



County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax

February 19, 2019

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia

Chairman and Board Members:

I am pleased to present the FY 2020 Advertised Budget Plan for your consideration. This proposed budget is rooted in the County's sound financial principles and guided by the tenets of One Fairfax, and includes investments in Board priorities and issues important to our residents. I am presenting a balanced budget, with no increase in the Real Estate Tax rate, which provides compensation increases for our valuable employees and meets the full operating request from the Fairfax County Public Schools. This budget proposal includes investments in human services, public safety, and transportation and relies upon savings generated from operational efficiencies.

Over this past year, my first as the County Executive, I have been able to witness, first-hand, the engagement of our community in the County's future and the dedication of our employees in working to meet the needs of our residents. I have strived to build relationships of trust and transparency with our partners both in and out of County government, with the understanding that stronger policies are built through cooperation and collaboration. This spirit of collaboration has extended, most notably, to our Fairfax County Public Schools. Superintendent Scott Brabrand and I communicate regarding issues both large and small, and this partnership philosophy extends down through all levels of staff. Our teams are collaborating on the budget, facilities and capital planning, information technology, school readiness initiatives, and environmental issues. We are stronger when we work together.

This budget reflects the ever-changing needs of our organization and our County. It contains a number of reorganization efforts, about which the Board has been previously briefed. These include the creation of a new Office of Environmental and Energy Coordination within the County Executive's office which will work across the County to promote energy efficiency, conservation, and renewable energy. Additionally, the new Department of Clerk Services combines the Clerk to the Board of Supervisors and support for the Planning Commission, allowing for efficiencies to be generated as many functions between the two agencies previously overlapped. In the next few months, we will be finalizing the reorganization of the Department of Planning and Zoning and the Office for Community Revitalization, as well as looking to establish a new agency to provide focused support of planning and development initiatives in alignment with the County's Economic Success Strategic Plan. All of these adjustments are intended to streamline operations, achieve efficiencies, and create synergies to improve overall services to our residents and businesses.

See the "Adopted Budget Summary" section for details regarding the final budget approved by the Board of Supervisors.

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I am, perhaps, most excited about the efforts that are currently underway to develop the County's Strategic Plan. The Strategic Plan, which is scheduled to be presented to the Board of Supervisors for adoption in early calendar year 2020, will include 7-10 defined priority areas, as well as prioritized strategies to address issues and specific measurable performance indicators for each area. We are currently in the midst of an outreach campaign to engage the community and receive feedback from residents, businesses, and other community partners on what a successful Fairfax County looks like to them. Those who live or work in the County are invited to participate by completing a short survey or by attending one of four community conversations across the County. More information regarding these efforts can be found at www.fairfaxcounty.gov/strategicplan. The Strategic Plan is intended to be a living document which will establish a framework for decision-making for many years. Along with the County's existing fiscal policies and a renewed focus on data and benchmarking, staff will have the appropriate tools in place to prioritize resources towards improving outcomes in areas about which our residents are most concerned.



Just a few months ago, in November, the Superintendent and I came before you and presented the FY 2020 County and Schools Fiscal Forecast. At that time, the County's projected budgetary shortfall was \$54 million, based on moderate revenue growth and funding for many County priorities, including full compensation.

Much of what was presented then remains the same. Many indicators point to continued national economic growth, including low unemployment rates, strong job growth, and high consumer confidence. The state's revenue outlook for the current biennium is optimistic based on solid sales tax figures and positive economic conditions. However, it is important for us to be mindful of indicators which could stifle a growing economy, such as the expanded federal deficit and rising mortgage rates.

In November, we were projecting overall General Fund revenue growth of 2.91 percent, driven primarily by an estimated 3.38 percent increase in the Real Estate base and significant growth in interest income due to changes in the federal funds rate. What is included in this proposed budget is largely consistent with what was projected earlier, as the FY 2020 Advertised Budget Plan includes a revenue increase of 3.04 percent over the *FY 2019 Revised Budget Plan*. The slight improvement in the revenue picture is attributable to real estate, with overall growth at 3.60 percent. Both residential and non-residential values saw improvements from the November projections, with residential equalization going from 2.14 to 2.36 percent and non-residential equalization going from 2.41 to 2.71 percent. This marks the fourth consecutive year that non-residential equalization has outpaced residential growth, helping to increase our commercial/industrial percentage of the tax base and ease tax burdens on our homeowners. As an example, in the Providence District, non-residential properties now make up 50 percent of the real estate tax base.

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Despite the improved revenue picture, projected resources are not sufficient to meet our expenditure requirements. Despite significant increases in the areas of human services, public safety, and transportation, there are still needs we were unable to address. Unfortunately, I was not able to fully fund compensation as part of this proposed budget. Performance increases for our non-uniformed employees and merit increases for our uniformed employees are fully funded. In addition, a 1.00 percent Market Rate Adjustment (MRA) is proposed for our FY 2020 budget. Despite savings in debt service, the realization of savings from operational efficiencies, and the deferment of information technology and capital paydown funding, we are unable to generate the additional \$20 million needed to fund the full calculated MRA of 2.51 percent.

