

Fairfax County Budget Overview and FY 2022 Advertised Budget Plan Highlights

Sully District
Neighborhood College

www.fairfaxcounty.gov/budget



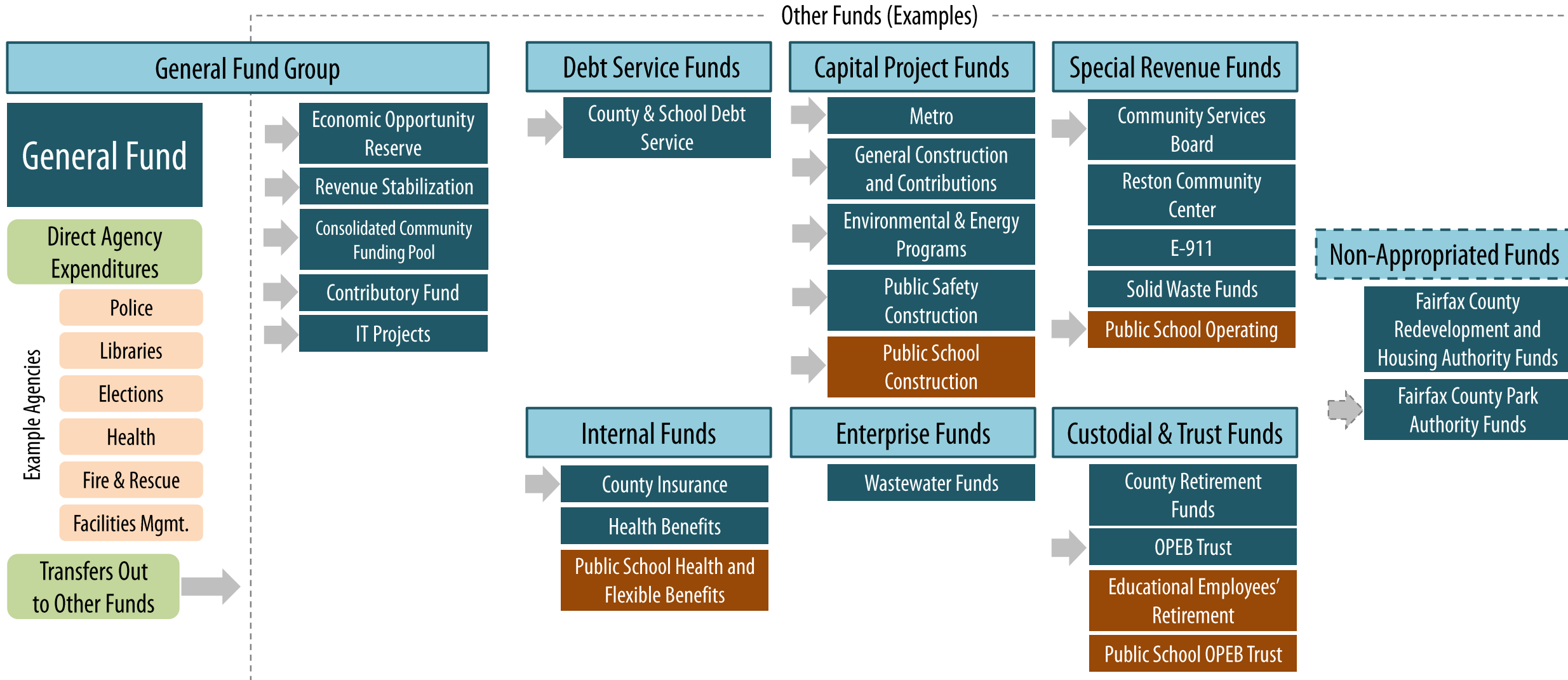
The Art of Budgeting

- A budget is:
 - A statement of priorities that reflects a community's collective vision of the future
 - A spending guide which reflects spending priorities
 - The art of juggling priorities and appropriately allocating resources
 - A policy document indicating policy decisions and priorities through the allocation of funds to specific services and programs
 - A communication device sharing these choices with residents
 - An outline of anticipated revenues to support services, including tax rates
 - A plan of objectives for the upcoming fiscal year

