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Fairfax County Board of Supervisors Budget Committee Pre-Markup, Friday, April 26, 2024

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[00:00:09] Welcome, everyone, to our April 30th, 2024 budget markup, pre-budget markup meeting. And just before we get started, what traditionally happens at this meeting is you'll be tired of hearing my voice here in a few minutes because I will quickly, as quickly as I can, read through the entire package.

[00:00:27] I will take a break and various points just to see if we have any questions or comments from folks. But I do want to reiterate at the beginning, if this process is new to you or you're not entirely familiar with the county budget process that we are not voting on anything today. And this is not the budget that we're seeing today. This is pre-markup. This is an opportunity for us in a work session type format to go through where we are right now with the package and to make sure we give staff and others an opportunity to answer any questions that people have. But again, as we

[00:01:03] all know, we don't ever take votes in committees anyway. But in particular, it's important to recognize that the vote on the markup package will not take place until next Tuesday. And so what we're doing is going through the draft today and in a workshop format. So I just want to reiterate that point. There are four sections we will go through. One is approval of the third quarter review. One is the actual budget markup. Then there's a budget guidance document that we always include, as well as approval of the FY 2025 to FY 2029 Capital Improvement Program with

[00:01:40] future fiscal years to 2034. And before I start reading the package, let me ask our team if there's anything they needed to mention at the beginning of the meeting. Okay. All right. And I will thank them before I even get started for all their work. I know you all had a lot of interactions with them this week as well, and our budget team is fantastic. They may not look exhausted, but they probably are. But if you have questions for them at any point in time as we go through, as I said, I will stop at various points to allow that to happen. So we begin with approval of the

[00:02:19] FY 2024 third quarter review. As advertised, included previous balances of $54 million and recommended spending and reserve adjustments of approximately $49 million, with a majority proposed for investments in capital paydown and information technology needs.

[00:02:35] As a result, the advertised package included a net balance available to the Board of Supervisors of $5.2 million. This package utilizes the available balance in order to address several one-time funding needs, as well as to bolster resources dedicated to meeting the county's affordable housing goals.

[00:02:55] The largest adjustment allocates $4 million to affordable housing, which, when combined with baseline funding in the budget, results in total county funding of $35.4 million for FY 2024. It also includes federal stimulus funding dedicated to affordable housing during the current fiscal year.

[00:03:18] This total grows to $45.4 million for FY 2024. Additionally, consistent with actions taken in prior years, $500,000 in funding is provided to supplement Fairfax County Public Library collections, and $300,000 is included to support county parks, specifically to construct dedicated pickleball courts at Wakefield Park.

[00:03:41] Other adjustments include $150,000 to offset unanticipated expenses for the Women's Center related to relocation costs, $258,000 to finalize the construction of the Ellen Garnett Civic Space in downtown Annandale.

[00:03:57] After these board adjustments, there remains a balance of $229,126, which will be held in balance for consideration as part of the FY 2024 carryover review. And so you can see below in your document, there's the chart of the third quarter board adjustments that I just read, shows you how the numbers resolve. The next section is the budget markup. Before I move to that, let me ask if there are any questions specifically about the third quarter review.

[00:04:28] Okay. Seeing and hearing none, we will turn to the FY 2025 budget markup. Starting with add-on adjustments, this package begins with a balance of $11.1 million available after the adjustments included in the county executive's add-on package of April 19, 2024.

[00:04:50] This balance is attributable to the pre-funding of the FY 2025 reserve requirements as part of the FY 2024 third quarter review and reflects updated projections regarding transient occupancy tax. You can see those adjustments in the chart that are made that I just verbalized.

[00:05:09] Adjustments recommended by the board. With the current strains on the county's real estate market, particularly for our commercial properties, The board recognizes the resulting revenue constraints that impacted the FY 2025 budget. With limited options for revenue generation available, we will continue to operate under the state's outdated tax system. Changes to the real estate tax rate are the only significant lever that the county has to generate necessary resources to meet our needs. With that being said, we understand the burden that increased real estate taxes can place on our residents, and this budget strives to find a balance between taxing levels and addressing our most

[00:05:47] urgent priorities. The advertised budget plan included a proposed increase to the real estate tax rate of four cents. Through the identification of other resources, which will be described later, this particular package reduces that increase by one cent, which will result in a real estate tax rate of $1.12 and a half per $100 of assessed value. As a result, the increase on the average real estate tax bill will drop from approximately $524 to just over $450. The needs that face this

[00:06:24] county each year are significant. Providing appropriate compensation increases for both county and schools employees, of course, is of utmost importance. Addressing the needs of our community, especially those who are most vulnerable, is vital. Meeting the needs of our students and our schools to ensure that we remain one of the top education systems in the country is a necessity.

[00:06:45] Maintaining an efficient transportation network to encourage economic development and growth is essential, but we cannot do this alone. We appeal to our state partners to work with us. As the board will later address as part of budget guidance, it is imperative that we continue our efforts to push the state to finally implement real tax reform.

[00:07:05] At the same time, the state must recognize its own role in directly supporting public schools and metro infrastructure as maintaining strong schools and a solid transportation network help to draw people to the area, bringing development, jobs, and further economic growth, which can benefit the entire Commonwealth.

[00:07:24] Fairfax County Public Schools, as with all schools across the state, remain significantly underfunded as the state's own JLARC study has proven. Similarly, as Maryland and D.C. have stepped up and indicated their support for additional funds to support the region's metro system, so far the state has failed to coalesce around providing additional transportation funding.

