



# County of Fairfax, Virginia

## MEMORANDUM

**DATE:** April 19, 2024

**TO:** Board of Supervisors

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

**SUBJECT:** Adjustments to FY 2025 Advertised Budget Plan (Add-On Package)

This package has been prepared to present the revenue and expenditure adjustments that have been identified since the preparation of the FY 2025 Advertised Budget Plan. Based on the adjustments detailed in the FY 2025 Add-On package, the available FY 2025 General Fund balance is \$11,013,683.

Staff has reviewed General Fund revenue estimates based on the most up-to-date information and an increase of \$0.3 million to FY 2025 revenues is recommended as part of the Add-on Process. This adjustment is due to an increase of \$1.5 million in Transient Occupancy Taxes (TOT), partially offset by a decrease of \$1.2 million as a result of actions taken by the Board of Supervisors on April 16, 2024, on the proposed FY 2025 fee increases. The proposed fee adjustments by the Department of Planning and Development (DPD) and the Office of the Fire Marshal will be phased in over a two-year period, resulting in a 50 percent reduction from the increases as originally proposed in the FY 2025 Advertised Budget Plan.

It should be noted that on April 8, 2024, Governor Youngkin issued 233 amendments to the state budget for the 2024-2026 biennium passed by the General Assembly on March 9, 2024. The Governor's amendments reversed several items included in the budget passed by the legislature that could have had a positive fiscal impact to the County, including the expansion of the sales tax base to digital personal property and certain digital services. In addition, his amendments significantly reduced the additional state funding provided in the enrolled budget to stabilize the Washington Metropolitan Area Transit Authority. On April 17, 2024, the Governor and negotiators in the General Assembly agreed to set aside the proposed state budget and reconvene on May 13 for a special session. Staff will report to the Board any additional revenue and expenditure impacts on the County's budget as a result of future General Assembly actions once the state budget is completed. Staff will also continue to monitor revenue collections monthly and will recommend to the Board any necessary changes based on economic factors as part of the *FY 2024 Carryover Review*. More details regarding the FY 2025 recommended revenue adjustments can be found in Attachment I, Summary of General Fund Receipts.

FY 2025 administrative adjustments reflect a net increase of \$6,881,057 to the General Fund available balance (Attachment II). This increase is the result of a total contribution of \$6,881,057 to the Managed Reserve and the Economic Opportunity Reserve that was included in the FY 2025 Advertised Budget Plan but is no longer required, as the contribution included as part of the *FY 2024 Third Quarter Review* pre-funds these requirements. In addition, an increase of \$700,597 is included for Agency 90, Police Department, to support the expansion of the Photo Speed Enforcement Pilot Program, fully offset by revenue generated from the Photo Speed Enforcement Program for no net impact to the General Fund. This

is consistent with a recurring adjustment included in the *FY 2024 Third Quarter Review*. Details regarding the FY 2025 recommended administrative adjustments can be found in Attachment II, Administrative Adjustments.

Funding of \$18,300,000 will be required for Fairfax County’s legally required share of its jurisdictional operating subsidy for Metro in FY 2025. The FY 2025 Advertised Budget Plan anticipated this need would be addressed by additional funding from the Commonwealth for Metro per the budget bill approved by the General Assembly. However, amendments to the budget bill made by the Governor removed new state funding for Metro from the FY 2025 portion of the biennial budget. In addition, \$10,146,895 in additional expenditure authority will be needed to support service contract requirements for the Fairfax Connector in FY 2025. The negotiations for one of the collective bargaining agreements between the private management company and the public transit unions were ongoing when the FY 2025 Advertised Budget Plan was presented, and the full impact of the changes was not known in time to include with the FY 2025 Advertised Budget Plan. This increase had been assumed to be covered with available County funding as a result of the additional state aid from the General Assembly for Metro. Absent this state aid, the County will be required to utilize its balances from the Commonwealth held in trust for the County at the Northern Virginia Transportation Commission (NVTC) to meet its Metro and Connector funding requirements. It should be noted that the County’s trust fund held at NVTC is anticipated to be depleted by the end of FY 2025, even without the allocation of these funds to address the Metro and Connector shortfalls. If additional state aid does not materialize, and the County is forced to utilize NVTC balances, funding allocations will need to be shifted away from funds dedicated to Connector bus replacement in order to meet Metro and Connector operational needs. Metro funding, along with other critical funding considerations, will not be resolved until a special legislative session in May. Follow on updates on these items will be provided when information is available but given the timing may need to be addressed as part of the *FY 2024 Carryover Review*.

