FY 2023 BUDGET MARKUP PROCESS and FY 2024 BUDGET PLAN RECOMMENDATIONS

Approval of the FY 2022 Third Quarter Review

The *FY 2022 Third Quarter Review*, as advertised, identified over $26 million in additional revenue and included spending and reserve adjustments of approximately $24 million, with a majority proposed for investments in capital paydown and information technology needs. As a result, the advertised package included a net balance available to the Board of Supervisors of just over $2 million.

Consistent with the Board's priority to increase the inventory of affordable housing – including the recent action taken to increase the County's goal from 5,000 to 10,000 net new affordable housing units by 2034 – the advertised package is amended to direct the full balance to affordable housing, bringing the *FY 2022 Third Quarter Review* balance to $0.

FY 2022 Third Quarter Board Adjustments		
		FY 2022
FY 2022 Third Quarter (Advertised) Balance		**$2,000,700**
Board Adjustments		
Support for Affordable Housing Initiatives		($2,000,700)
	Subtotal:	($2,000,700)
Net Balance		**$0**

Therefore, I move approval of the *FY 2022 Third Quarter Review* including:

- approval of Supplemental Appropriation Resolution AS 22190 and Amendment to the Fiscal Planning Resolution AS 22901, 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 22, 2022;
- and the Board adjustment listed above, resulting in a net balance of $0.

FY 2023 Budget Mark-Up

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

Add-On Adjustments

This package begins with a balance of $96.42 million available after the adjustments included in the County Executive's Add-On package of April 14, 2022. This balance is attributable to updated revenue projections, consistent with adjustments included as part of the *FY 2022 Third Quarter Review* and reflect updated projections regarding Sales Tax, Transient Occupancy Tax, and Investment Interest.

Add-On Adjustments		
		FY 2023
FY 2023 Advertised Balance		**$79,257,068**
Net Revenue Adjustments		$17,159,457
	Subtotal:	$17,159,457
Balance as of Add-On		**$96,416,525**

Adjustments Recommended by Board

Overall, the Board of Supervisors was pleased with the investments included in the County Executive's FY 2023 Advertised Budget Plan, including the emphasis on employee pay and support for the Fairfax County Public Schools. With both full funding of the County's compensation program, as well as full funding of the School Board's transfer request included, the Advertised Budget provided a solid foundation with which this FY 2023 package begins.

The primary driver behind the adjustments recommended by the Board is the desire to provide tax relief for our residents and businesses. With rising home and vehicle values, as well as the continuing economic impact of the COVID-19 pandemic, the Board recognizes the importance of mitigating the impact of rising assessments and providing relief to taxpayers. This FY 2023 budget package provides tax relief in a number of ways.

The Advertised Budget included a reduction of over $12 million in revenues based on the expanded Tax Relief program for seniors and people with disabilities approved by the Board in December of last year. The actions taken by the Board, effective January 1, 2022, increased gross household income limits from $72,000 to $90,000, increased asset limits from $340,000 to $400,000, and increased the number of acres excluded for purposes of eligibility. These changes are expected to result in an additional 2,000 residents becoming eligible for the program. The Board also proactively approved additional changes for tax year 2023, adding a 75 percent income eligibility bracket, capping total taxes relieved at 125 percent of the mean assessed value of Fairfax County homes, and creating a tax deferral option for seniors and people with disabilities.

The Advertised Budget also included over $79 million in available balance, and this package utilizes this balance, plus more than half of the additional revenues identified at Add-On, to reduce the Real Estate Tax rate by 3 cents to $1.11 per $100 of assessed value. This change, which results in a revenue decrease of over $88 million, results in an average tax bill increase of $465, or 6.7 percent, over last year.

Additionally, this package does not assume the just under $98 million in additional Personal Property Tax revenue – beyond that assumed in the Advertised Budget – that could be available based on rising vehicle assessments. The Board is supportive of staff's recommendation to base vehicle Personal Property Tax bills on 85% of a vehicle's assessed value, helping to mitigate the impact of rising car values due to supply chain issues caused by the pandemic. A resolution to officially adopt the 85% ratio will come before the Board as part of budget adoption actions.