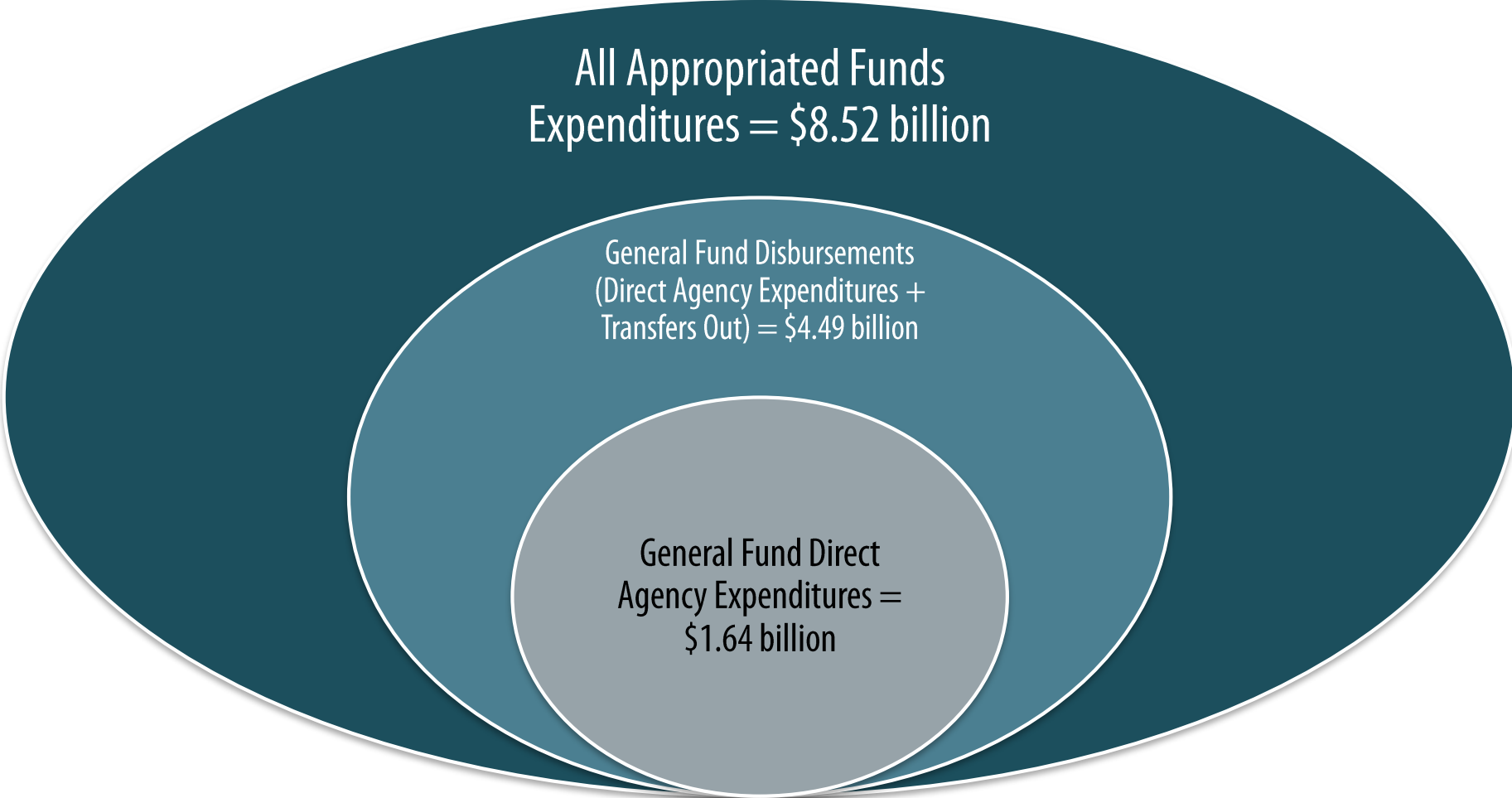
Basic Budget Facts

- Fairfax County's fiscal year runs from July 1 through June 30 (same as the state)
- By law, the county must have a balanced budget (disbursements do not exceed resources)
- The County Executive proposes the budget, but the Board of Supervisors must approve it
- Any adjustments to the budget that exceed 1% require a public hearing to be advertised and held prior to Board adoption

