

County Executive's Presentation on the Budget and Countywide Strategic Plan

February 23, 2021



FY 2022
ADVERTISED
BUDGET PLAN

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- With the timing and scale of economic recovery still uncertain, maintains conservative budgetary posture
- Builds upon the success that the County has had in utilizing federal stimulus funds, particularly the \$200.2 million received through the CARES Act Coronavirus Relief Fund
 - No additional stimulus funds are assumed in this proposal, but staff is monitoring progress of new stimulus package
- Adjustments are in alignment with the Priority Areas as outlined in the Countywide Strategic Plan
 - Updated proposed Strategic Plan is released concurrent with the budget

FY 2022 Advertised Budget Highlights

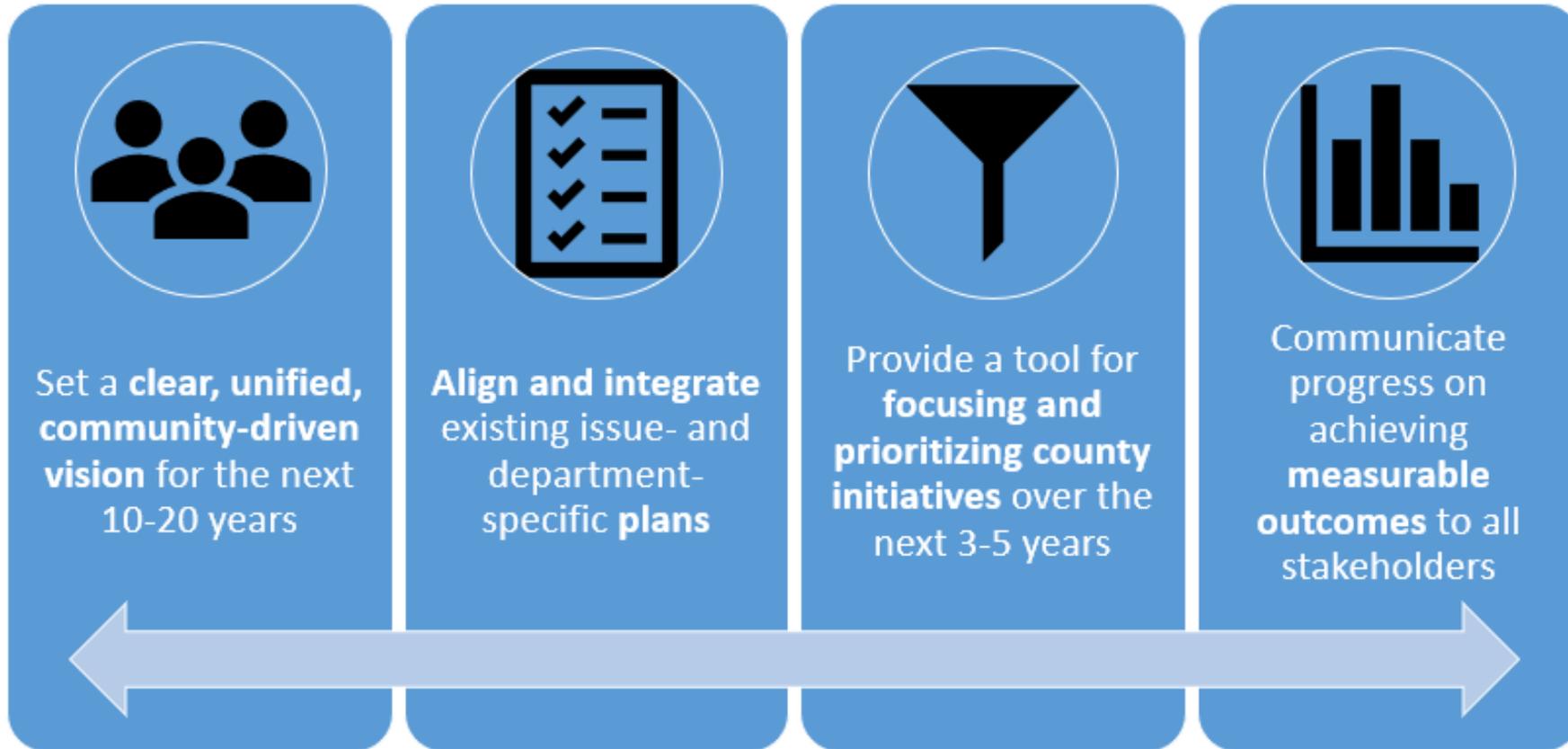
- Decreases Real Estate Tax rate by 1 cent to \$1.14 per \$100 of assessed value
 - Based on equalization, results in an increase in the average tax bill of approximately \$224
- Includes overall increase for County and Schools, excluding reserves, of 0.55%
 - Provides an \$14.13 million increase over FY 2021 for School Operating; School Board request was \$104.40 million
- Includes no funding for employee pay increases in FY 2022
- Recommendation includes a \$20 million unappropriated reserve for Economic Recovery
 - Could be utilized at Board's discretion and appropriated at future quarterly reviews for County or School requirements
- Funds modest investments in Board priorities such as Public Safety staffing, Diversion First, Opioid Use Prevention Efforts, and Environmental Initiatives
 - Also include baseline funding for previously approved initiatives, such as Body-Worn Cameras and Health Department positions initially funded with stimulus funds
 - Includes increase of 109 positions, primarily for new facilities and the continuation of previous initiatives

