

# Fund 10015: Economic Opportunity Reserve

## Focus

In the April 2015 update to the *Ten Principles of Sound Financial Management*, the Board of Supervisors approved the establishment of a reserve to stimulate economic growth and to provide for strategic investment opportunities identified as priorities by the Board. This reserve had a target funding level of 1.0 percent of total General Fund disbursements and was to be created and funded after the requirements associated with the Managed Reserve and Revenue Stabilization Reserve were fully funded at their new policy levels of four and five percent, respectively.

The *Eight Principles of Investment in Economic Opportunities* were first adopted by the Board in February 2017. In response to the COVID-19 pandemic, the Board of Supervisors approved modifications to EOR Guidelines on April 14, 2020, to expand the use of EOR funds. Currently, four types of projects are identified as suitable for direct investment from the reserve:

- Capital development projects;
- Purchase of real estate;
- Programming support for economic development activities of strategic importance; and,
- COVID-19 Economic Mitigation Projects.

In February 2018, the Board adopted a three-step process to evaluate projects for investment, *Process to Evaluate Investment in Economic Opportunities*. This process is in use to guide one-time seed investments in projects that provide economic benefits to Fairfax County and the region. In order to react quickly to the economic challenges posed by the COVID-19 response, COVID-19 Economic Mitigation Projects will be brought to the earliest available Board Meeting and/or Board Committee meeting for review and evaluation.

During the *FY 2019 Carryover Review*, the Managed Reserve and Revenue Stabilization Reserve funding requirements were met and Fund 10015, Economic Opportunity Reserve, was established. As of the FY 2023 Advertised Budget Plan, the projected balance in the reserve is 1.0 percent of General Fund disbursements. As projects are approved by the Board, funding is reallocated from the Appropriated Reserve to specific projects within Economic Opportunity Projects.

## FY 2023 Funding Adjustments

*The following funding adjustments from the FY 2022 Adopted Budget Plan are necessary to support the FY 2023 program:*

### **General Fund Transfer**

A General Fund transfer of \$611,137 is required in FY 2023 to maintain the fund at its target level of 1.0 percent of General Fund disbursements. This contribution, combined with retained interest earnings and the anticipated carryforward of balances from FY 2022, results in full funding of the reserve at 1.0 percent of General Fund disbursements. No appropriation is included currently for FY 2023 as the full balance will be appropriated as part of the *FY 2022 Carryover Review*.

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### **Changes to FY 2022 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2022 Revised Budget Plan since passage of the FY 2022 Adopted Budget Plan. Included are all adjustments made as part of the FY 2021 Carryover Review, FY 2022 Mid-Year Review, and all other approved changes through December 31, 2021:*

#### **Carryover Adjustments** **\$47,156,151**

As part of the *FY 2021 Carryover Review*, the Board of Supervisors approved an increase of \$478,779 in the General Fund transfer to this fund due to a net increase in General Fund disbursements. FY 2022 expenditures were increased \$47,156,151 to appropriate the full balance of the fund, reflecting \$2,664,608 in remaining balances previously appropriated to approved projects and an Appropriated Reserve of \$44,491,543 to allow additional projects approved by the Board of Supervisors to be funded throughout the fiscal year.

#### **Mid-Year Adjustments** **\$217,960**

As part of the *FY 2022 Mid-Year Review*, the Board of Supervisors approved an increase of \$217,960 in the General Fund transfer to this fund in association with an increase in FY 2022 General Fund disbursements and consistent with the County's reserve policy. As projects are approved by the Board, funding is reallocated from the Appropriated Reserve to specific projects.

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### FUND STATEMENT

Category	FY 2021 Actual	FY 2022 Adopted Budget Plan	FY 2022 Revised Budget Plan	FY 2023 Advertised Budget Plan
<b>Beginning Balance<sup>1</sup></b>	<b>\$31,444,084</b>	<b>\$45,644,215</b>	<b>\$46,527,372</b>	<b>\$47,374,111</b>
<b>Revenue:</b>				
Interest Earnings	\$107,109	\$150,000	\$150,000	\$150,000
<b>Total Revenue</b>	<b>\$107,109</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$150,000</b>
<b>Transfers In:</b>				
General Fund (10001)	\$14,050,131	\$0	\$696,739	\$611,137
<b>Total Transfers In</b>	<b>\$14,050,131</b>	<b>\$0</b>	<b>\$696,739</b>	<b>\$611,137</b>
<b>Total Available</b>	<b>\$45,601,324</b>	<b>\$45,794,215</b>	<b>\$47,374,111</b>	<b>\$48,135,248</b>
<b>Expenditures:</b>				
Economic Opportunity Projects	(\$926,048)	\$0	\$2,914,608	\$0
Appropriated Reserve	0	0	44,459,503	0
<b>Total Expenditures</b>	<b>(\$926,048)</b>	<b>\$0</b>	<b>\$47,374,111</b>	<b>\$0</b>
<b>Total Disbursements</b>	<b>(\$926,048)</b>	<b>\$0</b>	<b>\$47,374,111</b>	<b>\$0</b>
<b>Ending Balance<sup>1</sup></b>	<b>\$46,527,372</b>	<b>\$45,794,215</b>	<b>\$0</b>	<b>\$48,135,248</b>

