



County of Fairfax, Virginia

MEMORANDUM

DATE: April 12, 2023

TO: Board of Supervisors

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

SUBJECT: Adjustments to FY 2024 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 2024 Advertised Budget Plan. Based on the adjustments detailed in the FY 2024 Add-On package, the available FY 2024 General Fund balance is \$110,380,632.

Staff has reviewed General Fund revenue estimates based on the most up-to-date information and an increase of \$13.7 million to FY 2024 revenues is recommended as part of the Add-on Process. The adjustment is due to an increase of \$2.7 million in Transient Occupancy Taxes (TOT) and \$11.0 million in Investment Interest revenue. The TOT increase is consistent with adjustments made to FY 2023 revenue estimates as part of the *FY 2023 Third Quarter Review*. In addition, as the Federal Reserve has continued to increase the Fed funds rate, it is projected that the County will be able to earn a higher yield on its investment portfolio compared to the level assumed in the advertised budget.

It should be noted that the General Assembly adjourned without fully completing the state budget for FY 2024. It adopted a mini budget that addresses a few critical items and conferees are expected to continue negotiating on remaining budget items. Staff will report to the Board any revenue and expenditure impacts on the County's budget as a result of 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, including Federal Reserve actions with regard to interest rates, as part of the *FY 2023 Carryover Review*.

More details regarding the FY 2024 recommended revenue adjustments can be found in Attachment I, Summary of General Fund Receipts.

FY 2024 administrative adjustments reflect a net decrease of \$6,493,672 (Attachment II). An increase of \$146,145 is included for Agency 01, Board of Supervisors, to fund a change to the next elected Board members' annual salaries. In addition, the General Fund transfer to Fund 20000, Consolidated County & Schools Debt Service, is decreased by \$5,000,000. The decrease is associated with debt service expenditures for the Original Mount Vernon High School (OMVHS) project, as County staff now estimate the OMVHS bond sale to occur in FY 2024 and the first year of debt service to occur in FY 2025. Lastly, the contribution of \$1,639,817 to the Managed Reserve that was included in the FY 2024 Advertised Budget Plan is no longer required, as the contribution included as part of the *FY 2023 Third Quarter Review* results in the FY 2024 beginning balance of the Managed Reserve exceeding the target level of four percent of

Office of the County Executive
12000 Government Center Parkway, Suite 552
Fairfax, VA 22035-0066
703-324-2531, TTY 711, Fax 703-324-3956
www.fairfaxcounty.gov

FY 2024 General Fund disbursements. Removing the FY 2024 contribution does not impact General Fund revenues or disbursements but results in an increase of \$1,639,817 to the available balance.

Details regarding the FY 2024 recommended administrative adjustments can be found in Attachment II, Administrative Adjustments.

As a result of the recommended revenue and expenditure adjustments, a General Fund balance of \$110,380,632 is available in FY 2024.

Summary of FY 2024 General Fund Add-on Adjustments

	FY 2024
Balance from FY 2024 Advertised Budget	\$90,223,841
Additional FY 2024 General Fund Revenue	\$13,663,119
FY 2024 Administrative Adjustments	\$6,493,672
FY 2024 General Fund Balance Available	\$110,380,632

A summary of FY 2024 Consideration Items totaling \$26,458,624 as of April 12, 2023 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

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

**ATTACHMENT I
SUMMARY OF GENERAL FUND RECEIPTS**

FY 2024 Revenue Adjustments

Revenue adjustments for FY 2024 are recommended in the categories discussed below. These adjustments represent an increase of \$13.7 million and reflect information received subsequent to the development of the FY 2024 Advertised Budget Plan. The revenue adjustments include an increase of \$2.7 million in Transient Occupancy Taxes (TOT) and \$11.0 million in Investment Interest revenue.

TRANSIENT OCCUPANCY TAX				
FY 2023 Revised	FY 2024 Advertised	FY 2024 Revised	FY 2024 Increase/ (Decrease)	Percent Change
\$20,979,565	\$20,414,403	\$23,077,522	\$2,663,119	13.05%

The FY 2024 revised estimate for Transient Occupancy Tax (TOT) is \$23,077,522, an increase of \$2,663,119 over the FY 2024 Advertised Budget Plan estimate. This increase is consistent with adjustments made to the FY 2023 TOT revenue estimate as part of the *FY 2023 Third Quarter Review* based on actual FY 2023 collections year-to-date. The FY 2024 estimate reflects an increase of 10.0 percent over the adjusted FY 2023 level, the same growth rate assumed in the FY 2024 Advertised Budget Plan.

INVESTMENT INTEREST				
FY 2023 Revised	FY 2024 Advertised	FY 2024 Revised	FY 2024 Increase/ (Decrease)	Percent Change
\$102,064,040	\$113,501,922	\$124,501,922	\$11,000,000	9.69%

The FY 2024 revised estimate for Investment Interest is \$124,501,922, an increase of \$11,000,000 over the FY 2024 Advertised Budget Plan estimate. As the Federal Reserve has continued to increase the Fed funds rate, it is projected that the County will be able to earn a higher yield on its investment portfolio compared to the level assumed in the advertised budget. The FY 2024 estimate reflects a projected annual yield of 3.30 percent. Further actions by the Fed with regard to interest rates will be closely monitored and any necessary adjustments to the Investment Interest revenue estimate will be incorporated in future quarterly budget reviews.

