



**FY 2020**

**Advertised Budget Plan**

# County Executive Budget Presentation

February 19, 2019

[www.fairfaxcounty.gov/budget](http://www.fairfaxcounty.gov/budget)



# FY 2020 Advertised Budget Context

- Focus on Board priorities
- Budget includes reorganizations and efficiencies
- County and School cooperation and collaboration is key
- One Fairfax lens used in decision-making process
- Multi-year strategic planning effort underway



# FY 2020 Advertised Budget Highlights

- Maintains Real Estate Tax rate of \$1.15 per \$100 of assessed value
  - Based on equalization, results in an increase in the average tax bill of approximately \$149
- Includes overall increase for County and Schools of 3.82%
  - Fully funds School Board's requested operating transfer
- Funds compensation for County employees, including performance/merit/longevity increases and a 1.00% market rate adjustment
- Funds Board priorities such as Diversion First, Gang and Opioid Prevention Efforts, Early Childhood Initiatives, South County Police Positions, and Special Education Graduates
- Net position increase of 109 County positions





# Economic Outlook



# National Economy

- Outlook for 2019 became more uncertain for the region due to the 35-day partial government shutdown in the beginning of the year
  - The long-term impact still unclear
- Other headwinds for the future performance of the economy include:
  - Debt ceiling suspension expires on March 1, 2019
  - Sequester-level discretionary spending caps return on October 1, 2019
  - Decelerating global markets
  - Rising interest rates
  - Current economic expansion is second longest in history at 116 months

# State and Local Economy

- After a slow recovery from the Great Recession and sequestration, Virginia's economic performance picked up the pace in 2018
  - The increase in federal government contract spending as a result of the Bipartisan Budget Agreement of 2018 bodes well for Virginia's economy in the short-term
  - Attracting Amazon's HQ2 to Northern Virginia is also expected to provide a boost to the region's economic performance and spur innovation
- Employment gains in Washington Metro region were above the historical average in 2018
  - Three sectors – professional and business services, education and health services, and leisure and hospitality – outperformed their historic job growth pattern in 2018
- Office vacancy rates in the County continue to decline
  - The amount of empty office space declined to 18.4 million sq. ft.
- Growth in the County's FY 2020 real estate tax base of 3.6% is on par with last year