Release of updated proposed Countywide Strategic Plan

- Countywide Strategic Plan originally presented with the FY 2021 Advertised Budget Plan
- Onset of the COVID-19 pandemic caused us to delay action on the plan by one year
- Staff has utilized this time to make updates to the plan based on the significant cultural and societal changes that have occurred over the past year
 - Worked closely with County's Chief Equity Officer and followed the recommendations coming out of the Chairman's Task Force on Equity and Opportunity to ensure alignment
- Fundamental components of the plan remain unchanged



Countywide Strategic Plan: Goals



Countywide Strategic Plan: Priority Outcome Areas



Cultural and Recreational Opportunities

Fairfax County is a place where all residents, businesses and visitors are aware of and able to participate in quality arts, sports, recreation and culturally enriching activities.

Empowerment and Support for Residents Facing Vulnerability

Fairfax County is a place where all residents facing vulnerability are empowered and supported to live independent lives to their fullest potential.

Lifelong Education and Learning

Fairfax County is a place where all residents at every stage of life are taking advantage of inclusive, responsive and accessible learning opportunities that enable them to grow, prosper and thrive.

Economic Opportunity

Fairfax County is a place where all people, businesses and places are thriving economically.

Health and Environment

Fairfax County is a place where all people can attain their highest level of health and well-being within a healthy sustainable environment.

Mobility and Transportation

Fairfax County is a place where all residents, businesses, visitors and goods can move efficiently, affordably and safely throughout the county and beyond via our well-designed and maintained network of roads, sidewalks, trails and transit options.

Effective and Efficient Government

Fairfax County is a place where all people trust that their government responsibly manages resources, provides exceptional services and equitably represents them.

Housing and Neighborhood Livability

Fairfax County is a place where all people live in communities that foster safe, enjoyable and affordable living experiences.

Safety and Security

Fairfax County is a place where all people feel safe at home, school, work and in the community.