[00:07:50] Relying upon existing state aid balances, which have all been allocated and which are rapidly depleting, is not the answer. Our hope, and frankly our expectation, is that the final state budget package, not expected to be improved until May will include some of these important investments. Because the state has yet to adopt a final budget, you will see that we have assumed only very limited additional revenue from the state. This package includes just under $2.7 million related to anticipated compensation adjustments, state aid to localities with police departments, HB 599, and state aid to

[00:08:29] local libraries. Any additional state revenue will be recognized as part of budget adjustments at the upcoming FY 2024 carryover review. With the expectation that the state will come to the table with additional resources for FCPS, this budget maintains the proposed school operating transfer increase at $165 million, which represents an increase of 6.8% over last year.

[00:08:57] The board recognizes that this increase falls short of the requested increase of over $250 million. However, approving this unprecedented request would have placed too heavy a burden on our taxpayers. As fair compensation increases for our teachers seems to be an area where there is consensus between the governor and the General Assembly, the board is optimistic that state funding will help to shrink the remaining shortfall and allow for investments in teacher compensation.

[00:09:27] And I should point out, the $165 million that is being transferred to the schools, the cost of 6% pay increase, we've calculated at $160 million. So it is more than enough to cover the compensation increase without the additional money we anticipate from the state.

[00:09:47] This budget continues our commitment to employees, most notably through funding the first year of the contracts that were negotiated with our two public safety unions. In addition, we've continued to fund the performance and longevity increases to allow general county employees to advance through their pay scales. With these adjustments and the 2% market rate adjustment, general county employees will see salary increases that range between 3.25% and 6% in FY 2025, with nearly 1,200 of these employees receiving an additional

[00:10:22] 5% increase based on the results of the annual benchmark reviews that ensure our pay ranges continue to keep pace with the market. Our non-represented public safety employees in the office of the sheriff will receive merit and longevity increases, with many benefiting from a new 10-year longevity step, in addition to the 2% market rate adjustment. Deputy sheriffs will, on average receive increases of 7.85% in FY 2025. As the challenges of this budget were known well in advance of the release of the proposed budget, the board appreciates the foresight exhibited and

[00:11:00] the efforts directed by the county executive to find efficiencies and savings in our baseline budget. In total, our agencies identified over $34 million in reductions, more than one penny on the real estate tax rate which were utilized to free up resources for other purposes. Combined with the reductions put in place last year, the board recognizes that agency budgets are tight and we cannot expect to see these same levels of reductions in future years without impacting our employees or the services we offer to our residents. With that in mind, the board did not pursue additional

[00:11:35] reductions beyond those included in the proposed budget and are making only one minor restoration, $25,000 for the Youth Leadership Program. This program provides opportunities for high school students to intern with county agencies during the summer months as well as participate in educational sessions throughout the school year on county government.

[00:11:57] Given its small price tag but big impact this program has on our youth to pursue careers in public service, the board believes this small adjustment is necessary. As they do each year, staff continues to monitor revenue and expenditure trends after the advertised budget is released. As noted earlier, the add-on package presented to the board provided more than $7 million in additional resources, primarily due to the prepayment of county reserves as a part of our third quarter review. After the presentation of the add-on recommendations, based on the release of the latest economic data and projections regarding potential Federal Reserve action on

[00:12:35] interest rates, staff increased its revenue forecast for investment income. As Federal Reserve action on rates is now anticipated to occur later in the year, an additional $11.1 million can be recognized with reductions in this category anticipated for future years. This additional revenue is being used primarily to reduce the increase on the real estate tax rate. This package includes other minor changes to the proposed budget consistent with the actions taken by the board on the proposed increases to zoning, fire marshal, and land development fees, the proposed

[00:13:11] increases in senior center membership fees will be phased in over a two-year period to moderate the impact on residents at a cost of $33,641. After consultation with staff, the $5 million increase in information technology investments and just over $2.5 million for increased fuel costs have been deferred. It is anticipated that additional funding for IT needs will be able to be accommodated as part of the upcoming carryover review, which this adjustment resulting in no negative impacts to work currently underway. Similarly, staff will continue to monitor fuel

[00:13:49] prices and will work with agencies to reduce overall mileage on county vehicles, and any necessary adjustments will be made as part of a future budget cycle. The board has also included funding of $24,000 to increase the stipends paid to members of the Fairfax County Planning Commission, raising the stipend from $23,000 to $25,000 annually.

[00:14:12] This adjustment will bring stipends in line with those paid in neighboring Loudoun County. Similarly, also included in our actions as part of the budget adoption will be a resolution to set the compensation for board members of the Fairfax County Water Authority at $25,000 annually and for the Water Authority Board Chairman at $31,250 annually.

[00:14:34] These amounts were last adjusted in 2007 and have no impact on the county's budget as they are paid from water authority revenues. And so below at the bottom of page five, you'll see a chart that outlines all of the changes that I just read through.

[00:14:52] And with that, finally, as a result of these changes, we have a balanced budget for FY 2025. I'm not going to read all these, but below here, you will see all the other tax and fee adjustments, including decreases to some of these tax rates below.

[00:15:08] These have all been circulated to the board in advance, and they're verbatim as they have been circulated before. So before we go to budget guidance, let me ask if anyone has any questions about this part of the budget process. Any questions?

[00:15:27] Yes, Walter. So, I guess with, well, first of all, should we save comments until after you go through all of them? Because mine's more of a comment than a question. Is it related to this part of the budget or is it related to the guidance?

[00:15:43] It's related to this. We can do comments now before we do the guidance, just so we keep the comments and questions on the section that we're on. Sounds good. No, I appreciate that. So, first of all, I think this is a really responsible way to address a very tough budget year.

[00:16:02] You know, we have challenges on the revenue side. We've got a lot of requests coming in from our employees, from the schools. You know, this is tough. This is a tough year. I do just want to note personally, and I don't think this is a majority of the board.

[00:16:23] I know certainly not Supervisor Herity, but specifically on housing. You know, we first put in budget guidance three years ago, the desire to move towards two cents, and we really benefited from the federal pandemic funding that allowed us to do the equivalent of two cents for a couple years.