Fairfax County Budget Structure



Fairfax County Budget



Budget Process Overview

- While the entire budget is analyzed each year for savings, efficiencies and reallocations, the budget development process uses the prior year's adopted budget as the base and makes adjustments based on the availability of new or changed resources.
- Transfers to Fairfax County Public Schools
 - FCPS Operations
 - Debt Service
 - FCPS Capital
- Contractual/legal obligations
- Budget Guidance from the Board of Supervisors
- Balance multiple needs and priorities
 - Multi-Year budget
 - New issues emerging from agencies and the community

County Budget Calendar

Current Fiscal Year		Future Fiscal Year
	July	Agencies prepare annual budget requests
	Aug	
Board approves Carryover Review	Sept	Agencies submit annual budgets to the Department of Management and Budget (DMB)
DMB prepares and County Executive submits Mid-Year Review	Oct	DMB reviews agency budget requests
	Nov	
	Dec	County Executive reviews DMB recommendations
Board approves Mid-Year Review	Jan	
DMB prepares and County Executive submits Third Quarter Review	Feb	County Executive submits Advertised Budget Plan (including Multi-Year Budget) to Board
	Mar	
Board approves Third Quarter Review	Apr	Public Hearings on Advertised Budget
	May	Board approves Tax Rates and Adopted Budget Plan
	June	
DMB prepares and County Executive submits Carryover Review	July	



County Revenue

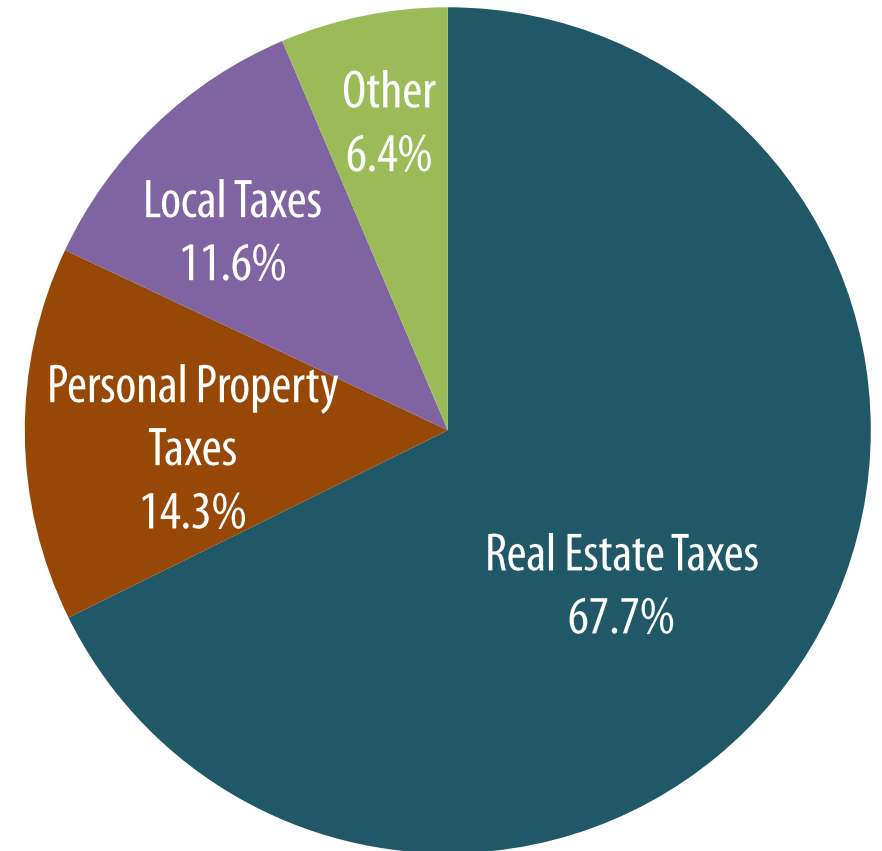
Virginia is a Dillon Rule state

- Counties have only those powers expressly granted to them by the General Assembly
- Limits locality's flexibility to raise revenue and diversify tax base
- General Assembly took action to expand County's taxing authority in 2020
- Options to diversify tax base include:
 - Meals Tax
 - Admissions Tax
 - Rate adjustments for Cigarette Tax, Transient Occupancy Tax