Lastly, as a step targeted towards encouraging small business and economic development in the County, this package includes a reduction in the Machinery and Tools tax from $4.57 to $2.00 per $100 of assessed value. Additionally, the Director of Tax Administration has reviewed the depreciation schedule and is in the process of advertising a proposed schedule to assess starting at 50% of the original cost for the first year of ownership and 10% less each succeeding year, until it reaches a floor of 10% in the fifth year. After a public comment period, which is scheduled to end May 25, 2022, Tax Administration will take the appropriate steps to review the feedback and implement changes to the depreciation schedule. Both the reduction in the tax rate, as well as changes to the depreciation schedule, will allow Fairfax to better compete with surrounding jurisdictions and help to attract and keep vibrant local businesses in the County.

In total, more than $199 million in revenue reductions or unrecognized revenue is included in this budget to support tax relief efforts. As the revenue impact for both the expansion of the Tax Relief program for seniors and those with disabilities, as well as the reduction in the Machinery and Tools Tax, are estimates, staff will provide updated revenue projections as part of future budget quarterly reviews.

As noted in the Board's actions on the *FY 2022 Third Quarter Review*, another priority is continued investment in affordable housing. The Board has set an aggressive goal to expand the availability of affordable housing in the County, and it is imperative that appropriate resources are provided to ensure that the County can stay on track towards accomplishing its goal. In working with the Fairfax County School Board, $10 million has been identified and can be targeted towards this joint priority. These funds are the result of updated FCPS budgetary projections based on more positive economic indicators and anticipated state budget actions. Staff will continue to monitor state action on the budget and will return to the Board with recommendations to address any unforeseen impacts to the County or Schools budgets as part of the *FY 2022 Carryover Review*.

While the compensation adjustments included in the County Executive's proposed budget were significant, with average pay increases of 7.86 percent for uniformed public safety employees and 6.16 percent for non-uniformed employees, the Board recognizes that recruitment and retention challenges remain. This is especially true for our public safety agencies, who are struggling to fill the positions required to meet minimum staffing requirements. When new employees are brought on-board, they are hired at the same level as more tenured staff, contributing to elevated turnover at the lower ranks in our public safety agencies. To address these compression issues and incentivize employees to remain with the County, the Board has included $6.1 million in this package to advance eligible uniformed employees in the Police Department, Fire and Rescue Department, and Office of the Sheriff one additional step on their respective pay plans. To qualify, employees must have been hired on or before June 30, 2021, have received a satisfactory performance evaluation in the current fiscal year, and be a uniformed public safety employee on the O, F or C pay scales. It should be noted that this adjustment does not impact merit and longevity increases already included in the Advertised Budget. This adjustment, which targets job classes that have seen higher levels of resignations, almost exclusively benefits employees at the first two ranks in the respective departments. In total, uniformed employees who qualify for this adjustment as well as a step or longevity increase will see total compensation increases of up to 14.01% in FY 2023.

As part of community feedback on the budget, the Board heard from residents concerned about County support for our Parks System. The County Executive's proposal included investments in Parks, including funding for a pilot equity program, and included recommendations to adjust the upcoming bond referendum schedule for Parks – and other County agencies – to address a backlog of unsold bonds. These issues are addressed more substantively in the Budget Guidance package, but it is important to note this Board's strong and significant support of the Parks System. County support for Parks extends beyond only the agency's General Fund budget. The County provides funding for debt service payments for Park bonds and fringe benefit costs for General Fund employees, as well as supporting environmental and capital maintenance projects. Support in the current fiscal year alone totals over $80 million. The Board is committed to working with the Park Authority Board to address needs and provide necessary funding. As an example, this package includes funding of $751,954 and three new positions to support the Parks' natural resources sustainability efforts to help maintain the system's actively-managed acres.

The Board also heard commentary from non-profits concerned about rising personnel and operating costs and the budgeted contract rate adjustments included in the proposed budget. The Board values our non-profit partners and recognizes the key role that they play in providing necessary services to our residents. As a result, $825,000 in additional funding is included as part of this package, representing a 50% increase over the funds included in the proposed budget for contract rate increases for direct service providers in health and human services.

