

County Executive Message

February 23, 2021

Honorable Board of Supervisors
County of Fairfax

Chairman and Board Members:

What a difference a year makes.

A year ago, I was proud to propose a budget that addressed many of our community's priorities and would have allowed us to make significant progress on our collective goals. We were just beginning to receive community feedback on the Advertised Budget when the COVID-19 pandemic struck in force, sending us back to the drawing board to develop a more streamlined FY 2021 proposal. The decision to overhaul that budget was the right one, as we have seen the broad effects the pandemic has had on our budget, both in terms of reduced revenue streams and expenditure requirements associated with the necessary implementation of various public health initiatives. In our updated budget proposal dated April 7, 2020, we noted that we were uncertain as to how long the economic downturn would last, concerned that we would be faced with cycles of economic disruption until demonstrated treatments or an approved vaccine were widely available. At that time, I stressed that it was important to be conservative in our assumptions. This careful approach has served us well over the past year. The Board adopted the FY 2021 budget holding revenue flat with FY 2020, allowing us to assume declines in categories such as sales tax, BPOL (Business Professional and Occupational Licenses) taxes, and transient occupancy taxes, offset by increases in real estate, where tax values were established pre-pandemic. We returned to the Board as part of our new *FY 2021 Mid-Year Review* with additional revenue reductions, as we were able to more fully

The [FY 2022 Advertised Budget Plan](#) builds upon the County's successful application of federal stimulus funds received over the past year, includes modest investments in Board and community priorities, and sets aside \$20 million in reserve which can be focused on economic recovery.

understand the impact of the pandemic on all of our revenue categories. Fortunately, that reduction was relatively small, and was accommodated primarily through the utilization of our General Fund Pandemic Reserve, which we established shortly after the pandemic began. If we had not taken the difficult step of pulling back on our initial FY 2021 recommendations, the revenue reduction at Mid-Year would have been significant, and we would have been forced to take drastic steps in order to operate within our revenue estimates. As a result, I am recommending that we remain conservative as we look towards this next fiscal year. With this backdrop, I present the [FY 2022 Advertised Budget Plan](#) for your consideration.

I am proud of this budget as well, for different reasons. While we are not able to make broad investments towards County goals as we proposed last year, we are focusing our resources in more targeted areas. This budget builds upon the successful application of federal stimulus funds the County has received over the past year, specifically \$200 million received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund (CRF). These funds have been used to implement public health programs to directly combat the coronavirus, but they have also been used to assist those most impacted by the pandemic and most vulnerable in our community. Although this budget does not assume additional stimulus funding, President Biden's American Rescue Plan, a \$1.9 trillion package proposed last month, includes additional aid to state and local governments, which could provide funding to the County on par with the CRF. We will continue to maximize all resources, including reimbursements through the Federal Emergency

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Management Agency (FEMA), and any potential federal stimulus funds, which could be approved as early as next month. My hope is that we will receive additional federal support, which we could then use to continue the successful initiatives implemented by the Board, including additional support for our business and non-profit communities.



Concurrent with the release of the budget today, the newly revised draft Countywide Strategic Plan will be made available at www.fairfaxcounty.gov/strategicplan for consideration by the Board and our residents. As the Board is aware, we released our draft plan at this time last year, but the onset of the pandemic caused us to temporarily pause the initiative. We felt it was important to take a fresh look at the plan considering the significant cultural and societal changes that have occurred over the past year, including the impacts of the pandemic, as well as the renewed focus on equity and racial justice. Thus, staff has spent the past months making updates to the plan in light of our changed economic and social backdrop. As part of these updates, staff have worked closely with the County's Chief Equity Officer and have followed the recommendations coming out of the Chairman's Task Force on Equity and Opportunity to ensure alignment with the draft plan. Following the unrest which has occurred across the country related to racial injustice, it has never been more important, as we work to build a better community for our residents, that we ensure it is also an equitable one.



With the release of the plan today, a survey is also available to community members to provide feedback on which aspects of the plan are most important to them. We will continue to work with the Board to schedule community sessions, not only to receive direct feedback regarding the plan itself, but also to share with our residents how we plan to utilize it to shape our future direction and to utilize the associated metrics for more effective decision-making. It is important to note that the robust community input that we received when first developing the plan helped shape the core components, including our nine priority areas and our seven guiding principles. These components remain unchanged from our initial draft, evidence that the underpinnings of our plan are strong. Our goal is that the Strategic Plan will be a living document that is flexible enough to adapt to our ever-changing community, and a valuable tool to prioritize our resources and establish a roadmap to further success.