Countywide Strategic Plan: Themes



ACCESS

Eliminating barriers and engaging the community in solutions to address them

AFFORDABILITY

Working to ensure all residents can meet their most fundamental needs

COLLABORATION AND ENGAGEMENT

Leveraging the creativity, diversity, and energy of residents, businesses, and community organizations

INNOVATION

Embracing change and seeking new ways of working

SUSTAINABILITY

Responsible stewardship of community resources and the consideration of long-term impacts of our policies and practices

PLACEMAKING

Creating environments where all people can thrive

Countywide Strategic Plan Timeline: July 2020 - June 2021

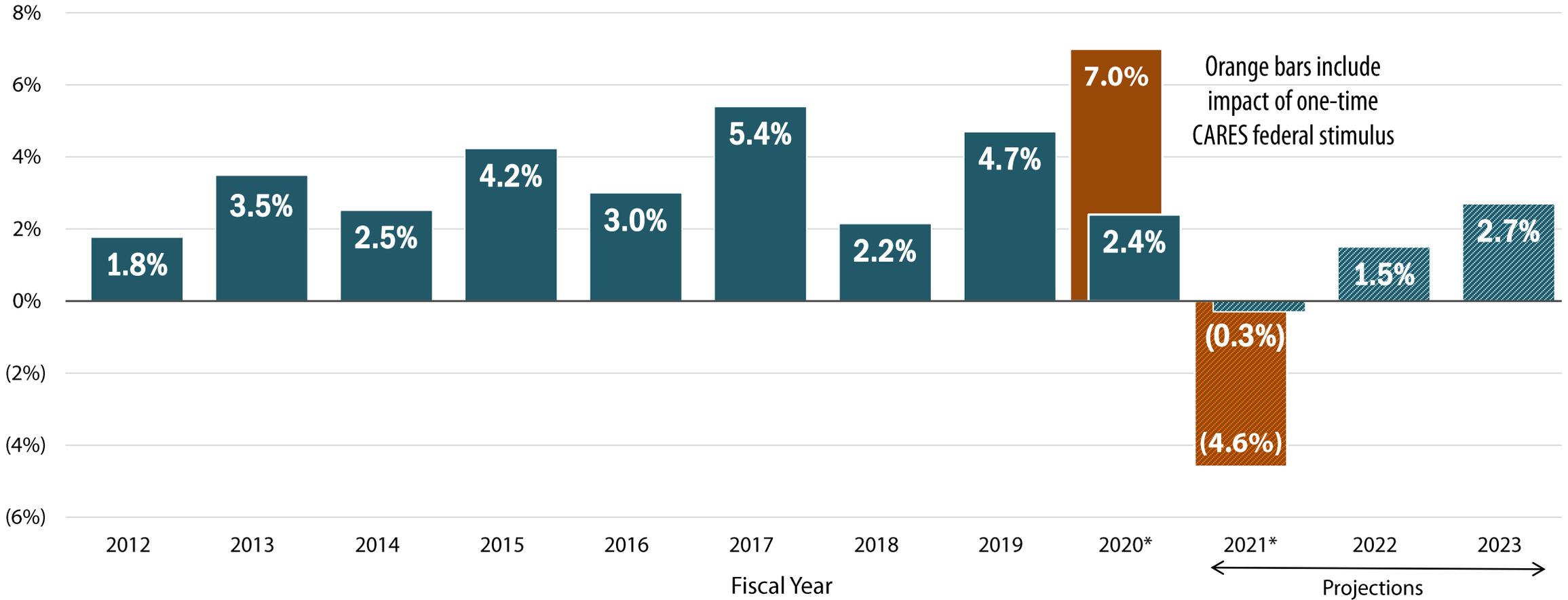


- The COVID-19 pandemic brought the longest economic expansion to an abrupt end during the first quarter of 2020
 - As the lockdowns took hold, Real GDP decreased 31.4% in the second quarter of 2020
 - For all of 2020, the U.S. economy shrank by 3.5%, the first decline since the height of the financial crisis in 2009 and the largest since 1946
 - FY 2022 General Fund revenue forecast assumes that the national economy will continue to recover in 2021 and 2022
- Factors that could impact the future performance of the economy include:
 - The course of the pandemic and the rollout of vaccines
 - Federal stimulus
 - Employment conditions
 - Federal Reserve monetary policy

