Possible Decreases in Direct Expenditures **Report FAC/FCTA-016**

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March 17, 2014

Introduction: In a previous report, we showed how the County's FY2015 budgeted disbursements can be reduced by $30M by reducing the amounts reserved. The total saving had to be an additional $42M if the household tax increase was to be no more than the 2.1% increase in household income. Herein we report the results of our investigation of each agency, looking for possible disbursement reductions.

Summary: According to our estimation, the disbursements can be reduced by $17M with another $25M reduction if the health benefits were reduced by changing the policy to a $1200 deductible system.

In our analysis, the few agencies and funds that we did not examine in detail were assumed to be funded at the level of the FY2015 advertised budget; however, the school transfer was increased from 2.0% to 2.1% over the FY2014 approved budget.

Discussion:

Overview

The County adds approximately 2.5% of the disbursement budget (Figure 1) as reserves in case revenues are much less than budgeted or in case unexpected expenses occur. The Revenue Stabilization fund is available to cover some, if not all, of any shortfall in revenue[1]. At the end of the year the unused reserves are put into the carryover budget. The carryover budget also has any other funds not expended during the year, including the Revenue Stabilization funds. Approximately 1.8% revised budget is not spent. The funds in the carryover budget are carried over to the subsequent year, being added to the adopted budget to form the revised budget. The adopted budget is decided by the Board of Supervisors (BOS) in the Spring, before the fiscal year begins on July 1. The agency to receive the carryover funds is decided by the Board of Supervisors in the Fall of the year, after the budget is approved. (The windfall revenues before the housing-bubble burst are also evident from Figure 1.)

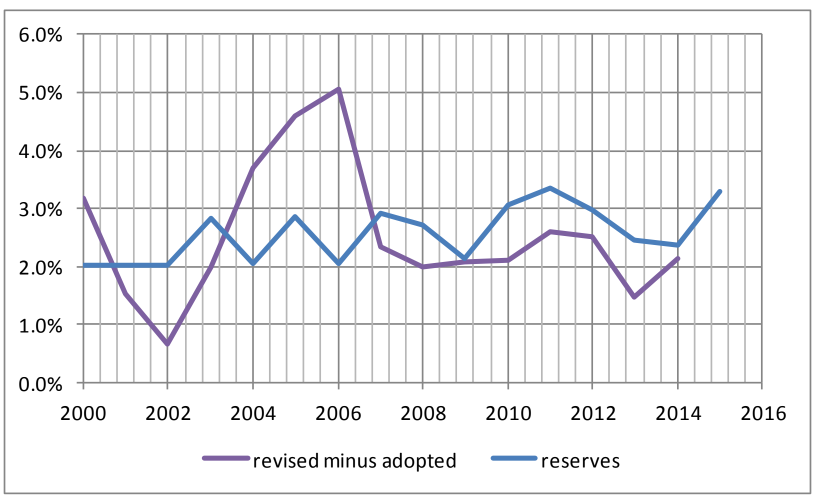

Figure 1: Percent Increase of Revised Budget over Adopted Budget

[1] For FY2015, the transfer to the Revenue Stabilization fund is receiving only 0.03% ($1M) of the budgeted revenue. The largest transfer was 1.44% in 2006. The average since FY2000 is 0.23%. The FY2014 adopted budget shows the Revenue Stabilization fund has $107,973,309 in it (http://www.fairfaxcounty.gov/dmb/fy2014/adopted/volume2/10010.pdf, Pg 23)

The gradual increase in the percent of reserved funds is accentuated by the 3.3% reserve allowance in FY2015. In a previous report we have suggested that the budgeted reserves be reduced by $30M (million) so that the reserve funds are 2.5% of the disbursement budget.

If the revised budget is used as the new baseline then a following-year budget having the same disbursement dollar value will actually incorporate a 2.5% increase – the amount of the carryover. To avoid masking an increase, the baseline should be the adopted budget. The adopted budgets can then be compared directly.

The FY2015 advertised disbursement total is $118M greater than the FY2014 adopted budget, of which $52M is direct expenses (a 4.0% increase), the remaining being "Transfers Out" (a 2.9% increase).

Questioned Direct Expenditures

As described below, $46M of the increases in the FY2015 budget seem unnecessary. The $46M is 3.4% of the Direct Expenditures and 1.2% of the Total Disbursements.