Despite the tremendous impact that the pandemic has had in our County, we have fared better than most other jurisdictions across the country. This is due in part to the solid economic foundation that has been developed and strengthened over many decades. As part of my presentation to the Board on the FY 2022 fiscal forecast in November, I noted that our residential real estate market was incredibly strong, while we were seeing declines in commercial values. At the time, we projected that commercial real estate values could be down as much as 10 percent. Fortunately, both the residential and commercial markets have improved from that forecast, with residential equalization up 4.25 percent and commercial equalization down 4.05 percent, resulting in an overall 2.88 percent rise in the Real Estate assessment base. In the short-term, this decline in commercial values may provide some tax relief to businesses that may be struggling. I recognize that many of our homeowners may be struggling as well. Fairfax County's unemployment rate stands at 4.4 percent – far greater than the 1.9 percent we saw one year ago. As a result, this budget recommendation includes a reduction in the Real Estate Tax rate of one cent, bringing the rate from \$1.15 to \$1.14 per \$100 of assessed value. This change results in a \$60 savings to the average homeowner and an increase of \$224.15 in the average tax bill.

We have also aimed to limit other tax and fee increases as part of this proposal. As the Board may recall, increases in solid waste and wastewater rates were originally recommended for FY 2021, but we delayed those adjustments to limit the impact to our residents. This year, however, some

adjustments are necessary to ensure the financial strength of our enterprise and self-supporting operations. The five-year sewer rate plan approved by the Board of Supervisors as part of the FY 2021 Adopted Budget Plan had proposed to increase the sewer charges by 11.0 percent in FY 2022, after holding them flat last year. As part of this proposal, sewer rates are recommended to increase 7.0 percent in FY 2022, which results in an average annual increase of \$46.20. Additionally, the annual refuse collection rate – for households within the County’s approved sanitation districts – is recommended to increase by \$30 to \$400 per year, after being reduced by \$15 in FY 2021.

With the proposed reduction in the Real Estate Tax rate, the additional revenue available to us for FY 2022 is \$42.23 million – an increase of just 1.51 percent over the current FY 2021 estimate. This increase is driven primarily by Real Estate, with moderate increases in other categories over a constrained FY 2021 base, partially offset by continued decreases in investment income related to declining interest rates. Last year, we set aside just under \$10 million in a General Fund Pandemic Reserve as part of the FY 2021 Adopted Budget Plan, building upon a reserve we established in FY 2020. We were able to increase this reserve using balances at year-end and then utilized a portion of those funds to offset revenue reductions at our Mid-Year Review. Having this flexibility to respond to challenges has been a valuable financial tool. Similarly, I am recommending that we set aside a sizeable portion of our available resources in reserve in FY 2022. Thus, this proposal includes the establishment of an Economic Recovery Reserve of \$20 million. These funds will remain unappropriated and available for the Board’s use during FY 2022 to support County or Schools’ priorities. It is anticipated that this reserve would be an appropriate source of funds to support the County’s Economic Recovery Framework, which will be discussed at the Board’s Economic Initiatives Committee meeting on March 16, 2021.



This budget maintains our practice of releasing an Advertised Budget with equal disbursement growth for both the County and Schools; for FY 2022, this growth rate is 0.55 percent. The School Operating transfer is recommended to increase by \$14.13 million, and including a slight reduction in debt service requirements, the FY 2022 Advertised Budget Plan includes a net increase for Schools in FY 2022 of \$13.07 million. The County’s focus on supporting our **Lifelong Education and Learning** priority area is evident, with support for schools totaling 52.8 percent of General Fund disbursements.



However, the \$14.13 million included in this proposal falls far short of the Fairfax County Public Schools request of \$104.40 million approved by the School Board on February 18. The Superintendent’s Proposed budget included an increase request of \$42.69 million, or 2 percent, over the FY 2021 level. The request was primarily to offset projected decreases in Sales Tax, State Aid, and Federal revenue, as well as a reduction in the beginning balance, and did not assume a significant net increase in expenditures. The School Board’s actions increased the transfer request by almost \$62 million, primarily to support a 3 percent compensation adjustment for all employees. The adjustment is consistent with the proposed budget amendment in the Virginia Senate, which would provide partial funding of \$13.4 million to support a 3 percent compensation increase for SOQ (Standards of Quality)-recognized instructional and support positions, but would require \$60.3 million in local funds. As the Board discussed at its meeting two weeks ago, the local match requirements from the state for compensation increases puts the County in an untenable position. Providing pay increases for teachers and other school employees is certainly one of the County’s top priorities, and no one wants to be in the position of turning down state funds. But the burden placed on localities to fill the funding gap is simply too great, particularly in times of economic uncertainty.