**ATTACHMENT II
ADMINISTRATIVE ADJUSTMENTS**

General Fund Impact

Board Salary Adjustment

Agency 01, Board of Supervisors

RECURRING	
FY 2024 Revenue	\$0
FY 2024 Expenditure	<u>\$146,145</u>
Net Cost	\$146,145
FY 2025 Revenue	\$0
FY 2025 Expenditure	<u>\$292,830</u>
Net Cost	\$292,830

As approved by the Board of Supervisors on March 21, 2023, an increase of \$146,145 in Personnel Services is necessary to fund a change to the next elected Board members’ annual salaries from \$95,000 to \$123,283 per year and an increase from \$100,000 to \$138,283 per year for the Board Chairman. The additional monies represent partial year funding for six months as a result of the new salary level taking effect January 2024.

Revised County Debt Service Expenditures

NON-RECURRING	
Fund 20000, Consolidated County & Schools Debt Service FY 2024 General Fund Transfer	<u>(\$5,000,000)</u>
Net Cost	(\$5,000,000)

The General Fund transfer to Fund 20000, Consolidated County & Schools Debt Service, is decreased by \$5,000,000. This was the estimated amount of the initial year of debt service expenditures associated with the Original Mount Vernon High School (OMVHS) project as part of the FY 2024 Advertised Budget Plan. County staff had originally assumed this bond sale would occur in FY 2023 and the first year of debt service would occur in FY 2024. As the timeline for the project has shifted, County staff now estimate the OMVHS bond sale will occur in FY 2024 and the first year of debt service will occur in FY 2025. The first year of debt service will be added to the FY 2025 forecast presented to the Board in fall 2023.

Managed Reserve Adjustment

NON-RECURRING	
FY 2024 Revenue	\$0
FY 2024 Expenditure	<u>\$0</u>
Net Cost	\$0

The *FY 2023 Third Quarter Review* includes a Managed Reserve contribution of \$4,125,518 to maintain the reserve at its target level of four percent of FY 2023 General Fund disbursements. As a result, the FY 2024 beginning balance of the Managed Reserve is now projected to be \$204,451,288, which exceeds the target level of four percent of FY 2024 General Fund disbursements. The contribution of \$1,639,817 to the Managed Reserve that was included in the FY 2024 Advertised Budget Plan is no longer required. Removing the FY 2024 contribution does not impact General Fund revenues or disbursements but results in an increase of \$1,639,817 to the available balance.

ATTACHMENT III
FY 2024 Add-on Package
Consideration Items as of April 25, 2023

#	Consideration Item	Requested By	Positions	Net Cost/(Savings)	
				Recurring	Non-Recurring
1.	Provide a 12.5 percent salary increase for police officers at the rank of Second Lieutenant and below including APPOs.	Herrity	0 / 0.0	\$26,200,000	\$0
2.	Reduce the Board of Supervisors' office support budgets by \$1,100,000.	Herrity	0 / 0.0	(\$1,100,000)	\$0
3.	Expand Opportunity Neighborhoods into Centreville as recommended by the Human Services Council.	Smith	0 / 0.0	\$412,624	\$0
4.	Provide funding to reduce the disparity between girls' fastpitch softball and boys' baseball facilities.	McKay and Walkinshaw	0 / 0.0	\$300,000	\$0
5.	Establish a Fairfax County Self-Help Resource Center within the Law Library at the Fairfax County Courthouse.	McKay and Lusk	0 / 0.0	\$96,000	\$0
6.	Provide an increase of \$200,000 to support operating expenses for ArtsFairfax.	Foust	0 / 0.0	\$200,000	\$0
7.	Provide an increase of \$350,000 to support non-profit projects that make home repairs and accessibility modifications to allow low-and-moderate income households to stay in their homes.	Foust	0 / 0.0	\$350,000	\$0
8.	Fully fund the Market Rate Adjustment (MRA) at 5.44 percent for all County employees.	Herrity	0 / 0.0	\$54,941,953	\$0
9.	Support funding for the Fairfax County Park Authority Mobile Nature Center.	Alcorn	0 / 0.0	\$114,500	\$0
10.	Provide a fee waiver for the Town of Vienna to use the Public Safety Occupational Health Center.	Alcorn	0 / 0.0	\$70,000	\$0
11.	Provide one-time funding of \$300,000 to support the library's book collection budget.	Alcorn	0 / 0.0	\$0	\$300,000
12.	Contract with private haulers to pick up trash at County buildings.	Herrity	0 / 0.0	(\$1,000,000)	\$0
Subtotal FY 2024 Consideration Items:			0 / 0.0	\$80,585,077	\$300,000

Total FY 2024 Consideration Items: 0/0.0 FTE Positions and net Total Cost (not including the reserve impact) of \$80,885,077