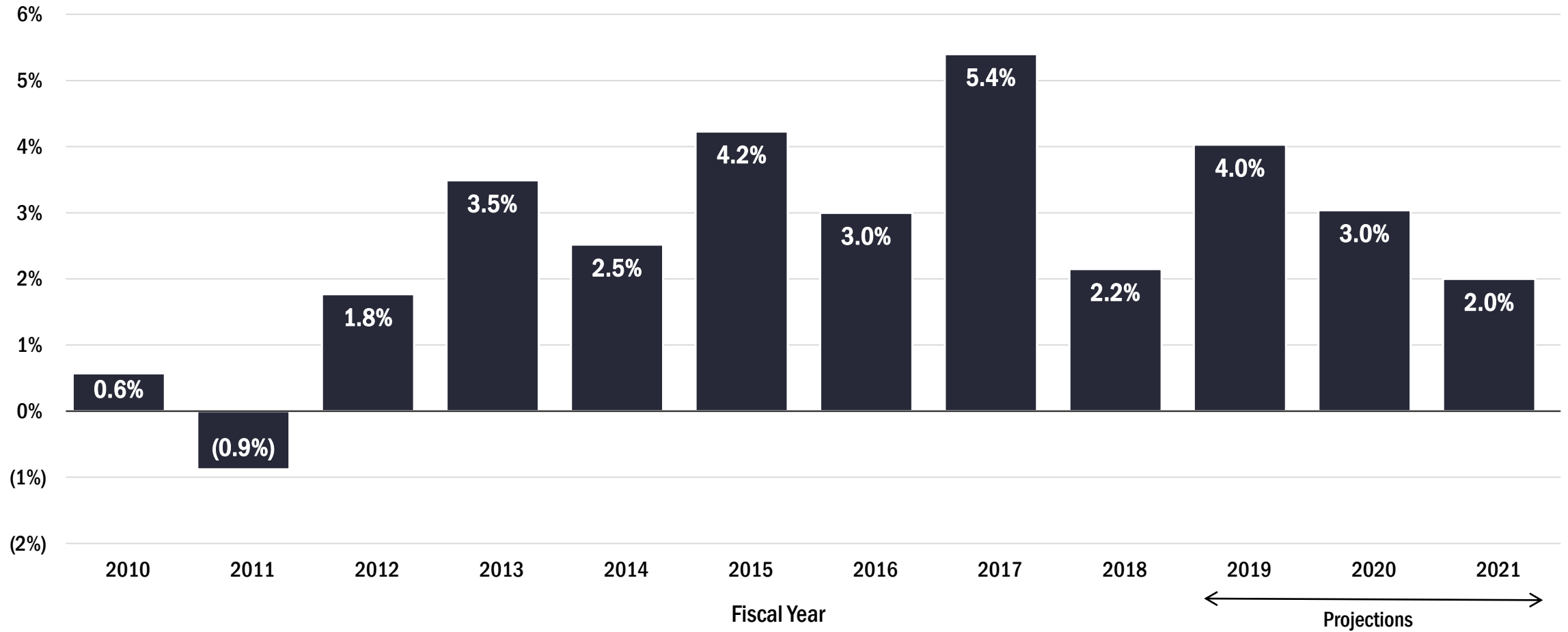




# Revenue Projections



# Annual Change in General Fund Revenue FY 2010 – FY 2021





# Annual Growth in Major Revenue Categories

(Dollars in millions)	FY 2015	FY 2016	FY 2017	FY 2018	Projections		
					FY 2019	FY 2020	FY 2021
Real Estate - Current	\$2,347.1	\$2,428.8	\$2,591.6	\$2,641.9	\$2,781.4	\$2,881.6	
Percent Change	6.3%	3.5%	6.7%	1.9%	5.3%	3.6%	2.3%
Personal Property - Current	\$568.2	\$579.6	\$597.5	\$607.0	\$613.4	\$622.5	
Percent Change	2.0%	2.0%	3.1%	1.6%	1.1%	1.5%	1.5%
Sales Tax	\$176.4	\$178.8	\$176.6	\$182.2	\$186.7	\$191.4	
Percent Change	6.6%	1.4%	(1.2)%	3.1%	2.5%	2.5%	2.5%
BPOL - Current	\$152.5	\$153.5	\$155.4	\$162.3	\$164.7	\$167.2	
Percent Change	0.4%	0.7%	1.2%	4.4%	1.5%	1.5%	1.5%
Investment Interest	\$10.7	\$16.2	\$27.5	\$41.4	\$67.4	\$80.0	
Percent Change	(1.4)%	51.7%	70.3%	50.5%	62.7%	18.7%	5.0%
<b>Total General Fund</b>	<b>4.2%</b>	<b>3.0%</b>	<b>5.4%</b>	<b>2.2%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>2.0%</b>

# Real Estate Tax Base

- The projected value of 1 Penny on the Real Estate tax rate equals \$25.5 million in revenue in FY 2020
- The Commercial/Industrial percentage of the total real estate assessment base increases from 19.43% in FY 2019 to 19.66% in FY 2020

	2008	2009	2010	2011	2012	2013	2014
Equalization	2.47%	(1.02)%	(10.52)%	(8.98)%	2.67%	2.53%	2.63%
- Residential	(0.33)	(3.38)	(12.55)	(5.56)	2.34	0.71	3.50
- Nonresidential	13.57	7.00	(4.51)	(18.29)	3.73	8.21	0.14
Growth	1.68	1.53	0.57	(0.22)	0.60	0.74	0.77
<b>TOTAL</b>	<b>4.15%</b>	<b>0.51%</b>	<b>(9.95)%</b>	<b>(9.20)%</b>	<b>3.27%</b>	<b>3.27%</b>	<b>3.40%</b>

	2015	2016	2017	2018	2019	2020	2021 Prelim
Equalization	4.84%	2.40%	1.94%	0.97%	2.58%	2.45%	1.30%
- Residential	6.54	3.39	1.64	0.68	2.17	2.36	1.00
- Nonresidential	(0.10)	(0.60)	2.87	1.85	3.79	2.71	2.00
Growth	0.93	1.06	1.04	0.92	1.01	1.15	0.95
<b>TOTAL</b>	<b>5.77%</b>	<b>3.46%</b>	<b>2.98%</b>	<b>1.89%</b>	<b>3.59%</b>	<b>3.60%</b>	<b>2.25%</b>