[00:16:46] That money's gone. And so we're now looking at trying to do what we can as part of third quarter, which is great to do the $4 million and to do, you know, maybe something to carry over in our quarterly reviews. The challenge is that we're really not able to keep up with that equivalency with the current dedication of a penny. And personally, I would love to see us move towards

[00:17:17] that two-cent dedicated goal faster by maybe going towards, you know, putting another half-cent this budget towards affordable housing to get us to a penny and a half. But I understand, you know, also on the other side, people, we did hear from a lot of folks, not just on the housing issues, but also on tax issues and wanting to reduce that. So that would be my preference, but I do understand, you know, the board may not be in the same spot. I would just ask if we do move forward

[00:17:55] with this, that maybe this isn't in budget guidance, but I think we should look to other possible ways for one-time funding for housing. For example, we do have funding in our economic Opportunity Reserve that has not been used. And at some point, one-time funding from there could help us stay close to the two-cent equivalent expenditures. I'm not sure. I think that might take some more time than we have right now for this budget to do that. But particularly

[00:18:33] as we see the staffing increases with HCD, that will really help facilitate what's in the pipeline right now uh and what i'm thinking about is is really what comes next in terms of projects that aren't in the pipeline yet that will need to be funded um perhaps at that point uh you know that could be something we consider but um anyway thank you um for allowing me to make those comments yeah thank you walter and before we go to other comments let me just ask staff because i do

[00:19:07] The budget guidance, we haven't got to it yet, but I do want to make sure the budget guidance is in the spirit of what Supervisor Alcorn just said. We mentioned, and they're looking at other one-time funding opportunities, so things like the economic reserve and other things would be, they're not prohibited from being used for those.

[00:19:27] I just want to make sure that's right. Okay. All right. Pat. Just a question. You noted an interesting number that I hadn't heard before. The $165 million, you said, is sufficient for 6% increase in schools. Is that for teachers and administrators or just teachers?

[00:19:46] I believe it's for both. Yeah, so that's all in. I think it's both, but I just wanted to check. Yeah, that's 6% for everybody. For everybody. Okay. Thank you for that. And I specifically wanted to mention that because we've been asked about, at a minimum, is the transfer sufficient for them to do the pay increases that they want to do if the school board decides to, and the answer is yes.

[00:20:08] And more importantly, it's more than enough for teachers because that gives the administrators a 6 percent, which we can debate as whether a good thing or a bad thing. Yeah, because we don't vote on that, but yeah, that is correct.

[00:20:27] yes jimmy yeah so uh very challenging budget year as as we all know i want to sort of echo some of the comments that that walter made and and you know i think i think there there was a a line in here where you wrote about about balance and if you ask me three of the major themes in our three days of public hearings and also at our budget town halls um three of the major themes had to do with the tax rate, with affordable housing. I think there were about 40 people who came to our

[00:21:05] public hearings talking about affordable housing and our general county employees and the market rate adjustment. And I think what we had to do was balance all of all of those three things. It's clear what we did was bring that tax rate down a penny. And that wasn't necessarily at the expense of those other priorities in one sense. I mean, our county employees are still getting an average of a 3.25 to 6% raise. We went through a benchmarking exercise, which will reclass

[00:21:44] 1,200 employees. We tried to take care of our general county employees. And on housing, of course, with the latest in the third quarter carryover review, we get to 34 point something million. It's not two pennies, but it's over a penny. And if you ask me what my favorite thing in the entire budget is, it's those five positions for affordable housing. Because Tom Fleetwood, who's back there, I hope you're staying very busy and continue to stay busy. And what's really important also about those five positions and everything we do in housing is that we're

[00:22:22] unlocking more dollars and more investment. I think, James, correct me if I'm wrong, but the affordable housing plan here in the government center, if you correct me if I'm wrong, was like $90,000 per unit. Well, it costs more than $90,000 to build those units, but we're putting in $90,000. So I say all this to say that there are aspects of the budget that are obviously deeply unsatisfying. And I think we all know that. And I share Walter's concern and hope that you know, we build towards a higher baseline on affordable housing because, you know, I don't think

[00:23:02] the market's solving that one. I mean, Pat, I'd be happy to talk with you about cutting more red tape and more market-based solutions and increasing housing. I read your housing letter, and I'm with you to work on those, but the market isn't putting affordable housing in downtown McLean, I'll just tell you that, or in some of the zip codes in my district. So I say all this, and I recognize that we were supposed to bifurcate our comments towards the current budget and and budget guidance but i do think it's important that our budget guidance going forward continues to make this uh commitment and and the general point of my comment was to say that uh while the balance is in some ways

[00:23:42] deeply unsatisfying i also understand it and i understand why we are where we are i will also note that the tax rate still remains below our fiscal year 2022 tax rate and below tax rate from fiscal year 2017 all the way to fiscal year 2022.

[00:24:01] Thanks. Thank you very much, Jimmy. And I want to tag on the one thing you said because I think it can't be reiterated enough, is that the dollars that are in here for housing are leverage dollars. This is an investment. This is not the totality.

[00:24:17] We're not using that money and going out and building individual housing units for this, as you rightly say most of that money is used to take advantage of other funding state for-profit non-for-profit housing developer opportunities that are out there and Tom's team does an amazing job navigating with great creativity through every one of those those deals to make sure that we're spending this money last because of how flexible it is and so I look at this as an investment that brings a lot of other revenue into the county, and it's the most flexible

[00:24:55] revenue source we have. And because of that, it becomes the revenue source many times that gets an actual development done. It's the final touch that's needed to complete something. And to your point about staff, this budget does contain additional staff for housing because they are in a complex, complicated pipeline as we stand now. And thankfully, due to a lot of work that all of us have put in we're way ahead of our goal at least in terms of the time frame we want to stay there and so obviously getting those additional bodies and housing will help with that

[00:25:30] yes James thank you Mr. Chairman agree with with much of what's been said obviously this is a difficult year to to strike the balance that we always try to try to strike and I think I think this package does the best that can be done.