Overall, General Fund disbursements are increased by \$156.95 million, and 109 new positions are included in the proposed budget. Highlights of the FY 2020 Advertised Budget Plan include:

- Full funding of the Schools Operating transfer request. In total, a 4.11 percent increase, or \$84.36 million, is proposed for the County transfer to support the School Operating Fund. This amount is consistent with the request from the School Board as approved on February 7, 2019. In addition, requirements for School Debt Service are funded based on the increased annual school bond sale limit (increased from \$155 to \$180 million) approved last year. The baseline transfer for School Construction is also maintained at \$13.1 million.
- As noted earlier, partial funding of the County's compensation plan, which includes a 1.00 percent Market Rate Adjustment for all employees, performance and longevity increases averaging 2.00 percent for merit non-uniformed employees, and merit and longevity increases averaging 2.25 percent for merit uniformed public safety employees. On average, non-uniformed and uniformed employees will see pay increases of 3.00 percent and 3.25 percent, respectively. Including these proposed adjustments, pay increases have averaged 3.24 percent for non-uniformed employees and 3.44 percent for uniformed employees over the past 5 years.
- Funding and positions for multi-year strategies to support Board priorities such as Diversion First, gang prevention, and the opioid task force. The creation of multi-year funding plans has enabled much progress to be made on these important initiatives in a fiscally responsible manner.
- Support, including funding and positions, for school readiness, mental health, and school health initiatives, as well as resources for Special Education Graduates as outlined in the *Health and Human Services Resource Plan*. Many programs receiving additional funding in the FY 2020 proposal, such as Healthy Minds Fairfax, Opportunity Neighborhoods, and Rec-Pac, directly support underserved populations, in line with One Fairfax. In accordance with the One Fairfax policy, racial and social equity was a key consideration in the formulation of the FY 2020 budget, with a focus on strategies such as equitable service levels across populations and/or geographies throughout the County; the



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reduction of disparities in outcomes; expanding participation and/or improving access; investments in public infrastructure or public spaces; building staff and volunteer awareness and capacity; and inclusive public participation and community outreach.

- Funding and positions for the continued phase-in of priorities in the Public Safety Staffing Plan, primarily associated with staffing for the new South County Police Station. In addition, funding is included to implement recommendations from the Fire and Rescue Organizational and Pay Study. These include adjusting the F-Scale for uniformed job classes to create more consistency between steps and grades, as well as rolling shift differential pay into base pay to bring Fairfax pay practices more in line with other jurisdictions and allow for more accurate market comparisons. It is anticipated that the Board will receive further information on the Fire and Rescue study at an upcoming meeting of the Personnel Committee.

FY 2020 Advertised Budget Summary

Change from FY 2019 Adopted Budget Plan (in millions)	
Increased County Revenue	\$162.83
Transfer In Adjustment	(\$1.09)
Available Resources	\$161.74
Schools Support	\$86.46
Employee Pay and Benefits	\$38.05
Debt Service and Capital	(\$15.91)
Public Safety	\$7.67
Human Services	\$19.69
Community Development	\$31.45
County Operations & Facilities	(\$0.39)
Operational Efficiencies	(\$3.54)
Disbursement Requirements	\$163.48
Revenue Stabilization	(\$6.53)
Managed Reserve	\$4.79
Reserve Requirements	(\$1.74)
Available Balance	\$0.00

- Funding to meet the County's obligations to support Metro operating requirements. Based on an increase in the operating subsidy requirement from local jurisdictions and due to lower balances in state aid available to offset the County transfer, the increase in FY 2020 is significant.
- The recognition of savings resulting from organizational efficiencies such as the merger of existing functions into the new Department of Clerk Services, and the relocation of programs out of leased space and into County-owned facilities. In addition, savings have been realized in the County's benefits program as a concerted educational campaign has resulted in migration out of the County's high-cost copay plan into other more cost-effective co-insurance and consumer-directed health plans. In addition to savings for the County, these movements also result in out-of-pocket savings for our employees.
- Contributions to the County's reserves in accordance with the 10 percent reserve target and funding policies adopted by the Board in 2015. As of year-end FY 2018, the Revenue

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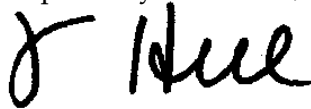
Stabilization Fund is at its target of 5 percent of General Fund disbursements. It is anticipated that the Managed Reserve will be at its target of 4 percent by FY 2020.

As in previous years, this year's proposed budget includes equal growth rates for both School transfers and County requirements (excluding reserves) at 3.82 percent over the FY 2019 Adopted Budget Plan level. Primarily as a result of reduced reserve requirements, Schools support as a percentage of General Fund Disbursements increases to 52.9 percent, from 52.8 percent, in FY 2020.

It is important to note that in order to achieve a balanced budget, I utilized the available recurring funding of \$1.97 million in the reserve for the Ad-Hoc Police Practices Review Commission recommendations. One-time funding of \$5.57 million is still available, however, for non-recurring expenses. Additionally, I again deferred important investments in our capital program and information technology projects. Although this budget does include an increase in the County's capital program, primarily targeted towards environmental initiatives and projects required for compliance with the Americans with Disabilities Act, many of the projects that I would have liked to fund in the baseline are deferred. For example, no funding is included for County infrastructure replacement and upgrades, for which the Infrastructure Financing Committee recommended funding of \$15 million annually. As in prior years, we anticipate meeting the target through funding available as part of our quarterly reviews. Similarly, I am again unable to increase funding for our information technology projects. While last year I held General Fund support flat, this year's proposed budget includes a slight reduction in funding. This will place greater pressure on our quarterly reviews to ensure that we have adequate funding to address these important projects. As I stated last year, we will need to start rebuilding our baseline budget to include funding for capital and IT in future budget years.

As I submit the FY 2020 Advertised Budget Plan for your consideration, I would like to extend my appreciation to the County staff who dedicated their time and expertise in the development of this budget. Detailed information regarding all of the major adjustments included in this proposal are included on the following pages in the Advertised Budget Summary. I look forward to working collaboratively with you over the coming months as we finalize our FY 2020 budget.

Respectfully submitted,



Bryan J. Hill
County Executive