# Residential Market

- Total increase of 2.36% in residential equalization
  - Average price of homes sold in CY 2018 was up 1.9%
  - The number of home sales declined 2.6%, from 16,109 homes in 2017 to 15,683 in 2018
  - Homes that sold in 2018 stayed on the market for an average of 52 days, down from 61 days in 2017
  - There are more than 344,000 residential properties in Fairfax County
    - ✦ Almost 76% saw an increase in assessed value
    - ✦ 7.8% saw a decrease in assessed value

# Residential Equalization

- Residential properties comprise approximately 73.3% of total base

**Residential Equalization Percent Changes**

Housing Type (Percent of Base)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 Prelim
Single Family (71.6%)	5.82	3.27	1.69	0.62	2.11	2.17	
Townhouse/Duplex (19.9%)	8.39	3.81	2.05	1.37	2.86	3.12	
Condominiums (8.0%)	10.51	4.48	0.73	(0.32)	1.68	2.98	
Vacant Land (0.4%)	3.38	3.03	0.92	0.03	2.01	3.11	
Other (0.1%)	3.42	2.56	6.42	9.52	9.70	1.67	
<b>Total Residential Equalization (100%)</b>	<b>6.54</b>	<b>3.39</b>	<b>1.64</b>	<b>0.68</b>	<b>2.17</b>	<b>2.36</b>	<b>1.00</b>



# Nonresidential Real Estate

- The amount of empty office space declined to 18.4 million sq. ft. out of 118.5 million sq. ft.
- Office vacancy rates as of year-end 2018
  - 14.9% direct, down from 15.5% as of year-end 2017
  - 15.5% with sublets, down from 16.3% at year-end 2017
- Currently, 1.5 million sq. ft. of office space under construction
- Office real estate assessed values up for second consecutive year
- Overall non-residential real estate values have improved for four years in a row
  - Every non-residential category increased in value

# Nonresidential Equalization



## Nonresidential Equalization Percent Changes

Category (Percent of Base)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 Prelim
Apartments (25.2%)	3.59	1.20	2.92	3.37	2.40	2.13	
Office Condominiums (3.7%)	(0.07)	0.58	1.86	0.49	1.19	1.77	
Industrial (6.9%)	1.77	5.83	7.43	(0.26)	9.61	5.90	
Retail (17.4%)	1.52	2.46	1.60	7.39	7.00	1.66	
Office Elevator (31.0%)	(2.93)	(4.67)	3.42	(1.39)	2.82	3.32	
Office – Low Rise (2.7%)	(2.41)	(5.00)	1.73	1.39	1.11	2.75	
Vacant Land (3.3%)	(1.19)	(4.62)	1.50	(1.17)	(0.35)	4.28	
Hotels (3.5%)	(4.82)	0.26	3.61	(0.12)	8.13	6.62	
Other (6.3%)	2.37	5.26	3.70	6.73	6.13	2.80	
<b>Total Nonresidential Equalization (100%)</b>	<b>(0.10)</b>	<b>(0.60)</b>	<b>2.87</b>	<b>1.85</b>	<b>3.79</b>	<b>2.71</b>	<b>2.00</b>





# Budget Summary



# FY 2020 Budget Summary

- Net County revenues total \$162.83 million, with \$86.46 million transferred to support Schools
- Schools support and County requirements are both increased 3.82% over FY 2019
- Revenue Stabilization and Managed Reserve requirements are based on Board policy guidelines

	Change from the FY 2019 Adopted Budget Plan (in millions)
Increased County Revenue	\$162.83
Transfer In Adjustment	(\$1.09)
<b>Available Resources</b>	<b>\$161.74</b>
Schools Support	\$86.46
Employee Compensation	\$38.05
Debt Service and Capital	(\$15.91)
Public Safety	\$7.67
Human Services	\$19.69
Community Development	\$31.45
County Operations and Facilities	(\$0.39)
Operational Efficiencies	(\$3.54)
<b>Disbursement Requirements</b>	<b>\$163.48</b>
Revenue Stabilization	(\$6.53)
Managed Reserve	\$4.79
<b>Reserve Requirements</b>	<b>(\$1.74)</b>
<b>Available Balance</b>	<b>\$0.00</b>





