



Fairfax County, Virginia

Popular Annual Financial Report

July 1, 2019 — June 30, 2020





FY 2020 Fairfax County PAFR



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FY 2020 PAFR and FY 2020 CAFR are both located on the County's public website: for the PAFR: <https://www.fairfaxcounty.gov/finance/financialreporting/popularannualfinancialreport/>; For the CAFR: <https://www.fairfaxcounty.gov/finance/financialreporting/comprehensiveannualfinancialreport/>.

The cover photo is the Fairfax County Government Center.



November 23, 2020



We are pleased to present to you, our residents, the Popular Annual Financial Report (PAFR) for the County of Fairfax, Virginia, covering Fiscal Year (FY) 2020, from July 1, 2019 through June 30, 2020. The PAFR is designed to offer, those with a general interest in the County's financial activities, a glimpse at selected data from the FY 2020 Comprehensive Annual Financial Report (CAFR) presented in a highly readable format.

The County's financial statements conform to generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), have been audited as required by the Code of Virginia, and, have received an unmodified opinion by the accounting firm of Cherry Bekaert LLP.

We hope this issue of the PAFR helps the reader gain a better understanding of the County's financial activities and reinforces our commitment to fiscal integrity and sound financial management. The PAFR also reflects our continued commitment to the residents and businesses of Fairfax County, the Board of Supervisors, and all interested readers of this report by providing financial, economic, and demographic information about the County, while demonstrating our deep pride in serving it.

Respectfully,

Bryan J. Hill
County Executive

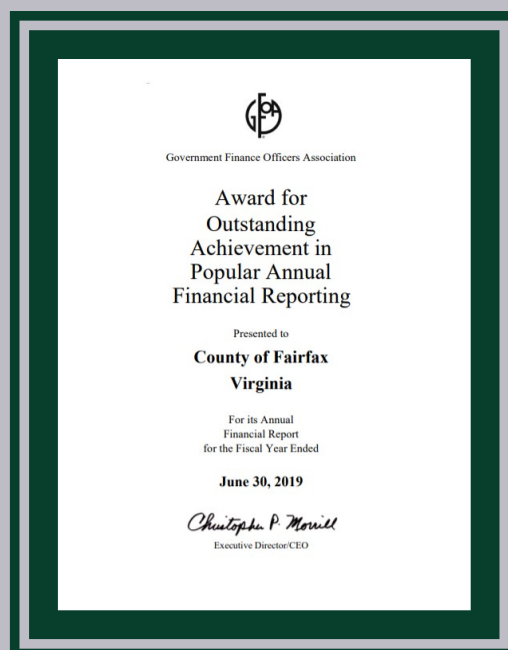
Joseph M. Mondoro
Chief Financial Officer

Christopher J. Pietsch
Director of Finance

About Fairfax County

Fairfax County is located in the northeastern corner of Virginia and encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. metropolitan area which includes jurisdictions in Northern Virginia, Maryland, and the District of Columbia, and has a population in excess of 1.16 million.

Fairfax County surrounds the City of Fairfax and is adjacent to the Cities of Falls Church and Alexandria. Cities and counties in Virginia are discrete units of government that under Virginia law may not be overlapping districts. The incorporated towns of Clifton, Herndon, and Vienna are underlying units of government within the County. See district map of Fairfax County on the back cover.





Government Structure

Fairfax County operates under the urban county executive form of government, as defined by the Code of Virginia. The powers of government are vested in an elected Board of Supervisors (the Board or BOS) consisting of nine members elected by district, plus a Chairman elected at large. Board members are elected for four-year terms by the voters of the district in which each member resides. There is no legal limit to the number of terms a member can serve. The Board sets policy for the administration of the County and appoints a County Executive to act as the administrative head of the County. The County Executive carries out the policies established by the Board, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board.



Fairfax County Board of Supervisors pictured from left to right: Walter L. Alcom (Hunter Mill District), Kathy L. Smith (Sully District), Pat Herrity (Springfield District), Daniel G. Storck (Mount Vernon District), Penelope A. Gross (Vice Chairman, Mason District), Jeffrey C. McKay (Chairman, At-Large), Dalia A. Palchik (Providence District), John W. Foust (Dranesville District), James R. Walkinshaw (Braddock District), and Rodney L. Lusk (Lee District).

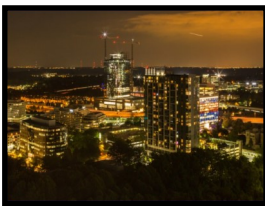
One Fairfax



One Fairfax is a social and racial equity policy, jointly adopted by the Boards in Fairfax County and Fairfax County Public Schools (FCPS), committing the County and FCPS to intentionally consider equity when making policies and delivering programs and services. The interlocking, systemic issues existing in areas such as housing, employment, transportation, and health, were exacerbated by COVID-19 and continue to limit opportunity for some County residents to fully participate in the County and regional economy. All residents deserve an equitable opportunity to succeed, with equity recognized as an economic imperative.

Fairfax County Economic Success Strategic Plan

Reflecting the BOS' Priorities while embracing the County's vision, the Fairfax County Economic Success Strategic Plan was initially established in 2015, then updated in the fall of 2018. The focus is on four fundamental themes: People, Places, Employment, and Governance. Each of the four themes contains a vision of what to aspire to and the related fundamental strategies.