[00:25:49] You know, like all of us, I've spent weeks, months talking to my constituents, phone, email, civic association meetings, HOA meetings, grocery store, budget town hall, and the overwhelming majority recognize that it's important we continue to provide our core services and that the people who provide those core services deserve increases in their pay so they can keep doing it on our behalf.

[00:26:18] I think, similarly, for the overwhelming majority of my constituents and for me, a $524 increase didn't quite strike the right balance in the average tax bill. And I'm pleased, I'm surprised, I didn't

think we would be able to get there, but I'm pleased we were able to get to a one-cent reduction from the proposal.

[00:26:40] Not where any of us want to be, but I think a much better place than we were when we started this process in February. also want to just express my appreciation for the phase-in on the senior center fees. Very small dollar item, but I think important symbolically to demonstrate that we want our seniors to be able to plan for those increases and are treated fairly. On the housing issue, the only thing I would add to what's been said is I do think it's in Supervisor Alcorn correctly mentioned the federal funding that we dedicated to housing. I always think it's important to tell people

[00:27:19] that's the decision that we made, right? That money did not come from the federal government earmarked for affordable housing. We made a decision to make those transformative investments because it's consistent with our values and our strategic plan and what we want to accomplish as a board. Really important decision. And we could have used that money for other things.

[00:27:41] We could have done other things with it. So I think that's important to stress. I do have just one question. I just want to confirm, because I hadn't seen this before. Deputy sheriffs, on average, will receive increases of 7.85%, which coincidentally is the same as the fire average increase, I think.

[00:28:01] But I assume that's the combination of MRA, the 10-year longevity, the shift differential, and benchmarking? So the market rate adjustment of 2%, your deputy sheriffs who are below the longevity steps are going to see that 5% step increase.

[00:28:25] Any of the ones who are in a longevity step, really any of them that are 10 years or more are going to see the impact of that 10-year longevity step. Anybody with 10 or more years will see a 5% increase from that. And then certainly there's the rank consolidation of deputy sheriff 1 and 2 that impacts potentially some people there who are in the deputy sheriff 1 rank.

[00:28:44] And so there were a number of things going into that, but those are the key pieces. Okay, thanks. Other questions or comments before we move to guidance? Yes, Dahlia. I was going to wait until guidance because I think it's a little bit there. And, you know, clearly this is the most difficult budget we've had in the past several years.

[00:29:07] And I think one thing that was mentioned that I want to make sure that we're planning for is it was mentioned we had the Band-Aid that we chose to use on things like housing. from the federal government in the past several years, which, correct me if I'm wrong, some of the difficulty of this budget is that that's mostly been spent or allocated at this point.

[00:29:34] I guess that's my first question. Is that correct? I mean, most of the federal stimulus dollars that we received, we used for one-time needs. Whenever we did use any of those funds for recurring needs, we built those into the next year's budget. So, I mean, all of that, that is, all of the stimulus funds that funded recurring programs or initiatives, that's already in our baseline budget. So that's taken care of. And so I think to that, right, we are seeing a difficult situation because when we talk about recurring funds for housing, I think we've had that hope over the last several

[00:30:11] years to get back to the two pennies, and we chip away at it as we can with one-time funds. But I'm not, and I think it's in the guidance, I'm very, I guess it's a minimal thing that we commit, continue to commit to that. I just have some concerns as we continue to have projections, and we'll talk more, you probably have more projections than we do about the future.

[00:30:35] I just want to make sure that we have thoughts of how really to get to those extra penny, which I think we're going to have in guidance, half a penny next year and the full penny the year after. So I know we're going into budget guidance, and I know all of us here have struggled with this budget, the chairman included, definitely at the head of that and all of us, because we want to make sure that we are shaking that balance of our priorities, right? Our staff, our schools, our teachers, housing, public transportation, which is not just for access, but it's probably

[00:31:14] one of our top environmental goals. So this is a tough budget. I think maybe we're looking at the best options we have. But one specific question for you on page five, because we are assuming, and I know you spoke to it, the additional investment income as well as additional state revenue, and I believe pushing off IT without having to push off the work.

[00:31:47] So I just want to hear from you, A, how confident you are in being that we can really recognize all of those savings for this year, and if we have projections for what will happen with those in next year's budget.

[00:32:02] I'm not concerned about this year as much as I am, and I know Brian is the chairman of the next two years, how we think about the investments we're going to have to keep making there if we're not able to make them now. So I think I captured, you're asking about both IT and investment income?

[00:32:22] Those are the big ones. I know state probably, Supervisor Rockenshaw has more of a sense of that than we do, but I guess the state as well, what you've included in here, if you can reiterate how confident you are that that will be included. Yeah, so, I mean, as you've seen the package, we did not pick up a lot of additional state funding.

[00:32:39] We really tried to recognize what we saw in terms of the governor's amendments that came out whenever he didn't choose to amend some of those items that were in the General Assembly's budget, including the 3% across-the-board pay increases. We know we get a little bit of comp board money for that.

[00:32:55] There's a little bit of HB 599 money, as we alluded to, and then some money for libraries. For the IT funding, in an ideal world, we would be able to put additional baseline funding in for IT. As the board knows, we fund our IT projects historically at our quarterly reviews because most of the time those projects are more one-time in nature.

[00:33:12] They're different projects from year to year, but they are more one time in nature. This $5 million was more to really help our infrastructure, strengthen the infrastructure of the system. We anticipate that we're going to put that $5 million in as part of our carrier review.

[00:33:29] So from that perspective, it's just a couple months difference when the Department of Information Technology would actually see that funding. So shifting that out of this budget into the carrier review really wouldn't anticipate any of the work that they do. As we are embarking upon our tax modernization effort, which is a pretty big effort, we know that's going to require some additional resources likely into our IT infrastructure.