Agency 002 (Office of County Executive) wants to make its baseline be the FY2014 revised budget, which included $184,182 in carryover funds. By so doing, this account will increase its funding by 3.1% -- more than the CPI-U increase of 2.1%. This is an executive office; therefore, it should not scale with the 0.5% increase in population. The increase does not appear to be justified. **Amount involved: $0.18M.**

Agency 012 (Department of Purchasing and Supply Management) wants to make its baseline be the FY2014 revised budget, which included $277,213 in carryover funds. By so doing, this account will increase its funding by 5.7% – more than the CPI-U increase of 2.1%. The increase is for the addition of three people to the staff – a 6.4% increase in staff. The new people will enable expanding the program of auctioning used equipment to the public. The budget document justifies the increased staff on the basis that an additional $2M in income will be realized from the additional auctioning (seven times what is currently realized); however, the budget does not include this additional income. **Amount involved: $2M.**

Agency 017 (Office of County Attorney) is requesting only a 1.3% increase ($82,770). The workload in this agency has not increased significantly over the past few years. This budget comes under our scrutiny because reserves of $30M are being held for litigation in FY2015 as compared to $5M held in FY2014 and no reserves in previous years. **Amount involved: $30M, but this was claimed in the study of the reserved funds.**

Agency 70 (Department of Information Technology) is requesting a 1,116,279 (3.7%) increase. This amount includes a 1.29% salary increase ($381,779) for the staff of 252 people and $650,000 for support of the Disaster Recovery program, including its associated equipment. Approximately 80% of the $4.1M carryover funds received by this agency was encumbered for Operating Expenses. The encumbered funds constitute 24% of the agency's budget. There was no increase in staff size. The Carryover Budget[2] does not have an explanation for how this $3.2M was to be spent. The FY2015 budget does not include such a windfall. **Amount involved: $3.2M.**

Agency 82 (Office of the Commonwealth's Attorney) consists of the prosecutorial attorneys. Although case loads have not changed much over the past few years, the County justifies a 29.9% ($805,934) increase on the basis of the number of citizens per prosecutor, comparing the ratio for County to the ratios of Virginia cities – not the ratios of other Virginia counties. The County has 25 prosecutors funded at $2.7M in FY2014 (only $108,000 each). Much of the costs are offset by the fees charged for the services and by state reimbursements. The requested increase is an 89% increase in the net cost to the County because the budget shows no reimbursement for the added expenses. If the ratio of reimbursement to cost is the same for the new funds as for the FY2014 funds, then the increase in net cost would be $271,372; therefore, the amount needed is overstated by $534,561. **Amount involved: $0.5M.**

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[2] http://www.fairfaxcounty.gov/dmb/carryover/fy2013/fy2013_carryover.pdf

Agency 81 (Juvenile and Domestic Relations District Court), although its case load has not changed substantially over the past few years, the County justifies a 2.5% ($514,337) increase as a 1.29% salary increase ($251,605) and two programs funded by grants during FY2014: the Evening Reporting Center program and a gang-prevention program. The increase is approximately the same as the carryover funds this agency received ($593,510). The FY2015 budget calls for only two additional staff members (0.6%). To justify the continuation of the grant programs, data is needed on their effectiveness. **Amount involved: $0.3M.**

Agency 92 (Fire and Rescue Department) seeks an increase of 6.5% ($11.5M), although the number of incidents has been nearly constant over the past few years. The carryover was $8.9M. Of the increase, approximately $5.9M is for pay increases (to remain competitive with neighboring jurisdictions), $3.1M for the staffing the new Wolftrap station, and $2.3M for equipment. The "competitive" argument is not convincing because many people want to be firemen but are rejected. **Amount involved: $5.9M.**

Agency 26 (Office of Capital Facilities) seeks a 3.6% ($449,363) increase, divided among 1.29% salary increases, funding for four new positions, and funding for new streetlights. In light of the mixture of oversight and direct management of projects, some study of the utility of this agency is warranted. The agency may not be needed; however, at least some of its functions are needed. The saving would likely be in the reduction of a management position. **Amount involved: $0.2M.**

Agency 67 (Department of Family Services) seeks a 2.1% ($3,946,132) increase, which is 70% of the $5,599,507 carryover into this agency. The dashboard shows a slight increase in workload. The performance measures show the percent of cases that entered Family Services that seem to be resolved; however, the measures should include the number of cases that no longer need family services. Without this information, the success of the agency cannot be assessed. Data on the severity of the cases is also needed. The funding for this agency has been decreasing since 2009 at a rate of approximately 1.3% per year. Keeping the funding constant would not alter this trend. **Amount involved: $4.0M.**

Agency 68 (Department of Administration for Human Services) seeks a 5.7% ($672,059) increase. This percentage is considerably greater than those of the largest organizations within the Health and Welfare program area. The amount is $500,000 more than received in the $147,951 carryover. The carryover amount is sufficient to pay for 1.29% in salary increases. **Amount involved: $0.5M.**

Agency 73 (Office to Prevent and End Homelessness) seeks an increase of 7.8% (884,617), which is nearly 100% of the carryover funds it received. Only $10,000 is for salary increases. The increased operating cost of County-owned housing ($480,000) and the increased price ($185,000) of contracted services account for most of the increase. Another $207,000 that formerly matched a Federal grant will be used to "support homeless activities". The performance measures show the number of homeless that were settled in permanent housing. The measures should include the total number serviced. We have a similar comment on Agency 71, below. We have insufficient information to evaluate the operating costs but this last amount seems unnecessary. **Amount involved: $0.2M.**

Agency 79 (Department of Neighborhood and Community Services) seeks an increase of 8.0% ($2,096,338), which is almost twice the carryover amount it received. The new Providence Community Center accounts for half of the increase. The income from the community centers seems low.

