination of budget information. The department has expanded the availability of online data, which includes all information contained in published budget volumes, as well as quarterly reviews, budget calendars, economic data, and historical files. The department is constantly updating its website (www.fairfaxcounty.gov/budget) to make the site more user-friendly and educational. The department also worked closely with staff from the Department of Information Technology, the Department of Finance

Department of Management and Budget

and Fairfax County Public Schools (FCPS) on a countywide transparency initiative that went live in the fall of 2013. Interested users are able to visit www.fairfaxcounty.gov/topics/financial-transparency to view amounts paid to vendors and expenditures by both the County and FCPS. Enhanced tools on the web page are also available to facilitate easier navigation and research and to generate community interest.

Budget and Staff Resources

Category	FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$4,632,635	\$5,022,624	\$5,140,743	\$5,279,631	\$5,336,180
Operating Expenses	305,434	180,819	920,819	180,819	180,819
Total Expenditures	\$4,938,069	\$5,203,443	\$6,061,562	\$5,460,450	\$5,516,999
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	52 / 52	53 / 53	54 / 54	54 / 54	54 / 54

FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 7, 2019.

- ◆ **Employee Compensation** **\$195,437**
 An increase of \$195,437 in Personnel Services includes \$107,957 for a 2.10 percent market rate adjustment (MRA) for all employees and \$87,480 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2019.
- ◆ **Data Governance and Utilization** **\$118,119**
 As approved by the Board as part of the *FY 2018 Carryover Review*, funding of \$118,119 is included to support the transfer of 1/1.0 FTE Management Analyst IV from Agency 25, Business Planning and Support, to Agency 20, Department of Management and Budget, to better align data governance and utilization resources.

Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, FY 2019 Third Quarter Review, and all other approved changes through April 30, 2019.

- ◆ **Carryover Adjustments** **\$258,119**
 As part of the *FY 2018 Carryover Review*, the Board of Supervisors approved funding of \$258,119, including \$40,000 in encumbered funding in Operating Expenses; \$100,000 in Operating Expenses for resources and marketing materials in support of the Complete Count effort for the 2020 Census; and \$118,119 in Personnel Services to support the transfer of 1/1.0 FTE Management Analyst IV from Agency 25, Business Planning and Support to better align data governance and utilization resources.

Department of Management and Budget

- ◆ **Third Quarter Adjustments** \$600,000
 As part of the *FY 2019 Third Quarter Review*, the Board of Supervisors approved funding of \$600,000 to support the County's Strategic Planning process. This funding primarily supports contractual costs, as well as those associated with community outreach.

Cost Centers

Management and Budget

The Management and Budget cost center is responsible for preparation and publication of the County's Advertised and Adopted budget plans, as well as the Capital Improvement Program. Additionally, the County's debt management program as well as economic, demographic and statistical research are coordinated in this cost center.

Category	FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted
EXPENDITURES					
Total Expenditures	\$2,906,728	\$3,065,787	\$3,923,906	\$3,265,351	\$3,298,512
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	28 / 28	29 / 29	30 / 30	30 / 30	30 / 30
1 Chief Financial Officer	5	Budget Analysts III	2	Management Analysts IV	
1 Deputy Director	5	Budget Analysts II	1	Business Analyst III	
5 Management and Budget Coordinators	1	Sr. Economic and Statistical Analyst	3	Administrative Assistants V	
4 Budget Analysts IV	2	Economic and Statistical Analysts			
TOTAL POSITIONS					
30 Positions / 30.0 FTE					

FOCUS Business Support Group (FBSG)

The FBSG provides technical and functional support to all County users for the integrated FOCUS system, including financial, purchasing, budgetary, and human capital management issues. This cost center manages all security related to the system, coordinates with the Department of Information Technology on enhancements and upgrades to the system, and performs regular maintenance activities.