Further Diversify Our Economy



People Places Employment Governance



Invest in Natural and Physical Infrastructure



Improve the Speed, Consistency, and Predictability of the Development Review Process



Create Places Where People Want to Be



Increase Agility of County Government



Achieve Economic Success through Education and Social Equity



Fiscal Integrity

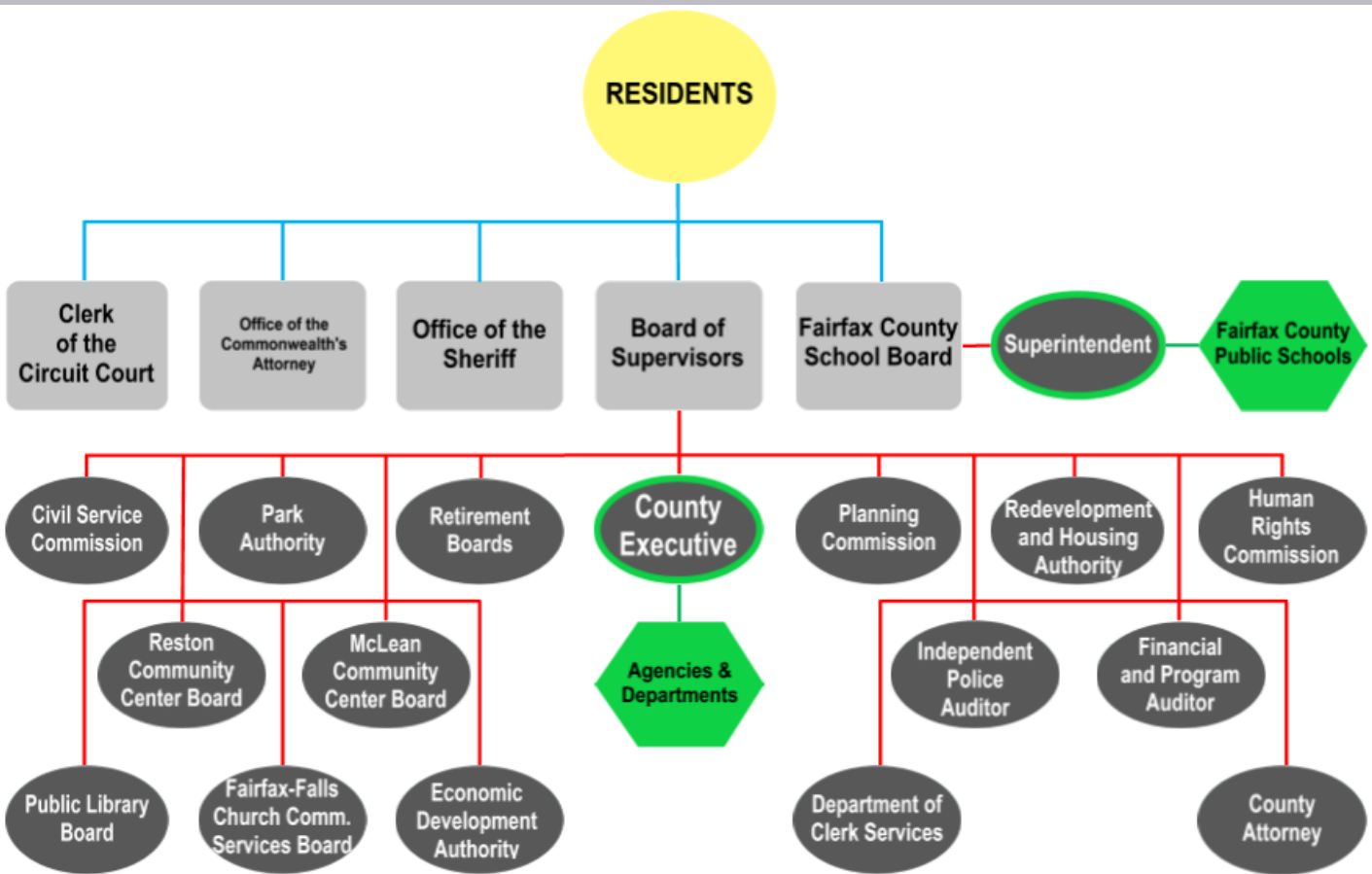
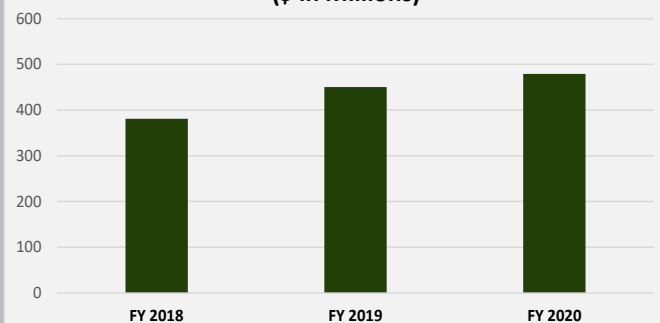
The keystone to the County's ability to maintain its fiscal integrity is the continuing commitment of the Board. This commitment is evidenced by their adoption of the Ten Principles of Sound Financial Management (Ten Principles), first adopted in 1975, which remain the policy context within which financial decisions are considered and made. These principles relate primarily to the integration of capital planning, debt planning, cash management, and productivity as a means of ensuring prudent and responsible allocation of the County's resources.