Fairfax County's Revenue Structure

- Over-reliant on Real Estate Taxes, which makes up more than 67% of total General Fund revenue
 - Over 75% of Real Estate Tax revenue comes from residential property
- City and county governments cannot levy personal income tax in the Commonwealth of Virginia



Percentages based on FY 2022 Advertised Budget

General Fund Revenues: "Where It Comes From"

**FY 2022 ADVERTISED
GENERAL FUND
REVENUES =
\$4,499,426,703****

**CHARGES FOR SERVICES
1.3%
\$57,104,738**

SACC Fees	\$22.0
EMS Fees	\$18.9
Clerk Fees	\$4.6
Other	\$11.6

**REVENUE FROM THE USE OF MONEY AND PROPERTY
0.3%
\$14,973,158**

**PERSONAL PROPERTY TAXES*
14.3%
\$642,977,292**

Current	\$632.6
Delinquent	\$10.4

**LOCAL TAXES
11.6%
\$519,984,902**

Local Sales Tax	\$199.2
B.P.O.L.	\$164.2
Consumer Utility Taxes	\$45.6
Other	\$110.8

**REVENUE FROM THE COMMONWEALTH*
2.3%
\$101,649,627**

VA Public Assistance	\$38.1
Law Enforcement	\$26.4
Other	\$37.1

**OTHER REVENUE
0.2%
\$15,526,944**

**REVENUE FROM THE
FEDERAL
GOVERNMENT
0.9%
\$40,879,247**

Social Services Aid	\$39.8
Other	\$1.0

**FINES AND FORFEITURES
0.1%
\$8,727,970**

District Court Fines	\$3.1
Parking Violations	\$2.3
Other	\$3.3

**PERMITS, FEES &
REGULATORY LICENSES
1.1%
\$49,642,908**

Building Permits/Inspection Fees	\$37.5
Other	\$12.1

**REAL ESTATE TAXES
67.7%
\$3,047,959,917**

Current	\$3,039.4
Delinquent	\$8.6

* For presentation purposes, Personal Property Taxes of \$211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

** Total County resources used to support the budget include the revenues shown here, as well as a beginning balance and transfers in from other funds.

Historical Changes in Real Estate Tax Base

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Equalization	(10.52%)	(8.98%)	2.67%	2.53%	2.63%	4.84%	2.40%	1.94%	0.97%	2.58%	2.45%	2.71%	2.02%
- Residential	(12.55)	(5.56)	2.34	0.71	3.50	6.54	3.39	1.64	0.68	2.17	2.36	2.65	4.25
- Nonresidential	(4.51)	(18.29)	3.73	8.21	0.14	(0.10)	(0.60)	2.87	1.85	3.79	2.71	2.87	(4.05)
Growth	0.57	(0.22)	0.60	0.74	0.77	0.93	1.06	1.04	0.92	1.01	1.15	1.05	0.86
TOTAL	(9.95%)	(9.20%)	3.27%	3.27%	3.40%	5.77%	3.46%	2.98%	1.89%	3.59%	3.60%	3.76%	2.88%