# Detailed Disbursements

# Fairfax County Public Schools

**\$86.46 million**

- Proposed County General Fund transfers total \$2.35 billion
- Overall Schools support is increased \$86.46 million, or 3.82%, over FY 2019
  - School Operating transfer increased 4.11%, or \$84.36 million
    - ✦ Meets School Board's requested transfer
  - School Debt Service transfer increased by \$4.60 million
    - ✦ Assumes \$180 million in School Bond sales
  - School Capital Construction at \$13.1 million

# Employee Compensation

**\$38.05 million**

- Pay increases of \$38.17 million include:
  - 1.00% Market Rate Adjustment (MRA) *\$13.25 mil*
    - ✦ To fully fund the 2.51% calculated MRA would require an additional \$20 million
  - Performance, Merit, and Longevity Increases *\$22.03 mil*
  - Adjustments to the pay scale for uniformed Fire and Rescue employees based on the recent consultant study *\$2.68 mil*
- Includes recommendation to index Living Wage to funded MRA
  - Increases from \$14.83 to \$14.98 per hour
- In addition, required benefit adjustments are funded
  - Funding to increase amortization of unfunded retirement liability to 100%, offset by savings in health insurance and other benefits, for net savings of \$0.12 million
  - Savings related to health insurance plan migration are included under *Organizational Efficiencies*

	General County	Uniformed Public Safety*
Market Rate Adjustment	1.00%	1.00%
Steps/Longevities	--	2.25%
Performance/Longevities	2.00%	--
Average Increase (Range of Increases)	3.00% (1.00%-5.00%)	3.25% (1.00%-6.00%)

\*Uniformed Public Safety pay increases do not include the impact of pay scale leveling for uniformed Fire and Rescue employees (which vary by job class) or the 3% across-the-board increase to the Sheriff pay scales implemented in January 2019



# Debt Service and Capital

(\$15.91) million

- Debt Service
  - Savings of \$17.29 million realized based primarily on the retirement of debt on County administration buildings
  - Assumes approximately \$120 million in County bond sales
- Capital Program
  - General Fund support for the County's capital program totals \$18.14 million, an increase of \$1.38 million
  - Increases primarily support environmental initiatives and ADA improvements
  - No funding is included for County infrastructure replacement and upgrades
    - ✦ Consistent with prior years, recommendations for one-time projects will be made as part of the *FY 2019 Third Quarter Review* and *FY 2019 Carryover Review*

# Public Safety

**\$7.67 million**  
35 positions

- Staffing for South County Police Station *\$3.45 mil/17 pos*
- Diversion First Initiative *\$0.99 mil/6 pos*
- Opioid Task Force *\$0.71 mil*
- Gang Prevention Initiative *\$0.35 mil*
- Funding for Police Relief Sergeants *\$0.89 mil*
- Increase in E-911 Call Capacity *\$1.16 mil in reduced revenue/10 pos*
- Replacement of Urban Areas Security Initiative grant funding *\$0.73 mil*
- Animal Services positions *\$0.50 mil/2 pos*
- *Including revenue adjustments associated with support for E-911, the net General Fund impact of Public Safety adjustments is \$8.86 million*

# Human Services

**\$19.69 million**  
62 positions

- Contract Rate Increases *\$3.22 mil offset by revenue for net of \$2.70 mil*
- Diversion First Initiative *\$1.23 mil/6 pos*
- Opioid Task Force *\$2.09 mil*
- Special Education Graduates *\$2.47 mil*
- Early Childhood and School Readiness *\$1.39 mil/2 pos*
- School Health support *\$0.67 mil/2 pos*
- Healthy Minds Fairfax *\$0.45 mil/1 pos*
- Expansion of Opportunity Neighborhoods *\$0.22 mil*
- Parks Social Equity initiatives *\$0.10 mil*
- Epidemiologist positions *\$0.43 mil/3 pos*
- *Including revenues associated with some expenditure adjustments, the net General Fund impact of Human Services adjustments is \$14.75 million*