This package also includes the removal of an additional 6 positions and $804,258 in funding that was initially proposed to expand staffing in the Office of the Commonwealth's Attorney. Over the past 2 years, the County has increased staffing in this office by 38 positions and has established a plan to phase-in additional support over the coming years. This adjustment represents an effort to slow the pace of this phase-in, accounting for the urgent vacancy level which currently stands at approximately 10%. Additional resources will be provided to support the Office in future years to continue to address workload concerns.

Lastly, this package provides additional support in two other areas. First, funding of $250,000 is provided to ArtsFairfax to supplement the organization's existing grant program for the arts. This funding will help to assist arts organizations that have been negatively impacted by the pandemic but may have been unable to access other assistance. Additional direction and information regarding the County's investments in ArtsFairfax are included later in the Budget Guidance section. Second, this package provides funding of $180,000 and one new position for the Department of Economic Initiatives to develop a platform to assist small businesses in navigating available resources to help them succeed.

Funding Adjustments Recommended by Board	
	FY 2023
Balance as of Add-On	**$96,416,525**
Reduce the Real Estate Tax rate by 3 cents to $1.11 per $100 of assessed value	($88,110,447)
In collaboration with the Fairfax County School Board and with their support, reduce the School Operating transfer by $10,000,000 based on more positive economic indicators and anticipated state budget actions	$10,000,000
Redirect above amount to the County's affordable housing initiative	($10,000,000)
To address compression issues caused by hiring practices necessary to address uniformed public safety recruitment challenges, advance eligible employees hired on or before June 30, 2021 one additional step in July	($6,103,382)
Reduce the County's Machinery and Tools tax rate to $2.00 per $100 of assessed value (from $4.57) and direct the Department of Tax Administration to review the depreciation schedule to potentially assess at 50% of the original cost for the first year of ownership and 10% less each succeeding year, until it reaches a floor of 10% in the fifth year	($1,000,000)
Increase funding allocated for contract rate increases for direct service providers in health and human services	($825,000)
Remove the additional 6 positions and funding included in the Advertised Budget for the Office of the Commonwealth's Attorney	$804,258
Increase support and add three new positions for Park Authority natural resources sustainability efforts	($751,954)
Provide increased support for ArtsFairfax to supplement the existing grant program	($250,000)
Provide funding and one new position to the Department of Economic Initiatives for small business and start-up ecosystem support	($180,000)
Subtotal:	($96,416,525)
Final Remaining Balance	**$0**

As a result of these changes, we have a balanced FY 2023 budget.

As noted earlier, as part of this package the Real Estate Tax rate is reduced from $1.14 to $1.11 per $100 of assessed value. However, most taxes and fees in the FY 2023 budget remain unchanged, including:

- Maintaining the Leaf Collection rate at $0.012 per $100 of assessed value.
- Maintaining the Stormwater Services district tax rate at $0.0325 per $100 of assessed value.
- Maintaining the Phase I Dulles Rail Transportation Improvement District tax rate at $0.09 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 Route 28 Highway Transportation Improvement District tax rate at $0.17 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

In addition, this budget does contain some increases in Refuse and Sewer charges, including:

- An increase in the Refuse Collection fee from $400 to $475 per household
- An increase in the Refuse Disposal fee from $66 to $70 per ton
- An increase in Sewer Service Charges from $7.72 to $8.09 per 1,000 gallons
- An increase in the Sewer Service Base Charge from $36.54 to $40.14 per quarter
- An increase in the Sewer Availability Charge from $8,507 to $8,592

Therefore, having provided public notice and conducted a public hearing as required by Virginia law, **I move approval of the FY 2023 Budget as Advertised, with the changes as outlined above**, and required Managed Reserve adjustments. The tax and fee adjustments become effective on and after July 1, 2022, unless otherwise noted. **These actions result in a balanced budget for FY 2023.**

Adoption of Ten Principles of Sound Financial Management

As recommended by the Joint Capital Improvement Program (CIP) County/Schools committee, and endorsed by the Board of Supervisors, the FY 2023 Advertised Capital Improvement Program for FY 2023-FY 2027 included a recommendation to increase the County's annual bond sale limit. This increase is recommended for various reasons, including helping to address an existing backlog of authorized but unissued County bonds and to increase the capacity of the County and Schools to respond to increased capital needs.

