



MCA Resolution on County Advertised FY 2015 Budget Plan
April 2, 2014

Whereas, Fairfax County has advertised a budget plan for FY 2015 (Advertised Budget Plan) that includes General Fund disbursements of \$3.704 Billion; and

Whereas, the Advertised Budget Plan disbursements are divided between County-managed programs/services and the Fairfax County Public Schools (FCPS); and

Whereas, under the Advertised Budget Plan, \$1.776 Billion would be disbursed to the County for County services and personnel (County budget) and \$1.928 Billion would be transferred to FCPS for FCPS services and personnel (FCPS budget); and

Whereas, the transfer to FCPS represents 52.1% of total revenues projected in the FY2015 Advertised Budget Plan; and

Whereas, to fund County and FCPS programs and personnel and meet reserve requirements, Fairfax County is projecting FY 2015 General Fund receipts of \$3.708 Billion, including an increase in real-estate tax-derived revenues of \$148.16 Million; and

Whereas, 63.2% of the projected receipts are derived from revenue received from payment of real estate taxes; 15.6% are derived from personal property taxes; 13.5% are derived from local taxes, including local sales taxes; 2.6% are derived from transfers from the Commonwealth; 2.1% are derived from charges for services; and the remaining 3% are derived from other sources; and

Whereas, the Advertised Fairfax County budget assumes no change in the real estate tax rate of \$1.085 per \$100 of assessed value for residential and commercial real estate; and

Whereas, to preserve its options to increase revenues, the Board of Supervisors has advertised a real estate tax rate of \$ 1.105 per \$100 of assessed value, which if fully implemented would represent a 2 cent increase in the real estate tax rate; and

Whereas, the assessed value of residential real estate in the County has increased an average of 6.54% and is estimated to increase by about 5.50% in FY 2016, while the assessed value of nonresidential real estate has declined by 0.10% and is not estimated to increase in FY 2016; and

Whereas, residential properties represent approximately 75.3% of the real estate tax base while commercial/industrial properties represent approximately 19.01% of the total real estate assessment base; and

Whereas, according to the County Executive, the increase in assessed value means that a typical Fairfax County homeowner (i.e., one whose home has been assessed as worth \$497,962) would pay \$331.67 more in FY 2015 than in FY 2014 in residential real estate taxes at the current real estate tax rate, and

Whereas, this typical homeowner's tax bill would increase by an additional \$50 if the real estate tax rate were increased by 1 cent and by an additional \$100 if the rate were increased by 2 cents, resulting in an overall real estate tax increase of \$381 or \$431, respectively, from the FY 2014 tax bill; and

Whereas, the typical Fairfax County homeowner also is facing increased water/sewer and stormwater management taxes, which together would add approximately \$25 to the typical homeowner's annual tax bill, as well as increases in County user fees and state-mandated local sales taxes for transportation improvements; and

Whereas, the Advertised Budget Plan is premised upon four financial management principles/themes:

1. Use only recurring resources for recurring requirements and do not, as in the past, use non-recurring resources to provide funding for recurring requirements;
2. Address requirements for investment and economic development;
3. Identify increases in County reserves necessary to retain the County's AAA bond rating and meet managed reserve requirements; and
4. Strengthen long-term pension funding by increasing funding in FY 2015 and FY 2016; and

Whereas, the FY 2014 Approved Budget reduced funding for certain County programs, including libraries, parks and human services, in order to provide more adequate funding for what were deemed to be more pressing County and FCPS needs while keeping the tax rate level; and

Whereas, the County Executive proposes in 2015 to increase funding for such programs and has stated that the goal of the Advertised Budget is to preserve and enhance services and programs, including strong schools, safe communities, the safety net for those in need and the quality of life in Fairfax County; and

Whereas, according the County Executive, the Advertised Budget establishes a core service level, below which core services would be impacted; and

Whereas, the FY 2015 Advertised Budget is \$118.02 Million, or 3.29%, above the FY 2014 Adopted Budget Plan; and

Whereas, the revenues allocated to County-provided services and personnel are divided among eleven functions, as follows:

1. Public Safety (12%);
2. Health and Welfare (11%);
3. Non-Departmental services (8.5%);
4. Transfers, including to County transit, capital, metro and information technology services, and others (4.5%);
5. County Debt (3.6%);
6. Central services, such as information technology and tax administration (2.0%);
7. Public works, including facilities management (1.9%);
8. Parks and libraries (1.4%)
9. Community Development, including land development services, planning and zoning and transportation ((1.3%);
10. Judicial administration (0.9%); and
11. Legislative-Executive functions (0.8%]; and

Whereas, included in the above-mentioned County-provided services and activities is funding for \$72.6 Million in school-based programs and activities, such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs; and