Ten Principles of Sound Financial Management

1. **Planning Policy**
2. **Annual Budget Plans & Reserves**
3. **Cash Balances**
4. **Debt Ratios**
5. **Cash Management**
6. **Internal Controls**
7. **Performance Measurement**
8. **Reducing Duplication**
9. **Underlying Debt & Moral Obligations**
10. **Diversified Economy**

From time to time the Board amends the Ten Principles in order to address changing economic conditions and management practices. In FY 2016, as a response to concerns from the bond rating agencies, the Board committed to increasing the County's reserve policies to strengthen the County's financial position. The total target balance is ten percent of the General Fund disbursements, which is in-line with other Triple A jurisdictions. The chart below illustrates the General Fund Committed Reserves for FY 2018 through FY 2020.

General Fund Committed Reserves
(\$ in Millions)





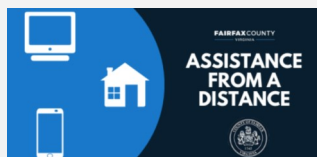
Fairfax Forward

What began as a promising fiscal year that included a near record low national unemployment rate and a Fed Funds rate of 2.37% at the end of July 2019, eroded sharply as the Coronavirus (COVID-19) pandemic became an all too present reality. By the end of April 2020, the Fed Funds rate had dropped to .04%, and the national unemployment rate had jumped to nearly 15%. Fairfax County was certainly not immune to the impacts of COVID-19. After presenting the FY 2021 Advertised Budget to the BOS at their February 25, 2020, meeting which proposed a 3 cent real estate tax increase as well as a new 4% admissions tax, County Executive Bryan Hill presented a revised FY 2021 budget in early April that eliminated those rate increases along with County compensation increases for employees as well as other adjustments needed to address the expected revenue shortfall precipitated by wide scale business and school closures.



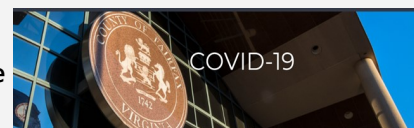
The BOS took a number of measures to maintain the continuity of Fairfax County Government services and operations through the second half of FY 2020, including: adopting a resolution declaring a Local State of Emergency (*Emergency special meeting of the full BOS, held March 17, 2020*); extending the deadline for personal property and real estate taxes (*BOS meeting, held March 24*); and, subsequently reducing the penalty for late tax payments (*BOS meeting, held June 23*).

While County buildings and facilities closed to the public on March 27 at 5:00 pm to help limit the spread of the Coronavirus, County government operations have remained open throughout the pandemic, with business conducted online and by phone and mail. The County promoted *Assistance from a Distance*, an online portal which includes Online Payments of taxes and fees, Online Complaint Reporting for crimes, neighborhood and construction site complaints, Online Registrations/ Applications for financial and medical assistance, affordable housing, building plans and permits, site plans, zoning permits and building inspections. *Assistance from a Distance* is part of a wider public COVID-19 County website that includes numerous tools and resources for residents and businesses.



Click picture above for a direct link to Assistance from a Distance

On April 22, 2020, Fairfax County was a direct recipient of over \$200 million in funding from the Coronavirus Aid, Relief, and Economic Security (CARES Act) Coronavirus Relief Fund (CRF). The County was the only local government in the Commonwealth of Virginia to receive direct funding and transferred nearly \$7 million of the direct allocation to the towns of Herndon \$4M; Vienna \$2M; and Clifton \$51K. With spending guidance issued by the U.S. Department of the Treasury, the CRF funding has stringent requirements for its use. CRF funding may only be used to cover costs that are necessary expenditures incurred between March 1 – December 30, 2020, due to the public health emergency with respect to the COVID-19 and cannot be used to supplement revenue loss.



Click picture above for a direct link to the County's COVID-19 webpage

To assist small businesses struggling during the pandemic, the Board approved several robust initiatives. At its April 14, 2020, meeting, the Board authorized the allocation of \$2.5M of Economic Opportunity Reserve (EOR) dollars into COVID-19 economic relief efforts and established a Fairfax County Small Business COVID-19 Recovery Microloan Fund with a 0% interest rate. During the May 12, 2020, BOS meeting, the Board approved the Fairfax Relief Initiative to Support Employers (Fairfax Rise) grant program to provide immediate relief to small businesses and non-profit organizations. Initially allocated at \$25M, subsequent allocations made by the BOS into FY2021, along with \$1M from the Town of Vienna, increased the program to \$52.5M.



During a special board meeting held on May 28, 2020, the BOS unanimously adopted an emergency uncodified ordinance to temporarily permit the expanded use of outdoor space for outdoor dining and for outdoor fitness and exercise activities under specified conditions, thus suspending the requirement for individualized approvals of such activities.

Chairman Jeffrey C. McKay described the measures taken by the Board at the March 24, 2020, meeting, as *"some of the ways the Board is trying to help during this difficult time. We'll keep working with our community on additional actions moving forward."*





Business and Employment Facts

Facing the challenges of the recent economic instabilities caused by the COVID-19 pandemic, the County has continued to retain its diverse urban-suburban business community. Its economic growth and community prosperity are the direct outcomes of its sound financial management and fiscal integrity that fortifies its strong financial base and gives it strength to sustain these pandemic times. At the conclusion of calendar year 2019, there was a net of 9,689 jobs added to the County.