The adjustment in the annual bond sale limit requires updates to the County's *Ten Principles of Sound Financial Management*. The *Ten Principles* are included in this package with proposed changes, which include the following:

- Adjusting the annual bond sale limit from \$300 million to \$400 million, as well as adjusting the corresponding five-year limit and technical limit, and
- Updating language for the Economic Opportunity Reserve to reflect that the reserve is now fully funded

Therefore, I move adoption of the updated Ten Principles of Sound Financial Management with changes as outlined on the following pages.

Ten Principles of Sound Financial Management

1. **Planning Policy**. The planning system in the County will continue as a dynamic process, which is synchronized with the capital improvement program, capital budget and operating budget. The County's land use plans shall not be allowed to become static. There will continue to be periodic reviews of the plans at least every five years. Small area plans shall not be modified without consideration of contiguous plans. The Capital Improvement Program will be structured to implement plans for new and expanded capital facilities as contained in the County's Comprehensive Plan and other facility plans. The Capital Improvement Program will also include support for periodic reinvestment in aging capital and technology infrastructure sufficient to ensure no loss of service and continued safety of operation.

2. **Annual Budget Plans**. Annual budgets shall continue to show fiscal restraint. Annual budgets will be balanced between projected total funds available and total disbursements including established reserves.

   a. Managed Reserve shall be maintained in the General Fund at a level sufficient to provide for temporary financing of critical unforeseen disbursements of a catastrophic emergency nature. The reserve will be maintained at a level of not less than four percent of total General Fund disbursements in any given fiscal year.

   b. A Revenue Stabilization Fund (RSF) shall be maintained in addition to the managed reserve at a level sufficient to permit orderly adjustment to changes resulting from curtailment of revenue. This Fund shall be maintained at five percent of total General Fund disbursements in any given fiscal year. Use of the RSF should only occur in times of severe economic stress. Accordingly, a withdrawal from the RSF will not be made unless the projected revenues reflect a decrease of more than 1.5 percent from the current year estimate and any such withdrawal may not exceed one half of the RSF fund balance in that year. A drawdown of this Fund should be accompanied with expenditure reductions.

   c. An Economic Opportunity Reserve shall be established in addition to the Managed Reserve and the Revenue Stabilization Fund. This reserve is meant to stimulate economic growth and will provide for strategic investment opportunities that are identified as priorities by the Board of Supervisors. This reserve is equal to one percent of total General Fund disbursements. Funding for this reserve ~~would only occur~~ occurred after the Managed Reserve and the Revenue Stabilization Fund ~~are~~ were fully funded at their new levels of four percent and five percent, respectively. Criteria for funding, utilization, and replenishment of the reserve ~~will be developed and presented to the Board of Supervisors for approval~~ were approved by the Board of Supervisors as part of the Eight Principles of Investment in Economic Opportunities. The criteria for use ~~will~~ include financial modeling analysis (e.g. cost-benefit, etc.) to determine the fiscal impact to the County of the proposed investment opportunity and ~~will require~~ requires approval from the Board of Supervisors for any use.

   d. Budgetary adjustments which propose to use available general funds identified at quarterly reviews should be minimized to address only critical issues. The use of non-recurring funds should only be directed to capital expenditures to the extent possible.

   e. The budget shall include funds for cyclic and scheduled replacement or rehabilitation of equipment and other property in order to minimize disruption of budgetary planning from irregularly scheduled monetary demands.

3. **Cash Balances.** It is imperative that positive cash balances exist in the General Fund at the end of each fiscal year. If an operating deficit appears to be forthcoming in the current fiscal year wherein total disbursements

will exceed the total funds available, the Board will take appropriate action to balance revenues and expenditures as necessary so as to end each fiscal year with a positive cash balance.