# Community Development

**\$31.45 million**  
1 position

- Metro Requirements *\$26.38 mil*
  - Consistent with anticipated *FY 2019 Third Quarter Review* adjustments for collective bargaining and contractual requirements
  - One-time State Aid balances have been drawn down
  - The County's contribution to Metro may be adjusted as part of the *FY 2019 Carryover Review* upon adoption of the WMATA FY 2020 budget
- Fairfax Connector and Virginia Railway Express Requirements *\$4.48 mil*
- Permit Education and Outreach *\$0.11 mil offset by revenue for net of \$0*

# County Operations and Facilities

**(\$0.39) million**  
17 positions

- Environmental Operations \$0.46 mil/1 pos
- Contributory increases \$0.69 mil
- IT support for Elections and card data security \$0.69 mil
- Basic requirements for facility costs \$0.32 mil
- Capital Facilities workload and safety positions \$0.25 mil/6 pos
- Support positions for Case Management System for Circuit Court \$0.23 mil/2 pos
- Positions supporting Stormwater, Wastewater, and McLean Community Center with no General Fund impact 8 pos
- Reductions to IT Projects funding (\$2.05) mil
- Recognizes use of reserve for Ad-Hoc Police Practices Review Commission recommendations for Diversion First priorities in Human Services and Public Safety (\$1.97) mil
- *Including revenues associated with some expenditure adjustments, the net General Fund impact of County Operations and Facilities adjustments is a savings of \$1.72 million*

# Operational Efficiencies

**(\$3.54) million**  
**(6) Positions**

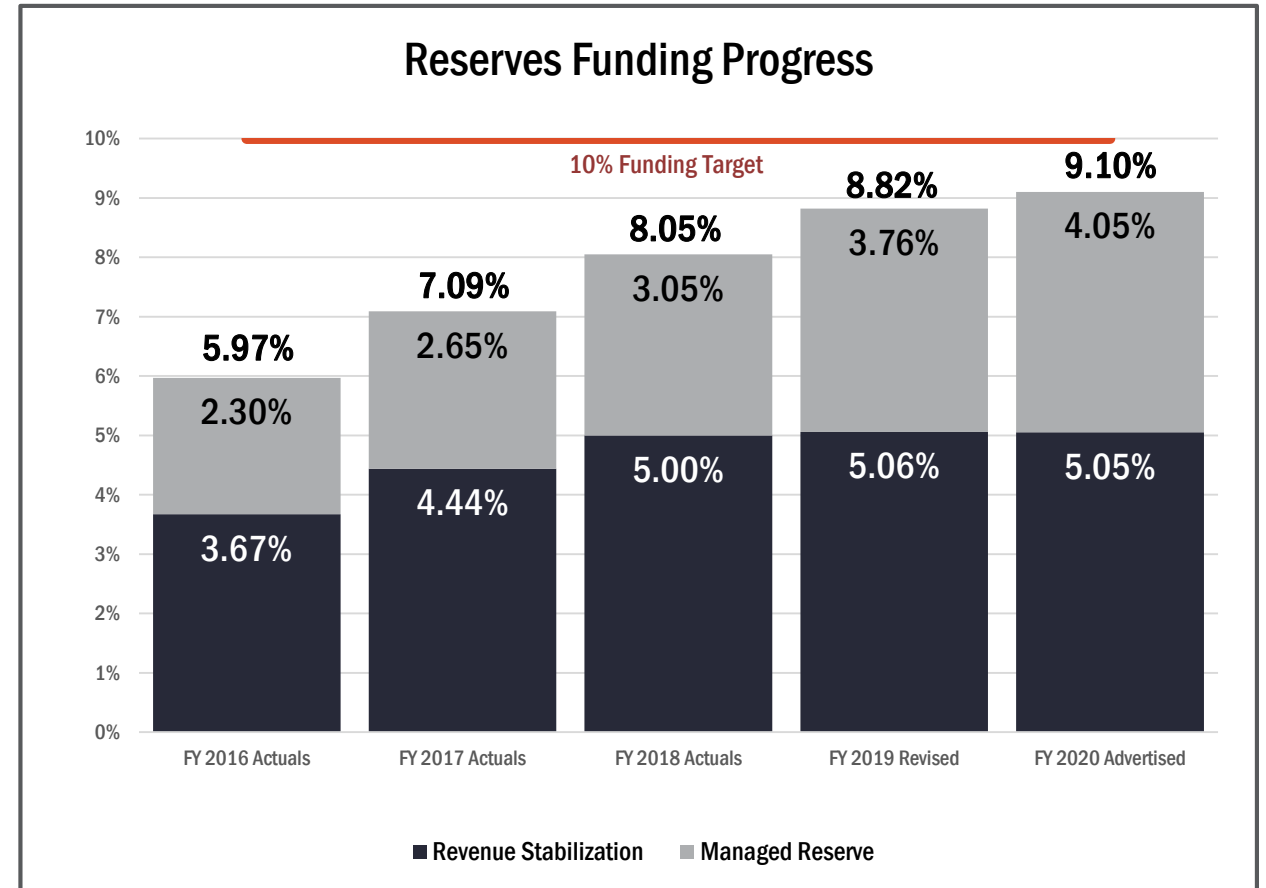
- Savings in fringe benefits based on migration out of the County's high-cost health insurance plan *(\$1.93) mil*
- Savings resulting from program realignments and the movement of programs from leased space into County-owned facilities *(\$1.43) mil/(4) pos*
- Consolidation of functions from the Clerk to the Board and Planning Commission offices *(\$0.18) mil/(2) pos*



