

May 5, 2020

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**FY 2021 BUDGET MARKUP PROCESS and**  
**FY 2022 BUDGET PLAN RECOMMENDATIONS**

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## Approval of the *FY 2020 Third Quarter Review*

The *FY 2020 Third Quarter Review*, as advertised, included a limited number of adjustments, including a recommendation to set aside over \$11 million for the County's response to the coronavirus pandemic. Additionally, the County Executive outlined additional recommendations in his memo dated April 29, 2020, including the recognition of over \$200 million in funds provided to the County through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund.

Included in the County Executive's recommendations was a proposal to provide \$25 million in CARES funds to help provide basic needs to our community and to help sustain our non-profit partners. These funds are an important first step in ensuring that we work to mitigate the impact on our most vulnerable residents and support our safety net providers.

While our staff is still determining eligible expenses under the federal guidelines, the memorandum included a number of other potential uses of the CARES funds. One recommendation included in the memo was additional funding for Volunteer Fairfax to support the organization's emergency preparedness activities. The County has been tackling our ever-changing health needs with all the resources it has and will continue to maximize all federal and state resources to combat the pandemic in a strategic and comprehensive way. The April 29 memo outlined additional CARES funding – in addition to the \$200 million - targeted towards specific programs and recommends the appropriation of those awards.

Therefore, I move approval of the *FY 2020 Third Quarter Review* including:

1. approval of Supplemental Appropriation Resolution AS 19302 for FY 2019 adjustments to reflect the final audit,
2. approval of Supplemental Appropriation Resolution AS 20190 and Amendment to the Fiscal Planning Resolution AS 20901 which include the revenue, expenditure and transfer adjustments, grant awards and adjustments, and associated reserve adjustments contained in the County and School's Third Quarter Review dated March 24, 2020, as well as the adjustments listed outlined in the *FY 2020 Third Quarter Review* update memorandum dated April 29, 2020, resulting in a \$0 available balance in FY 2020, and
3. creation of the Nonprofit Sustainability Program, as set forth in *FY 2020 Third Quarter Review* update memorandum dated April 29, 2020 and authorizing the County Executive, and County staff, to administer the Program.

## **FY 2021 Budget Mark-Up**

I will next outline and move approval of the budget proposal:

When the County Executive released his proposed budget on February 25, little did we know that the coronavirus would soon become a global pandemic. COVID-19 has disrupted the everyday lives of our residents, in many cases impacting their employment and their livelihoods. Our residents are suffering, and it is imperative that our FY 2021 budget recognize the challenges that our residents are facing and the economic realities we are confronting.

I am incredibly proud of our County's response – from those battling the epidemic on the front lines to those taking the calls from our residents asking for help. Our employees remain committed to serving our residents while also caring for their children or elderly parents, adjusting to teleworking and social distancing challenges, and ensuring their own health and safety.

With the economic turmoil surrounding this pandemic and the uncertainties regarding how long this crisis will continue, it is imperative that we be cautious in our plans for FY 2021. I appreciate the County Executive's proactive decision to provide a revised FY 2021 budget proposal on April 7. This unprecedented step makes the actions the Board is taking today much easier.

The revised budget released on April 7 significantly limited the number of adjustments recommended for FY 2021. Although we are disappointed that we will not be able to move forward with investments in affordable housing, environmental initiatives, arts and cultural activities, the expansion of library hours, and early childhood opportunities, the deferral of these investments is necessary. I am also greatly disappointed that employee compensation adjustments were not included in the revised proposal, but I remain hopeful that we will be able to revisit employee compensation, as well as other deferred adjustments, at a future quarterly review.

Limiting expenditure adjustments in FY 2021 is required as we remain uncertain as to the extent to which County revenues will be impacted by this epidemic. It will be imperative that staff keep us apprised as revenue projections are refined, as these projections will help guide our decisions as we revisit the FY 2021 budget throughout the year. I appreciate the County Executive's recommendation to eliminate all tax and fee increases that were originally included in the Advertised budget. I know that this was not an easy budget recommendation, but now is not the time for us to be increasing taxes on our residents. We have already rejected implementation of the proposed admissions tax through our actions on April 14. The action that we will take today will maintain the Real Estate Tax rate at \$1.15 per \$100 of assessed value, as well as hold sewer rates steady.

I am also appreciative of the cooperation from our partners in the Fairfax County Public Schools. In the revised budget proposal, the proposed increase to the School Operating transfer is greatly reduced, from an increase of over \$85 million to just \$7.3 million. It is during the most challenging times that partnerships are tested. I am grateful that the County and Schools have built strong relationships over the past few years as this spirit of collaboration will help both organizations emerge from this crisis successfully.

At this time, I am not recommending any changes to the FY 2021 budget as advertised, and with the substantial changes as included in the April 7 revised proposal. I anticipate that the Board will entertain

substantive changes as part of the *FY 2020 Carryover Review* in the summer, but the revised budget is a prudent approach in uncertain times.

As a reminder, most taxes and fees in the FY 2021 budget remain unchanged, including:

- Maintaining the Real Estate Tax rate at \$1.15 per \$100 of assessed value.
- Maintaining the Refuse Disposal fee at \$68 per ton.
- Maintaining the Leaf Collection rate at \$0.012 per \$100 of assessed value.
- Maintaining Sewer Service Charges at \$7.28 per 1,000 gallons.
- Maintaining the Sewer Service Base Charge at \$32.91 per quarter.
- Maintaining the Sewer Availability Charge at \$8,340.
- Maintaining the Stormwater Services district tax rate at \$0.0325 per \$100 of assessed value.
- Maintaining the Phase II Dulles Rail Transportation Improvement District tax rate at \$0.20 per \$100 of assessed value
- Maintaining the Reston Service District tax rate at \$0.021 per \$100 of assessed value.
- Maintaining the Tysons Service District tax rate at \$0.05 per \$100 of assessed value.