[00:33:50] We do still have funding available in the tax modernization project. We had set aside money at a prior quarterly review for that project. So we still have funds there. So, again, there's still efforts being made, still work being done. This doesn't slow down any of that. For the investment income, I mean, this was a late change.

[00:34:08] We didn't include it in our add-on package. Phil and I participate in regular investment committee meetings. And so we did talk with the Department of Finance staff after add-on was released and talked about really the timing of when we thought the feds were going to start lowering interest rates. When we first built the advertised budget, the anticipation was that the feds were going to be taking action sooner.

[00:34:29] But because the job market has been really strong, because inflation is still, even though it's lower than it was, you know, it's still being a little bit stubborn. And so it looks like the feds aren't going to be taking action as quickly to lower the rates. And so our investment staff felt comfortable picking up an additional $11 million. You know, that being said, the future, I mean, you know, depending on how quickly the Fed actually takes actions on rates, that's certainly going to impact the FY26 budget. I wish I had a crystal ball to really know what that's going to look like in 26.

[00:34:59] But at this point, I couldn't really tell you what that range might look like. Yeah, and I guess to that final point, I mean, I appreciate some of the small things that we've been able to do, like the senior centers and the youth leadership program. I just want to share my concern while, you know, we're balancing what it seems like sort of one-time things, because that's not recurring. We'll have to keep looking at some of these, how they look in the future, correct?

[00:35:24] Investment, we can't assume that that will continue to be, it could change next year. Yeah, I mean, I think the long-term trend is we saw that that revenue category came down as interest rates came down and went way up as the Feds took interest rates way up, and so that's definitely going to fluctuate over the next few years.

[00:35:39] So just, I guess, a question as we move forward. A couple ideas were mentioned about additional one-time sources for the housing. If you could come back to us, what are all of those options so we know where we can look to, if there's anything more we can do, I think, this fiscal year to start to continue to chip away more.

[00:35:59] I think I'm hearing several of us that would be interested, probably the whole board. Thank you. Yeah, and if I could follow up on not on that point, but the points that Supervisor Palachuk was making, I just want to make sure there's two other things that are clear here. One is the recognized additional state revenue, that element that we talked about, the roughly $2.7 million, as was written in the narrative, is the absolute most conservative estimate of what we could get in state revenue.

[00:36:27] like this is the base this is the only number that's safe but you know we're hoping obviously to receive more than that but that is the the most conservative number that you use i just want to verify that on that yeah we felt like that 2.7 million was safe okay and my second question on the reduced increase in agency baseline fuel budgets um we might want to remind everybody that that obviously fuel prices fluctuate and as a result of that we do have an instrument we have a fuel reserve in place should should should that become a challenge and I just want to make sure you have an opportunity to explain that yeah the the increase that you see the 2.5 that we

[00:37:06] originally had in advertised was to increase fuel budgets across our agencies right now our agencies are budgeted for fuel at a rate lower than what we're actually paying agencies have been able to absorb some of that differential over the past few years you know we do have a four million dollar fuel reserve in the department of vehicle services so if an agency was not able to accommodate some of those increases we'd be able to go to that fuel reserve but it's also important to keep in mind that that 2.5 million

is spread across a number of different agencies so that's not all sitting in one agency either so it really just kind of um the range is pretty significant i think between some of the smaller agencies where they might have a smaller piece of this and then some

[00:37:45] of our larger agencies but certainly we also have an opportunity at a future quarterly review If there was an agency that had particular concern, we could also add funding at a quarterly review as well. I think the main point I wanted to make sure people understood is how it worked and that there was a reserve there, because I'm not sure everyone understands how that fuel piece works.

[00:38:04] I just wanted to give you an opportunity. Any other questions on this section before we move to guidance? Okay. So at this time, we'll move to budget guidance for FY2025 and 26. Some of this will seem repetitive to the conversation we just had, but I'm still going to read it, and I'll skip the part at the top.

[00:38:25] But I do think one thing I will draw attention to is the very last sentence or the very last couple sentences. The purpose of budget guidance is to indicate the Board of Supervisors' support for initiatives included in the FY 2025 budget, provide direction to the county executive and county agencies related to the implementation of the FY 2025 budget, and to make recommendations to the county executive and county staff for the development of the FY2026 advertised budget.

[00:38:56] Budget guidance is not inclusive of all priorities of the board, nor is it inclusive of all issues raised by the community during the development of this year's budget. And I want to make sure that disclaimer is on there because we deal with a lot of fluid issues, and this is not our guiding light on everything that the board does.

[00:39:15] And as a result of that, hopefully you'll see that the budget guidance has been reduced somewhat in size from what we've had before us in past years. The first section is Fairfax County Public Schools. As the board appreciates the continued collaboration with the school board on our joint legislative priority of securing increased state funding for schools, the Joint Legislative Audit and Review Commission, J. Lark's study, found that the state uses a complex and unreasonable funding formula, quote unquote, that results in the underfunding of schools by $1,900 per

[00:39:48] student when compared to the national average. That amount, that amounts to, and here we have, that amounts to a minimum of $345 million. That is the statewide number. If you look for the FCPS number, we now have that. It's in the budget guidance, and so this will be amended when it comes forward to the board, because the FCPS number, sadly, is $568.7 million. So let me read that again. It results in underfunding of schools by $1,900 per student when compared to the national

[00:40:22] average. That amounts to $568.7 million lost for Fairfax County public schools alone. The cost of supporting our schools falls disproportionately on our local homeowners. As a result, it is imperative that we continue to pressure the state for increased funding as growth of our local revenue sources will be limited. FCPS is encouraged to develop an FY2026 transfer request that is consistent with the projected revenues that will be presented as part of the joint fiscal forecast in November. Mr. Chairman? Yes. Mr. Chairman, can I just stop you for a second? Because I think

[00:41:02] I think something that you just said, I don't think you meant to mix them up, but 1900 times 180,000 students is 345 million. I think, you know, that amounts to a minimum of 345 million lost to Fairfax County public schools alone. What I think you meant, though, is the SOQ itself.

