



County of Fairfax, Virginia

MEMORANDUM

DATE: April 19, 2021

TO: Board of Supervisors

FROM: Bryan J. Hill *B. Hill*
County Executive

SUBJECT: Adjustments to *FY 2021 Third Quarter Review* and FY 2022 Advertised Budget Plan
(Add-On Package)

This package contains recommended adjustments to the *FY 2021 Third Quarter Review* and FY 2022 Advertised Budget Plan, based on updated information.

Adjustments to FY 2021 Third Quarter Review

Based on the *FY 2021 Third Quarter Review* presented to the Board on March 23, a net balance of \$13.75 million was available and set aside for the Board's consideration, including for a potential one-time bonus for County employees, as directed by the Board at the February 9, 2021 Board of Supervisors meeting.

As noted in the *FY 2021 Third Quarter Review*, little information was available concerning Business, Professional and Occupational Licenses (BPOL) Taxes, since filings and payments were not due until March 1, with additional time required to process returns. Consequently, the FY 2021 BPOL estimate was not adjusted during the Third Quarter review. Based on the BPOL receipts currently processed, FY 2021 BPOL taxes are projected to be up \$9.46 million compared to the *FY 2021 Third Quarter Review* estimate.

This additional revenue brings the balance to \$23.21 million, which is available for the Board's consideration, including for a one-time bonus for County employees, replenishing the Coronavirus Pandemic Reserve, or other board priorities. As outlined in the *FY 2021 Third Quarter Review* package, a one-time \$1,000 bonus for merit employees and a \$500 bonus for non-merit employees is projected to cost \$12.66 million. It should be noted that as of April 16, 2021, the Board of Supervisors has proposed five consideration items for the *FY 2021 Third Quarter Review* totaling \$1,450,000. These include:

- Providing funding to support transportation analyses associated with the Lorton Visioning Study and the Fairfax Center Area Study (\$0.55 million);
- Providing funding to support Site-Specific Plan Amendment work associated with the Lorton Visioning and the Fairfax Center Area Study (\$0.25 million);
- Providing funding to support Celebrate Fairfax Inc. to help with the financial impact of the pandemic (\$0.25 million);
- Providing funding to support the analysis and research options to implement a Green Bank in Fairfax County (\$0.30 million);
- Providing funding to support the development and implementation of a zero-waste plan in Fairfax County (\$0.10 million).

Summary of FY 2021 Third Quarter Adjustments

	FY 2021
Balance from <i>FY 2021 Third Quarter Review</i>	\$13,750,484
Additional FY 2021 Revenue	\$9,461,855
FY 2021 Balance Available	\$23,212,339

Add-on Adjustments to FY 2022 Advertised Budget Plan

In addition to the FY 2021 adjustments outlined above, this package also includes FY 2022 revenue and expenditure adjustments that have been identified since the preparation of the FY 2022 Advertised Budget Plan. Based on the adjustments detailed in the FY 2022 Add-On package, the available FY 2022 General Fund balance is \$9.99 million and is the result of an increase of \$18.90 million in General Fund revenue, offset by expenditure adjustments totaling \$8.91 million which are associated with revenue adjustments. It should be noted that this balance is in addition to the \$20.00 million balance set aside in the Economic Recovery Reserve as part of the FY 2022 Advertised Budget Plan.

Staff has reviewed General Fund revenue estimates based on the most up-to-date information and a net increase of \$18,898,257 to FY 2022 revenues is recommended as part of the Add-on Process. The adjustment is due to an increase of \$7.0 million in Personal Property tax receipts, \$5.8 million in BPOL Taxes, \$7.5 million in Delinquent Taxes, and \$2.8 million in Land Development Building and Inspection fees. These increases are partially offset by a net decrease of \$4.2 million in a number of revenue categories consistent with adjustments made to FY 2021 revenue estimates as part of the *FY 2021 Third Quarter Review*. Staff will continue to monitor revenue collections monthly and will report to the Board with any necessary changes based on economic conditions as part of the *FY 2021 Carryover Review*. More details regarding the FY 2022 recommended revenue adjustments can be found in Attachment I, Summary of General Fund Receipts.