4. **Debt Ratios**. The County's debt ratios shall be maintained at the following levels:

   a. Net debt as a percentage of estimated market value shall be less than 3 percent.

   b. Debt service expenditures as a percentage of General Fund disbursements shall not exceed 10 percent. The County will continue to emphasize pay-as-you-go capital financing. Financing capital projects from current revenues is indicative of the County's intent to use purposeful restraint in incurring long-term debt.

   c. For planning purposes, annual bond sales shall be structured such that the County's debt burden shall not exceed the 3 and 10 percent limits. To that end, sales of General Obligation Bonds and general obligation supported debt will be managed so as not to exceed a target of ~~$300~~ $400 million per year, or ~~$1.5~~ $2.0 billion over five years, with a technical limit of ~~$325~~ $425 million in any given year. Excluded from this cap are refunding bonds, revenue bonds or other non-General Fund supported debt.

   d. For purposes of this principle, debt of the General Fund incurred subject to annual appropriation shall be treated on a par with general obligation debt and included in the calculation of debt ratio limits. Excluded from the cap are leases secured by equipment, operating leases, and capital leases with no net impact to the General Fund.

   e. Use of variable rate debt is authorized in order to increase the County's financial flexibility, provide opportunities for interest rate savings, and help the County manage its balance sheet through better matching of assets and liabilities. Debt policies shall stipulate that variable rate debt is appropriate to use when it achieves a specific objective consistent with the County's overall financial strategies; however, the County must determine if the use of any such debt is appropriate and warranted given the potential benefit, risks, and objectives of the County. The County will not use variable rate debt solely for the purpose of earning arbitrage pending the disbursement of bond proceeds.

   f. For purposes of this principle, payments for equipment or other business property, except real estate, purchased through long-term lease-purchase payment plans secured by the equipment will be considered to be operating expenses of the County. Annual General Fund payments for such leases shall not exceed 3 percent of the annual General Fund disbursements, net of the School transfer. Annual equipment lease-purchase payments by the Schools and other governmental entities of the County should not exceed 3 percent of their respective disbursements.

5. **Cash Management**. The County's cash management policies shall reflect a primary focus of ensuring the safety of public assets while maintaining needed liquidity and achieving a favorable return on investment. These policies have been certified by external professional review as fully conforming to the recognized best practices in the industry. As an essential element of a sound and professional financial management process, the policies and practices of this system shall receive the continued support of all County agencies and component units.

6. **Internal Controls.** A comprehensive system of financial internal controls shall be maintained in order to protect the County's assets and sustain the integrity of the County's financial systems. Managers at all levels shall be responsible for implementing sound controls and for regularly monitoring and measuring their effectiveness.

7. **Performance Measurement**. To ensure Fairfax County remains a high performing organization all efforts shall be made to improve the productivity of the County's programs and its employees through performance

measurement. The County is committed to continuous improvement of productivity and service through analysis and measurement of actual performance objectives and customer feedback.

8. **Reducing Duplication**. A continuing effort shall be made to reduce duplicative functions within the County government and its autonomous and semi-autonomous agencies, particularly those that receive appropriations from the General Fund. To that end, business process redesign and reorganization will be encouraged whenever increased efficiency or effectiveness can be demonstrated.

9. **Underlying Debt and Moral Obligations**. The proliferation of debt related to but not directly supported by the County's General Fund shall be closely monitored and controlled to the extent possible, including revenue bonds of agencies supported by the General Fund, the use of the County's moral obligation and underlying debt.

    a. A moral obligation exists when the Board of Supervisors has made a commitment to support the debt of another jurisdiction to prevent a potential default, and the County is not otherwise responsible or obligated to pay the annual debt service. The County's moral obligation will be authorized only under the most controlled circumstances and secured by extremely tight covenants to protect the credit of the County. The County's moral obligation shall only be used to enhance the credit worthiness of an agency of the County or regional partnership for an essential project, and only after the most stringent safeguards have been employed to reduce the risk and protect the financial integrity of the County.

    b. Underlying debt includes tax supported debt issued by towns or districts in the County, which debt is not an obligation of the County, but nevertheless adds to the debt burden of the taxpayers within those jurisdictions in the County. The issuance of underlying debt, insofar as it is under the control of the Board of Supervisors, will be carefully analyzed for fiscal soundness, the additional burden placed on taxpayers and the potential risk to the General Fund for any explicit or implicit moral obligation.

