

**McLean Citizens Association
Resolution
Fairfax County Budget—FY 2006**

WHEREAS, economic activity at the County, State and Federal levels is generally positive with significant Gross Domestic Product, employment and productivity gains, but only small private-sector wage gains. In fact, the average household income for Fairfax County has actually declined.¹ However, economic growth has not been even throughout the various segments of the market, but rather, has been concentrated in the defense, homeland security and real estate markets. Therefore, many households are still feeling the effect of slow personal income growth, while home prices have increased, at least partially fueled by unusually low interest rates, and;

WHEREAS, average residential real estate assessments have risen 23.9% for 2005, resulting in double digit increases for the sixth consecutive year in the Dranesville District, a total increase since 2001 of more than 79% for many homeowners, and;

WHEREAS, the reduction in the real estate tax rate advertised by the Board of Supervisors for FY 2006 (at least ten cents) would be well below the level necessary to avoid another year of double-digit real estate tax increases, and;

WHEREAS, the County Executive has proposed a budget that would increase General Fund spending by 11.2% over last year's appropriated budget, a figure that substantially exceeds the four-year average increase in General Fund spending of slightly more than 6% and also surpasses the combined increase in County population and inflation (4.6%)². This major acceleration in proposed spending is inconsistent with the County's stated goal of fiscal discipline, and;

WHEREAS, the failure of the budget to restrain spending to a more reasonable level sets up the very possibility of future "draconian budget cuts and a significant increase in the real estate tax rate" that occurred in the early 1990s and which the County Executive seeks to avoid, and;

WHEREAS, the County budget has, at least for the last five years, underestimated County revenues, such that the Board of Supervisors' annual Third Quarter reviews have resulted in revenue surpluses and subsequent spending increases above the adopted budget that have averaged 2.5% since 2001; with last year's increase reaching nearly 5%,³ thus permitting the Board of Supervisors to increase spending above the levels adopted each April, and;

¹ Fairfax County, "Fiscal Year 2006 Advertised Budget Plan," Overview, p. 169.

² Calculated by the McLean Citizens Association from data set forth in the "Fiscal Year 2006 Advertised Budget Plan" and data from the federal Bureau of Labor Statistics web site.

³ Calculated by the McLean Citizens Association from data from the Fairfax County web site.

WHEREAS, the County is proposing to continue a \$5.9 M taxpayer subsidy to the real estate development industry in the form of real estate service fees for land development services set below their costs,⁴ and;

WHEREAS, a report from the Commonwealth of Virginia demonstrates that Fairfax County, despite being much larger than either Prince William or Loudon Counties, collected substantially less in cash proffers than those two counties during 2003 (the last reported year),⁵ and;

WHEREAS, the MCA also expresses its concern that, since real estate development does not pay impact fees and pays cash proffers in lesser amounts than are paid in smaller, surrounding counties, the costs for added development, both in terms of overtaxed facilities, especially public schools and transportation facilities, and higher taxes to pay for more public infrastructure are passed along to residential and small business taxpayers, and

WHEREAS, the County also proposes to continue taxpayer subsidies to the real estate development and commercial real estate industries in the form of funding the Economic Development Authority (EDA), despite the fact that, in most areas of the nation, those marketing expenses are paid by the affected businesses. Moreover, because the EDA has never been subjected to a program audit there is no evidence that the Agency is even effective in its missions and many sources, including George Mason University, credit business and job growth in Fairfax County to the increase in federal spending for defense and homeland security and not to the EDA. In sum, the MCA, therefore, questions the value of the Agency to County taxpayers, and;

WHEREAS, the County budget provides \$59.3 million for its obligations to Metrorail and Metrobus operations, the management of which has regularly been criticized by its Board of Directors as deficient, and;

WHEREAS, the County budget would appropriately dedicate one cent from the real property tax (\$17.9 million) to address the fair-to-poor condition of 70% of the streams in the County, with many stream banks and streambeds badly eroded, and;

WHEREAS, citizen involvement in the budget process is important to good government, so that it is important for the Board of Supervisors to create a mechanism for formal citizen involvement in the establishment of the County's budget priorities such as through the reestablishment of the Citizens Budget Oversight Committee, and;

⁴ Response of Fairfax County to an information request from the McLean Citizens Association.

⁵ Commission on Local Government Commonwealth of Virginia, "Report on Proffered Cash Payments and Expenditures By Virginia's Counties, Cities and Towns 2002-2003" and Report on Proffered Cash Payments and Expenditures By Virginia's Counties, Cities and Towns 2003-2004."

WHEREAS, FY2006 marks the fifth year for the County's "Pay for Performance" system (merit increases of 0-6% in 11 increments). The County has paid its non-uniformed employees the following average increases: 4.9% in FY 2002, 5.1% in FY 2003, 5.3% in FY 2004, 4.17% for FY 2005. The proposed increase in FY 2006 is in the range of 2.5%. These increases have, in significant instances, exceeded pay increases for many in the private sector. The consequence is that large, annual increases have a significant leveraging effect (in dollar terms) on future raises and on retirement pensions given the County's "Defined Benefit Retirement Plan."