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County and Schools staff and leadership have worked together in numerous ways as we have charted our paths through this pandemic. One of the most successful partnerships was the Supporting Return to School (SRS) program, which was established at FCPS sites to provide full-day on-site programming for K-6 students to support their success in a virtual learning environment. This initiative also demonstrates our joint commitment to One Fairfax, as the pandemic has disproportionately impacted students and families in disadvantaged communities. In September, the Board of Supervisors approved almost \$20 million in an allocation from the County's Coronavirus Relief Funds to assist FCPS primarily in the purchase of technology, such as laptops, to help students with virtual learning. This support was in addition to stimulus funding directly received by the Schools which included \$21.69 million from the Elementary and Secondary School Emergency Relief (ESSER) Fund, \$32.22 million from an allocation from the state's CARES Act funds, and \$83.99 million recently announced as part of the ESSER II Fund. Funding to support education is also included in the proposed American Rescue Plan.

On the County side, disbursements are recommended to increase by a net of only \$11.70 million. However, we have also included targeted agency reductions of \$6.07 million and have recognized \$14.30 million in employee benefits savings. These savings have been redirected and have allowed us to make modest investments in various Board priorities.

Despite our efforts to identify savings, however, we do not have the available resources to fund compensation adjustments for our employees. Our employees have served the Fairfax County community with grace and determination throughout this pandemic. From our dedicated staff in the Health Department who have been at the forefront of our response, to our call-takers in our Coordinated Services Planning group who have helped steer our most vulnerable residents towards assistance, to our budget and financial staff who have helped to manage millions in stimulus funds – our employees have been superb. I am pleased with the Board's recent action to approve hazard pay for employees who are classified in very high- or high-risk categories per the VOSH (Virginia Occupational Safety and Health) standards. These employees have risked their own health – and the health of their families – in order to continue serving County residents. The one-time \$2,000 bonus – using our CRF funds – is a fiscally prudent mechanism to recognize these employees without exacerbating our budgetary difficulties.

Of course, even for employees not on the front lines, the pandemic has been a challenge. As is the case with many of our residents, our employees have shifted to working from home, some while caring for young children or helping older children with their virtual learning assignments. Employees have also adapted to new business processes, as we altered our services to meet our community's needs more effectively in an increasingly virtual environment. As we stated early on, one of our primary goals when the economic impacts of the pandemic first began to strike was to protect the jobs and pay levels of employees, and we are fortunate that we have been able to do so. However, I recognize that employees will be disappointed with the prospect of a second year without compensation adjustments. Per the Board's directive at its meeting on February 9, we will work to identify resources as part of the upcoming *FY 2021 Third Quarter Review* and develop a recommendation to provide a one-time bonus to employees.

I should note that, although there is no funding for compensation adjustments in this proposal, there are increases that directly support our employees. The most significant is an over \$8 million increase to address increased retirement employer contribution rates. The COVID-19 pandemic had a significant impact on financial markets in FY 2020, resulting in investment returns lower than the County's target. As a result, and per our funding policy, rates for each of our three systems are required to increase. We have made considerable advances in the funding of our pension systems

over the past number of years, following the multi-year strategy approved by the Board and vetted with the bond rating agencies. Thus, it was important that we identify the resources necessary to adjust rates. Fortunately, as I noted earlier, we also have savings in employee benefits due to the scheduled closing of the County's highest-cost health plan and as agencies have been holding positions vacant given the economic uncertainties. These savings have been utilized, in part, to cover the increased retirement costs.

Many of the investments included in this proposal are associated with the scheduled opening of new facilities, support multi-year funding commitments or strategies, or represent required baseline adjustments resulting from prior Board decisions. A detailed list of all adjustments included in the FY 2022 Advertised Budget Plan, organized by the Strategic Plan priority areas, follows this letter. I will highlight some of the more significant adjustments below.

