

County Executive Message

February 25, 2020

Honorable Board of Supervisors
County of Fairfax

Fairfax, Virginia Chairman and Board Members:

I am pleased to present the [FY 2021 Advertised Budget Plan](#) for your consideration. In developing this budget proposal, we have focused on the priorities that have been outlined by the Board of Supervisors as part of approved budget guidance, committee meetings, and Board actions. The investments required to make progress on our collective goals – goals that include employee compensation, development of affordable housing, expansion of school readiness opportunities, environmental stewardship, and supporting Fairfax County Public Schools – are substantial. We cannot provide appropriate levels of funding in these areas without adjustments to our tax rates.

Final decisions on this budget were made as we were seeing legislation proposed in the Virginia General Assembly which could dramatically change the landscape in the County. The shift in the legislature resulting from the November 2019 elections provides hope that some of the revenue flexibility that the County has sought for years may become reality. If some of this legislation is successful – namely providing counties the same taxing authority as cities – I would expect that future budgets will look different than what is being proposed today.

The [FY 2021 Advertised Budget Plan](#) addresses Board of Supervisors priorities including employee compensation, affordable housing, school readiness, environmental stewardship, and support for Fairfax County Public Schools.

In our current environment, however, we are limited in options to generate revenue sufficient to address County priorities such as compensation for our employees, our commitment to the Fairfax County Public Schools, the preservation and development of affordable housing, the expansion of access to school readiness programs, and our obligation to be good stewards of the environment. In order to address these diverse

needs, we are proposing an increase to the Real Estate Tax rate of 3 cents, bringing the rate to \$1.18 per \$100 of assessed value. Of the increase, 2 cents would be used to balance the General Fund and fund a number of priorities important to the Board of Supervisors, the School Board, and our community. The third penny would be earmarked to affordable housing and would be added to the existing half-penny, thereby tripling the amount of dedicated funding for this initiative.

As noted in the forecast presentation given back in November, one revenue option that the County has not pursued – but is allowed to implement – is an Admissions Tax. Fairfax is one of thirteen counties across the Commonwealth permitted to charge an Admissions Tax of up to 10 percent of the admission price (cities have no rate ceiling) on movie tickets, theater performances, concerts, sporting events, and school-sponsored events, as well as entrance fees into museums, gardens, and zoos. I believe that implementing an Admissions Tax – limited both in the rate and scope – could prove to be a valuable revenue source for the County. As part of this budget, I am recommending an Admissions Tax of 4 percent – effective October 1, 2020 – on the sale of movie, theater, and concert tickets. I further recommend that this funding be deposited into the Contributory Fund and utilized for arts, cultural, and tourism activities. I see this step as a means of diversifying our revenue base while allocating resources to areas often overlooked during lean budget periods.

Certainly, it would be difficult to make progress towards any of the County's goals and priorities without a dedicated workforce. We are pleased to have been able to fund the County's full compensation program as part of this budget. This includes a 2.06 percent Market Rate Adjustment for all employees, performance and longevity increases averaging 2.00 percent for merit non-uniformed employees, and merit and longevity increases averaging 2.25 percent for merit uniformed public safety employees. On average, non-uniformed and uniformed employees will see pay increases of 4.06 percent and 4.31 percent, respectively.

We are able to fully fund compensation, in part, because of savings realized in fringe benefits. Over the past few years, we have made a concerted effort to educate employees and retirees on the benefits of moving from the County's co-pay health care plan to the consumer directed health care plan (CDHP) or one of the co-insurance plans. As part of the most recent open enrollment period, more than 16 percent of employees and retirees remaining in the County's co-pay plan moved to a lower cost alternative. As a result, fewer than 30 percent of participants remain in the co-pay plan, which is scheduled to close at the end of CY 2020. By moving to more cost-effective plans, participants can lower their out-of-pocket costs while also saving the County significant funding in the employer share of premiums. Additionally, due to positive claims experience, the implementation of an Employer Group Waiver Plan in CY 2016, and full funding of the actuarially determined contributions, the County has made tremendous progress towards funding its OPEB (Other Post-Employment Benefits) liability. As of the latest valuation, the County's OPEB funding ratio is 89.3 percent, up from 39.7 percent five years ago. With the decrease in the unfunded liability, the actuarially determined contribution is reduced as well. Combined, savings in health insurance and retiree health benefits totals more than \$11 million in the FY 2021 budget.