- The economic recovery in the Washington region stalled at year-end 2020 driven by the second wave of COVID-19 and colder weather
 - In Northern Virginia, the December 2020 number of jobs was down by 67,700 or 4.4% from December 2019
 - Economic pain has been concentrated in lower wage sectors:
 - ✦ Number of Leisure and Hospitality jobs is down by 22.3%
 - ✦ Number of Professional and Business Services jobs is actually up by 0.2%
- In Fairfax County, the December unemployment rate was 4.4%, much higher than last December's rate of 1.9%, but lower than the April high of 10.2%
- Office vacancy rates in the County increased
 - The amount of empty office space increased to 18.5 million sq. ft.
- Growth in the County's FY 2022 real estate tax base of 2.9% is lower than last year, impacted by COVID-19
 - Nonresidential real estate experienced a decline in value due to increased vacancy and overall market risk
 - Residential real estate increased in value due to record low interest rates coupled with low inventory

Annual Change in General Fund Revenue

FY 2012 – FY 2023



* FY 2020 growth rate of 7.0% includes one-time CARES federal stimulus revenue of \$200.2 million.

Annual Growth in Major Revenue Categories

| (Dollars in millions) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | Projections | | |
|-----------------------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|
| | | | | | FY 2021 | FY 2022 | FY 2023 |
| Real Estate - Current | \$2,591.6 | \$2,641.9 | \$2,786.9 | \$2,887.0 | \$2,992.0 | \$3,039.4 | |
| Percent Change | 6.7% | 1.9% | 5.5% | 3.6% | 3.6% | 1.6% | 2.6% |
| Personal Property - Current | \$597.5 | \$607.0 | \$616.1 | \$634.8 | \$622.2 | \$632.6 | |
| Percent Change | 3.1% | 1.6% | 1.5% | 3.0% | (2.0%) | 1.7% | 1.5% |
| Sales Tax | \$176.6 | \$182.2 | \$187.0 | \$191.1 | \$194.4 | \$199.2 | |
| Percent Change | (1.2%) | 3.1% | 2.7% | 2.2% | 1.7% | 2.5% | 2.5% |
| BPOL - Current | \$155.4 | \$162.3 | \$167.2 | \$173.8 | \$154.9 | \$164.2 | |
| Percent Change | 1.2% | 4.4% | 3.0% | 4.0% | (10.9%) | 6.0% | 5.0% |
| Investment Interest | \$27.5 | \$41.4 | \$69.0 | \$64.1 | \$21.9 | \$12.6 | |
| Percent Change | 70.3% | 50.5% | 66.6% | (7.2%) | (65.8%) | (42.3%) | 0.0% |
| Total General Fund | 5.4% | 2.2% | 4.7% | 7.0% | (4.6%) | 1.5% | 2.7% |

Real Estate Tax Base

- The projected value of 1 Penny on the Real Estate tax rate equals \$27.14 million in revenue in FY 2022
- The Commercial/ Industrial percentage of the total real estate assessment base decreased from 19.72% in FY 2021 to 18.17% in FY 2022

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Equalization | (10.52%) | (8.98%) | 2.67% | 2.53% | 2.63% | 4.84% | 2.40% |
| - Residential | (12.55) | (5.56) | 2.34 | 0.71 | 3.50 | 6.54 | 3.39 |
| - Nonresidential | (4.51) | (18.29) | 3.73 | 8.21 | 0.14 | (0.10) | (0.60) |
| Growth | 0.57 | (0.22) | 0.60 | 0.74 | 0.77 | 0.93 | 1.06 |
| TOTAL | (9.95%) | (9.20%) | 3.27% | 3.27% | 3.40% | 5.77% | 3.46% |