[00:41:26] Yeah, the 568.7 million captures all the state requirements, that all the things we do above the state requirements for public education. Okay, the way that you had said it, because it came after that sentence about 1900 per student per student i just got confused because i was like you know 548 is not 1900 but but yeah so we're gonna we're gonna well we will clarify that sorry this number just came right and a very recent budget q a from schools because we said rather than just rely on the minimum amount the state has told us we knew it would be higher right for

[00:42:05] FCPS, we didn't know, I at least didn't know, it would be order of magnitude over $200 million higher. Oh, okay. Obviously, we want to use the FCPS number because it's more tied to the actual cost that we're losing at FCPS as opposed to what might be happening in, you know, other school districts. Understood. Thank you. Sorry. Thank you. No, thank you. That's an important clarification, and we'll make sure the language reflects that number and an explanation of what that number is.

[00:42:33] On the state budget, the governor and General Assembly continue to negotiate on a state budget with hopes for a compromise by mid-May. The budget passed by the General Assembly in March promised significant progress towards addressing Metro's budget deficit with the pledge of additional state resources over a two-year period.

[00:42:52] The governor's amendments reverse course, seeking to balance Metro's budget by redirecting county funds that are held at the Northern Virginia Transportation Commission and VTC for planned replacement of our connector bus fleet and that could be depleted as early as October of this year.

[00:43:10] Metro is a critical component of Virginia's transportation infrastructure that keeps our economic engine moving. Funding the Metro system is a shared responsibility between the state and localities, and significant new state resources are required this year to support Metro's operations.

[00:43:28] Staff is directed to report back to the board regarding state budget action on Metro, as well as other possible actions impacting the county budget, such as expansion of the sales tax base to include digital purchases or any recommended changes in funding allocations as part of the FY 2024 carrier review.

[00:43:48] And I will just editorialize for a moment. We always do this, but we usually have a much better idea as we're sitting here now what the state budget is. But when you defer the state budget until mid-May, we just don't know how these things are going to work out.

[00:44:05] And so this is common, but unfortunately this year it seems even later than normal. FY 2026 budget development. The FY 2025 budget presented a challenging year with limited revenue growth to support our expenditure requirements.

[00:44:24] County staff, through an extensive process last year, identified the equivalent of over one cent on the real estate tax rate, primarily through expenditure reductions to allow limited investments in county priorities. However, the burden on real estate taxpayers has continued to grow, with real estate taxes increasing as a percentage of our county's budget from 63.5% to 66% over the past 10 years.

[00:44:50] This is creating an affordability challenge for all Fairfax County residents, particularly those on fixed incomes and those who are already struggling to make ends meet in a region with a high cost of living. The FY2026 budget, based on early forecasts, appears to be similarly challenging.

[00:45:08] Projected requirements for employee compensation in schools will leave limited flexibility to address other priorities or provide relief to taxpayers. This dynamic has been building for a number of years and is likely to continue. Changing it will require state advocacy for the development of other revenue options.

[00:45:27] The JLARC study, as noted above, plainly stated the systematic underfunding of the state of school systems across Virginia. However, in addition to direct support of schools by the state, real tax reform is necessary to provide localities with options to reduce their over-reliance on real estate taxes and help diversify their tax bases. While the world around us continues to modernize, Virginia's tax structures remain rooted in the past. As we look ahead to our legislative program for the coming session, we should continue to advocate for broader taxing authority that will provide options to

[00:46:06] diversify our revenue base and for the state to meet its responsibility to fund shared services such as schools and transportation. We also direct the county executive to review all existing tax authority and come back to the board at a future budget committee meeting with recommendations for strategies to diversify our revenue base and reduce our over-reliance on real estate tax.

[00:46:29] On employee pay and collective bargaining, for FY 2025, our budget is our first adopted following negotiations with employee unions representing the fire and emergency services and police bargaining units and, of course, is fully funded.

[00:46:47] Our theme arising from these initial agreements is that our employees desire predictability in their pay. The market rate adjustment, MRA, has fluctuated widely in recent years, proving to be a challenge for our budget and a source of uncertainty for our employees.

[00:47:04] We support the county executive's proposal to implement a more stable and predictable means of keeping our pay scales in line with the market, coupled with a commitment to more consistently fund those adjustments. We also encourage the Department of Human Resources to evaluate additional ways to help employees more easily calculate the graduated performance pay increases that are awarded to general county employees.

[00:47:28] The county will continue to use all of its available tools to recruit, retain, and reward employees, including merit increases, performance increases, longevity increases, the hiring incentive bonus program approved by the board in 2022, and the annual benchmarking of salary ranges against competitors that resulted in the adjustment of the salary grades of nearly 1,200 general county employees for FY 2025.

[00:47:58] Retirement. One of the ways that the county exemplifies support for its outstanding employees is through the funding of employee benefits, particularly our strong defined benefit retirement plans. Two studies are currently underway by the Retirement Administration Agency that will help ensure that the county is transparent to our employees and our residents about the financial health of our plans and that we remain vigilant in maximizing investment income, which can help offset county costs. The first is a comprehensive stress test of the systems, which will help us

[00:48:32] understand the financial strength of our systems. The second is a consultant review that will examine the role, examine the overall governance of the systems, as well as investment policies and procedures based on best practices of other public retirement systems. The board supports both of these efforts and looks forward to the results of the recommendations of each. County position review and

vacancy analysis. The county, like many employers across the country, has faced significant challenges in the recruitment and retention of certain employees as the post-pandemic