FY 2022 administrative expenditure adjustments totaling \$8.91 million are included in the package (Attachment II). Consistent with a recurring adjustment included as part of the *FY 2021 Third Quarter Review*, \$2,796,273 is required in FY 2022 to support the Land Development Services Customer Experience Team and other workload requirements on an ongoing basis. A commensurate revenue increase completely offsets the expenditures, with no net funding impact to the General Fund. In addition, a General Fund transfer in FY 2022 to Fund 40090, E-911, is required in the amount of \$6,109,799 to address a projected revenue decrease in Communications Sales and Use Tax.

Additionally, to appropriate pass-through state revenue made available by the 2021 General Assembly for the National Museum of the United States Army, an expenditure adjustment in the amount of \$5,000,000 is included in Fund 10030, Contributory Fund.

As part of the 2021 General Assembly session, legislation was passed and subsequently signed into law by the Governor on March 30, 2021, that mandates each school board shall provide at least three specialized student support positions per 1,000 students. Specialized support positions include school social workers, school psychologists, school nurses, licensed behavior analysts, licensed assistant behavior analysts, and other licenses health and behavioral positions.

The County school health model is a blended model that utilizes Public Health Nurses (PHN) who are licensed as Registered Nurses, often with master’s degrees in public health or nursing, and trained paraprofessional School Health Aides (SHA). A School Health Aide is assigned to each school while a PHN is assigned between three and five schools, depending on the acuity calculation for each school. While the PHNs are included in the calculation of the student support positions per 1,000 students, the SHA positions cannot be included.

In light of the new mandate, staff are exploring options to determine the most appropriate school health model to meet student needs, ensure compliance with the new mandate and determine the fiscal impact. It is anticipated that staff will make a recommendation as part of the *FY 2021 Carryover Review*.

Details regarding the FY 2022 recommended administrative expenditure adjustments can be found in Attachment II, Administrative Adjustments.

As a result of the recommended adjustments, a General Fund balance of \$9.99 million is available in FY 2022. It should be noted that based on the projected balances in the County’s reserves, no reserve adjustments are required.

Summary of FY 2022 General Fund Add-on Adjustments

	FY 2022
Balance from FY 2022 Advertised Budget	\$0
Additional FY 2022 General Fund Revenue	\$18,898,257
FY 2022 Administrative Adjustments	(\$8,906,072)
FY 2022 General Fund Balance Available	\$9,992,185

A summary of FY 2021 Consideration Items totaling \$1,450,000 and FY 2022 Consideration Items totaling \$29.8 million as of April 16, 2021 is included in Attachment III.

Additional information is included in the following attachments:

Attachment I – Summary of General Fund Receipts

Attachment II – Administrative Adjustments

Attachment III – Consideration Items

**ATTACHMENT I
SUMMARY OF GENERAL FUND RECEIPTS**

FY 2021 Revenue Adjustments

As noted in the *FY 2021 Third Quarter Review*, little information was available concerning BPOL Taxes, since filings and payments were not due until March 1, with additional time required to process returns. Consequently, the FY 2021 BPOL estimate was not adjusted during the Third Quarter review. Based on the BPOL receipts currently processed, FY 2021 BPOL taxes are projected to be up \$9.5 million compared to the *FY 2021 Third Quarter Review* estimate, reflecting a decrease of 5.4 percent from the FY 2020 level. The FY 2021 adopted BPOL revenue estimate was lowered significantly in the beginning of the pandemic based on the anticipation that business activity in the County would be severely impacted throughout FY 2021. Preliminary analysis of FY 2021 BPOL receipts indicates a much faster recovery.

FY 2022 Revenue Adjustments

Revenue adjustments for FY 2022 are recommended in the categories discussed below. These adjustments represent an increase of \$18.9 million and reflect information received subsequent to the development of the FY 2022 Advertised Budget Plan. The revenue adjustments include \$7.0 million revenue increase in Personal Property Tax, \$5.8 million revenue increase in BPOL taxes, \$7.5 million in Delinquent Taxes, and \$2.8 million in Land Development Building and Inspection fees. These increases are partially offset by a net decrease of \$4.2 million in a number of revenue categories consistent with adjustments made to FY 2021 revenue estimates as part of the *FY 2021 Third Quarter Review*. Revenue categories that are sensitive to economic change may require adjustments during FY 2022. Economic conditions and the impact on these and all other revenue categories will be closely monitored throughout FY 2022.