10. **Diversified Economy.** Fairfax County must continue to diversify its economic base by encouraging commercial and, in particular, industrial employment and associated revenues. Such business and industry must be in accord with the plans and ordinances of the County.

Budget Guidance for FY 2023 and FY 2024
April 26, 2022

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, April 26, 2022, the Board approved the following Budget Guidance for FY 2023 and FY 2024:

Fairfax County Public Schools (FCPS)

Over the next fiscal year, and as we prepare for FY 2024, the focus of both the County and Fairfax County Public Schools (FCPS) will continue to be recovery – providing assistance for residents, students, and businesses who may have been negatively impacted by the COVID-19 pandemic. As we have been doing since the start of the pandemic, the County and Schools will continue to partner to best support the needs of our community. With the impending retirement of Dr. Scott Brabrand, the Board looks forward to working with the new FCPS Superintendent, Dr. Michelle Reid, and anticipates the same level of positive collaboration with leadership staff in both organizations.

Although we have been fortunate that the financial impact of the pandemic has not been as severe as that experienced in other jurisdictions, balancing resources against our joint needs as part of the FY 2024 budget will still be a difficult task. The Board anticipates the FY 2024 joint fiscal forecast will be presented by County and Schools staff in the Fall, providing insight into available revenues and initial expenditure pressures. As we have directed in prior years, the County Executive is encouraged to build his FY 2024 proposal seeking equal growth of both County disbursements and School transfers. Additionally, the proposal should include increased investments as recommended by the Joint County/Schools Capital Improvement Program (CIP) Committee. These investments of County resources to add capacity to the respective capital programs will accelerate school and facility renovations and new construction and provide an opportunity for continued collaboration on joint priorities. For example, the Board anticipates continued cooperation for the shared responsibility to identify new space for early childhood education programs.

Employee Pay and Collective Bargaining

As directed by the Board as part of the FY 2023 budget guidance, full funding of the County's compensation program was prioritized as part of the budget development process, and the Board is pleased that the FY 2023 budget provides significant pay increases to County employees. Throughout the pandemic, the County has taken steps to support our employees, through flexible scheduling, new leave programs, and enhanced teleworking options. Despite our best efforts, the County is still struggling to recruit and retain employees, as are many employers across the country. The Board appreciates the creative and targeted strategies being employed by leadership to address these issues, such as the recommendations recently outlined to boost recruitment and retention of employees with Commercial Drivers Licenses. The Board encourages the County Executive to continue to develop focused solutions in those areas of greatest concern.

Following the Board's action to approve a collective bargaining ordinance in the Fall, FY 2024 will be the first budget developed following collective bargaining negotiations and agreements. With increased employee involvement, the Board anticipates the development of collaborative solutions to acknowledge and reward employees, as well as further improve the quality of services delivered to residents, while understanding the fiscal constraints of the budget.

Affordable Housing

As has been shown through the allocation of resources in recent quarterly reviews, including the *FY 2022 Third Quarter Review*, as well as additional baseline funding added in the FY 2023 budget, expanding the inventory of affordable housing in the County continues to be one of the Board's greatest priorities. With the action taken by the Board last month, the County's new goal is 10,000 net new affordable housing units by 2034. Meeting this lofty challenge will require additional resources, and the Board remains committed to the allocation of additional Real Estate Tax revenue. The FY 2023 budget adds $15 million in baseline funding towards this initiative, bringing total baseline County funding to just over one penny on the Real Estate Tax rate. Support for affordable housing in FY 2022 and FY 2023 combined totals over $85 million, including $40.6 million in FY 2022 ($15 million from the American Rescue Plan Act (ARPA), $13.6 million in baseline County funds as part of the existing half-penny, and $12 million in one-time County funds) as well as $44.7 million allocated for FY 2023 (including $29.7 million in baseline County funds and $15 million allocated from ARPA funds).

