

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 has 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 the Economic Opportunity Reserve (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.

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 2026 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.

FY 2026 Funding Adjustments

The following funding adjustments from the FY 2025 Adopted Budget Plan are necessary to support the FY 2026 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 13, 2025.

General Fund Transfer

\$0

No General Fund transfer is required in FY 2026 to maintain the fund at its target level of 1.0 percent of General Fund disbursements. The retained interest earnings and the anticipated carryforward of balances from FY 2025 will result in full funding of the reserve at 1.0 percent of General Fund disbursements. No appropriation is included currently for FY 2026 as the full balance will be appropriated as part of the *FY 2025 Carryover Review*.

Fund 10015: Economic Opportunity Reserve

Changes to FY 2025 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2025 Revised Budget Plan since passage of the FY 2025 Adopted Budget Plan. Included are all adjustments made as part of the FY 2024 Carryover Review, FY 2025 Third Quarter Review, and all other approved changes through April 30, 2025.

Carryover Adjustments

\$56,462,890

As part of the *FY 2024 Carryover Review*, the Board of Supervisors approved an increase of \$1,559,202 in the General Fund transfer to this fund due to a net increase in General Fund disbursements. FY 2025 expenditures were increased \$56,462,890 to appropriate the full balance of the fund, reflecting \$7,494,596 in remaining balances previously appropriated to approved projects, \$500,000 for the newly approved MPA Downtown Arts and Education Center project (2G30-015-000), and the appropriated reserve of \$48,468,294 to allow additional projects approved by the Board of Supervisors to be funded throughout the fiscal year.

Third Quarter Adjustments

\$355,937

As part of the *FY 2025 Third Quarter Review*, the Board of Supervisors approved an increase of \$355,937 in the General Fund transfer to this fund in association with an increase in FY 2025 General Fund disbursements and consistent with the County's reserve policy. As projects are approved by the Board, funding is reallocated from the Appropriation Reserve to specific projects. It should be noted that two Economic Opportunity projects, Herndon Art Center Development (2G30-012-000) and Downtown Herndon Redevelopment (2G30-005-000), were closed out as part of the *FY 2025 Third Quarter Review* and the full balance of both projects of \$6,200,000 was returned to the appropriated reserve.

Fund 10015: Economic Opportunity Reserve

FUND STATEMENT

Category	FY 2024 Actual	FY 2025 Adopted Budget Plan	FY 2025 Revised Budget Plan	FY 2026 Advertised Budget Plan	FY 2026 Adopted Budget Plan
Beginning Balance¹	\$51,446,979	\$53,607,066	\$53,903,688	\$56,462,890	\$56,818,827
Revenue:					
Interest Earnings	\$1,147,626	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Revenue	\$1,147,626	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Transfers In:					
General Fund (10001)	\$1,660,087	\$0	\$1,915,139	\$0	\$0
Total Transfers In	\$1,660,087	\$0	\$1,915,139	\$0	\$0
Total Available	\$54,254,692	\$54,607,066	\$56,818,827	\$57,462,890	\$57,818,827
Expenditures:					
Economic Opportunity Projects	\$351,004	\$0	\$1,794,596	\$0	\$0
Appropriated Reserve	0	0	55,024,231	0	0
Total Expenditures	\$351,004	\$0	\$56,818,827	\$0	\$0
Total Disbursements	\$351,004	\$0	\$56,818,827	\$0	\$0
Ending Balance¹	\$53,903,688	\$54,607,066	\$0	\$57,462,890	\$57,818,827

¹ The FY 2026 Adopted Budget Plan Beginning Balance assumes the carryover of the Total Available funding from FY 2025. The full amount available in the reserve was appropriated in FY 2025 to allow for its allocation to projects as approved by the Board of Supervisors, resulting in an FY 2025 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 2026 as part of the *FY 2025 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 2026 projected Ending Balance of \$57,818,827 is at the target level of 1.0 percent of FY 2026 Adopted General Fund disbursements.

Fund 10015: Economic Opportunity Reserve

SUMMARY OF ECONOMIC OPPORTUNITY PROJECTS

Project	Total Project Estimate	FY 2024 Actual Expenditures	FY 2025 Revised Budget	FY 2026 Advertised Budget Plan	FY 2026 Adopted Budget Plan
Accelerate Series (2G30-014-000)	\$450,000	\$22,500.00	\$427,500.00	\$0	\$0
AFID Grant – Beanstalk (2G16-003-000)	100,000	0.00	100,000.00	0	0
Annandale Pilot Projects (2G30-002-000)	124,565	29,291.17	33,983.19	0	0
Downtown Herndon Redevelopment (2G30-005-000) ¹	0	0.00	0.00	0	0
ESSP Implementation (2G30-004-000)	91,334	6,000.00	57,334.08	0	0
Fairfax Founders Fund (2G16-002-000)	1,000,000	274,435.09	675,779.22	0	0
Herndon Art Center Development (2G30-012-000) ¹	0	0.00	0.00	0	0
MPA Downtown Arts and Education Center (2G30-015-000) ²	500,000	0.00	500,000.00	0	0
Springfield Gateway Projects (2G30-003-000) ³	100,000	18,777.25	0.00	0	0
Total	\$2,365,899	\$351,003.51	\$1,794,596.49	\$0	\$0

¹ The Board of Supervisors approved Downtown Herndon Redevelopment project (2G30-005-000) and Herndon Art Center Development project (2G30-012-000) on June 19, 2017, and December 7, 2021, respectively, for a total amount of \$6,200,000. The disbursement of the funds was subject to the corresponding approved Memorandum of Understanding (MoU) agreements between Fairfax County and Town of Herndon and required payment upon the project moving forward through capital construction. On December 6, 2024, the Town of Herndon was notified by its partner on the project that they will not move forward and that they were terminating their project agreement. As a result, per agreements in the MoU, the County and the Town of Herndon agreed to cancel the related projects in Fund 10015, Economic Opportunity Reserve. The full balance of both projects was returned to the appropriated reserve as part of the *FY 2025 Third Quarter Review*.

² On September 24, 2024, the Board of Supervisors authorized funding of \$500,000 to establish the McLean Project for the Arts (MPA) Downtown Arts and Education Center project (2G30-015-000).

³ The Springfield Gateway Projects (2G30-003-000) was completed, and the project was closed out as part of the *FY 2024 Carryover Review*.