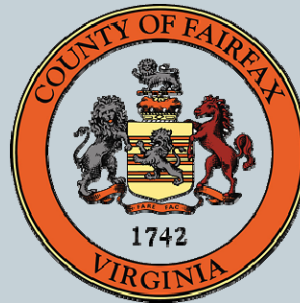


Joint Meeting of the Board of Supervisors and School Board



FY 2018 Budget Forecast

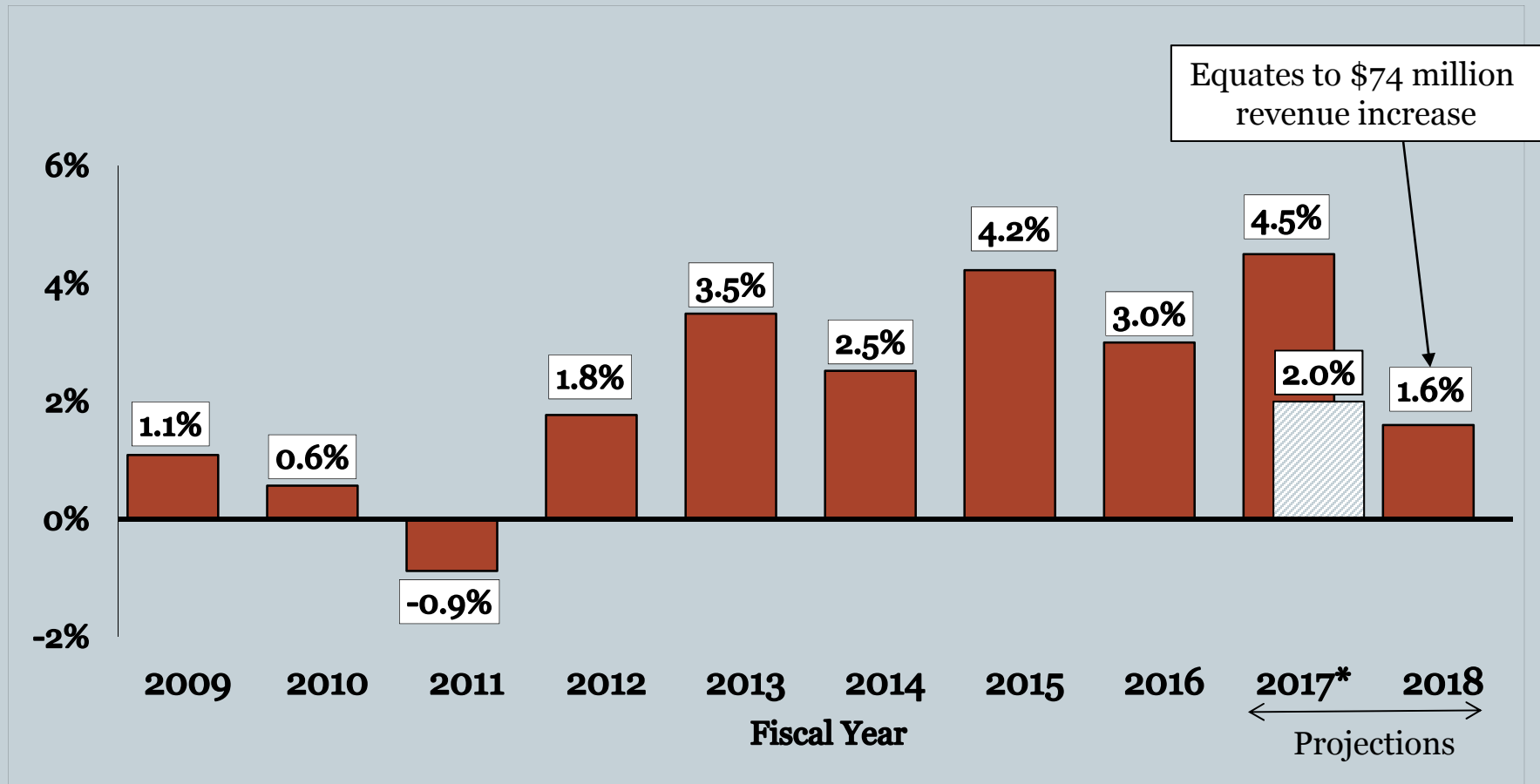


NOVEMBER 22, 2016



**COUNTY
GENERAL FUND
REVENUES**

Annual Change in General Fund Revenue FY 2009 – FY 2018



* Without the 4 cent Real Estate tax increase, revenue would be up 2.0%

**Projections as of November 2016

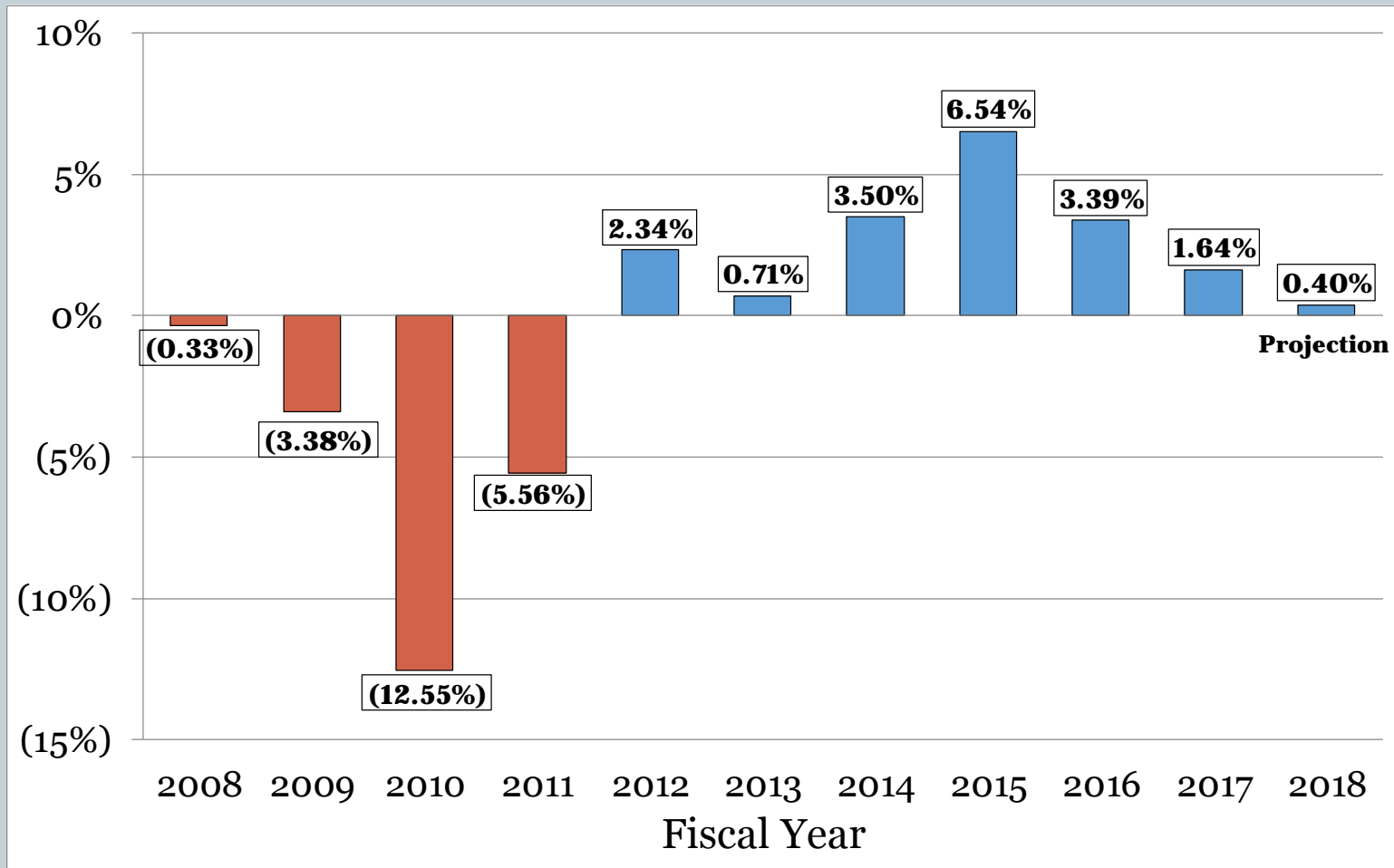
Real Estate Projections - Multi-Year Versus November Estimates - \$43 million revenue loss



- Compared to the forecast included in the multi-year budget, the November Real Estate revenue estimate is down **\$43 million**

Changes in Assessments	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Multi-Year Estimate in FY 2017 Adopted Budget	FY 2018 Estimate as of Nov. 2016
Residential	6.54%	3.39%	1.64%	1.64%	0.40%
Nonresidential	(0.10)%	(0.60)%	2.87%	3.00%	1.25%
New Construction	0.93%	1.06%	1.04%	1.00%	0.76%
Total Real Estate base	5.77%	3.46%	2.98%	3.00%	1.37%