As a result of the recommended revenue and expenditure adjustments, a General Fund balance of \$11,013,683 is available in FY 2025.

**Summary of FY 2025 General Fund Add-on Adjustments**

<b>Balance from FY 2025 Advertised Budget</b>	<b>\$3,826,826</b>
Additional FY 2025 General Fund Revenue	\$305,800
FY 2025 Administrative Adjustments	\$6,881,057
<b>FY 2025 General Fund Balance Available</b>	<b>\$11,013,683</b>

A summary of FY 2025 Consideration Items totaling \$320,000 as of April 17, 2024, is included in Attachment III, and a summary of FY 2024 Third Quarter Consideration Items totaling \$5,208,000 is included in Attachment IV.

Additional information is included in the following attachments:

Attachment I – Summary of General Fund Receipts

Attachment II – Administrative Adjustments

Attachment III – FY 2025 Consideration Items

Attachment IV – FY 2024 Third Quarter Consideration Items

Board of Supervisors

Page 3 of 3

Adjustments to FY 2025 Advertised Budget Plan (Add-On Package)

cc: Tom Arnold, Deputy County Executive  
Rachel Flynn, Deputy County Executive  
Christina C. Jackson, Chief Financial Officer  
Christopher A. Leonard, Deputy County Executive  
Ellicia Seard-McCormick, Deputy County Executive  
Philip Hagen, Director, Department of Management and Budget  
Katie Horstman, Deputy Director, Department of Management and Budget  
Joe LaHait, Deputy Director, Department of Management and Budget

**ATTACHMENT I  
SUMMARY OF GENERAL FUND RECEIPTS**

**FY 2025 Revenue Adjustments**

Revenue adjustments for FY 2025 are recommended in the categories discussed below. These adjustments represent an increase of \$305,800 and reflect information received subsequent to the development of the FY 2025 Advertised Budget Plan. The revenue adjustments include an increase of \$1.5 million in Transient Occupancy Taxes (TOT), partially offset by a decrease of \$1.2 million in Permits, Fees and Regulatory Licenses.

<b>TRANSIENT OCCUPANCY TAX</b>				
<b>FY 2024 Revised</b>	<b>FY 2025 Advertised</b>	<b>FY 2025 Revised</b>	<b>FY 2025 Increase/ (Decrease)</b>	<b>Percent Change</b>
\$23,550,000	\$24,021,000	\$25,551,000	\$1,530,000	6.37%

The FY 2025 revised estimate for Transient Occupancy Tax (TOT) is \$25,551,000, an increase of \$1,530,000 over the FY 2025 Advertised Budget Plan estimate. While no adjustment was made to the FY 2024 TOT revenue estimate as part of the *FY 2024 Third Quarter Review*, based on stronger than initially anticipated actual collections year-to-date through March 2024, the FY 2024 budget estimate is expected to be surpassed by \$1,500,000 by year-end. As a result, the revised FY 2025 estimate reflects an increase of 2.0 percent over the anticipated FY 2024 level at year-end, the same growth rate assumed in the FY 2025 Advertised Budget Plan.

<b>PERMITS, FEES AND REGULATORY LICENSES</b>				
<b>FY 2024 Revised</b>	<b>FY 2025 Advertised</b>	<b>FY 2025 Revised</b>	<b>FY 2025 Increase/ (Decrease)</b>	<b>Percent Change</b>
\$9,788,910	\$12,654,661	\$11,430,461	(\$1,224,200)	(9.67%)

The FY 2025 revised estimate for Permits, Fees and Regulatory Licenses is \$11,430,461, a decrease of \$1,224,200 from the FY 2025 Advertised Budget Plan estimate and is consistent with actions taken by the Board of Supervisors on April 16, 2024, at the public hearings on the proposed FY 2025 fee increases. The proposed fee adjustments by the Department of Planning and Development and the Office of the Fire Marshal will be phased in over a two-year period, resulting in a 50 percent reduction from the increases as originally proposed in the FY 2025 Advertised Budget Plan. As compared to the FY 2025 Advertised Budget Plan, General Fund revenues will be reduced by \$1,224,200.