# Reserves

(\$1.74) million

- General Fund reserve contributions total \$15.69 million or 10% of disbursements
  - Overall Disbursement Growth in FY 2020 = \$156.95 million
  - Interest earnings are anticipated to keep the Revenue Stabilization Reserve at its target of 5% in FY 2020
  - FY 2020 reserve contributions are directed to the Managed Reserve
  - Based on a lower level of disbursement growth in FY 2020 than in the prior year, overall reserve contributions are reduced from FY 2019



# Looking Forward

- Moderate revenue growth anticipated for foreseeable future
  - Expenditure needs will continue to outpace resources – fiscal constraint will be required
  - Focus on Board priorities, balancing them against resources
- Collaboration with Schools key in addressing joint priorities
- Continue to identify operational efficiencies
- Strategic Planning effort continues



# How to Become Involved

## Provide input on the FY 2020 Budget

- To sign up to speak at one of the public hearings, call the Clerk to the Board's Office at (703) 324-3151 (TTY 711) or to access the form to sign up to speak, go to [www.fairfaxcounty.gov/bosclerk/speakers-form](http://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](mailto:clerktothebos@fairfaxcounty.gov)
- The entire FY 2020 Advertised Budget Plan and the FY 2020-FY 2024 Capital Improvement Program are available online at: [www.fairfaxcounty.gov/budget](http://www.fairfaxcounty.gov/budget)

## Participate in the County's Strategic Planning Initiative

- Take a short survey, register for a Community Conversation, and get other project information at: [www.fairfaxcounty.gov/strategicplan](http://www.fairfaxcounty.gov/strategicplan)



# FY 2020 Budget Timeline

February 19, 2019	County Executive presents <u>FY 2020 Advertised Budget Plan</u>
February 26, 2019	Joint Board of Supervisors/School Board Budget Committee Meeting
March 5, 2019	Board of Supervisors authorizes advertisement of FY 2020 tax rates
March 19, 2019	Board of Supervisors authorizes advertisement of <i>FY 2019 Third Quarter Review</i>
April 9-11, 2019	Board of Supervisors holds Public Hearings on FY 2020 Budget, <i>FY 2019 Third Quarter Review</i> , and FY 2020-FY 2024 Capital Improvement Program
April 30, 2019	Board of Supervisors marks-up FY 2020 Budget, adopts FY 2020-FY 2024 Capital Improvement Program, and <i>FY 2019 Third Quarter Review</i>
May 7, 2019	Board of Supervisors adopts FY 2020 Adopted Budget
May 14-15, 2019	School Board holds public hearings on FY 2020 budget
May 23, 2019	School Board adopts FY 2020 Approved Budget
July 1, 2019	FY 2020 Budget Year Begins