Certainly, amid the global public health crisis we are currently facing, few investments could be as important as those we are proposing in the **Health and Environment** priority area. We have included baseline funds in FY 2022 to support the positions in the Health Department for pandemic response efforts approved as part of previous quarterly reviews, including contact tracing and mass vaccination initiatives. These positions are being supported in the current fiscal year primarily through Coronavirus Relief Funds. We have also included additional funding for the Opioid Task Force to support the jail-based Medication Assisted Treatment program, and funding for the County's successful Diversion First program, which is entirely offset by associated savings in the Office of the Sheriff.



The Nine Priority Areas included in the proposed Countywide Strategic plan include:

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

The Board has also made considerable strides in energy conservation and environmental stewardship. For FY 2022, we recommend redirecting savings from other segments of our capital program to increase baseline support for environmental projects. Last year, we had originally proposed an increase for environmental projects before the adjustment was eliminated as part of the revised proposal; thus, we felt it was important to identify resources as part of this proposal. Additionally, we have included baseline funds to support the Climate Adaptation and Resilience Plan as approved by the Board as part of the *FY 2020 Carryover Review*. In previous years, we have also been successful at utilizing one-time funds as part of our quarterly reviews to support environmental

and energy programs such as the County's Operational Energy Strategy or our LED streetlight conversion plan, and we expect that will continue to be part of our strategy in the future.

This proposal also contains significant investments in the **Safety and Security** priority area, with several adjustments associated with the scheduled opening of new facilities, such as the South County Police Station and Scotts Run Fire Station. For South County, funding is included to support 16 new positions, which represent the last tranche of uniformed positions included in a multi-year effort to add the positions required to open the station in 2023.



Additional support for civilian positions will be required next year. Based on limited resources, staffing for the new Scotts Run Fire Station is expected to be phased in, with the 8 positions included in this proposal necessary to staff a medic unit, and additional positions to staff an engine to be added as part of a future budgetary process. We are also proposing to add 5 positions to support call capacity in our E-911 operations, as well as funding and 15 positions to support the Office of the Commonwealth's Attorney. As discussed at the September 22, 2020 Public Safety Committee Meeting, the Commonwealth's Attorney requested additional positions to cover workload that was backlogged or no longer covered due to a lack of resources. As a result, prosecution of violent

crimes, sex crimes, property crimes and other misdemeanors has been reduced. These new positions will support the full implementation of the Body-Worn Camera program and will allow the office to continue prosecution of all sex crimes and the majority of violent crimes. It is anticipated that additional resources will be needed in future years as well.

In most other strategic plan categories, investments are modest based on constrained funding. However, we have focused funding adjustments in areas prioritized by both the Board and our community.



In the area of **Empowerment and Support for Residents Facing Vulnerability**, for example, we have included resources to provide support coordination services to individuals with developmental disabilities in the community, as well as baseline funds to support public assistance eligibility workers and sexual abuse specialist positions approved at Carryover. In addition, we have included recurring funding to cover positions added in the Coordinated Services Planning call center, initially funded through the Coronavirus Relief Fund, that have served such a vital role in responding to residents' requests for assistance throughout the pandemic.

Based primarily on the anticipated opening of new facilities, increases are included in the area of **Cultural and Recreational Opportunities**. Partial-year funding and positions are included for the new Sully Community Center, which is expected to house a Federally Qualified Health Center, on-site WIC (Special Supplemental Nutrition Program for Women, Infants and Children) services, and a School-Age Child Care program, as well as various social and recreational programs for children and older adults. Support is also included for a multi-service community center expected to be opened in the Lee District at the site of the former Mt. Vernon Athletic Club. With limited programming projected to begin in June 2021, we anticipate adding positions and partial-year funding as part of our *FY 2021 Third Quarter Review*. Additionally, we have included baseline capital funding for the Park Authority to maintain FCPS synthetic turf fields as previously approved by the Board.



Although we are not able to make significant investments in the area of **Housing and Neighborhood Livability** as we had originally proposed last year, we are recommending additional staff resources



in the Department of Housing and Community Development to support efforts to create, rehabilitate and preserve affordable housing in the County. Affordable housing is an area where I hope we can make more significant investments once the economy rebounds – hopefully in FY 2023 – so that we can continue to make progress on the County's goal to produce 5,000 units of affordable housing over the next 15 years. In the meantime, we have been successful in utilizing a portion of our federal stimulus dollars to provide housing assistance to residents in need, as well as to establish safe options for those experiencing homelessness to isolate and protect themselves from possible COVID-19 exposure.