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Prelim |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Equalization | 1.94% | 0.97% | 2.58% | 2.45% | 2.71% | 2.02% | 1.75% |
| - Residential | 1.64 | 0.68 | 2.17 | 2.36 | 2.65 | 4.25 | 3.00 |
| - Nonresidential | 2.87 | 1.85 | 3.79 | 2.71 | 2.87 | (4.05) | (1.95) |
| Growth | 1.04 | 0.92 | 1.01 | 1.15 | 1.05 | 0.86 | 0.85 |
| TOTAL | 2.98% | 1.89% | 3.59% | 3.60% | 3.76% | 2.88% | 2.60% |

- Total increase of 4.25% in residential equalization
 - Average price of homes sold in CY 2020 was up 8.4%
 - The number of home sales increased 3.7%, from 16,144 homes in 2019 to 16,739 in 2020
 - Homes that sold in 2020 stayed on the market for an average of 19 days, down from 24 days in 2019
 - There are more than 344,000 residential properties in Fairfax County
 - ✦ 88% saw an increase in assessed value
 - ✦ 4.4% saw a decrease in assessed value

- Residential properties comprise approximately 74.3% of total base

Residential Equalization Percent Changes

| Housing Type (Percent of Base) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 Prelim |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Single Family (71.1%) | 1.69 | 0.62 | 2.11 | 2.17 | 2.36 | 4.17 | |
| Townhouse/Duplex (20.2%) | 2.05 | 1.37 | 2.86 | 3.12 | 3.43 | 5.13 | |
| Condominiums (8.2%) | 0.73 | (0.32) | 1.68 | 2.98 | 4.36 | 4.62 | |
| Vacant Land (0.4%) | 0.92 | 0.03 | 2.01 | 3.11 | 1.89 | 2.07 | |
| Other (0.1%) | 6.42 | 9.52 | 9.70 | 1.67 | 0.35 | 1.95 | |
| Total Residential Equalization (100%) | 1.64 | 0.68 | 2.17 | 2.36 | 2.65 | 4.25 | 3.00 |

- The amount of empty office space increased to 18.5 million sq. ft. out of 119.2 million sq. ft.
- Office vacancy rates as of year-end 2020
 - 14.6% direct, up from 13.9% as of year-end 2019
 - 15.5% with sublets, up from 14.4% at year-end 2019
- Currently, 2.9 million sq. ft. of office space under construction
- Office real estate assessed values down due to COVID-19
- Overall non-residential real estate values declined in FY 2022 after improving for five years in a row

Nonresidential Equalization

Nonresidential Equalization Percent Changes

| Category (Percent of Base) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 Prelim |
|---|-------------|-------------|-------------|-------------|-------------|---------------|-------------------|
| Apartments (27.5%) | 2.92 | 3.37 | 2.40 | 2.13 | 4.37 | 2.78 | |
| Office Condominiums (3.8%) | 1.86 | 0.49 | 1.19 | 1.77 | 0.43 | (0.59) | |
| Industrial (7.2%) | 7.43 | (0.26) | 9.61 | 5.90 | 2.01 | 0.14 | |
| Retail (16.3%) | 1.60 | 7.39 | 7.00 | 1.66 | 2.59 | (10.20) | |
| Office Elevator (31.2%) | 3.42 | (1.39) | 2.82 | 3.32 | 4.01 | (4.42) | |
| Office – Low Rise (2.7%) | 1.73 | 1.39 | 1.11 | 2.75 | 1.77 | (3.28) | |
| Vacant Land (3.1%) | 1.50 | (1.17) | (0.35) | 4.28 | (0.13) | (5.36) | |
| Hotels (2.0%) | 3.61 | (0.12) | 8.13 | 6.62 | 2.23 | (44.20) | |
| Other (6.2%) | 3.70 | 6.73 | 6.13 | 2.80 | 1.52 | (3.75) | |
| Total Nonresidential Equalization (100%) | 2.87 | 1.85 | 3.79 | 2.71 | 2.87 | (4.05) | (1.95) |