At the same time the budget is released today, the new Countywide Strategic Plan will be made available at www.fairfaxcounty.gov/strategicplan for consideration by the Board and our residents. This draft plan is the result of months of hard work by our dedicated staff, working closely with administrative leadership, our BACs (Boards, Authorities, and Commissions) and, most importantly, our residents. Fairfax County Public Schools was a key partner and participant in developing the plan as well. Employees at various levels were selected to work on the plan from across the organization, giving opportunities for leadership roles and exposure to subject matter which may be outside of the individual employee's area of expertise. I have thoroughly enjoyed working with our employees in the development of this plan, as they have exhibited tremendous enthusiasm and creativity throughout the process. Our hope is that this plan establishes a roadmap to success, allowing us to focus on the issues that matter to our residents most and prioritize our resources. As I have previewed in earlier presentations, the plan is structured around nine priority outcome areas, including:



- Lifelong Education and Learning
- Mobility and Transportation
- Safety and Security
- Housing and Neighborhood Livability
- Economic Opportunity
- Health and Environment
- Cultural and Recreational Opportunities
- Empowerment and Support for Residents Facing Vulnerability
- Effective and Efficient Government

These categories were developed by analyzing feedback from our residents provided during community meetings or submitted as part of a countywide survey. For each priority outcome area, the plan contains specific strategies that we can take to make progress towards our aspirational outcome, as well as quantifiable indicators and metrics to help us measure that progress. Embedded in each of the priority outcome areas are seven principles which guided the development of the plan and which will influence how the plan is implemented. These include:

- Access
- Affordability
- Equity
- Sustainability
- Innovation
- Collaboration and Engagement
- Placemaking

As the components of the Plan came together, it was clear that these common themes were too important to stand alone as individual priorities or strategies. Instead, these guiding principles must serve as the roots of County growth across all outcome areas. I anticipate that the Board and our community will have significant feedback on the draft plan, and I am looking forward to the dialogue that will occur over the coming months.

Throughout the development of the Strategic Plan, employees working on the effort focused specifically on equity, as noted above, and the Plan's alignment with the County's One Fairfax policy.



Similarly, when developing the FY 2021 budget, agencies were asked as part of their budget submissions to explain how their requests would help to reduce disparities in outcomes and advance equity. I am proud that One Fairfax is being woven into the fabric of our County and is a consideration at all levels of decision-making. I think that you will be able to see from the items included in this budget proposal that we are working hard to ensure that all of our residents have opportunities to thrive.

In the spirit of the proposed Strategic Plan, I will now outline some of the major spending initiatives included in the [FY 2021 Advertised Budget Plan](#), categorized by priority outcome area. I should note that detailed information regarding the adjustments funded in this budget are included in the Advertised Budget Summary which follows this letter.

The largest share of our FY 2021 proposed budget, as it is every year, is dedicated to **Lifelong Education and Learning**. My recommendation includes an increase in the transfer to the Public Schools Operating Fund of \$85.52 million. This is consistent with the Board's budget guidance which encouraged equal growth of County disbursements and School transfers. The proposed transfer is \$4.18 million less than what is currently requested by the Schools; however, it is anticipated that the Schools will be able to meet their needs through increased funding from the state. Transfers to the Schools Operating, Debt Service, and Construction Fund make up 52.6 percent of General Fund disbursements in this proposal.



As we have gone through the exercise of developing the draft Strategic Plan, a consistent message from our community has been that our residents expect the County and Schools to work together to achieve joint priorities. As we discussed at the recent retreat of both Boards, our residents do not differentiate between the hierarchical structures of our organizations. I believe that we are on the right path in terms of working across our organizational boundaries, with collaboration occurring at

both the staff and leadership levels. In that spirit, staff from both the County and Schools have started discussing ways in which revenue from our stormwater program could be used to support stormwater projects arising from School renovations and new builds. Although the current Stormwater rate does not allow for significant dedicated funding for Schools projects, County staff is currently examining near-term opportunities while evaluating the long-term requirements for an expanded stormwater program. This enhanced program, including debt service to support the dredging of Lake Accotink and the anticipation of additional flooding mitigation requirements, as well as support for Schools, may require incremental changes to the rate over time. Staff will be evaluating these requirements and will return to the Board of Supervisors at a future Budget Committee meeting to define the needs and opportunities for FY 2022 and beyond.

