

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; and
- 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 2022 Adopted 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.

Pandemic Response and Impact

Pursuant to the amended EOR guidelines, EOR funding was used to create the \$2.5 million Small Business COVID-19 Recovery Microloan Fund.

FY 2022 Funding Adjustments

The following funding adjustments from the FY 2021 Adopted Budget Plan are necessary to support the FY 2022 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 4, 2021.

General Fund Transfer

No General Fund transfer is required in FY 2022 to maintain the fund at its target level of 1.0 percent of General Fund disbursements. No appropriation is included currently for FY 2022 as the full balance will be appropriated as part of the *FY 2021 Carryover Review*.

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Changes to FY 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, FY 2021 Third Quarter Review, and all other approved changes through April 30, 2021.

Carryover Adjustments \$45,698,062

As part of the *FY 2020 Carryover Review*, the Board of Supervisors approved an increase of \$5,840,970 in the General Fund transfer to this fund due to a net increase in General Fund disbursements. FY 2021 expenditures were increased \$45,698,062 to appropriate the full balance of the fund, reflecting \$2,108,560 in remaining balances previously appropriated to approved projects and an Appropriated Reserve of \$43,589,502 to allow additional projects approved by the Board of Supervisors to be funded throughout the fiscal year.

Mid-Year Adjustments (\$53,847)

As part of the *FY 2021 Mid-Year Review*, the Board of Supervisors approved a decrease of \$53,847 in the General Fund transfer to this fund in association with a decrease in FY 2021 General Fund disbursements and consistent with the County's reserve policy. This decrease resulted in a corresponding reduction of \$53,847 to the Appropriated Reserve. 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 2020 Actual	FY 2021 Adopted Budget Plan	FY 2021 Revised Budget Plan	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Beginning Balance¹	\$0	\$34,215,003	\$31,444,084	\$45,644,215	\$45,644,215
Revenue:					
Interest Earnings	\$236,420	\$150,000	\$150,000	\$150,000	\$150,000
Total Revenue	\$236,420	\$150,000	\$150,000	\$150,000	\$150,000
Transfers In:					
General Fund (10001)	\$34,215,003	\$8,263,008	\$14,050,131	\$0	\$0
Total Transfers In	\$34,215,003	\$8,263,008	\$14,050,131	\$0	\$0
Total Available	\$34,451,423	\$42,628,011	\$45,644,215	\$45,794,215	\$45,794,215
Expenditures:					
Economic Opportunity Projects	\$3,007,339	\$0	\$2,108,560	\$0	\$0
Appropriated Reserve	0	0	43,535,655	0	0
Total Expenditures	\$3,007,339	\$0	\$45,644,215	\$0	\$0
Total Disbursements	\$3,007,339	\$0	\$45,644,215	\$0	\$0
Ending Balance¹	\$31,444,084	\$42,628,011	\$0	\$45,794,215	\$45,794,215

¹ The FY 2022 Adopted Budget Plan Beginning Balance assumes the carryover of the Total Available funding from FY 2021. The full amount available in the reserve is appropriated in FY 2021 to allow for its allocation to projects as approved by the Board of Supervisors, resulting in an FY 2021 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 2022 as part of the *FY 2021 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 2022 projected Ending Balance of \$45,794,215 is at the target level of 1.0 percent of FY 2022 Adopted General Fund disbursements.

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SUMMARY OF ECONOMIC OPPORTUNITY PROJECTS

Project	Total Project Estimate	FY 2020 Actual Expenditures	FY 2021 Revised Budget	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Annandale Pilot Projects (2G30-002-000)	\$124,565	\$838.60	\$123,725.96	\$0	\$0
Connected Autonomous Vehicle Demo LCM (2G30-010-000)	50,000	0.00	50,000.00	0	0
Downtown Herndon Redevelopment (2G30-005-000)	1,200,000	0.00	1,200,000.00	0	0
ESSP Implementation (2G30-004-000)	91,334	0.00	91,334.22	0	0
Microloan Program (2G16-001-000)	2,500,000	2,391,500.00	108,500.00	0	0
Springfield Gateway Projects (2G30-003-000)	100,000	0.00	100,000.00	0	0
Town of Vienna-Economic Dev Study (2G30-007-000)	50,000	0.00	50,000.00	0	0
Tysons Partnership-Branding (2G30-008-000)	1,000,000	615,000.00	385,000.00	0	0
Total	\$5,115,899	\$3,007,338.60	\$2,108,560.18	\$0	\$0