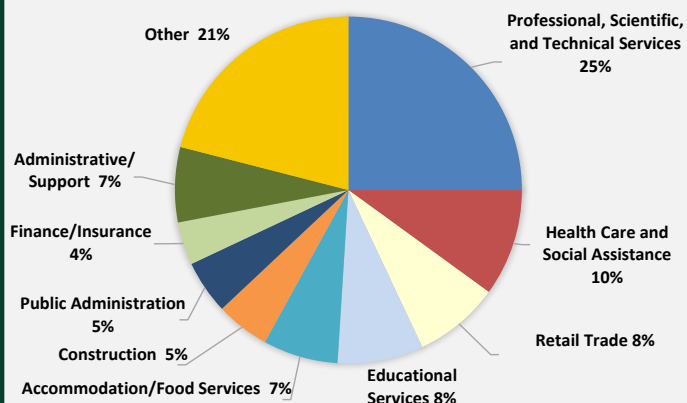
There are more than 36,844 payroll businesses including corporate and regional headquarters in Fairfax County. As displayed on the chart shown on the right, the professional, scientific and technical services industries make up a quarter of the employment, or 25%.

The ten largest employers located in Fairfax County are listed in the following chart provided below.



As illustrated in the chart located on the right, Fairfax County's unemployment rates, not seasonally adjusted, have consistently tracked below both state and national percentages. Looking at the 30th of June, on a ten year comparison, the County has maintained the lowest unemployment rates. Even with the recent adverse impact of the COVID-19, Fairfax County confirms a stronger economic base.

EMPLOYMENT BY INDUSTRY (2019)



Source: Fairfax County Economic Development Authority

Economic Accolades

- ◆ The 2019 Inc. 5000 list of the nation's fastest-growing firms included 116 Fairfax County companies.
- ◆ Eleven Fairfax County companies made the 2019 Fortune 500 list: Beacon Roofing Supply; Booz Allen Hamilton Holding; Capital One Financial; DXC Technology; Freddie Mac; General Dynamics; Hilton Worldwide; Leidos Holding; Northrop Grumman; NVR; and SAIC.
- ◆ Three of the largest private companies are located in Fairfax County, per Forbes.com: Mars; Bechtel; and Carahsoft.

Comparison of Unemployment Rates As of June 30 (not seasonally adjusted)

	FY 2010	FY 2020
United States	9.6%	11.2%
Virginia	7.2%	8.5%
Fairfax County	5.2%	8.1%

Source: Virginia Employment Commission



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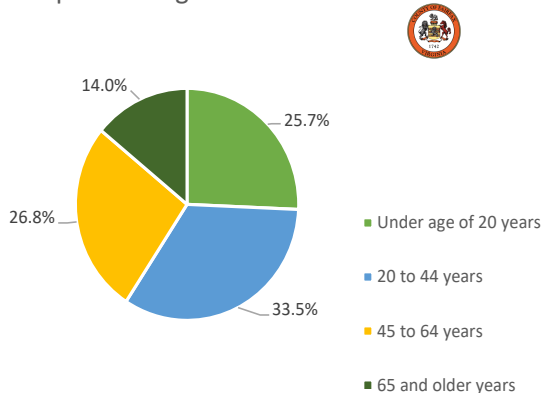


Demographic Facts

Based on the latest Fairfax County Department of Management and Budget's Economic, Demographic and Statistical Research (EDSR) data for 2019, there are more than 1.16 million residents living in Fairfax County. The population is diverse, with the majority being racial/ethnic minorities, 50.1 percent. Approximately 40 percent of all County residents, five years or older spoke a language other than English at home. Fairfax County had approximately 26 percent of its population under the age of 20, while about 41 percent were 45 years of age and older. As reported in the American Community Survey for 2019, Fairfax County had an estimated annual median household income of \$128,374, well above the Commonwealth of Virginia figure of \$76,456 and the national median income of \$65,712.



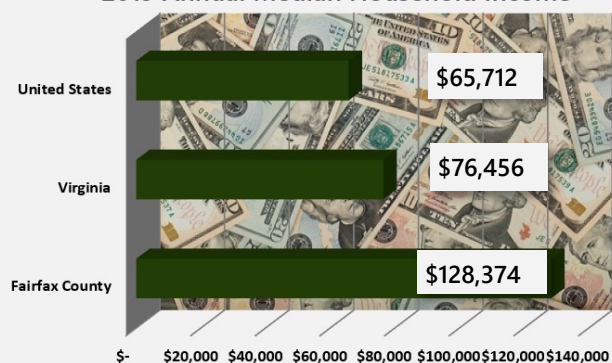
Population Age Distribution



Did You Know....?

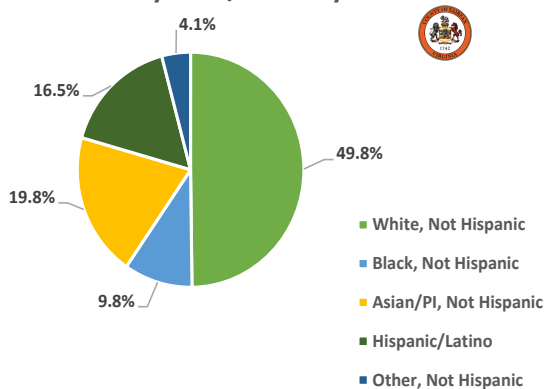
The median size of owned housing in Fairfax County is 1.604 square feet. The average market value of owned housing ranges from \$436,637 for single family attached to \$739,616 for single family detached.