[00:49:07] labor market has been strong. As the county has made great strides with programs like the board approved hiring incentive bonuses, it has been difficult to assess our successes based on vacancy metrics due to the large number of unfunded positions throughout county agencies. The board recognizes that many of these positions are unfunded and as a result of budget recommendations, some going back to actions taken following the Great Recession. In some cases, these positions provide flexibility for agencies to adapt their organizations to changing needs. However, it is

[00:49:45] important for the board and our residents to have a clear picture regarding the number of positions that are vacant and are able to be filled. As a result, the board directs staff to continue its ongoing comprehensive review of county positions. This review, conducted by the Department of Management and Budget in concert with agency directors, should include a focus on eliminating vacant positions that are unfunded and examining whether funded positions are appropriately classified. Steps to address any identified issues should be implemented as soon as possible but no

[00:50:20] later than as part of the FY2026 budget. Consolidation of Animal Control Services. The board agrees with the staff proposal to consolidate animal control services into the Department of Animal Sheltering, DAS. However, we heard concerns throughout the budget season from the public and staff regarding how this new model would impact service delivery. Given the concerns voiced by some of our residents, additional clarification on how this consolidation will be operationalized and a clear timeline of implementation strategies are needed to provide further transparency.

[00:50:56] Staff is directed to return to the board as part of a safety and security committee meeting to provide additional details regarding the roles of DAS staff and police officers under the new structure and any changes to the philosophical approach to wildlife and other services.

[00:51:16] Affordable housing. As reflected in the board's budget guidance for the past few years, the county is committed to taking steps necessary to reach our goal of a minimum of 10,000 new affordable homes by the year 2034. Although unable to commit additional baseline funds as part of the FY2025 budget, the Board recognized that additional capital investments are necessary and approved the allocation of $4 million for this purpose as part of the FY2024 third quarter review.

[00:51:45] Baseline funding of $32.3 million is currently included in the budget, equivalent to one penny on the real estate tax rate. Including the additional $4 million, one-time funding of $89 million has also been allocated since FY 2022 for this important initiative. This one-time funding is a combination of utilizing $55 million in federal stimulus funds and $34 million from one-time general fund balances. The board remains steadfast in its resolve to add recurring baseline funding for this initiative with the goal of reaching a total investment of two pennies on

[00:52:21] the real estate tax rate by FY 2027. As such, the county executive is encouraged to add recurring resources in FY2026. In addition, the board encourages the county executive to continue to pursue additional sources of funding, such as federal and state grants to support affordable housing needs, including for the county's manufactured housing communities and to expand the county's efforts on promoting homeownership. Parks. In January of 2024, the Fairfax County Park Authority, FCPA, and their outside consultants provided a presentation at the board committee

[00:52:59] meeting on the review of the equity of FCPA's Revenue and Operating Fund. Due to reliance on the current fee structure, there are several FCPA programs that charge more than local competitors and have priced out many county residents.

[00:53:15] The presentation provided several recommendations to provide greater equity in FCPA programs. The next step in the process will be for Neighborhood and Community Services and FCPA staff to conduct a thorough public outreach process.

[00:53:33] This coordination will provide departmental insight into existing county programs that already implement some of the recommendations, such as school-age child care sliding fee scale, to provide a guide to best practice implementation. County staff, in concert with the Park Authority Board, are directed to review the current funding structure of FCPA to determine if there are alternative approaches that could be considered to improve Park Service's delivery and further address equity.

[00:54:04] The Board recognizes that these changes will require significant fiscal resources and organizational change and expects any recommendations to be phased in over multiple years. Workhouse Arts Center. Similar to other nonprofits in the region and nationally, the Workhouse Arts Foundation, WAF, was able to emerge from the pandemic but has been experiencing financial challenges to their operating budget for the last two fiscal years. This has been driven largely by lower revenues from class registrations, grants, contributions, and special events. WAF has utilized a portion of its reserves

[00:54:43] to balance its budget, but that is not sustainable long term. WAF board members have formally asked the county for financial assistance for FY 2025 and potentially for the next several fiscal years. The board recognizes the need to ensure the vitality of this campus and the unique programs WAF offers and encourages the exploration of additional opportunities, such as public-private partnerships, to generate further development on the campus. The opening of a brewery on the campus later this spring is the first of what the board hopes will be many successes to attract more

[00:55:20] visitors to the site. The board requests that WAF provide further background and justification for its request for operational subsidy assistance, which could be considered as part of a future budget process. I should note there's nothing in this budget additional for them, and so this is setting the table for the future. This should include a one-year financial forecast, actions from the WAF board to ensure proactive oversight, fundraising, and member expansion, and review of joint coordination efforts with county agencies and non-profit organizations

[00:55:58] such as Celebrate Fairfax, Visit Fairfax, and Arts Fairfax. Support for the arts. Fairfax County is home to a variety of organizations that further arts, cultural, and tourism-related activities. Consistent with the county's strategic plan, these activities are foundational to the overall quality in life and well-being of Fairfax County residents and visitors and contribute significantly to our community's social connectivity and health. The county currently provides direct contributions through its contributory fund for arts agencies and organizations, and in some cases,

[00:56:36] County funds are further leveraged in the form of grant funding opportunities for organizations. The Board remains committed to the arts in the county and requests staff review options to expand the annual funding dedicated towards the arts. And finally, Consolidated Community Funding Pool.

[00:56:53] The Consolidated Community Funding Pool, CCFP, has been a valuable tool in partnering with the nonprofit community for delivery of human services for our most vulnerable residents. CCFP allows for innovative service delivery, but also addresses core basic needs.

[00:57:10] This was most evident through the COVID-19 pandemic when the county saw an unprecedented need for services, and the county's partnership with these non-profit communities was instrumental in delivering these services. With the pandemic-era funding coming to an end, now is the time to evaluate what level of resources are needed and what is the most efficient method for delivering these services.

[00:57:35] Staff should convene a work group and report back to the board at a future health and human services committee meeting on recommendations for moving forward with the expectation that these recommendations are included in the FY 2026 advertised budget.