Category	FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted
EXPENDITURES					
Total Expenditures	\$2,031,341	\$2,137,656	\$2,137,656	\$2,195,099	\$2,218,487
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	24 / 24	24 / 24	24 / 24	24 / 24	24 / 24
1 Deputy Director	5	Business Analysts IV	1	Business Analyst I	
1 Management and Budget Coordinator	11	Business Analysts III			
1 Budget Analyst IV	4	Business Analysts II			
TOTAL POSITIONS					
24 Positions / 24.0 FTE					

Department of Management and Budget

Key Performance Measures

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate/Actual	FY 2019	FY 2020
Percent variance in actual and projected revenues	0.6%	0.9%	2.0%/0.7%	2.0%	2.0%
Percent variance in actual and projected expenditures	1.5%	2.7%	2.0%/3.2%	2.0%	2.0%
Interest rate for GO bond sale ¹	2.45%	2.87%	2.66%/2.66%	2.90%	NA
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index ¹	\$20.97	\$23.02	\$17.99/\$17.99	\$26.97	NA
Savings associated with refundings (in millions) ¹	\$12.00	NA	NA/NA	\$3.30	NA
Accuracy of five-year population forecasts measured as difference between forecast made five years ago and current estimate	0.2%	0.6%	5.0%/0.9%	5.0%	5.0%

¹ For bond sale interest rate and savings, note that in some fiscal years, multiple bond sales were held, while in others, only one was held. The dollar value and interest rate for special financings and refundings cannot be projected as they do not take place unless the prevailing interest rates indicate it is favorable to undertake them. Therefore, while no projections are made for this category, actual results are reported.

A complete list of performance measures can be viewed at
<https://www.fairfaxcounty.gov/budget/fy-2020-adopted-performance-measures-pm>

Performance Measurement Results

A critical measure of accurate fiscal forecasting and careful budget management is minimal variance between projected and actual revenue and expenditures. The Department of Management and Budget continues to be successful in projecting and managing the County’s budget to achieve minimal variance between projected and actual revenues and expenditures. During FY 2018, DMB exceeded the 2.0 percent target for revenue projections by achieving a variance of only 0.7 percent from the final General Fund budget estimate. The actual variance for expenditures of 3.2 percent, just shy of the 2.0 percent variance target, as County managers continued to prudently manage their departmental budgets.

Through diligent fiscal management, Fairfax County is able to borrow at the most competitive rates available. The County continues to realize savings on bond sales based on its Triple-A rating from all three bond rating agencies, a distinction shared, as of January 2019, by only 47 counties, 13 states, and 33 cities nationally. Bond ratings are a measure of a government’s financial condition. It means that financial professionals have evaluated the County’s fiscal management practices over a period of time and have expressed confidence that Fairfax County is able to meet its scheduled interest and principal payments. Fairfax County’s Bond ratings are determined by Moody’s Investors Services, Standard & Poor’s Corporation, and Fitch Investors Service and represent the highest ratings that can be awarded for general obligation bonds. Ratings for special financings are lower based on credit issues unique to each financing, but benefit from the County’s underlying general obligation bond rating.

When DMB sells bonds on behalf of the County for capital facilities and infrastructure, the Triple-A rating results in significant interest rate savings. On January 29, 2019, the County conducted a General Obligation Public Improvement bond sale for the Series 2019A via a competitive sale in the par amount of \$224.76 million at a low interest cost of 2.90 percent. There were eight bidders and the second lowest bid was only 0.01 percent higher than the winning bid. The number of bids and tight proximity of the bids reiterated a strong support of the County’s bond offerings and credit ratings.

Department of Management and Budget

As a result of the County's excellent triple-A bond rating, the County has saved an estimated \$849.21 million from County bond and refunding sales. Paying less interest on debt for capital projects means that more funding is available for public facilities and services for residents.

The accuracy of the Economic, Demographic and Statistical Research (EDSR) unit's population forecasting assumptions, methodology and model is important because the forecasts are used to plan for future facilities and programs. For FY 2018, EDSR exceeded their accuracy target with the population forecasts made in 2013 for 2018 being only 0.9 percent different than the actual population. While there are no industry standards for an acceptable error level for population forecasting, research published by the Bureau of Economic and Business Research at Warrington College of Business Administration concluded that County level population forecast errors of +/- 5.5 percent or less for a five-year horizon forecast could be considered a "good record of forecast accuracy."