2019 Annual Median Household Income



Source: Fairfax County Economic, Demographic and Statistical Research

Persons by Race/Ethnicity



Source: 2019 American Community Survey



FCPS Student Population at a Glance

As the 10th largest school division in the U.S. with 198 schools and centers, Fairfax County Public Schools (FCPS) serves a diverse student population over 188,000 (projected) students in grades prekindergarten through 12.

Demographically, 37.8 percent of FCPS students are White, 26.8 percent are Hispanic, 19.5 percent are Asian, 9.8 percent are Black, 5.7 percent are two or more races, 0.3 percent are American Indian, and 0.1 percent are Native Hawaiian. (Source: 2019 Fall Membership by Subgroup as reported in the Virginia Department of Education School Quality Profile).

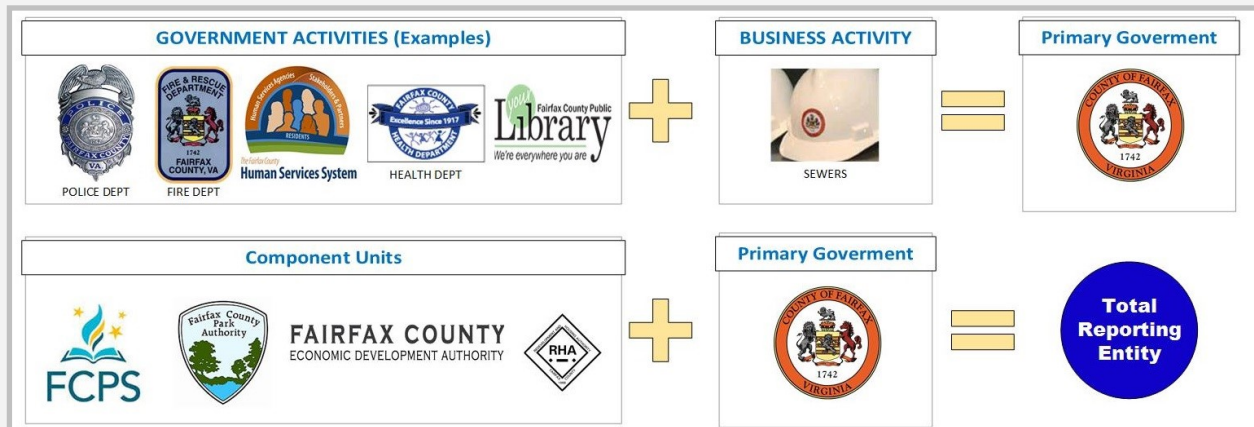




Financial Facts

The Commonwealth of Virginia requires that counties, and their financially dependent component units, be financed under a single taxing structure. The component units are responsible for the assets purchased or constructed with debt proceeds, such as for building public schools. Generally accepted accounting principles require that the primary government and its component units make up the financial reporting entity. Consequently, the best way to represent the financial position is to first look at the net position of the financial reporting entity. Net position reflects the accumulation of change in revenues and expenses. Over time, the net position may also serve as a useful indicator of whether the financial health of the County is improving or deteriorating.

Government-wide financial statements consist of three categories: Government Activities; Business-type Activities; and Discretely Presented Component Units. The County's governmental and business-type activities are

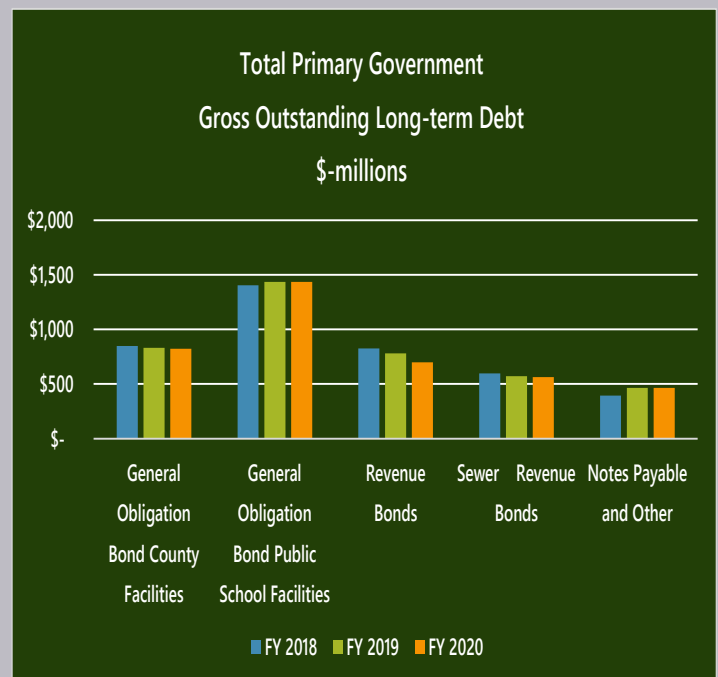


collectively referred to as the Primary Government. Together, the Primary Government and its discretely presented component units are referred to as the Total Reporting Entity. Most of the County's basic services are reported in the Governmental Activities category. The County's only Business-type activity is the Integrated Sewer System. To get a more comprehensive explanation on the Fairfax County's financial statements, please refer to the Management's Discussion and Analysis (MD&A) section in the CAFR.