FY 2022 Budget Summary

- Net County revenues increase totals \$42.23 million, with \$13.07 million transferred to support Schools Operating and Debt Service requirements, a net \$11.70 million to support County priorities, and \$20 million held in balance for the Board for Economic Recovery efforts
- Schools support and County requirements, excluding reserves, are both increased 0.55% over FY 2022
- Schools are 52.8% of General Fund Disbursements in FY 2022
- County's reserves remain budgeted at target of 10% of General Fund disbursements

| Adjustments included in FY 2022 General Fund Budget | | | |
|---|----------------|----------------|----------------|
| (Amounts shown are in millions, net change over FY 2021 Adopted Budget Plan) | | | |
| Available Revenue Increase | | | |
| Revenue Increase at Current Real Estate Tax Rate | | | \$69.37 |
| Real Estate Tax Rate Decrease of One Cent to \$1.14 per \$100 of Assessed Value | | | (\$27.14) |
| Net Impact of Transfers In | | | \$0.29 |
| Total Available | | | \$42.52 |
| FY 2022 Requirements | | | |
| | County | Schools | Total |
| County Compensation | (\$1.97) | -- | (\$1.97) |
| County Debt Service | \$0.28 | -- | \$0.28 |
| Lifelong Education and Learning | (\$0.01) | \$13.07 | \$13.06 |
| Safety and Security | \$11.91 | -- | \$11.91 |
| Health and Environment | \$9.12 | -- | \$9.12 |
| Empowerment and Support for Residents Facing Vulnerability | \$2.92 | -- | \$2.92 |
| Effective and Efficient Government | \$2.49 | -- | \$2.49 |
| Cultural and Recreational Opportunities | \$2.18 | -- | \$2.18 |
| Housing and Neighborhood Livability | \$0.47 | -- | \$0.47 |
| Economic Opportunity | \$0.22 | -- | \$0.22 |
| Mobility and Transportation | -- | -- | -- |
| Agency Reductions and Savings | (\$15.91) | -- | (\$15.91) |
| Subtotal | \$11.70 | \$13.07 | \$24.77 |
| Reserve Adjustments | | | (\$2.25) |
| Total Uses | | | \$22.52 |
| Available Balance to be set aside in Economic Recovery Reserve | | | \$20.00 |

- Based on limited resources, no compensation increases are included for FY 2022
 - The calculated, but unfunded, Market Rate Adjustment is 2.09%
 - The County's living wage will remain at \$15.14 per hour
- Net savings in fringe benefits of \$1.97 million are realized
 - Employer contribution rates for the County's three retirement systems are required to increase based primarily on lower-than-expected investment returns in FY 2020 due to the pandemic *\$8.37 mil*
 - Higher Actuarially Determined Contribution for Retiree Health based on actual claims experience *\$0.51 mil*
 - Net savings in employee benefits due primarily to migration in health insurance plans as highest-cost copay plan was closed in January, contractual savings in group life insurance, and savings based on trends *(\$10.85) mil*

- Slight increase of \$0.28 million supports programmed debt service payments
 - Bond sale in January 2021 included \$110 million for the County
 - ✦ Interest rate of 1.23% was lowest rate in the County’s history for a new money deal
- A \$120 million County bond sale is planned for 2022
- Bond Referenda Plan in the FY 2022-FY 2026 Capital Improvement Program includes:

| Year | Category | Description | | | Total |
|-----------|----------|--|-----------|---|-----------|
| Fall 2021 | Schools | Capital Enhancement, Renovation, Infrastructure Management | | | \$360 mil |
| Fall 2022 | County | Public Safety | \$72 mil | Welfit Performance Testing Center, Chantilly Fire Station, Fox Mill Fire Station, Oakton Fire Station | \$97 mil |
| | | Human Services | \$25 mil | Early Childhood Facilities | |
| Fall 2023 | Schools | Capital Enhancement, Renovation, Infrastructure Management | | | \$360 mil |
| Fall 2024 | County | Human Services | \$89 mil | Early Childhood Facilities, Tim Harmon Campus, Springfield Community Resource Center | \$381 mil |
| | | Parks | \$112 mil | County Park Authority, Northern Virginia Regional Park Authority | |
| | | Transportation | \$180 mil | Metro Contribution | |
| Fall 2025 | Schools | Capital Enhancement, Renovation, Infrastructure Management | | | \$360 mil |



