



FY 2022 County and Schools Fiscal Forecast Highlights



From the FY 2022 County and
Schools Joint Fiscal Forecast
Originally Presented on
November 24, 2020



Fairfax County staff are in the process of updating the draft Countywide Strategic Plan in light of the COVID-19 pandemic and the significant economic and sociological changes that have occurred across the country.

Core components of the plan are not expected to change significantly

Priority Outcome Areas

-  Lifelong Education and Learning
-  Mobility and Transportation
-  Safety and Security
-  Housing and Neighborhood Livability
-  Economic Opportunity
-  Health and Environment
-  Cultural and Recreational Opportunities
-  Empowerment and Support for Residents Facing Vulnerability
-  Effective and Efficient Government

Guiding Principles

- Affordability
- Access
- Collaboration & Engagement
- Equity
- Innovation
- Placemaking
- Sustainability

Staff are currently working with Board members to gain insight and work together to develop a broad-based community engagement process.

The adoption of the Strategic Plan is expected to align with the FY 2022 budget.



Fairfax County Revenue Picture



- As a result of COVID-19, actual FY 2020 County revenues were 0.3% below the budget estimate
 - Collections of Sales Tax and Transient Occupancy Tax (TOT) experienced significant monthly declines as these categories are extremely sensitive to economic conditions
 - Many other charges and fees were lower as a result of program closures and lower levels of activity across the County
- For FY 2021, the Mid-Year revenue review reduced revenues by \$15 million
 - SACC revenue, TOT, EMS billings, General District Court fines are expected to be down, partially offset by projected higher Sales Tax and Recordation/Deed of Conveyance receipts
- FY 2022 revenue is projected to be generally flat, as no growth is anticipated for the two biggest revenue categories - Real Estate and Personal Property taxes

Revenue Projections during the COVID-19 Pandemic

A great level of uncertainty

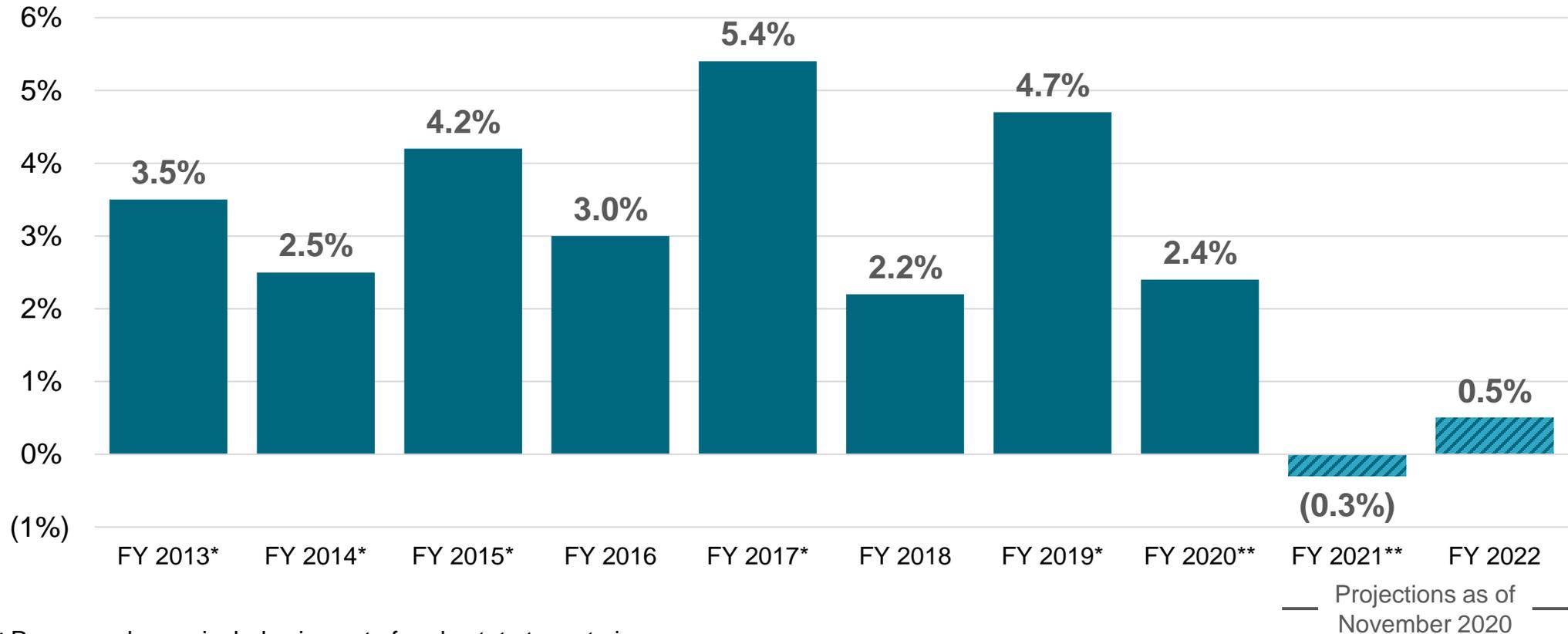
- While a level of uncertainty exists each year, the uncertainty of revenue projections this year is especially magnified due to the unprecedented economic disruptions as a result of COVID-19
- Revenue collections have experienced high volatility since the beginning of the pandemic
- FY 2022 revenue forecast assumes that the gradual economic recovery which began in the summer will continue
- Larger than usual variance between November forecast and revenues in FY 2022 Advertised Budget is possible