Primary Government Long-term Debt

The County primarily borrows money by issuing general obligation (GO) bonds to finance capital projects. All general obligation bonds require approval by voter referendum. The County's exceptional Triple A bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low interest rates, thus realizing significant savings now and in the future for County residents.

While there is no legal limit on the amount of long-term indebtedness that the County can at any time incur or have outstanding, the Board has established self-imposed limits with respect to long-term debt. The adjacent chart compares the debt distribution over the last three fiscal years for the Primary Government. Public school facilities represent the largest amount of GO bond debt, which, in part, reflects County residents' strong community support for our public schools.





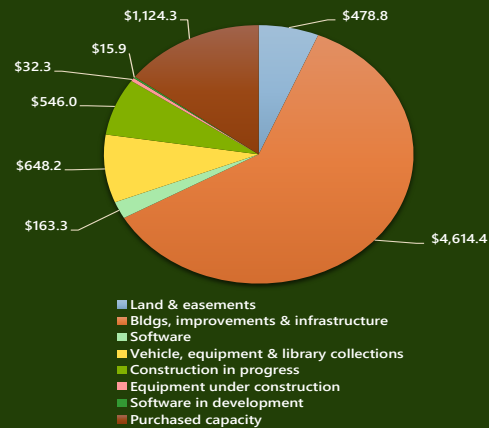
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Primary Government Capital Assets

As illustrated in the chart to the right, the Total Primary Government's investment in capital assets as of June 30, 2020, amounted to over \$7.6 billion. Buildings, improvements, and infrastructure represent the largest category of capital assets for the County. Major activities for FY 2020 included: software acquisition; improvements to transportation, including bus and rail services; procurement of library books and audio/video materials; upgrades to the sewer system's share of the Noman Coal Treatment Plant Renovation; and expenditures related to constructions of the Herndon and Innovation Metrorail Parking Facility, Hayfield Road Flood Mitigation, Fire Stations in multiple locations, and Capital Sinking fund for facilities and walkways.

FY 2020 Total Primary Government Capital Assets
\$ - millions



Net Position

GASB defines Net Position as: Assets + Deferred Outflows less Liabilities + Deferred Inflows. For the Total Reporting Entity, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$830.1 million for FY 2020, representing a decrease of \$27.0 million in the net position over FY 2019. The decrease in the Total Reporting Entity net position in FY 2020 was primarily due to the loss of revenue within the Total Primary Government in charges for services and the adverse effects of the COVID-19.



Summary of Changes in Net Position
Total Primary Government
For the Fiscal Years Ended June 30
(\$-millions)

	FY 2018	FY 2019	FY 2020
Revenues			
Program Revenues			
Charges for services	\$ 881.5	\$ 938.7	\$ 917.2
Operating grants & contributions	\$ 273.0	\$ 274.3	\$ 346.8
Capital grants & contributions	\$ 57.0	\$ 46.8	\$ 43.3
General Revenues			
Real property tax	\$ 2,652.3	\$ 2,796.6	\$ 2,897.8
Personal property tax	\$ 412.3	\$ 421.7	\$ 443.3
Business licenses tax	\$ 167.8	\$ 170.1	\$ 180.1
Local sales and use tax	\$ 252.0	\$ 252.3	\$ 249.7
Consumers utility tax	\$ 104.8	\$ 107.3	\$ 110.5
Other taxes	\$ 60.6	\$ 59.4	\$ 59.9
Unrestricted grants & contributions	\$ 211.4	\$ 211.4	\$ 211.4
Revenue from the use of money	\$ 11.5	\$ 27.2	\$ 14.6
Total Revenues	\$ 5,084.2	\$ 5,305.8	\$ 5,474.6
Expenses			
Expenses			
General government administration	\$ 191.0	\$ 200.3	\$ 258.3
Judicial administration	\$ 64.0	\$ 65.3	\$ 76.7
Public safety	\$ 783.3	\$ 780.4	\$ 879.2
Public works	\$ 444.1	\$ 440.4	\$ 467.8
Health and welfare	\$ 641.6	\$ 660.9	\$ 721.9
Community development	\$ 553.9	\$ 442.8	\$ 550.1
Parks, recreation, and cultural	\$ 132.4	\$ 133.5	\$ 143.7
Education	\$ 2,139.2	\$ 2,251.6	\$ 2,332.4
Interest on long-term debt*	\$ 113.3	\$ 114.0	\$ 103.2
Total expenses	\$ 5,062.8	\$ 5,089.2	\$ 5,533.3
Increase in net position before special item	\$ 21.4	\$ 216.6	\$ (58.7)
Special item gain from sale of purchased capacity	N/A	N/A	\$ 9.9
Increase (decrease) in net position	\$ 21.4	\$ 216.6	\$ (48.8)
Beginning net position	\$ 616.7	\$ 638.1	\$ 854.7
Ending net position	\$ 638.1	\$ 854.7	\$ 805.9

* For business-type activities, interest on long-term debt is included in the functional expense category.

The Net Position of the Total Primary Government had experienced a steady growth over the prior two fiscal years primarily due to increases in revenue from tax collections, specifically from real property taxes with increases in the real estate tax rate and in real estate assessments, and charges for services. However, the trend abruptly shifted in FY 2020 due to the adverse and unexpected consequences of COVID-19 which resulted in a decrease in Net Position of the Total Primary Government to \$48.8 million. This decrease was offset slightly by a special item transaction that occurred as a result of the Fairfax County Integrated Sewer System sale of a portion of its purchased capacity allocation to the City of Manassas, Virginia.