Whereas, the County Executive has stated that the Advertised Budget would, inter alia:

1. Provide a 1.29% market rate adjustment salary increase for all employees who are paid through revenues allocated to County-provided services and personnel; these County employees did not receive a salary increase in FY 2014;
2. Provide additional public safety pay increases for fire and rescue staff, and 15- or 20-year public longevity salary increases for eligible employees;
3. Increase user fees for EMS transport, School-Age Child Care, Animal Shelter adoption and boarding fees, and use of County-maintained athletic fields
4. Provide for 58 new positions, including 8 in Public Safety, 13 in Human Services, and 20 in Community Development, while reducing 45 positions as part of a School-Age Child Care staffing alignment, for a net increase of 13 positions; and
5. Eliminate a previously-required \$23.54 M General Fund transfer to E-911 service since Communication Sales and Use Tax revenues will cover this service starting in FY 2015; and

Whereas, the County Executive has stated that the net additional resources available to the County in the Advertised Budget would be allocated, as follows:

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| 1. FCPS Operating Budget and Debt Service | \$39.11 M |
| 2. Capital Construction and Debt Service | \$29.93 M |

3. Pay and Benefits for County employees	\$29.54 M
4. Public Safety	\$14.23 M
5. Cost of County Operations	\$12.33 M
6. Human Services	\$ 8.50 M
7. New Facilities	\$ 4.03 M
8. Community Development	\$ 4.00 M
9. Net Adjustments to Managed Reserve	\$ 3.77 M; and

Whereas, the County Executive initially estimated that there would be an available balance of \$10.64 Million at the end of FY 2015 under the Advertised Budget Plan, but recently indicated that this figure likely would be as much as \$6 Million less due to an adjustment downward in FY 2015 Personal Property tax revenues, based on new information from the National Automotive Dealers Association; and

Whereas, in every year since 2007, County revenues have been underestimated and/or expenditures overestimated when the approved budgets are compared to actual revenues and expenditures after the close of the fiscal year; and

Whereas, in the last four fiscal years (FY 2010, 2011, 2012, and 2013), this has meant that, at the close of the fiscal year, the County has identified a “Total of Additional Revenues Realized Plus Funds Not Expended As Anticipated” of \$84M, \$89M, \$67 M, and \$59 M, respectively (hereinafter called “approved but unspent and available” funds); and

Whereas, the County may again have “approved but unspent and available” funds available at the end of the fiscal year; and

Whereas, on February 6, 2014, the Fairfax County School Board requested an operating transfer of \$1.82 Billion, which is \$98.1 Million above the transfer received in FY 2014 and \$63.8 Million above the transfer that has been proposed by the County Executive for FY 2015; and

Whereas, the requested FCPS transfer represents a 5.7% increase over the transfer provided for school operations in the FY 2014 Adopted Budget Plan, and 3.7% more than the County Executive had advised FCPS to expect to receive for operating expenses; and

Whereas, FCPS has stated that the additional \$98.1 Million is “to fund uncontrollable costs (retirement rates and enrollment and demographics) and address the structural deficit resulting from a shortfall in one-time funding available to pay for recurring expenses”; and

Whereas, from FY 2009 to FY 2014, FCPS student enrollment has increased 8.9% overall while the County transfer of funds to FCPS has increased by 5.6% overall; and

Whereas, the increase in enrollment of students requiring additional services (Special Education, English for Speakers of Other Languages, and Students Eligible for Free and Reduced Price Means) has outpaced that of general education enrollment; and

Whereas, the School Board's Advertised Budget Request would, inter alia:

1. Provide FCPS employees with a 2.5% average salary increase in FY 2015; this additional raise, on top of the 2% raise in FY 2014, would improve the competitiveness of FCPS vis-à-vis surrounding jurisdictions;
2. Add positions to address increases in enrollment from FY 2014;
3. Reduce the central support budget by 6%, school support by 3%, and classroom support by 2%, and eliminate an associated 731.2 positions;
4. Implement changes in the class size formulas that will result in increases of 0.5 students per class in elementary and middle schools and 1.0 students per class in high schools, while adding 20 positions to the staffing reserve to address larger class sizes at targeted schools; and
5. Add user fees for AP and IB exams and increase user fees for community use of FCPS facilities; and

Whereas, the Virginia Legislature and Governor have committed to increasing state funding for Fairfax County schools by roughly \$28-32 Million, with the final amount to be determined in the state budget; and

Whereas, if this additional state funding were applied to closing the "gap" between the advertised County transfer and the FCPS proposed budget, the "gap" would be roughly \$32-36M; and