The area of **Economic Opportunity** is another where we have also been able to focus our stimulus dollars. In particular, the Board approved over \$50 million in Coronavirus Relief Funds for our RISE (Relief Initiative to Support Employers) grant program, which provided 4,809 grants to small businesses and non-profits that had been impacted by the pandemic. As I noted earlier, if the County receives additional assistance through a future stimulus package, I anticipate the Board will want to focus many of those resources in this area. For the FY 2022 budget, we are able to include funds to add one new position and operating support in our Department of Economic Initiatives. These investments are intended to support economic recovery initiatives and provide flexibility to perform economic impact and fiscal analysis studies of development projects.



In the area of **Effective and Efficient Government**, we have included positions to support collective bargaining efforts as a result of legislative changes during the 2020 General Assembly session. We have also included positions to support financial operations and equipment management in the Office of Elections, positions to support the workload associated with our capital program, and funding for maintenance requirements for new facilities and lease adjustments.



There is only one priority area where we have not focused additional resources as part of this proposal – the area of **Mobility and Transportation**. This is another area where the County has benefited greatly from available stimulus funds. In the current fiscal year, stimulus dollars received from WMATA were used to reduce the County's Metro subsidy requirements and offset eligible expenses in our Fairfax Connector operations. With gas tax receipts projected to be negatively impacted as travel has been curtailed due to the pandemic, as well as declining state aid balances, this was an area where we were concerned a sizeable increase in County resources would be required in FY 2022. However, it now appears that additional stimulus will be available from the federal government, and potentially state funds as well, to offset some requirements. As a result, we have not included increases for transportation. This is an area of concern for FY 2023, however, as the one-time benefit of stimulus funds will not be available then to offset cost increases.



In total, this budget proposal includes a net increase of 109 positions. These positions are associated with required staffing for new facilities, such as the South County Police Station and the Scotts Run Fire Station; to address increasing workloads, such as in the Office of the Commonwealth's Attorney; and to support Board priorities, such as the Diversion First program and the Opioid Task Force. It is important to note that, while we are currently recommending an increase to positions, we are also working to analyze authorized position counts to determine where reductions are appropriate. County agencies have operated under constrained budgets for several years, and many have needed to hold positions vacant to generate savings or to offset other cost increases. As a result, we have a number of unfunded positions across the County that may be eliminated without negatively impacting agency operations. However, agencies have also been directed to hold important, but non-critical, positions vacant temporarily as a result of the economic uncertainties caused by the pandemic. Staff is in the process of working with agencies to determine which positions are funded and will be required to be filled in the future, and those that are unfunded and are available for reduction. I anticipate that this review will be completed in time for recommendations as part of the *FY 2021 Carryover Review*.

With the limited resources available to us as part of this budget, I am grateful that we are able to provide support to our School system and include baseline funding for the Body-Worn Camera program and the public health resources added throughout the course of the pandemic, while also making progress in regard to public safety staffing and our continued investment in the Diversion First program, Opioid Task Force, and environmental initiatives. I wish that we were able to do more. As the fiscal year progresses, we will remain flexible, continue to closely track our revenues, and will make appropriate budgetary adjustments as part of our quarterly reviews. I am hopeful that with vaccinations ramping up in the County and across the country, we can look forward to a stronger economy and a more positive budgetary outlook for FY 2023. However, I recognize that we will still face many challenges. Providing compensation adjustments for our employees – and adequate support to the Schools to similarly reward teachers and FCPS staff – will be at the forefront. Investing in affordable housing and school readiness initiatives will also be vital, as many in our community are likely to still be rebounding from the effects of the pandemic. From an operational perspective, it is also important that we begin to rebuild baseline funding for capital paydown and information

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technology investments. FY 2023 will also be a pivotal year as we develop our first budget under the new Countywide Strategic Plan.

I would be remiss not to thank our dedicated staff from across the organization who helped in the development of this proposal. I am also appreciative of your support and collaboration as we have progressed through this unprecedented year. Thank you for your consideration; I look forward to working with each of you toward adoption of the FY 2022 budget.

Respectfully submitted,



Bryan J. Hill
County Executive