Strategic Plan Priority Area:

Lifelong Education and Learning

\$13.06 million

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- Support for Fairfax County Public Schools includes:
 - Increase to School Operating transfer *\$14.13 mil*
 - Decrease to School Debt Service transfer *(\$1.06 mil)*
 - Transfer to School Construction remains flat
- FCPS has received approximately \$137.9 million in direct federal stimulus funds, in addition to \$19.6 million from the County's Coronavirus Relief Funds
 - Support for education is included in the proposed American Rescue Plan
- Support for Lifelong Education and Learning on County side reflects a \$0.01 million decrease
 - Due to slight decline in per capita share of County's operating and capital contributions to Northern Virginia Community College





Strategic Plan Priority Area:

Safety and Security

\$11.91 million

46 positions

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- Body-Worn Camera program *\$4.44 mil*
 - Program and positions previously approved at *FY 2020 Carryover Review*
- South County Police Station Staffing *\$3.15 mil/16 pos*
 - Represents final tranche of uniformed positions as outlined in original staffing plan
- Support for the Office of the Commonwealth's Attorney *\$2.23 mil/15 pos*
- Scotts Run Fire Station Staffing *\$1.18 mil/8 pos*
- Increase in E-911 Call Capacity *\$0.59 mil in reduced revenue/5 pos*
- *Including revenue adjustments associated with support for E-911, the net General Fund impact of Safety and Security adjustments is **\$12.50 million***



Strategic Plan Priority Area:

Health and Environment

\$9.12 million

18 positions

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- Baseline support for Health Department staff added at previous quarterly reviews *\$6.03 mil*
 - Public Health Nurse positions that will be deployed to the School Health program post-pandemic
- Opioid Task Force *\$1.43 mil/7 pos*
- Diversion First Initiative *\$0.72 mil/5 pos*
 - Increase offset by savings in the Office of the Sheriff
- Increased capital support for environmental projects *\$0.38 mil*
- Baseline support for staffing supporting Climate Adaptation and Resilience Plan approved at Carryover *\$0.37 mil*



Strategic Plan Priority Area:

Empowerment and Support for Residents Facing Vulnerability

\$2.92 million

9 positions

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- Baseline support for Coordinated Services Planning positions approved at Carryover *\$1.35 mil*
- Support Coordination positions in CSB (Community Services Board) *\$0.68 mil/9 pos*
- Baseline funds for Public Assistance Eligibility Workers and Sexual Abuse Specialist Positions added at Carryover *\$0.89 mil, offset by revenue*
- *Including revenues associated with some expenditure adjustments, the net General Fund impact of Empowerment and Support for Residents Facing Vulnerability adjustments is **\$2.03 million***



Strategic Plan Priority Area:

Effective and Efficient Government

\$2.49 million

22 positions

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- Collective Bargaining *\$0.96 mil/6 pos*
- Maintenance for new facilities *\$0.57 mil*
- Lease adjustments *\$0.55 mil*
- Support for Office of Elections *\$0.22 mil/2 pos*
- Capital Projects workload positions *\$0.21 mil/13 pos*
- Audit Manager in Tax Administration *\$0.16 mil, offset by revenue*
- *Including revenues associated with some expenditure adjustments, the net General Fund impact of Effective and Efficient Government adjustments is **\$2.33 million***



Strategic Plan Priority Area:

Cultural and Recreational Opportunities

\$2.18 million

11 positions

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- New Community Center in Lee District *\$0.95 mil*
 - Positions expected to be included in *FY 2021 Third Quarter Review*
- New Sully Community Center *\$0.64 mil/11 pos*
 - Expected to include a Federally Qualified Health Center, on-site WIC services, and School-Age Child Care program, in addition to various social and recreational programs
- Baseline support for FCPS Field Maintenance approved at Carryover *\$0.61 mil*

- Other Strategic Plan priority areas include only small increases. However, these are areas where we have been able to effectively utilize federal stimulus dollars.