Overall, the main revenue decreases were from the reduction in charges for services such as the reduced collections for School Age Child Care and other County fees due to COVID-19 related closures and there were corresponding increased expenditures including Public Safety and Health and Welfare categories directly associated with the impact of COVID-19. The chart to the right summarizes the last three fiscal years to summarize the changes and display the trends by major categories. Please refer to the MD&A section of the CAFR for more details.



Budget Process and Spending Controls

The County's budget is adopted by May 15 for the coming fiscal year which commences on July 1 and ends on June 30. The Code of Virginia requires that the County adopt a balanced budget. The County maintains extensive budgetary controls at certain legal, managerial and administrative levels. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.



Primary Government Revenue - Where the money comes from...

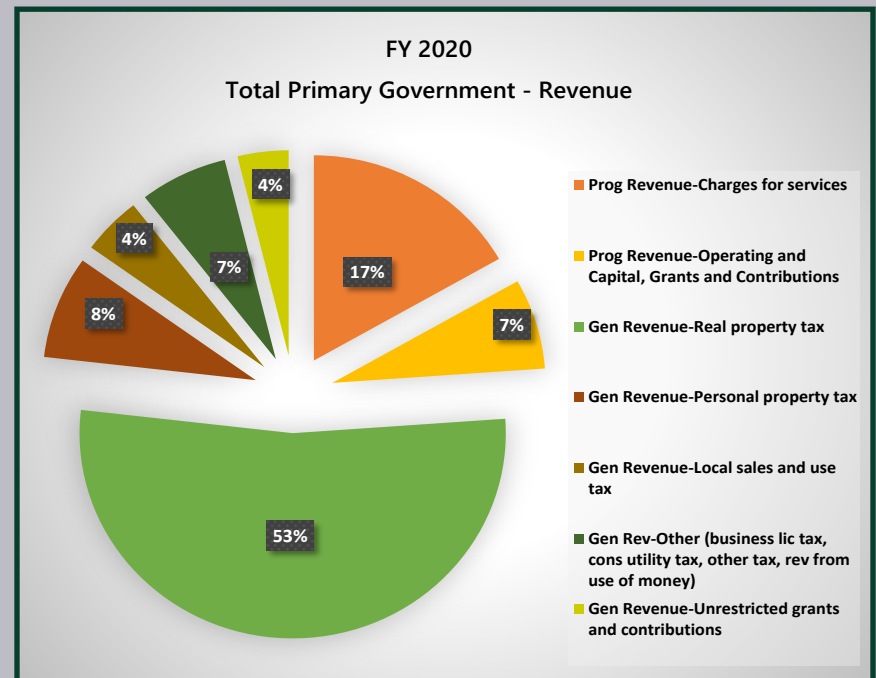
The chart on the right illustrates the sources of funding coming into the County.

Revenue is grouped into categories of Program Revenue and General Revenue. The largest source of revenue for the Primary Government is the General Revenue-Real Property tax at 53 percent. The next major source of revenue is the Program Revenue-Charges for Services at 17 percent which includes collections for items such as fees for refuse collection and building permits. The third largest source is the General Revenue-Personal Property tax at 8 percent. These three combined revenue sources collectively make up 78 percent of Primary Government Revenue. The largest portion of this is included in the General Fund.

The FY 2021 Adopted Budget General Fund Revenue is approximately \$4.5 billion, a decrease of \$203.7 million, or 4.37 percent over the FY 2020 Revised Budget Plan.

Highlights of the FY 2021 tax rates and fees approved by the Board include:

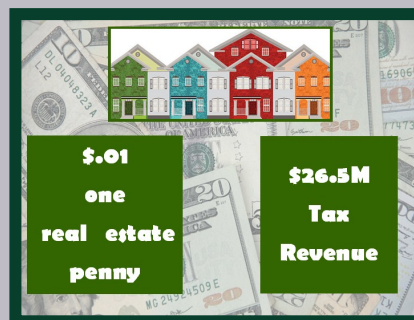
- Real estate tax rate remained at \$1.15 per \$100 of assessed value. In terms of tax revenue, one real estate penny is equivalent to approximately \$26.5 million.
- Personal property tax rate remained at \$4.57 per \$100 assessed value. In terms of tax revenue, one personal property penny is equivalent to approximately \$1.3 million tax revenue.
- Commercial real estate tax rate remained at \$0.125 per \$100 of assessed value. This tax is levied on all commercial and industrial properties in the County.



Did You Know....?

State and local governments use fund accounting. There are many different fund categories and types used, but the most common across all public entities is the General Fund. It serves as the main operating fund. A government can only report one General Fund.

The County's FY 2021 Adopted Budget facts can be found by clicking [here](#).