NOW, THEREFORE, BE IT RESOLVED THAT THE MCA:

- 1) Strongly urges the Board of Supervisors to limit spending increases in the General Fund to no more than the four-year average, annual increase in General Fund spending of 6.19% (\$172.59 M), a level of higher spending that exceeds the combined increase in County population and the Consumer Price Index (CPI) for 2004 by approximately 35%. This limited exercise in fiscal discipline would provide a reduction in proposed spending of \$139.58 M, which is equivalent to an additional reduction of 7.8 cents on the real property tax rate, for a tax rate of 95.2 cents/\$100 of assessed value. This would be over and above the 10-cent reduction already proposed in the Budget.
- 2) Strongly urges the Board of Supervisors to set the tax rate for FY 2006, and subsequent years, with the full recognition that the County regularly receives revenues that exceed budget projections. In order to encourage more accurate forecasting, the Board of Supervisors should not use any such additional funds for supplemental appropriations. Rather, any additional revenues should be placed in the County's "rainy day fund."
- 3) Recommends to the Board of Supervisors that it consider achieving spending reductions by considering such actions as:
 - a) Freezing compensation for County employees subject to the Pay-for-Performance plan because such compensation has increased by more than 20% over the last four years, even as median household income in the County has recently decreased;
 - b) Eliminating the taxpayer subsidy (\$6.8 M) to the real estate industry in the form of County funding of the EDA and requiring the EDA be subjected to a program audit;
 - c) Outsourcing administrative and support functions whenever cost savings can be obtained; and
 - d) Providing stronger oversight to the Washington Metropolitan Area Transit Authority, which often appears to lack strong and effective management and generally fails to outsource services, when those services can be provided more cheaply than by its own employees.

- 4) Strongly urges the elimination of other taxpayer subsidies to the real estate development industry by increasing County fees for land development services (permits, plans and inspections) to levels that recover all of their costs, rather than requiring taxpayers to subsidize those services by \$5.9 M, as is proposed by the proposed FY 2006 budget; and
- 5) Strongly urges that Fairfax County improve its relatively poor performance record vis a vis nearby counties in negotiating and collecting cash proffers from real estate developers for the costs of additional public infrastructure necessitated by both residential and commercial development. Additionally, the Board of Supervisors should exercise its existing statutory authority to impose cost-based, development impact fees for transportation and to seek legislative authority to impose cost-based, development impact fees for schools, fire, rescue, public safety, libraries, parks, recreation, open space, community centers, storm water management, and affordable housing.
- 6) Strongly urges the Board of Supervisors to ensure that resulting budget cuts are geared towards the provision of services or administrative functions in a more cost-effective manner, rather than by reducing services to County residents.
- 7) Strongly urges the Board of Supervisors to reestablish the Citizens Budget Oversight Committee to follow the budget process, look at long-range trends, and submit recommendations on important Budget issues, including spending priorities, to the Board of Supervisors for their consideration. Such committee should not be dominated by any particular interest group or viewpoint.
- 8) Strongly urges that the Board of Supervisors reorganize County functions and responsibilities for financial management such that an Office of Financial Management is established to provide financial reporting, treasury and auditing activities for all County (school and government) operations. The Office of Financial Management should report to the Board of Supervisors, and to the extent that such reorganization requires a statutory change, the County should seek appropriate legislative authority to implement this recommendation. The Office of Financial Management should relentlessly focus on reducing the cost of delivering quality services to the County's residents by:
 - a) constantly seeking to introduce open market competition into appropriate government functions;
 - b) outsourcing administrative and support services and functions where feasible;
 - c) continuing investigations and audits for waste, fraud and mismanagement;
 - d) annually reporting to the public and to the Board the County's financial status through "zero based" budget documents which are consistent in format year-to-year and follow accepted accounting principles, and

- e) additionally, all final internal audit reports, as opposed to working papers, should automatically be made public, unless the Board of Supervisors votes to the contrary on a case-by-case basis.
- 9) Strongly urges that County and State elected officials redouble their efforts to work for tax equity for Counties so that homeowners do not bear the burden of supporting our public schools and other needed public services.
- 10) Urges that the County stop comparing proposed spending increases only to the prior year's spending levels adjusted for the annual Third Quarter budget review and to begin listing a comparison of the proposed spending increases also to the prior year's appropriated spending level.
- 11) Commends the Board of Supervisors for dedicating a source of funding for storm water management projects.
- 12) Commends the Board of Supervisors and the County Executive for holding multiple town meetings on the budget throughout the County.
- 13) Commends the Board of Supervisors for reducing the number of motor vehicles assigned to County employees in conformance with the recommendation of the County's Program Auditor.
- 14) Commends the County budget staff for responding to the MCA's questions in a timely manner this year.

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