Agency 89 Employee Benefits seeks a 5.3% ($15,684,155) increase. Of the requested amount $3,172,905 of the increase is due to new hires, as described under the individual agencies. Another $5,307,073 is for a 1.29% pay increase (3% for uniformed employees). Pay increases of 1.29% are included under each of the agency budgets. *Have these been counted twice by including them here?* The cost of employee benefits is great, adding more than 40% to the employee remuneration – much more than the 25% in private industry. Converting the health benefit to a $3000 deductible for over 20,000 employees would save $60M. **Amount involved: $60M.**

The agencies not considered individually are listed in Appendix A. If all of these agencies had their budgets reset to the approved FY2014 values, the savings would be $1.3M. **Amount involved: $1.3M.**

Other Direct Expenditures That Were Evaluated but No Changes Seemed Warranted

Agency 15 (Office of Elections) is not simply increasing its budget to encompass the carryover ($38,471) but increasing it to add three positions, a 15% increase in staff, at a cost of $257,241, to accommodate the number of voters registering (150,000 per year) and the increasing number of absentee ballots (from 25,000 in 2011 to 90000 in 2013). The increase is reasonable. The $12M cost of new voting machines is included in Fund 10040, not in Agency 015.

Agency 31 (Land Development Services, as part of Public Safety Program Area) is budgeted for a 25.5% ($1,938,912) increase, but no staff increase – four people were transferred to Agency 25; however, all of the costs are offset by income from fees. The income appears in the Revenue section of the General Fund Statement.

Agency 08 (Facilities Management Department) seeks an increase of 6.9% ($3,508,746). Leased space increased in price 7.3% ($1,168,221) to approximately $16M for 75,000 sf. Another $1,579,127 is needed for the operating expenses for a new 200,000 sf Mid-County Human Services Center, including $221,990 for four maintenance personnel who will also maintain adjacent buildings. Expansion of existing facilities will add 145,760 sf, requiring an additional $503,859 ($3.46/sf). The total operating budget covers 8,700,000 sf for $49,109,906 ($5.64/sf) with 203 people (43,000 sf/person).

Agency 25 (Business Planning and Support) proposes to add 25.1% to its budget ($193,341). The increase in costs is due to a reorganization that sent four people from Land Development Services (Agency 31) to Agency 25.

Agency 71 (Health Department) seeks a 2.4% ($1,249,971) increase, which is approximately 30% of the carryover it received. Additional IT support accounts for 20% ($244,379) of the increase due to the changes needed to accommodate Federal standards for record keeping. The remainder is for the 1.29% salary increases. Performance measures show only percent of cases. A more informative measure would be the number of cases and the number resolved (or percent resolved).

Review of the Transfers Out

We have questions concerning increases in the Transfers Out totaling $40M, accounting for 1.7% of the Total Transfers Out and 1.1% of the Total Disbursements.

The first surprise in the Transfers Out is the absence of funding for the E-911 service. Previous years approximately $15M was transferred to the E-911 fund. **Amount involved: $ -17M**

Fund 317 (Capital Renewal Construction), which had no funding in the adopted FY2014 budget but received $5M in the carryover, now wants $8M in the budget. The procedure used in previous years should be adopted. **Amount involved: $8M.**

Fund 307 (Pedestrian Walkway Improvements), which was set at $100,000 in the FY2014 adopted budget, is scheduled for $300,000 in the FY2015 advertised budget – the full amount after the $200,000 in the carryover budget. **Amount involved: $0.2M.**

If the other funds that are listed in **bold** in Appendix A are set back to their FY2014 values, as increased 2.1% for inflation, the saving would be another $21M, including the school transfer. The adjustment for inflation would make the school transfer be greater than shown in the advertised FY2015 budget. **Amount involved: $21M.**

Appendix A: Agencies and Funds Need Further Investigation

Agencies	#
Public Safety	
93 Office of Emergency Management	093
97 Department of Code Compliance	097
Parks and Libraries	
52 Fairfax County Public Library	052
Community Development	
35 Department of Planning and Zoning	035
36 Planning Commission	036
38 Department of Housing and Community Development	038

Transfers Out	#
Public School Operating (School Transfer Fund)	090
Consolidated Community Funding Pool	118
Contributory Fund	119
Information Technology	104
County Debt Service	200
School Debt Service	201
General Construction and Contributions	303
Transportation Improvements (Primary and Secondary road construction)	304
Fairfax-Falls Church Community Services Board	106
E-911 Fund	120
County Insurance Fund	501
Alcohol Safety Action Program	117