Annual Changes in Residential Equalization



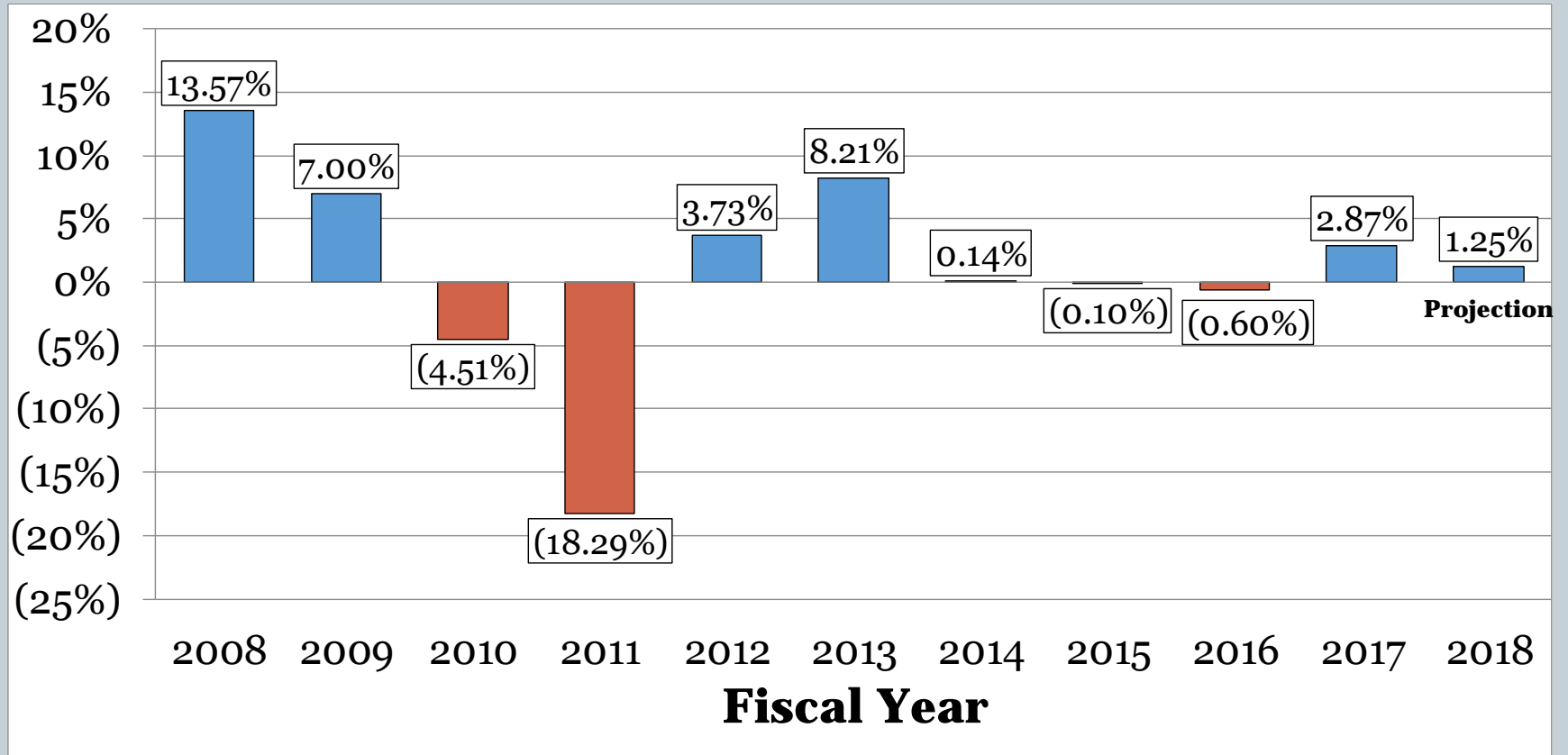
Fairfax County's Housing Market



Residential Values are projected to increase only 0.4% in FY 2018

- Home prices in Fairfax County are essentially flat through October
- Year-to-date through October, the number of home sales has increased 4.9%
- Average number of days to sell a home is 53 days in October 2016 compared to 61 days last October
- Supply of homes for sale on the market is down 22.0% in October

Annual Changes in Nonresidential Equalization



Nonresidential Real Estate



Nonresidential Values are projected to increase 1.25% in FY 2018

- Office vacancy rates remain at historically elevated levels
 - Direct office vacancy rate – 16.2%; with sublets – 17.2% as of year-end 2015
 - Many tenants are upgrading to newer buildings located near Metro or other amenities such as established town centers
 - Some tenants are also downsizing their space requirements
 - Economic uncertainty over new administration and potential sequestration