In alignment with recommendations from the Successful Children and Youth Policy Team (SCYPT), and consistent with the robust conversation on School Readiness that took place at the joint Board of Supervisors and School Board retreat on February 3, we have also included recommendations in my FY 2021 proposal to expand our ability to serve children in school readiness programs. This includes funding to support 72 new early childhood slots in community-based settings, as well as positions to support the creation of a Family Child Care Network of providers that serve young children in quality settings. As the Board is aware, the creation of additional early childhood slots is reliant not only on operational resources, but also on the availability of physical space. To support the creation of facilities in the community for early childhood activities, an amount of \$25 million has been included for the proposed 2020 Bond Referendum, as outlined in the FY 2021-2025 Advertised Capital Improvement Program. It is anticipated that this funding – along with subsequent \$25 million referendums in 2022, 2024 and 2026 – would be used to build classroom space in County and Schools facilities over the next decade. In total, this would provide \$100 million in funding for capital construction of early childhood facilities. Certainly, as we build capacity for early childhood slots in the County, it will be necessary to add operational dollars in future years. I anticipate including significant requests for funding over the coming years as we work towards this important joint Schools/County initiative.

In addition, in order to better account for resources dedicated to school readiness activities in the County, a new fund – the Early Childhood Birth to 5 Fund – has been established. This new fund will move resources for the Childcare Assistance and Referral program (CCAR), Head Start and school readiness, and community education and provider services, out of the Department of Neighborhood and Community Services in the General Fund. As we devote additional resources to school readiness over the coming years, this new fund will allow us to be more transparent with our residents regarding our efforts.



In accordance with the Board's Budget Guidance approved last year, and as mentioned above, significant resources are dedicated to **Housing and Neighborhood Livability** as part of this budget. Of the proposed 3 cent increase on the Real Estate Tax rate, one penny – or \$26.5 million – will be directly allocated to the Affordable Housing Development and Investment Fund (previously the Penny for Affordable Housing Fund). Combined with the existing half-penny, almost \$40 million in Real Estate Taxes will be dedicated for the preservation and development of affordable housing in FY 2021.

To ensure that the County is appropriately managing the housing continuum, helping to move individuals from homeless shelters into permanent housing, I am also recommending that the Office to Prevent and End Homelessness and the Department of Housing and Community Development be combined. This reorganization is expected to result in organizational efficiencies while allowing us to continue to make progress towards ending homelessness in the County.

This budget proposal includes considerable investments for **Health and Environment** priorities. This includes continued support – consistent with the multi-year effort begun years ago – for the County’s successful Diversion First program and initiative to fight Opioid use and addiction. FY 2021 marks the fifth year for Diversion First, with over 1,300 individuals with mental illness and/or substance abuse disorders diverted from potential arrest since the program began. Costs for Diversion First are partially offset by savings available in the Office of the Sheriff based on a reduced average daily population in the jail. I am also pleased to be able to include new Public Health Nurse and School Health Aide positions, as well as funding to support the Medically Fragile program for students with complex medical conditions. The new Public Health Nurse positions will begin a multi-year process to reach the program target of one Public Health Nurse for every 2,000 students.



This budget also demonstrates our commitment to the County’s Environmental Vision and Operational Energy Strategy. Total funding of \$1.3 million – an increase of almost \$400,000 over the current year – is included for environmental and energy projects. The projects were selected based on a process supported by the Environmental Quality Advisory Council (EQAC) and support a variety of environmental initiatives. These projects will be budgeted and tracked in the new Environmental and Energy Program fund – a new fund which will allow us to be more transparent in the use of resources dedicated to environmental stewardship. I have also proposed additional positions to support the program, including positions in the Office of Environmental and Energy Coordination and the Department of Planning and Development.



As I noted earlier, the Admissions Tax is one of the last remaining revenue options that the County has at its disposal. The decision to propose an Admissions Tax was not one that I made easily. I came to the decision after carefully considering the impact to our residents versus the ability to increase our funding to support **Cultural and Recreational Opportunities**. With the revenue generated from the proposed 4 percent Admissions Tax, we are able to increase our funding to ARTSFAIRFAX, the designated arts service organization for the County, with a majority of that funding allocated for additional arts grants. With the Admissions Tax revenue used to fund contributions to ARTSFAIRFAX, the Fairfax Symphony and Wolf Trap, it alleviates pressure on the General Fund to support these activities and allows us to redirect funding to expand Library Hours and increase scholarship assistance to Fairfax County Park Authority programs. I am also proposing that a portion of the Admissions Tax revenue be used to increase funding to Visit Fairfax. Investing in tourism is one of the ways in which we can support the growth of **Economic Opportunity** in the County. Increased visitors to the County results in more individuals eating in Fairfax County restaurants, buying from Fairfax County shops, and sleeping in Fairfax County hotels. I have also included increased funding for the Community Business Partnership’s Community Development Financial Institution, which lends money to businesses established by disadvantaged populations in the County until those businesses can obtain funding from regular commercial sources. I have also included funding and positions for three new School-Age Child Care classrooms, as having quality childcare is essential in allowing our residents to participate fully in the workforce and achieve personal financial stability.