PERSONAL PROPERTY TAX - CURRENT				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$627,896,354	\$632,574,785	\$639,574,785	\$7,000,000	1.11%

The FY 2022 revised estimate for Current Personal Property Tax receipts is \$639,574,785, an increase of \$7.0 million over the FY 2022 Advertised Budget Plan estimate. This increase is based on higher than anticipated vehicle levy. As part of the FY 2022 Advertised Budget Plan, the vehicle component, which comprises over 76 percent of the Personal Property levy, was expected to increase less than 1.0 percent based on preliminary analysis of vehicles in the County valued with information from the National Automobile Dealers Association (NADA). Based on actual values of vehicles in the County as of January 1, 2021, the vehicle levy is expected to increase 2.1 percent, resulting in a revenue increase of \$7.0 million compared to the FY 2022 Advertised Budget Plan estimate.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$164,374,631	\$164,207,543	\$170,000,000	\$5,792,457	3.53%

The FY 2022 revised estimate for Business, Professional, and Occupational License (BPOL) Taxes is \$170,000,000, an increase of \$5.8 million over the FY 2022 Advertised Budget Plan estimate. This increase is consistent with the FY 2021 adjustment already noted above, which was made subsequent to the *FY 2021*

Third Quarter Review to reflect higher than anticipated FY 2021 BPOL tax receipts. Based on the BPOL receipts currently processed, FY 2021 BPOL taxes are projected to be up \$9.5 million compared to the *FY 2021 Third Quarter Review* estimate, reflecting a decrease of 5.4 percent from the FY 2020 level. The \$5.8 million increase in FY 2022 BPOL Tax revenue assumes that receipts will be up 3.4 percent in FY 2022 over the adjusted FY 2021 base.

DELINQUENT TAX REVENUE				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$21,205,658	\$13,724,228	\$21,205,658	\$7,481,430	54.51%

The FY 2022 revised estimate for Delinquent Personal Property tax and Delinquent BPOL tax revenue is \$21,205,658, an increase of \$7.5 million over the FY 2022 Advertised Budget Plan estimate. This increase is consistent with adjustments made to the FY 2021 revenue estimates as part of the *FY 2021 Third Quarter Review* based on actual FY 2021 collections year-to-date. The FY 2022 estimate reflects no change from the adjusted FY 2021 level.

LAND DEVELOPMENT SERVICES BUILDING AND INSPECTION FEES				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$40,018,705	\$37,520,887	\$40,317,160	\$2,796,273	7.45%

The FY 2022 revised estimate for Land Development Services building and Inspection Fees is \$40,317,160, an increase of \$2.8 million over the FY 2022 Advertised Budget Plan estimate. This increase is consistent with adjustments made to the FY 2021 revenue estimate as part of the *FY 2021 Third Quarter Review*. It should be noted that a commensurate expenditure increase completely offsets this revenue increase, with no net funding impact to the General Fund. The recurring expenditure adjustment in FY 2022 is required to support the Land Development Services Customer Experience Team and other workload requirements on an ongoing basis.

TRANSIENT OCCUPANCY TAX				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$6,400,000	\$7,645,000	\$7,040,000	(\$605,000)	(7.91%)

The FY 2022 revised estimate for Transient Occupancy Tax (TOT) is \$7,040,000, a decrease of \$0.6 million from the FY 2022 Advertised Budget Plan estimate. This decrease is consistent with adjustments made to the FY 2021 TOT revenue estimate as part of the *FY 2021 Third Quarter Review* based on actual FY 2021 collections year-to-date. The FY 2022 estimate reflects an increase of 10.0 percent over the adjusted FY 2021 level, the same growth rate assumed in the FY 2022 Advertised Budget Plan.

CIGARETTE TAX				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$4,879,455	\$4,959,360	\$4,830,660	(\$128,700)	(2.60%)

The FY 2022 revised estimate for Cigarette Tax is \$4,830,660, a decrease of \$0.1 million from the FY 2022 Advertised Budget Plan estimate. This decrease is consistent with adjustments made to the FY 2021 revenue estimate as part of the *FY 2021 Third Quarter Review* based on actual FY 2021 collections year-to-date. The FY 2022 estimate reflects a decrease of 1.0 percent from the adjusted FY 2021 level, the same decrease assumed in the FY 2022 Advertised Budget Plan.