Downside risks persist

- Further increases in COVID-19 cases could cause additional restrictions on businesses
- Delayed/deferred federal fiscal stimulus until 2021
- Expiration of unemployment insurance benefits could result in lower consumer confidence and spending
- Timing of vaccine distribution and resumption of normal business activity unknown at this time

Annual Change in General Fund Revenue

FY 2013-FY 2022



* Revenue change includes impact of real estate tax rate increase

** FY 2020 and FY 2021 growth rates exclude the impact of the one-time \$200 million in CARES funding received in FY 2020.

Real Estate Projections – FY 2022 Versus FY 2021

- Real Estate tax is by far the largest source of revenue, comprising almost 68% of total General Fund revenue
- Currently projected to be flat in FY 2022, compared to an increase of 3.77% in FY 2021
- Nonresidential properties are largest area of concern due to negative impact of COVID-19
- Projected decline in nonresidential values is expected to be offset by growth in residential values

Changes in Assessments	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Multi-Year Estimate in FY 2021 Adopted Budget	FY 2022 Estimate as of Nov. 2020
Residential	2.17%	2.36%	2.65%	1.50%	3.00%
Nonresidential	3.79%	2.71%	2.87%	(10.00)%	(10.00)%
New Construction	1.01%	1.15%	1.06%	0.60%	0.50%
Total Real Estate base	3.59%	3.60%	3.77%	(1.00)%	0.00%

FY 2022 Projections for Other County Revenue Categories

Tax Revenues

- Personal Property Tax – projected to be flat pending further analysis of vehicles currently in the County valued with data from NADA
 - Preliminary data indicates used car values are up due to tight inventory, while vehicle volume in the County is projected to be down
- BPOL – 5% increase after a projected decline of almost 11% in FY21
- Sales Tax – growth of 5% after a projected slight increase in FY21
- Transient Occupancy Tax – increase of 25% after a projected drop of almost 56% in FY21

Non-Tax Revenues

- Investment Interest revenue – 43% decrease after a 66% drop in FY21
 - The Fed is expected to keep its funds rate near zero for an extended period
- Charges for Services – 20.5% increase primarily due to increased revenue from SACC, Rec classes, and other County programs
- Fines and Forfeitures revenue – 5% increase following a projected decline of over 20% in FY21

Forecast Summary

Funding in Millions	County	Schools
Available County Revenue	\$0.0	--
Net Schools Revenue	--	(\$15.7)
Total Available	\$0.0	(\$15.7)
Employee Benefits	\$12.1	\$19.3
Debt Service	\$2.5	\$2.6
Collective Bargaining	\$1.0	\$0.6
Other Requirements	\$25.0	(\$5.7)
Net Uses*	\$40.6	\$16.8
Net Projected Shortfall (without Other Needs)	(\$40.6)	(\$32.5)

* Net Uses does not include the impact of reserve adjustments. The FY 2022 Advertised Budget Plan will include reserve contributions necessary to maintain the County's reserves at their target levels.