<sup>1</sup> The FY 2023 Advertised Budget Plan Beginning Balance assumes the carryover of the Total Available funding from FY 2022. The full amount available in the reserve is appropriated in FY 2022 to allow for its allocation to projects as approved by the Board of Supervisors, resulting in an FY 2022 Ending Balance of \$0. It is anticipated, however, that a significant portion of the reserve, as well as unspent balances in projects, will be carried forward each year. Appropriations will be made for FY 2023 as part of the FY 2022 Carryover Review. Fluctuations in the Ending Balance are due to the timing of spending in the Economic Opportunity Projects and the accumulation of balances to increase the reserve to its target level of 1.0 percent of General Fund disbursements. The FY 2023 projected Ending Balance of \$48,135,248 is at the target level of 1.0 percent of FY 2023 Advertised General Fund disbursements.

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### SUMMARY OF ECONOMIC OPPORTUNITY PROJECTS

Project	Total Project Estimate	FY 2021 Actual Expenditures	FY 2022 Revised Budget	FY 2023 Advertised Budget Plan
Annandale Pilot Projects (2G30-002-000)	\$124,565	\$44,812.83	\$78,913.13	\$0
Connected Autonomous Vehicle Demo LCM (2G30-010-000)	50,000	29,139.63	20,860.37	0
Downtown Herndon Redevelopment (2G30-005-000)	1,200,000	0.00	1,200,000.00	0
ESSP Implementation (2G30-004-000)	91,334	4,000.00	87,334.22	0
Microloan Program (2G16-001-000) <sup>1</sup>	2,500,000	(1,069,000.00)	1,177,500.00	0
Springfield Gateway Projects (2G30-003-000)	100,000	0.00	100,000.00	0
Town of Vienna-Economic Dev Study (2G30-007-000)	50,000	50,000.00	0.00	0
Tysons Partnership Activation (2G30-011-000) <sup>2</sup>	250,000	0.00	250,000.00	0
Tysons Partnership-Branding (2G30-008-000) <sup>3</sup>	630,000	15,000.00	0.00	0
<b>Total</b>	<b>\$4,995,899</b>	<b>(\$926,047.54)</b>	<b>\$2,914,607.72</b>	<b>\$0</b>

<sup>1</sup> A total of \$2,500,000 was allocated for the Microloan Program (2G16-001-000) in Fund 10015, Economic Opportunity Reserve. Of this amount, \$2,391,500 was remitted to the Community Business Partnership (CBP) in FY 2020, leaving a balance of \$108,500 in FY 2021 to pay CBP an administrative fee for administering the program. Subsequent to the establishment of the Microloan Program, the RISE Grant program was established which provided grants to eligible businesses. Overlap of interest in both programs resulted in issuance of only 64 microloans in the combined amount of \$1,213,500. Consistent with the terms of the Memorandum of Understanding between the Board of Supervisors and CBP, the microloan funds unallocated by October 31, 2020, totaling \$1,069,000, were returned to the County by CBP and were redeposited into the Economic Opportunity Reserve. This action resulted in an expenditure credit to the Economic Opportunity Reserve in FY 2021.

<sup>2</sup> On July 27, 2021, the Board of Supervisors approved the Tysons Partnership Activation Project (2G30-011-000) and allocated \$250,000 from Fund 10015 to support implementation of community activation, branding initiatives and organizational development.

<sup>3</sup> On December 3, 2019, the Board of Supervisors approved up to \$1,000,000 in funds from Fund 10015 to assist the Tysons Partnership in the development and launch of a multi-phase branding campaign for Tysons. The County funding was awarded as an equal match to funds raised by the Tysons Partnership. The capital campaign ended with the onset of the COVID-19 emergency measures with a total Fund 10015 contribution of \$630,000. As part of the *FY 2021 Carryover Review*, the Tysons Partnership-Branding economic opportunity project (2G30-008-000) was closed out and the unexpended balance of \$370,000 was returned to the Appropriated Reserve.