CONSUMER UTILITY TAXES - GAS AND ELECTRIC				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$44,940,753	\$45,639,081	\$44,940,753	(\$698,328)	(1.53%)

The FY 2022 revised estimate for the Consumer Utility Tax is \$44,940,753, a decrease of \$0.7 million from the FY 2022 Advertised Budget Plan estimate. This decrease is consistent with adjustments made to the FY 2021 revenue estimate as part of the *FY 2021 Third Quarter Review* based on actual FY 2021 collections year-to-date. The FY 2022 estimate reflects no change from the adjusted FY 2021 level.

CONSUMPTION TAX - GAS AND ELECTRIC				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$3,576,593	\$3,744,486	\$3,576,593	(\$167,893)	(4.48%)

The FY 2022 revised estimate for the Consumer Tax is \$3,576,593, a decrease of \$0.2 million from the FY 2022 Advertised Budget Plan estimate. This decrease is consistent with adjustments made to the FY 2021 revenue estimate as part of the *FY 2021 Third Quarter Review* based on actual FY 2021 collections year-to-date. The FY 2022 estimate reflects no change from the adjusted FY 2021 level.

COMMUNICATIONS SALES AND USE TAX				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$643,422	\$1,707,773	\$0	(\$1,707,773)	(100.00%)

Based on revised FY 2022 estimates for the Communications Sales and Use Tax, it is expected that no revenue will be deposited in the General Fund from this tax category in FY 2022, which represents a decline of \$1.7 million compared to the FY 2022 Advertised estimate. As part of the FY 2022 Advertised Budget Plan, Cable Franchise Fees of \$13.4 million were directed to Fund 40030, Cable Communications. Of the remaining tax, \$47.6 million were expected to be posted in Fund 40090, E-911 and \$1.7 million to the General Fund. However, due to declining Communications Tax revenues during FY 2021, particularly in the last several months, it is anticipated that no revenue will be deposited in the General Fund in FY 2022.

It should be noted that, due to the projected decrease in revenue, a General Fund transfer of \$6,109,799 to Fund 40090, E-911, is required. More information regarding this adjustment is included in Attachment II to this memo.

REVENUE FROM THE FEDERAL GOVERNMENT				
FY 2021 Revised	FY 2022 Advertised	FY 2022 Revised	FY 2022 Increase/ (Decrease)	Percent Change
\$40,015,038	\$40,879,247	\$40,015,038	(\$864,209)	(2.11%)

The FY 2022 revised estimate for Revenue from the Federal Government is \$40,015,038, a decrease of \$0.9 million from the FY 2022 Advertised Budget Plan estimate. This decrease is consistent with adjustments made to the FY 2021 revenue estimate as part of the *FY 2021 Third Quarter Review* associated with funding for the Criminal Alien Assistance Program, which has not been appropriated by the federal government and is not expected to be received by the County in FY 2021 and FY 2022.

ATTACHMENT II ADMINISTRATIVE ADJUSTMENTS

General Fund Impact

Customer Experience Team and Workload Resources	RECURRING
	FY 2022 Revenues \$2,796,273
Agency 31, Land Development Services	FY 2022 Expenditures \$2,266,774
Agency 89, Employee Benefits	FY 2022 Expenditures <u>\$529,499</u>
	Net Cost \$0

Consistent with a recurring adjustment included as part of the *FY 2021 Third Quarter Review*, \$2,796,273 is required in FY 2022 to support the Land Development Services Customer Experience Team and other workload requirements on an ongoing basis. A commensurate revenue increase completely offsets these expenditures, with no net funding impact to the General Fund.

Due to the COVID-19 pandemic, LDS business areas have pivoted from in-person interactions to complex virtual exchanges. Prior to the pandemic, 2,000 people visited the agency’s Customer and Technical Support Center in the Herrity Building monthly to ask questions and conduct in-person transactions. Since March 2020, LDS has shifted to 100 percent all electronic submission for permits and plans including online payment processing. As a result, the number of phone calls received has increased exponentially. Funding was added as part of the *FY 2021 Third Quarter Review* for a Customer Experience Team (CET) to mitigate the challenges and provide top-notch customer service experience to LDS customers who need navigation through the system. The 5 new positions, including 2 Engineering Aides, 2 Engineering Technicians I, and 1 Administrative Assistant III, will help LDS strengthen the technical capacity of the team and meet the agency’s goals. Based on the recommended FY 2021 adjustments, funding of \$396,273, including \$266,774 in Agency 31, Land Development Services, and \$129,499 in Agency 89, Employee Benefits, is required in FY 2022.