Real Estate Tax Impact on Typical Fairfax County Household

	Mean Assessed Value of Residential Property	Tax Rate per \$100 of Assessed Value	Tax per Household	Difference	Percent Difference
FY 2010	\$457,898	\$1.04	\$4,762.14	(\$69.08)	(1.43%)
FY 2011	\$433,409	\$1.09	\$4,724.16	(\$37.98)	(0.80%)
FY 2012	\$445,533	\$1.07	\$4,767.20	\$43.05	0.91%
FY 2013	\$449,964	\$1.075	\$4,837.11	\$69.91	1.47%
FY 2014	\$467,394	\$1.085	\$5,071.22	\$234.11	4.84%
FY 2015	\$500,146	\$1.09	\$5,451.59	\$380.37	7.50%
FY 2016	\$519,134	\$1.09	\$5,658.56	\$206.97	3.80%
FY 2017	\$529,567	\$1.13	\$5,984.11	\$325.55	5.75%
FY 2018	\$535,597	\$1.13	\$6,052.25	\$68.14	1.14%
FY 2019	\$549,630	\$1.15	\$6,320.75	\$268.50	4.44%
FY 2020	\$565,292	\$1.15	\$6,500.86	\$180.11	2.85%
FY 2021	\$582,976	\$1.15	\$6,704.22	\$203.36	3.13%