**ATTACHMENT II  
ADMINISTRATIVE ADJUSTMENTS**

**General Fund Impact**

**Photo Speed Enforcement**

Agency 90, Police Department

	<b>RECURRING</b>
FY 2025 Revenue	\$700,597
FY 2025 Expenditure	<u>\$700,597</u>
<b>Net Cost</b>	<b>\$0</b>

As a result of the Photo Speed Enforcement Program and the Bus Arm Camera System Program, funding of \$700,597 is included in FY 2025 to support the expansion of these pilot projects. The expenditure increases are fully offset by revenue generated from the Photo Speed Enforcement Program for no net impact to the General Fund.

The FCPD will provide an update on both the Photo Speed Enforcement Pilot Program and the Bus Arm Camera Pilot Program at the June 4, 2024, Safety and Security Board of Supervisors Committee Meeting. It is anticipated that the FCPD will provide recommendations to expand the Photo Speed Enforcement Program to additional schools. Funding and positions needed to support this expansion will be included in a future budget process.

**Managed Reserve Adjustment**

	<b>NON-RECURRING</b>
FY 2025 Revenue	\$0
FY 2025 Expenditure	<u>\$0</u>
<b>Net Cost</b>	<b>\$0</b>

The *FY 2024 Third Quarter Review* includes a contribution of \$6,304,846 to the Managed Reserve. As a result, the contribution of \$6,304,846 to the Managed Reserve that was included in the FY 2025 Advertised Budget Plan is no longer required. Removing the FY 2025 contribution does not impact General Fund revenues or disbursements but results in an increase of \$6,304,846 to the available balance.

**Economic Opportunity Reserve Adjustment**

Fund 10015, Economic Opportunity Reserve

	<b>NON-RECURRING</b>
FY 2025 General Fund Transfer	<u>(\$576,211)</u>
<b>Net Cost</b>	<b>(\$576,211)</b>

The *FY 2024 Third Quarter Review* includes a contribution of \$576,211 to the Economic Opportunity Reserve. As a result, the transfer of \$576,211 to the Economic Opportunity Reserve that was included in the FY 2025 Advertised Budget Plan is no longer required.

**ATTACHMENT III**  
**FY 2025 Add-on Package**  
**Consideration Items as of April 17, 2024**

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)	
				Recurring	Non-Recurring
1.	Add motor vehicles owned or leased by uniformed members of the Virginia Defense Force to the list of properties included in the County's special subclass of personal property tax rate of \$0.01 per \$100 of assessed value.	Herrity	0 / 0.0	\$50,000	\$0
2.	Phase in the application of fee increases proposed in the FY 2025 Advertised Budget over two years.	McKay, Walkinshaw	0 / 0.0	\$0	\$1,370,000
3.	Reduce Board of Supervisors office support budgets by a total of \$1,100,000.	Herrity	0 / 0.0	(\$1,100,000)	\$0
<b>Subtotal FY 2025 Consideration Items:</b>			<b>0 / 0.0</b>	<b>(\$1,050,000)</b>	<b>\$1,370,000</b>
<b><i>Total FY 2025 Consideration Items: 0/0.0 FTE Positions and net Total Cost (not including the reserve impact) of \$320,000</i></b>					

**ATTACHMENT IV**  
**FY 2024 Third Quarter Review**  
**Consideration Items as of April 17, 2024**

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)	
				Recurring	Non-Recurring
1.	Provide funding to The Women's Center to partially offset unanticipated relocation expenses incurred with the sudden, unplanned move to a new location	McKay, Palchik, and Alcorn	0 / 0.0	\$0	\$150,000
2.	Provide an additional \$500,000 in one-time funding to support the Library's book collection budget.	Alcorn	0 / 0.0	\$0	\$500,000
3.	Provide \$200,000 to commission a study of the County's three pension plans that is modeled on the Stress Test & Sensitivity Reports to the General Assembly for the Virginia Retirement System.	Herrity	0 / 0.0	\$0	\$200,000
4.	Provide \$4 million to replenish affordable housing funding.	McKay and Palchik	0 / 0.0	\$0	\$4,000,000
5.	Provide \$58,000 to finalize construction of the Eileen Garnett Civic Space.	Jimenez	0 / 0.0	\$0	\$58,000
6.	Provide \$300,000 to construct at least four and up to six dedicated pickleball courts at Wakefield Park, pending a community engagement process to discuss the proposed change.	McKay and Walkinshaw	0 / 0.0	\$0	\$300,000
<b>Subtotal FY 2024 Consideration Items:</b>			<b>0 / 0.0</b>	<b>\$0</b>	<b>\$5,208,000</b>

***Total FY 2024 Third Quarter Consideration Items: 0/0.0 FTE Positions and Total Funding (not including reserves) of \$5,208,000***