Housing and Neighborhood Livability

\$0.47 million
2 positions

- Positions to support increased Affordable Housing efforts *\$0.31 mil/2 pos*



Economic Opportunity

\$0.22 million
1 position

- Support for the Department of Economic Initiatives *\$0.22 mil/1 pos*



Mobility and Transportation

\$0.00 million

- No adjustments are included for Transportation requirements. Adjustments may be recommended as part of the *FY 2021 Carryover Review* based on the approved WMATA budget and applied stimulus.

- In order to balance the FY 2022 budget, \$15.91 million in targeted agency reductions and savings was identified
 - Targeted agency reductions of \$6.07 million in the Department of Family Services, Fire and Rescue Department, Office of the Sheriff, Fairfax-Falls Church Community Services Board, and Juvenile and Domestic Relations District Court are largely attributable to operational efficiencies and personnel savings related to turnover and vacancies
 - Includes the \$9.84 million in the FY 2021 General Fund Pandemic Reserve which has now been redirected to the \$20 million held in balance for Economic Recovery
- Based on the limited disbursement growth in the FY 2022 proposal, reserve requirements result in a net decrease of \$2.25 million
 - The County's reserves are maintained at their target of 10% of General Fund disbursements

- Will continue to closely monitor revenue categories and include potential adjustments as part of the FY 2022 Add-On Package
- Staff will continue to maximize stimulus resources as appropriate
- Even if economy improves for FY 2023, will be challenging budget year due to competing demands
 - Employee compensation, impacted by collective bargaining
 - Board priorities that have not been addressed in FY 2022 including affordable housing and school readiness
- FY 2023 will be developed based on Strategic Plan priorities as approved by the Board of Supervisors

How to Provide Input on the FY 2022 Budget

- To learn more about participating in the budget public hearings, call the Clerk to the Board's Office at (703) 324-3151 (TTY 711) or to access the form at:

www.fairfaxcounty.gov/bosclerk/speakers-form

- The public can send written testimony or communicate with the Clerk's Office by email at: clerktothebos@fairfaxcounty.gov.
- Residents can also provide testimony by phone or submit video testimony. In-person testimony will not be allowed if the Board meetings are held virtually.
- The entire [FY 2022 Advertised Budget Plan](#) and the [FY 2022-FY 2026 Capital Improvement Program](#) are available online at:

www.fairfaxcounty.gov/budget

FY 2022 Budget Timeline

| | |
|-------------------|---|
| February 23, 2021 | County Executive presents <u>FY 2022 Advertised Budget Plan</u> |
| March 2, 2021 | Joint Board of Supervisors/School Board Budget Committee Meeting |
| March 9, 2021 | Board of Supervisors authorizes advertisement of FY 2022 tax rates |
| March 23, 2021 | Board of Supervisors authorizes advertisement of <i>FY 2021 Third Quarter Review</i> |
| April 13-15, 2021 | Board of Supervisors holds Public Hearings on FY 2022 Budget, <i>FY 2021 Third Quarter Review</i> , and FY 2022-FY 2026 Capital Improvement Program |
| April 27, 2021 | Board of Supervisors marks-up FY 2022 Budget, adopts FY 2022-FY 2026 Capital Improvement Program and <i>FY 2021 Third Quarter Review</i> |
| May 4, 2021 | Board of Supervisors adopts FY 2022 Adopted Budget |
| May 11-12, 2021 | School Board holds public hearings on FY 2022 budget |
| May 20, 2021 | School Board adopts FY 2022 Approved Budget |
| July 1, 2021 | FY 2022 Budget Year Begins |