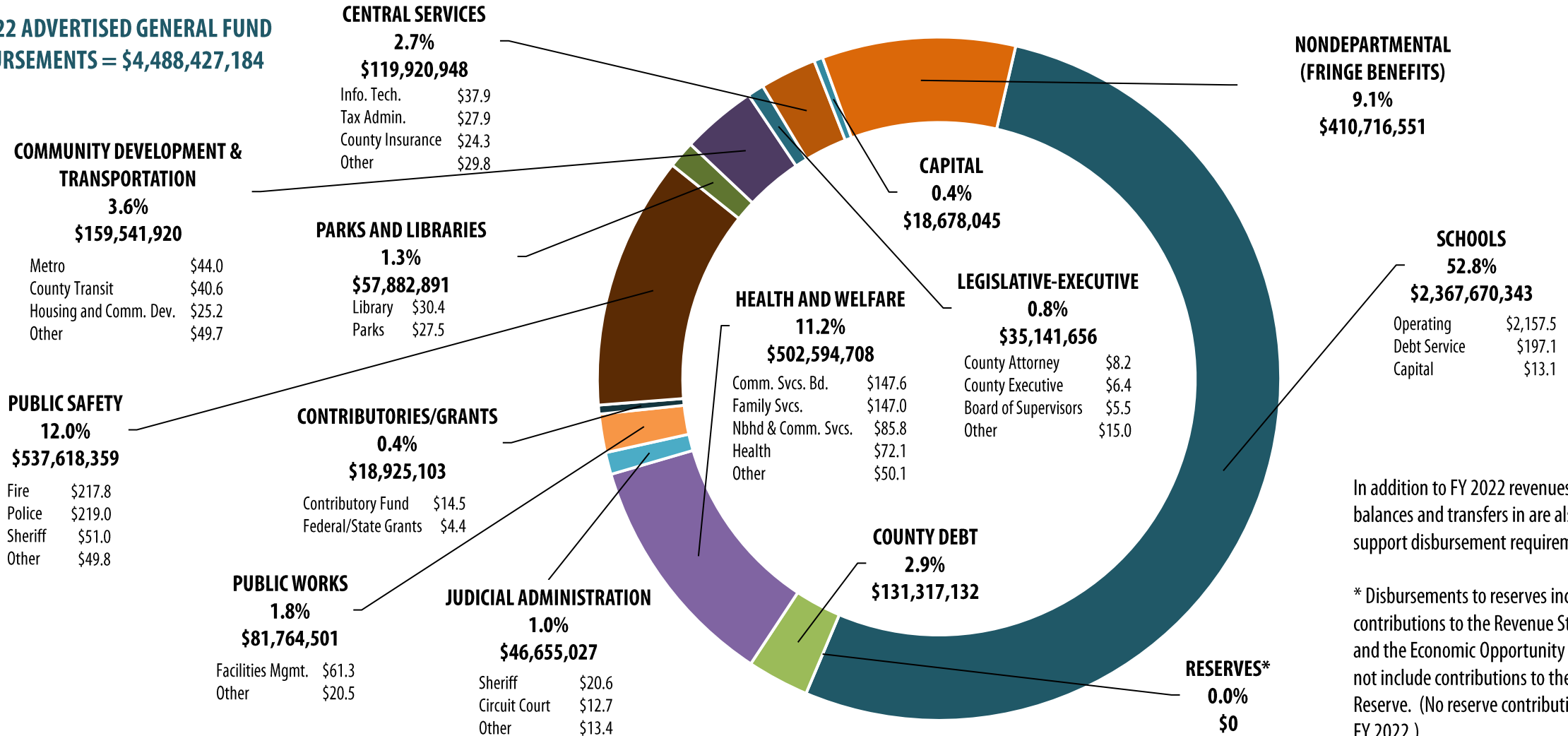
County Spending

Budget Drivers

- Employee Pay and Benefits
 - Compensation
 - Retirement
 - Health Insurance
 - OPEB
- Student Enrollment and Changing Demographics
- New Initiatives/Facilities
- Public Safety Requirements
- Safety Net Programs
- State and Federal Mandates
- Population Growth
- Contractual Obligations and Contract Rate Increases
- Utilities
- Capital Needs
- Debt Service requirements

General Fund Disbursements: "Where It Goes"

FY 2022 ADVERTISED GENERAL FUND DISBURSEMENTS = \$4,488,427,184



In addition to FY 2022 revenues, available balances and transfers in are also utilized to support disbursement requirements.

* Disbursements to reserves include contributions to the Revenue Stabilization Fund and the Economic Opportunity Reserve, but do not include contributions to the Managed Reserve. (No reserve contribution is required in FY 2022.)

Capital Improvement Program

- The CIP includes County managed and non-County managed (NVRPA, Water Supply) Capital Programs
- County Managed programs include:
 - Self-Supported Capital Programs (Stormwater, Solid Waste, Transportation, Wastewater) developed and approved as part of the Annual Budget
 - General Fund Supported Capital Program (Commitments/Contributions/Maintenance and Infrastructure Replacement and Upgrades-Paydown Capital), developed and approved as part of the Annual Budget
 - General Obligation Bond/EDA Bond Plan, developed as part of the 5-10 year CIP
- Current GO Bond program includes County and School bond referenda in alternating years
- Annual bond sale limit is \$300 million (\$180 million Schools/\$120 million County)

County Bond Ratings

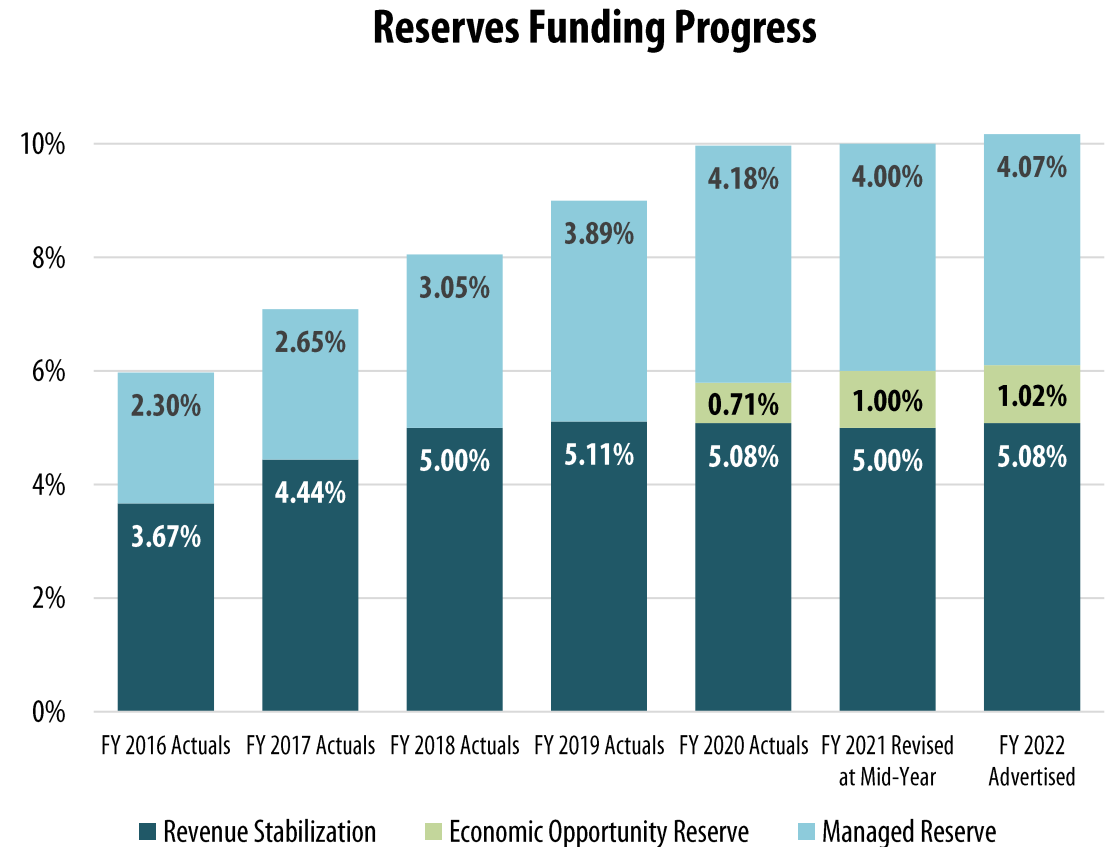
- Ratings History
 - Aaa from Moody's Investor Services since 1975
 - AAA from Standard & Poor's (S & P) since 1978
 - AAA from Fitch since 1997
- Fairfax is one of only 49 counties in the country with a Triple-A bond rating from all three rating agencies
- In January, the County earned its lowest every interest rate on a new money bond sale – 1.23%