This budget does include decreases in two tax rates and one fee, however, including:

- A decrease in the Route 28 Highway Transportation Improvement District tax rate from \$0.18 to \$0.17 per \$100 of assessed value per the recommendation from the Route 28 District Commission.
- A decrease in the Phase I Dulles Rail Transportation Improvement District tax rate from \$0.11 to \$0.09 per \$100 of assessed value per the recommendation from the Phase I District Commission.
- A decrease in the Refuse Collection fee from \$385 to \$370 per household. This rate decrease is consistent with the recommendation from the County Executive included in the April 20, 2020 memorandum to the Board based on the inability to provide yard waste collection during the pandemic.

I also wanted to note that among the actions the Board typically takes today is the approval of the County’s Capital Improvement Program. As part of the revised budget calendar, we will be adopting the FY 2021-FY 2025 Capital Improvement Program in June, so no action will be taken today.

Therefore, having provided public notice and conducted a public hearing as required by Virginia law, **I move approval of the FY 2021 Budget as Advertised, with the changes as outlined in the County**

**Executive's FY 2021 Updated Budget Proposal in Response to the Coronavirus Pandemic**, advertised changes to other taxes and fees including adjustments in the updated proposal, and required Managed Reserve adjustments. The tax and fee adjustments become effective on and after July 1, 2020, unless otherwise noted. **These actions result in a balanced budget for FY 2021.**

## **Budget Guidance for FY 2021 and FY 2022**

**May 5, 2020**

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, May 5, 2020, the Board approved the following Budget Guidance for FY 2021 and FY 2022:

Residents, businesses, nonprofits, and our employees are suffering under the strain of COVID-19. This includes job losses, challenges for the sustainability of employers, strains on the health system and the inability of families to pay for basic needs like food, housing, and healthcare. These impacts are being felt by many in our community who have traditionally been self-reliant. The funds provided by the Federal government, supplementing our local funds, have been focused on addressing these needs and the requirements for personal protective equipment to keep employees and residents safe and the technology necessary to facilitate teleworking in support of social distancing while continuing to provide the services that are so important to the community.

In the context of these challenges, this budget is successful in recognizing that our employees are essential for the organization and the County to move forward. The clear goal of this budget is to protect jobs. While we are unable to include well-deserved raises, which remains a top priority moving forward, we are focused on job retention, providing access to 6 weeks of administrative leave for all employees, making jobs more flexible/reassigning staff to needed functions and minimizing hiring to focus on existing staff. Additionally, the Board is supportive of moving forward with the recommendation to implement 6 weeks of paid family and medical leave, consistent with the presentation made to the Board's Personnel Committee meeting on November 26, 2019.

We also believe this budget appropriately responds to those concerns without exacerbating the real financial challenges of our residents. That being said, the priorities of this Board remain unchanged. Many were captured in the County Executive's February Advertised Budget. Many will continue to advance forward but without the significant investment that the original budget proposed. These include Affordable Housing, the Environment, Diversion First/Opioid Task Force initiatives, School Readiness, and the education of our students, in cooperation with Fairfax County Public Schools.

Specifically, Fairfax County will continue to press forward on our housing preservation efforts and our existing pipeline of over 1,300 affordable homes in new construction projects. We are also working on a variety of initiatives that will help stretch the resources we do have available by making our affordable housing work more efficient, including in terms of how we make investments and land use policy. As a result of this progress, we are continuing to change the landscape of how we are providing affordable housing in Fairfax County. I am confident this Board will exceed the recommendations of the Affordable Housing Resources Panel.

On the environment, the Fairfax County Community-wide Energy and Climate Action Plan (CECAP) continues to move forward. The CECAP will include an updated greenhouse gas inventory for the county, along with emission reduction goals and strategies or actions community members can take to mitigate climate change at the local level. Fairfax County is also moving forward with its solar energy plans, green building policies, and resiliency and adaptation planning, among other initiatives.

The FY 2021 Budget that the Board of Supervisors will adopt on May 12, 2020 is based on what we know now about COVID-19. We will be very deliberate over the course of the coming months as more information is available to address requirements and respond to a changing dynamic. Staff will provide updates as needed including monthly reports regarding the status and utilization of stimulus funding and

formal budget reviews in the summer, fall and winter/spring as necessary. Specifically, a detailed look at the FY 2021 budget will occur at mid-year, as we hope to have a clearer picture of the impacts of COVID-19 at that time. This will also allow the Board to make further adjustments, if necessary, should the answers to some of the unknowns today be answered.

Finally, the heroic efforts of County staff and the ability of the community to pull together to respond to the challenge of COVID-19 has been inspiring. The Board of Supervisors commits to working with all in our community to seeing us through this challenge and emerging stronger and ready to move back to normal. We will continue to monitor and respond to emerging health disparities and treatment gaps, ensuring that we target resources appropriately to meet the needs of all our residents, especially those most vulnerable. Additionally, we must take the lessons that we are learning throughout this pandemic and apply those to how we work moving forward. We have pushed ourselves to provide services more creatively, and safely, and it is imperative that we seize this moment to turn a negative crisis into positive change, helping us become a more resilient organization in the long-term.

The budget guidance that we will approve today is just a starting point and is intended to provide context as we continue through this period of economic uncertainty. As we learn more about the immediate and potential long-term impacts of this pandemic, we will have opportunities to provide more specific guidance to inform the FY 2022 budget development process. With this understanding, **I now move the Budget Guidance that I just reviewed.**