Revenue from the Commonwealth



- State revenue deficit is cause for concern
- A \$1.2 billion budget short-fall for the FY 2017 – FY 2018 Biennium
- Actions to-date:
 - Assumes Rainy Day Fund withdrawal
 - Eliminates salary increases for teachers and state supported local constitutional officers
 - Identifies additional reductions in state agencies budgets
- Remaining Budget Gap to be addressed
 - FY 2018 -- \$654 million
 - Governor's Amended Budget in December



DISBURSEMENT FORECAST

FY 2018 Disbursement Forecast



- Revenue growth projected at 1.57% generates \$74 million
- In order to maintain Schools disbursement percentage at 52.7%, additional revenue is allocated as follows:
 - Schools: \$39.17 million
 - County: \$34.89 million
- Revenue growth will not cover disbursement needs discussed in October for either the Schools or the County
- All reserve requirements are covered in FY 2017 baseline

Schools Support



- FY 2018 Forecast includes increases of \$39.17 million for Schools, including:
 - Schools Operating
 - ✦ \$39.91 million, representing a 2.09% increase in County transfer
 - Schools Debt Service
 - ✦ (\$0.74) million
 - ✦ Maintains Annual Sales of \$155 million
 - Capital Funding
 - ✦ Transfer maintained at \$13.1 million

County Summary



- County allocation of revenues in FY 2018 Forecast equals \$34.89 million
- This level of revenue is not sufficient to cover required increases related to County Debt Service, Employee Benefits, Employee Pay, and prior Board commitments
- Many important priorities cannot be funded

County Summary

- County allocation of revenues in FY 2018 Forecast equals \$34.89 million
- This level of revenue is not sufficient to cover required increases related to County Debt Service, Employee Benefits, Employee Pay, and prior Board commitments
- Many important priorities cannot be funded

	FY 2018 (in \$mil)
County Allocation	\$34.89
Debt Service	\$9.28
Employee Benefits	\$8.40
Employee Pay*	\$21.27
Prior Board Commitments	\$10.22
Subtotal	\$49.17
Net Balance	(\$14.28)
Other Board Priorities	\$40.82
Total	\$89.99
Net Balance	(\$55.10)

** Does not include 1.65% Market Rate Adjustment. The \$19.8 million related to the MRA is in Other Board Priorities.*

Core Funding Priorities



- Core funding priorities total \$49.17 million:
 - County Debt Service \$9.28 mil
 - Employee Benefits – Retirement & Health \$8.40 mil
 - Employee Pay \$21.27 mil
 - ✦ Uniformed Merits/Longevities - \$9 mil
 - ✦ General County Increases/Longevities - \$12 mil
 - ✦ Living Wage - \$193k
 - Prior Board Commitments \$10.22 mil
 - ✦ Fire Captain Overtime – \$2.3 mil
 - ✦ SAFER Grants – \$2.1 mil
 - ✦ ID/DD Support Coordination – 12 positions and \$1.1 mil
 - ✦ Children’s Services Act - \$3.2 mil
 - ✦ Recurring Carryover Adjustments - \$1.6 mil
 - ✦ Metro (requirement TBD)
- Funding these items leaves a deficit of ***\$14.28 million***

Other Board Priorities



- **Other important Board priorities include:**
 - Market Rate Adjustment \$19.80 mil
 - ✦ 1.65% calculated for FY 2018
 - Market Studies \$2.50 mil
 - Police/Sheriff Pay Scale Leveling \$3.12 mil
 - Special Education Graduates \$4.80 mil
 - Diversion First/Ad-Hoc Police Commission \$7.50 mil
 - South County Patrol Positions (Open 2021) \$3.10 mil
- **The addition of these items brings the projected deficit to \$55.10 million**

Many Funding Needs Not Included



- The projected \$55 million shortfall does not include funding for other significant items, including:
 - Public Safety Staffing Plan
 - ✦ Approximately 58 positions and \$7.9 million
 - Other PFM Study Recommendations for Police related to the Ad-Hoc Commission recommendations
 - ✦ Span of Control (36 positions and \$7.9 million)
 - ✦ Relief Sergeants (18 positions and \$3.2 million)
 - Impact of State Cuts
 - Capital Requirements
 - ✦ \$5.6 million
 - Information Technology Projects
 - ✦ \$3.0 million
 - Other Human Services/Safety Net Needs

Looking Ahead: More Uncertainty



- Uncertainty about the impact of new administration on the local economy
 - Potential changes to the Affordable Care Act
- Looming sequestration cuts scheduled to resume in fall 2017 unless Congress acts
- Uncertainty about interest rates and Fed policy
- State budget
- Restrained revenue growth for the foreseeable future