However, the Board also recognizes the unique opportunity that federal funds – such as those received through ARPA – provide. Therefore, the County Executive is encouraged to maximize these one-time resources to augment County funds for affordable housing. Recognizing that these funds will not be available in the long-term, the County should work to build baseline County funds over the next few years to reach a total investment of two pennies on the Real Estate Tax rate for the preservation of existing and the development of new affordable housing units.

Parks

The Board heard from residents as part of feedback on the budget regarding the importance of the Parks system for our community, and Board members could not agree more. The Board has been steadfast in its support for the Fairfax County Park Authority (FCPA) by providing significant resources for operating expenses, environmental projects, capital support for athletic fields and maintenance, and debt service requirements, among others. In the current fiscal year alone, the County has provided over $80 million in support for FCPA, and an additional $7.5 million was allocated to support Parks from the County's federal stimulus funds, with additional funds expected to be allotted. This support is in addition to fees generated by the Parks system and does not include funding provided by other revenue sources, such as the County's Stormwater fund, where annual support is estimated at over $20 million.

Two Parks recommendations included in the Advertised Budget and Capital Improvement Program stirred significant interest in the community. The first was the inclusion of $0.5 million for a pilot equity program. The Board is incredibly supportive of this initiative and is committed to providing appropriate resources as necessary. As such, utilizing extensive community outreach and supported by consultant services, County and Parks staff should work together on the development and implementation of the pilot program. The Board then directs staff to return to the Board as part of a Health and Human Services Committee meeting to discuss the results of the pilot and future recommendations, implementation steps, and fiscal requirements based on those results.

The second recommendation that generated significant community feedback was the proposed two-year deferral of the 2024 Park Bond referendum, as well as the accompanying recommendation to shift from a four-year to a six-year referendum cycle. The Board understands that capital support for the Parks system is one piece of a larger County capital program, which includes support for Schools, public safety, transportation (including Metro), libraries, and human services, and that the six-year cycle is already in-place or is being recommended for all referendum except for Schools and Metro support. Additionally, the Board understands that projects in all segments of the program have experienced delays, contributing to a backlog of unsold bonds which is putting pressure on annual bond sale limits. As an example, there is currently $148 million in unsold Park bonds, with $48 million remaining from the 2016 referendum and no bonds from the 2020 referendum having been sold based on spending requirements. The approved increase in the annual bond sale limit from $300 million to $400 million will help to alleviate this pressure but is expected to take several years.

Previously, the County planned Park bond referendum of $100 million every four years. The proposed CIP shifted the scheduled $100 million 2024 referendum to 2026, seeming to indicate a reduction in bond support. It is the Board's understanding that the $100 million figure in 2026 was meant to be a placeholder, and the Board directs staff to work with FCPA to develop a 2026 proposal that meets the Park system's immediate needs and fits within the County's overall limitations. This plan should recognize the higher costs associated with Rec Center renovations, such as at the Audrey Moore and Mount Vernon Rec Centers. The change in the bond referendum schedule should not negatively impact progress on Parks projects, which may require County support outside of the bond program to bridge funding gaps, such as by funding feasibility and design studies prior to referendum. Staff should also collaborate on the development of a flexible, long-term strategy to provide appropriate resources for capital requirements across the Parks system, with bond referendum totals that fluctuate based on need and spending plans that fit within the County's bond sale limits.

Office of the Public Defender

As part of last year's budget, the Board took action to extend 15 percent salary supplements to state Probation and Parole Officers and support staff in the Office of the Public Defender (OPD). This action was an important step in consistently applying the Board's policy to provide equitable salary supplements for state employees who work in support of County activities, including clerks in the General District Court and Juvenile and Domestic Relations District Court, as well as attorneys and office managers in the OPD.