County Stimulus Funding Received

Through November 13, 2020, \$340.5 million has been received through various funding sources

CARES Coronavirus Relief Fund \$200.2 million

- All of the County's funding has been allocated across various categories, including Community and Business Support, Public Health Programs, and County Support and Operations. A total of \$19.6 million has been allocated to support FCPS.
- The CRF deadline is currently December 30, 2020.

Grants and Other Awards \$135.1 million

- Deadlines for awards vary, with some funding through the CARES Act with a December 30, 2020 deadline.
- Reflects State CARES allocation for FCPS and Elementary and Secondary School Emergency Relief (ESSER) funds.
- Additional awards are anticipated, especially as the state continues to allocate its CRF funds.

FEMA Reimbursements \$5.2 million

- Staff continues to process reimbursement requests.
- FEMA currently covers 75% of eligible expenses, with a 25% local cost share.
 - \$10 million has been set aside in the CRF allocation for local share.
- Expenses are eligible until FEMA declares an end to the emergency declaration.

Funding the Pandemic Response Post-Stimulus

- The lack of additional stimulus funds will place added pressure on the FY 2021 budget
 - Public Health, Coordinated Services Planning (CSP) and Emergency Management positions added for the pandemic response and charged to the CRF will need to be picked up with General Fund dollars post-December 30
 - Programs established to combat the pandemic and its economic effects must continue as the impacts of COVID-19 continue to be felt across the County
- As noted in the November stimulus memo, the existing pandemic response programs that have been established using Coronavirus Relief Funds will continue into 2021
 - Increased Basic Needs Support
 - Contact Tracing Program
 - Non-Congregate Sheltering/Medical Isolation
- If no additional stimulus funding is received, existing resources will be identified
 - General Fund Pandemic Reserve
 - Savings generated through targeted Agency Reductions
 - General Fund flexibility generated through charging public health/public safety salaries to CRF balances at year-end



Balancing the FY 2022 Budget

- Expenditure estimates included in this forecast will be refined, and some items will be reduced or deferred
- Baseline budgets will be reviewed to identify opportunities for savings
- Additional federal stimulus funds would help to relieve budgetary pressures
- Revenue projections will be monitored as additional information becomes available
 - Every 1% change in the real estate tax base is equal to \$29.9 million
 - Every 1% of personal property growth is equal to \$6.2 million
 - Every 1% of sales tax growth is equal to \$1.9 million

FY 2022 Budget Timeline

	COUNTY DATES	SCHOOLS DATES	STATE DATES
Governor presents Budget Bill			December 16, 2020
Superintendent releases FY 2022 Proposed Budget		January 7, 2021	
School Board holds public hearings on budget (Jan 27 if needed)		January 26-27, 2021	
State money committees to complete action on budget bills			February 7, 2021
Last day to act on state budget bills and appoint budget conferees			February 17, 2021
School Board adopts FY 2022 Advertised Budget		February 18, 2021	
County Executive presents FY 2022 Advertised Budget	February 23, 2021		
General Assembly Session adjourns sine die			February 27, 2021
Joint County/Schools Budget Committee Meeting	March 2, 2021	March 2, 2021	
Board of Supervisors advertises FY 2022 tax rates	March 9, 2021		
Last Day for Governor's action on legislation by midnight			March 29, 2021
Board of Supervisors holds public hearings on FY 2022 Budget	April 13-15, 2021		
Board of Supervisors marks up FY 2022 Budget	April 27, 2021		
Board of Supervisors adopts FY 2022 Adopted Budget	May 4, 2021		
School Board holds public hearings on budget		May 11-12, 2021	
School Board adopts FY 2022 Approved Budget		May 20, 2021	
FY 2022 Budget Year begins	July 1, 2021	July 1, 2021	July 1, 2021

The full forecast presentation is available at <https://www.fairfaxcounty.gov/budget/board-supervisors-budget-committee-meeting-november-24-2020>.