Many individuals in our community face tremendous obstacles in their quests to live their best lives, which is why it is important we focus efforts on **Empowerment and Support for Residents Facing Vulnerability**. This budget includes funding in the Fairfax-Falls Church Community Services Board to support individuals with developmental disabilities, including positions to provide support coordination services, as well as to provide self-directed services that continue to support the Welcoming Inclusion Network (WIN) initiatives that were presented to the



Board of Supervisors in December 2018. The Self-Directed Services (SDS) program provides a programmatic and cost-saving alternative to traditional day support and employment services for persons with developmental disabilities. I am pleased to have included funding to support the continued expansion of the Opportunity Neighborhood (ON) initiative into the Centreville/Chantilly area of Human Services Region 4. ON coordinates the efforts of multiple County agencies and community-based programs and services to promote positive outcomes for children and youth by aligning available programming with identified needs, interests, and gaps in a particular community. With the understanding that the County is home to a number of non-profits that provide valuable services to our residents, this budget also includes an increase in funding for the Consolidated Community Funding Pool.

Our primary investments in the area of **Safety and Security** in FY 2021 involve funding positions and operational support for new facilities, including the Scotts Run Fire Station 44, scheduled to open in January 2021, and the South County Police Station, anticipated to open in December 2022. We have been adding positions for South County since FY 2017 to slowly build the complement of sworn staff. I had initially hoped to fund all of the remaining uniformed positions as part of this budget. However, based on limited resources, I am proposing funding half of the remaining 16 sworn positions. As the scheduled opening of the station has been pushed back, this is not anticipated to impact our ability to fully staff the station once it is completed. Additionally, consistent with action taken as part of the *FY 2019 Carryover Review* and Board action on September 24, 2019, funding and positions are included for the Body-Worn Camera program. One-time funding was allocated in FY 2020 to begin the program, while the funding in the FY 2021 budget will build recurring funding in the baseline for this Board priority.



Other investments in this budget include increased General Fund support to meet our Metro and Fairfax Connector obligations in the area of **Mobility and Transportation**. I am also recommending several new transportation positions, including a position to coordinate the growing Student Bus Pass program. This program, which provides free access to Fairfax Connector and Fairfax City Cue bus service for all Fairfax County middle and high school students (and Metrobus access to students at Justice High School), now serves approximately 15 percent of all students, with additional growth expected. This program highlights yet another area where the County and Schools are working collaboratively to develop and implement solutions affecting our residents.

The last Strategic Plan priority area touches not on what types of programs and services we provide, but how we provide them. Maintaining an **Effective and Efficient Government** is of paramount importance in continuing to earn the trust of our taxpayers. This budget attempts to do so by focusing resources on the maintenance of our facilities, building our capacity to use data for better decision-making, and supporting the technological infrastructure of our elections system.



One of the areas in which we have been particularly effective has been in the progress made towards the County's reserves target. As the Board is aware, as part of the adoption of the FY 2016 budget, the Board approved changes to the County's *Ten Principles of Sound Financial Management*, increasing our reserves target from 5 percent to 10 percent of General Fund disbursements. We have made steady progress in our reserves funding, utilizing year-end balances and debt service savings, as well as consistently including a 10 percent reserve load on every disbursement increase – even one-time adjustments included at quarterly reviews. I am pleased to

The [FY 2021 Advertised Budget Plan](#) reflects reserve balances of 10 percent of General Fund Disbursements, meeting the target established by the Board of Supervisors in 2015 for the first time.

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share that the FY 2021 Advertised Budget Plan reflects full funding of the County's 10 percent reserve target for the first time. This is a significant achievement that demonstrates the County's commitment to abide by its financial policies and fulfills the goal of bringing the County's reserves in line with other triple-A jurisdictions.

I know that you join me in thanking the staff from across the organization who helped in the development of this proposal. I thank you for the positive working relationships that we have established since I joined the County, and I look forward to working with each of you as we work towards adoption of the FY 2021 budget.

Respectfully submitted,



Bryan J. Hill
County Executive