

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 2027 Advertised 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 2027 Funding Adjustments

The following funding adjustments from the FY 2026 Adopted Budget Plan are necessary to support the FY 2027 program:

General Fund Transfer

\$0

No General Fund transfer is required in FY 2027 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 2026 will result in full funding of the reserve at 1.0 percent of General Fund disbursements. No appropriation is included currently for FY 2027 as the full balance will be appropriated as part of the *FY 2026 Carryover Review*.

Changes to FY 2026 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2026 Revised Budget Plan since passage of the FY 2026 Adopted Budget Plan. Included are all adjustments made as part of the FY 2025 Carryover Review and all other approved changes through December 31, 2025.

| Carryover Adjustments | \$59,467,949 |
|---|---------------------|
| As part of the <i>FY 2025 Carryover Review</i> , the Board of Supervisors approved an increase of \$59,467,949 in FY 2026 expenditures to appropriate the full balance of the fund, reflecting \$785,359 in remaining balances previously appropriated to approved projects and the appropriated reserve of \$58,682,590 to allow additional projects approved by the Board of Supervisors to be funded throughout the fiscal year. | |

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FUND STATEMENT

| Category | FY 2025 Actual | FY 2026 Adopted Budget Plan | FY 2026 Revised Budget Plan | FY 2027 Advertised Budget Plan |
|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| Beginning Balance¹ | \$53,903,688 | \$56,818,827 | \$58,467,949 | \$59,467,949 |
| Revenue: | | | | |
| Interest Earnings | \$3,558,359 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Total Revenue | \$3,558,359 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Transfers In: | | | | |
| General Fund (10001) | \$1,915,139 | \$0 | \$0 | \$0 |
| Total Transfers In | \$1,915,139 | \$0 | \$0 | \$0 |
| Total Available | \$59,377,186 | \$57,818,827 | \$59,467,949 | \$60,467,949 |
| Expenditures: | | | | |
| Economic Opportunity Projects | \$909,237 | \$0 | \$785,359 | \$0 |
| Appropriated Reserve | 0 | 0 | 58,682,590 | 0 |
| Total Expenditures | \$909,237 | \$0 | \$59,467,949 | \$0 |
| Total Disbursements | \$909,237 | \$0 | \$59,467,949 | \$0 |
| Ending Balance¹ | \$58,467,949 | \$57,818,827 | \$0 | \$60,467,949 |

¹The FY 2027 Advertised Budget Plan Beginning Balance assumes the carryover of the Total Available funding from FY 2026. The full amount available in the reserve was appropriated in FY 2026 to allow for its allocation to projects as approved by the Board of Supervisors, resulting in an FY 2026 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 2027 as part of the *FY 2026 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 2027 projected Ending Balance of \$60,467,949 is at the target level of 1.0 percent of FY 2027 Advertised General Fund disbursements.

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SUMMARY OF ECONOMIC OPPORTUNITY PROJECTS

| Project | Total Project Estimate | FY 2025 Actual Expenditures | FY 2026 Revised Budget | FY 2027 Advertised Budget Plan |
|---|------------------------|-----------------------------|------------------------|--------------------------------|
| Accelerate Series (2G30-014-000) | \$450,000 | \$22,500.00 | \$405,000.00 | \$0 |
| Annandale Pilot Projects (2G30-002-000) | 124,565 | 16,385.26 | 17,597.93 | 0 |
| ESSP Implementation (2G30-004-000) | 91,334 | 0.00 | 57,334.08 | 0 |
| Fairfax Founders Fund (2G16-002-000) | 1,000,000 | 370,351.74 | 305,427.48 | 0 |
| MPA Downtown Arts and Education Center (2G30-015-000) | 500,000 | 500,000.00 | 0.00 | 0 |
| Total | \$2,165,899 | \$909,237.00 | \$785,359.49 | \$0 |