Ten Principles of Sound Financial Management

- Adopted in 1975 – Cornerstone of County’s financial policy
- Statement of Board’s commitment to the County’s financial policies
- Reaffirmed and amended in FY 2016 with revised reserve funding levels
 - 10% to better align County policy with other Triple A credits
 - Essential for maintaining the Triple A credit rating
- Establishes limits to borrowing & benchmarks for debt ratios
 - Annual Debt Service less than 10% of total disbursements
 - Net outstanding debt less than 3% of total assessed value
- Establishes other financial policies

Reserves

- In response to feedback from the bond rating agencies, the Board increased the target level of the County's reserve funds from 5% to 10% of General Fund disbursements as part of the FY 2016 Adopted Budget Plan.
- Combined reserves have been at or over the 10% target since FY 2020
- Funding of the increased target level has primarily been achieved through one-time funding sources, such as the dedication of 40% of year-end balances to reserves.





FY 2022 Advertised Budget

- With the timing and scale of economic recovery still uncertain, maintains conservative budgetary posture
- Builds upon the success that the County has had in utilizing federal stimulus funds, particularly the \$200.2 million received through the CARES Act Coronavirus Relief Fund
 - No additional stimulus funds are assumed in this proposal, but staff is monitoring progress of new stimulus package
- Adjustments are in alignment with the Priority Areas as outlined in the Countywide Strategic Plan
 - Updated proposed Strategic Plan is released concurrent with the budget

FY 2022 Advertised Budget Highlights

- Decreases Real Estate Tax rate by 1 cent to \$1.14 per \$100 of assessed value
 - Based on equalization, results in an increase in the average tax bill of approximately \$224
- Includes overall increase for County and Schools, excluding reserves, of 0.55%
 - Provides an \$14.13 million increase over FY 2021 for School Operating; School Board request was \$104.40 million
- Includes no funding for employee pay increases in FY 2022
- Recommendation includes a \$20 million unappropriated reserve for Economic Recovery
 - Could be utilized at Board's discretion and appropriated at future quarterly reviews for County or School requirements
- Funds modest investments in Board priorities such as Public Safety staffing, Diversion First, Opioid Use Prevention Efforts, and Environmental Initiatives
 - Also include baseline funding for previously approved initiatives, such as Body-Worn Cameras and Health Department positions initially funded with stimulus funds
 - Includes increase of 109 positions, primarily for new facilities and the continuation of previous initiatives