If the state were to appropriately compensate these employees, the need for County-funded salary supplements would be eliminated. However, despite the County's best efforts – and despite the availability of state funding – the state has not taken action to address pay concerns of its own employees, most notably those in the Office of the Public Defender. In fact, the latest legislative solution most recently considered by the General Assembly included mandating the allocation of additional County taxpayer dollars to increase pay supplements for state positions. This legislation would have required pay parity between those in the OPD and the Office of the Commonwealth's Attorney (OCA). While the Board supports the excellent and important work of staff in the OPD – and recognizes the role of the OPD in ensuring equitable access to criminal defense – the funding of this office is inherently a state responsibility. Positions in the OPD are state positions, with salaries set by the state and employees participating in state benefit and retirement plans. On the other hand, employees in the Office of the Commonwealth's Attorney participate in County pay plans, benefit programs, and retirement systems. While the Board is pleased that the state did approve additional positions for the OPD, which should help to partially alleviate concerns related to workload, it is imperative that the state take additional actions to compensate their employees based on their job responsibilities and their value to the overall criminal justice system, as well as considering the specific job market and cost of living in the jurisdiction in which they work. The County has spent considerable time working on the issue of equitable pay for these employees and, based on conversations with members of the General Assembly, at least a 3% pay increase seems possible as part of the state budget. However, if the state does not take this action, the Board remains open to revisiting this issue in the future.

ArtsFairfax

The Board appreciates the work of ArtsFairfax in supporting arts organizations across the County and is pleased that $250,000 in additional funds were available as part of the FY 2023 budget to bolster the organization's existing grant program, which is managed through a competitive and transparent process. County support for ArtsFairfax totals $1.35 million, with just under $847,000 targeted towards arts grants in FY 2023. The Board anticipates that the supplemental funding in FY 2023 will be used to focus support for those arts organizations which have been negatively impacted by the pandemic. Additionally, it is imperative that ArtsFairfax broadens its outreach efforts to include those organizations which have been historically underrepresented in the existing program, including those groups who represent residents in economically disadvantaged areas of the County. ArtsFairfax is also expected to report back to the Board on the results of the enhanced arts grant program, including the process used to broaden participation and the organizations assisted.

I now move the Budget Guidance that I just reviewed, which will help direct the FY 2024 budget process.

Approval of the FY 2023-2027 Capital Improvement Program (with future fiscal years to 2032)

I move Board approval of the FY 2023-FY 2027 Capital Improvement Program (with future fiscal years to 2032) with the following amendments:

- Support the crafting of an alternative to Fairfax County's existing policy for reimbursing developers for enlarging wastewater lines to meet future Comprehensive Plan-level density. Development projects can generate additional wastewater flows beyond the capacity of the existing wastewater lines. Under the current County "growth-pays-for-growth" policy, developers can be challenged to underwrite the full cost of enlarging the wastewater lines, particularly when that portion beyond their pro rata share is not reimbursed within a reasonable period. The Planning Commission supports the staff recommendation that the current reimbursement policy be revised to encourage developers to more proactively engage in enlarging the capacity of wastewater lines from their development, as may be needed to meet Comprehensive Plan-level density;

- Recommend staff in the Department of Management and Budget work with the Park Authority staff to determine specific bonding requirements for the next several years, review the timing and amounts of future Park Authority Bond Referendum and explore all sustainable financing options available to support the renovation of several Park Authority Rec Center facilities in need of renovation. Staff should work to develop a mutually beneficial solution to the bond financing and cash flow issues facing the Park Authority and return to the Board of Supervisors for discussion and approval;

- Recommend that staff review the Board-adopted JET recommendations and incorporate them, as appropriate, into the relevant sections of the Public Facilities element of the Policy Plan; and

- Recommend that staff continue its work with the Planning Commission to institutionalize community outreach for all CIP projects, regardless of the requirement for a 2232 Review public hearing, to ensure timely, robust, and equitable community engagement, and that community engagement be considered as a policy objective in the ongoing effort to update the Public Facilities element of the Policy Plan.

- Make all necessary adjustments to reflect actions taken during the Board's decision on the FY 2023 Adopted Budget Plan that impact the CIP.