Funding was also added as part of *FY 2021 Third Quarter Review* to address development regulation workload requirements associated with increasing site plan and building permit activity and to support contracted elevator safety compliance. Based on the recommended FY 2021 adjustments, funding of \$2,400,000, including \$2,000,000 in Agency 31, Land Development Services, and \$400,000 in Agency 89, Employee Benefits, is required in FY 2022.

General Fund Support for Public Safety Communications	RECURRING
Fund 40090, E-911	FY 2022 General Fund Transfer <u>\$6,109,799</u>
	Net Cost \$6,109,799

The FY 2022 General Fund transfer to Fund 40090, E-911, is increased by \$6,109,799, due to revenue losses in the Communications Sales and Use Tax. The Communications Tax is a statewide tax that was first implemented in January 2007, after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent statewide Communication Sales and Use Tax. In addition to the communications services previously taxed, the 5 percent Communication Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide \$0.75 per line fee. A portion of the total tax is directed to Fund 40090 to support operations of emergency and non-emergency communication services, as well as various other public safety

information technology projects. As a result of a decrease in revenue, additional funding of \$7,006,058 to Fund 40090 is required, which is partially offset by a one-time reimbursement of \$896,259 from the state for transitioning to the NG9-1-1 technology platform.

Non-General Fund Impact

National Museum of the United States Army		NON-RECURRING
Fund 10030, Contributory Fund	FY 2022 Revenue from the Commonwealth	\$5,000,000
	FY 2022 Expenditures	<u>\$5,000,000</u>
	Net Cost	\$0

The 2021 General Assembly of the Commonwealth of Virginia authorized \$5,000,000 in FY 2022 from the Commonwealth’s General Fund to the County for the construction of the Warrior Field and Plaza and Memorial Garden, and other projects within the National Museum of the United States Army. This pass-through revenue from the Commonwealth will be provided to the National Museum of the United States Army as a contribution from Fund 10030, Contributory Fund. There is no cost to the County as a result of this action.

ATTACHMENT III
FY 2021 Third Quarter Review
Consideration Items as of April 16, 2021

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)	
				Recurring	Non-Recurring
1.	Provide funding to support transportation analyses associated with the Lorton Visioning Study and the Fairfax Center Area study	Storck, Smith, and Walkinshaw	0 / 0.0	\$0	\$550,000
2.	Provide funding to support Site-Specific Plan Amendment work associated with the Lorton Visioning and the Fairfax Center Area study	Storck, Smith, and Walkinshaw	0 / 0.0	\$0	\$250,000
3.	Provide funding to support Celebrate Fairfax Inc. to help with the financial impact of the pandemic, if permissible, using federal stimulus funds	Herrity	0 / 0.0	\$0	\$250,000
4.	Provide funding to support the analysis and research options to implement a Green Bank in Fairfax County	McKay	0 / 0.0	\$0	\$300,000
5.	Provide funding to support the development and implementation of a zero waste plan in Fairfax County	McKay	0 / 0.0	\$0	\$100,000
Subtotal FY 2021 Consideration Items as of April 16, 2021:			0 / 0.0	\$0	\$1,450,000

<i>Total FY 2021 Third Quarter Consideration Items: 0/0.0 FTE Positions and Total Funding (not including reserves) of \$1,450,000</i>

**ATTACHMENT III
 FY 2022 Add-on Package
 Consideration Items as of April 16, 2021**

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)	
				Recurring	Non-Recurring
1.	Provide funding for a 2.09% Market Rate Adjustment (MRA) for County employees.	Herrity	0 / 0.0	\$29.8 million	\$0
Subtotal FY 2022 Consideration Items as of April 16, 2021:			0 / 0.0	\$29.8 million	\$0

Total FY 2022 Add-on Consideration Items: 0/0.0 FTE Positions and Total Funding (not including reserves) of \$29.8 million