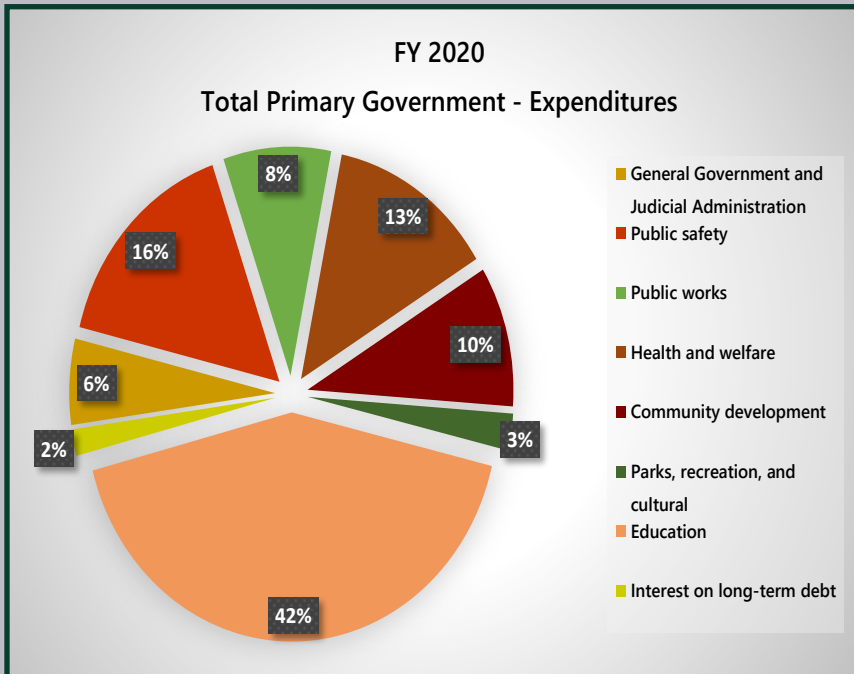


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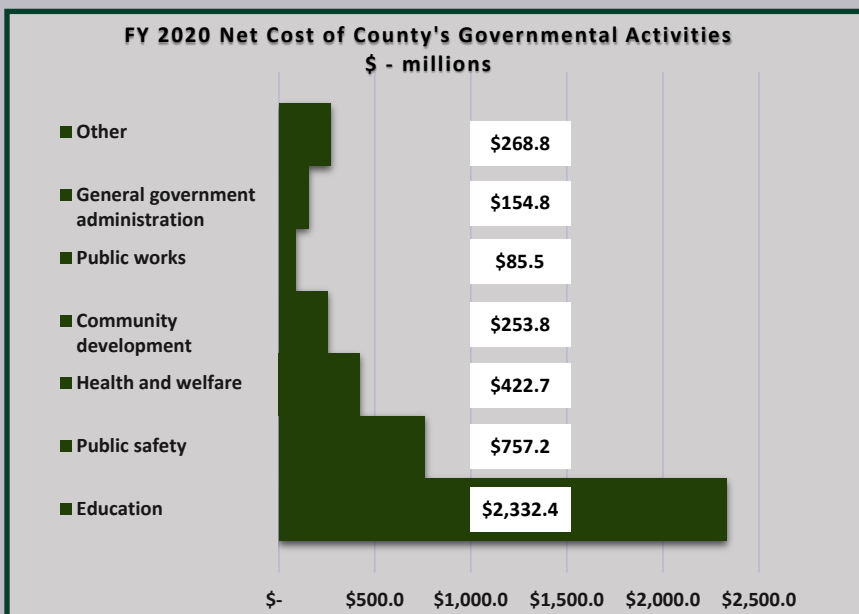
Primary Government Expenditures-Where the money goes...

Expenditures for the County identify the sources of funding that are being spent on behalf of its residents. The chart below identifies the major expenditure sources and reflects the commitment the Board has to serving the community. The largest expenditure category is Education followed by Public Safety, and Health and Welfare. The Fairfax County Public Schools (FCPS) School Board does not have its own taxing authority, so there is no separate school tax in Fairfax County. Most of FCPS' funding comes from the County, approximately 69.3%, as compared to an average school division in Virginia that receives less than half of its funding from its local government. For FCPS, the Commonwealth of Virginia contributes 25.0%, with the remaining 5.7% coming from other sources of funding (Federal, Local, Private, or Other) per the [FCPS FY 2021 Adopted Budget](#).



Expenditure categories can also be viewed by the net cost of each program for the governmental activities. The total cost less fees generated by the program, and program-specific intergovernmental aid, determines a program's net cost. The chart in the lower left corner illustrates the net cost of each of the County's six largest programs: Education; Public Safety; Health and Welfare; Public Works; Community Development; and General Government Administration. In FY 2020, Education expenses totaled more than \$2.3 billion, to support school operations and to service debt for bond projects to build new schools and renew old ones. Community development increased from the prior fiscal year, primarily due to the completion of transportation projects.

Some of the cost of governmental activities is paid by those who directly benefit from the programs, as well as by subsidies from other governments and organizations for certain programs through grants and contributions. Of the \$4.3 billion net cost of services, the amount that County taxpayers paid for these programs through County taxes was \$3.9 billion.



The FY 2021 Adopted Budget General Fund disbursements, expenditures and transfers out, totaled approximately \$4.5 billion, a decrease of \$281.6 million, or 5.92 percent, from the FY 2020 Revised Budget Plan. Total funding for FCPS is \$2.35 billion, or 52.7 percent of total County disbursements.

The Board of Supervisors' continued commitment to the Ten Principles of Sound Financial Management and the residents of Fairfax County is reflected by the County's ability to maintain financial strength while facing the challenges of COVID-19.

**COUNTY OF FAIRFAX, VIRGINIA
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