FY 2022 Budget Summary

- Net County revenues increase totals \$42.23 million, with \$13.07 million transferred to support Schools Operating and Debt Service requirements, a net \$11.70 million to support County priorities, and \$20 million held in balance for the Board for Economic Recovery efforts
- Schools support and County requirements, excluding reserves, are both increased 0.55% over FY 2022
- Schools are 52.8% of General Fund Disbursements in FY 2022
- County's reserves remain budgeted at target of 10% of General Fund disbursements

Adjustments included in FY 2022 General Fund Budget			
(Amounts shown are in millions, net change over FY 2021 Adopted Budget Plan)			
Available Revenue Increase			
Revenue Increase at Current Real Estate Tax Rate			\$69.37
Real Estate Tax Rate Decrease of One Cent to \$1.14 per \$100 of Assessed Value			(\$27.14)
Net Impact of Transfers In			\$0.29
Total Available			\$42.52
FY 2022 Requirements			
	County	Schools	Total
County Compensation	(\$1.97)	--	(\$1.97)
County Debt Service	\$0.28	--	\$0.28
Lifelong Education and Learning	(\$0.01)	\$13.07	\$13.06
Safety and Security	\$11.91	--	\$11.91
Health and Environment	\$9.12	--	\$9.12
Empowerment and Support for Residents Facing Vulnerability	\$2.92	--	\$2.92
Effective and Efficient Government	\$2.49	--	\$2.49
Cultural and Recreational Opportunities	\$2.18	--	\$2.18
Housing and Neighborhood Livability	\$0.47	--	\$0.47
Economic Opportunity	\$0.22	--	\$0.22
Mobility and Transportation	--	--	--
Agency Reductions and Savings	(\$15.91)	--	(\$15.91)
Subtotal	\$11.70	\$13.07	\$24.77
Reserve Adjustments			(\$2.25)
Total Uses			\$22.52
Available Balance to be set aside in Economic Recovery Reserve			\$20.00

- Will continue to closely monitor revenue categories and include potential adjustments as part of the FY 2022 Add-On Package
- Staff will continue to maximize stimulus resources as appropriate
- Even if economy improves for FY 2023, will be challenging budget year due to competing demands
 - Employee compensation, impacted by collective bargaining
 - Board priorities that have not been addressed in FY 2022 including affordable housing and school readiness
- FY 2023 will be developed based on Strategic Plan priorities as approved by the Board of Supervisors

How to Provide Input on the FY 2022 Budget

- To learn more about participating in the budget public hearings, call the Clerk to the Board's Office at (703) 324-3151 (TTY 711) or to access the form at:

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.
- Residents can also provide testimony by phone or submit video testimony. In-person testimony will not be allowed if the Board meetings are held virtually.
- The entire [FY 2022 Advertised Budget Plan](#) and the [FY 2022-FY 2026 Capital Improvement Program](#) are available online at:

www.fairfaxcounty.gov/budget

FY 2022 Budget Timeline

February 23, 2021	County Executive presents <u>FY 2022 Advertised Budget Plan</u>
March 2, 2021	Joint Board of Supervisors/School Board Budget Committee Meeting
March 9, 2021	Board of Supervisors authorizes advertisement of FY 2022 tax rates
March 23, 2021	Board of Supervisors authorizes advertisement of <i>FY 2021 Third Quarter Review</i>
April 13-15, 2021	Board of Supervisors holds Public Hearings on FY 2022 Budget, <i>FY 2021 Third Quarter Review</i> , and FY 2022-FY 2026 Capital Improvement Program
April 27, 2021	Board of Supervisors marks-up FY 2022 Budget, adopts FY 2022-FY 2026 Capital Improvement Program and <i>FY 2021 Third Quarter Review</i>
May 4, 2021	Board of Supervisors adopts FY 2022 Adopted Budget
May 11-12, 2021	School Board holds public hearings on FY 2022 budget
May 20, 2021	School Board adopts FY 2022 Approved Budget
July 1, 2021	FY 2022 Budget Year Begins