Whereas, in every year since 2007, School Operating Fund revenues have been underestimated and/or expenditures overestimated when the approved budgets are compared to actual revenues and expenditures after the close of the fiscal year; and

Whereas, in the last four fiscal years (FY 2010, 2011, 2012, and 2013), this has meant that, at the close of the fiscal year, FCPS has identified \$100M, \$76M, \$43 M, and \$56 M, respectively, of "approved but unspent and available" funds to the FCPS; and

Whereas, in prior years, the FCPS has used these "approved but unspent and available" funds for a number of purposes, including indirectly closing any gaps between the Approved County transfer and the FCPS Advertised Budget; and

Whereas, FCPS is expected again to have "approved but unspent and available" funds available at the end of the fiscal year due to a variety of factors, including higher actual than estimated personnel attrition rates and overestimation of expenditures and underestimation of revenues in its budget documents; and

Whereas, alternatively or additionally, revision of the assumptions underpinning the FCPS estimation of expected FY 2015 revenues and expenditures, and hence of the estimates, to reflect the historical trend of overestimating expenditures and underestimating revenues also could be used to reduce the gap between the FCPS budget request and the County proposed transfer to FCPS; and

Whereas, however, the School Board and FCPS have publicly stated that they would not apply the increase in state funding to help close the gap between the FCPS budget request and the transfer proposed in the County Advertised Budget Plan, but would instead use the additional state funding to undo four initiatives that had been approved as part of the Advertised Budget, specifically:

1. User fees for AP and IB tests;
2. The 0.5 pupil increase in elementary school class size;
3. The one-fourth reduction in needs-based staffing and
4. The reduction in small school staffing reserves; and

Whereas, in an ideal world, with a more healthy local economy, or if such restorations could be accomplished without impacting County-provided services and personnel or the real estate tax rate, the McLean Citizens Association would support such restorations; and

Whereas, the reality is that the economic recovery is anemic; and

Whereas, there continues to be uncertainty regarding federal spending and, according to County Executive Long, most recent projections reflect a weakening of a number of categories which may impact expected FY 2015 revenues; and

Whereas, while some data has suggested a 2% increase in average wages in the County in FY 2014, many County taxpayers have had stagnant incomes, those who work for the Federal Government saw only a 1% pay increase, and many people employed by government contractors even lost their jobs or otherwise saw their incomes decline with the cut-backs in the growth of federal spending; and

Whereas, for many Fairfax County households, the effect of the 6.54% average increase in home assessments plus additional taxes and fees identified above constitutes a net decrease in household disposable income; and

Whereas, a 1-2% increase in the real estate tax rate will affect household disposable incomes and is likely especially to increase the financial burden faced by any family in the County that is struggling to get by and continue living in the County; and

Whereas, while applauding the initial steps taken in FY 2014 to eliminate structural imbalances and address, define and fund fair and sustainable pay, benefit and retirement systems, the MCA remains concerned.

Now, therefore, be it resolved that MCA urges the Board of Supervisors to strive for an equitable balance between funding for services that are provided directly by Fairfax County and those that are provided by the Fairfax County Public Schools; and

Be it further resolved that MCA urges the Board of Supervisors, in light of all the factors discussed above, to keep the real estate tax rate at \$1.085 per \$100 of assessed value; and

Be it further resolved that MCA urges the Board of Supervisors to direct its independent Auditor to critically review the underlying documentation for the School Board as well as the County Executive's funding request, if not for this year, then for 2016, to identify budgeting estimates and assumptions, such as for attrition rates and estimated revenues and expenditures, that should be questioned and hence, areas where economies can be realized. The MCA also urges the Board of Supervisors to seek state legislation to authorize it to address these aspects of the school system transfer request, if it deems that it needs such legislative authority; and

Be it further resolved that MCA urges the Board of Supervisors to scrutinize critically the County Executive's FY 2015 and FY 2016 Possible Budget Reductions List, dated March 18, 2014, with the goals of (1) removing from that list those items that would reduce or eliminate direct impact human services delivery to disabled, elderly or disadvantaged individuals; eliminate personnel positions at Fairfax County parks; or reduce library operations and acquisitions; and (2) identifying alternate means to achieve savings; and

Be it further resolved that MCA urges the FCPS and School Board to revisit the Superintendent's list of additional possible reductions, contained within the Superintendent's Menus of Discussion Considerations for FY 2015, dated October and November 2013.

*Approved by the MCA Board of Directors
April 2, 2014*

McLean Citizens Association, P.O. Box 273, McLean, Virginia 22102

cc: Fairfax County Board of Supervisors
John Foust, Dranesville District Supervisor
Fairfax County Executive Edward Long
Fairfax County School Board
Dranesville School Board Member Jane Strauss
Fairfax County School Superintendent Karen Garza