[00:57:51] And that concludes the board's budget guidance, and I'd be happy to entertain any questions. Yes, Supervisor Loss. Rodney. Or if I could go with maybe some comments first, Mr. Chairman. Again, I appreciate this guidance and will acknowledge that the issue that you've raised around the over-reliance of our taxes on the backs of real estate is certainly problematic.

[00:58:22] And we can see kind of the softening with the commercial tax base. And I appreciate the guidance here that talks about having the county executive look for additional ways to kind of diversify our revenue base and reduce this over-reliance.

[00:58:39] But what I'd like to ask, maybe, is as we think about this effort, there are some things that were done previously in Fairfax County that address this very issue. Thinking back to 1976, there was a report that was done, a Norman Cole report, which was a part of a blue ribbon panel, and there might be some ability for us to look at what was done there as it relates to trying to expand the commercial tax base and having a target for how to do that.

[00:59:14] The second thing I'll suggest is that in 1998, there was a Congress on Information Technology. It was a World Congress on Information Technology, which was sponsored by, at the time, the Fairfax County Economic Development Authority.

[00:59:31] And I'm recalling that at that time, there was a desire to expand our opportunities in growing kind of companies that were connected to the emerging, at that time, Internet. So clearly there were some decisions that were made by this board at that time to look at hiring additional staff and then also looking at ways to market Fairfax County in a different way.

[00:59:59] So just pushing that out as there are some things that we could consider and look at from our past history that might be insightful as we look forward to the future. And then clearly on the diversification of the options, the taxing options, and we'll be very interested in seeing what recommendations come forward there.

[01:00:21] I know we do have some abilities today, and we'll have to see what recommendations come as a result of that because clearly what we have in our current situation is not sustainable, and we can already imagine what's going to happen in the next tax year as it relates to commercial office and particularly the elevator office.

[01:00:44] So that's the first point I wanted to make. Second, I wanted to acknowledge I really do appreciate the language here as it relates to the consolidation of the animal control services. And we'll be personally involved with this as the chair of the committee and look forward to working with Tom Arnold and the other staff, the chief and chief of police and others, as we think through the specific implementation and transition strategies.

[01:01:16] because I think the important thing here is how we go about bringing those staffs together and what's the process for doing that and making sure that we're including everyone around the table so that we are evaluating the best steps for going forward.

[01:01:34] So, again, appreciate how this has been crafted and look forward to participating in that effort. I'll also acknowledge the affordable housing points, and I thank my colleague, Supervisor Alcorn, for teeing this up, but then also thinking about the point that you've included with regard to some of the other needs around affordable housing.

[01:02:01] Again, the manufactured housing communities are ones that certainly need a lot of assistance as it relates to the improvements to some of the older facilities and really bringing those communities up As we think about how they are configured, many of them do not have, you know, playgrounds.

[01:02:24] They don't have sidewalks. They don't have some of the infrastructure that we would normally see in other communities. And I just appreciate that we are going to be looking at that through the effort with the Department of Housing and obviously having this person come on as soon as possible.

[01:02:41] And I appreciate hearing that that is what we're working on. But clearly, you know, you can't have a program until you have a person as it relates to creating this opportunity. So looking forward to hearing more about that as we progress. And then lastly, on the parks, I'm still hearkening back to the presentation that was done by HRNA, and it was a very powerful presentation to talk about the inequities that we see across our park services and to think that there are members of our community who are not using some of the critical services that are provided by the parks, and I think about the rec centers, I think about the

[01:03:19] golf courses, and I think really about the camps, so appreciate that, you know, we've got guidance here that we're going to be moving forward with trying to come up with an equitable plan to address what are true inequities here in this county and in the park services, and unfortunately, not because of the park authority, not going to be attributing that specifically to them, it's just the way their programs, their way their fee structure is based.

[01:03:48] We need to help them address this problem. So I appreciate seeing this here. And with that, Mr. Chairman, I guess I'll just go ahead and include my remarks. Thank you very much. Thank you, Rodney. Any other questions or comments you have, Pat?

[01:04:04] Yeah, I will start with my question. Yeah. Page seven, we referenced the county budget reliance on real estate taxes, 63.5 to 66%.

[01:04:21] I'm assuming that the vast bulk of that increase is because of the decline in the commercial. Is that a correct state assumption? I think in part it would be the appreciation on the residential side. It would probably be the vast driver behind that change.

[01:04:39] And the corresponding decrease in commercial or? Yeah. I mean, I think both of those factors. Okay. All right. Just to get into my comments, and then I've got three proposed requests to changes.

[01:04:55] Don't know where they're going to go, but from budget testimony calls and emails to my office, it's clear our residents can't handle another tax increase. I mean, it's 56% in 10 years, and that's because of budget increases. Census data clearly shows people are voting with their feet and leaving Fairfax County. One of the things that I've done over the last several years, and thank you, Supervisor Lust, for mentioning one of those, which is the coal commission.

[01:05:25] But it has asked this board, not this board, this board minus two, to really convene a group of outside experts to look and do a deep dive on the budget. The savings and efficiencies in this budget were all brought to us by the county executive and staff and the agencies, and I want to thank you for bringing those forward.

[01:05:51] But we need an independent third-party review because only the board can make the hard decisions with the hard facts and look at everything from benchmarking to where the growth has been. This can't be done, as we've seen in the last two months, from when the county executive presents his budget in February to April.

[01:06:11] You can't do the analysis you need to do. So we need to do something over the year. I'm going to try to skim the concept that I handed out. We've done this several times in our past from what the previously mentioned coal commission under Chairman Tom Davis to the Task Force on Revenues and Expenditures under Chairman Kate Hanley.

[01:06:33] We had the line of business reviews under Chairman Sharon Bulova. They provided citizens with diverse backgrounds and fiscal experience to review the budget. We've engaged outside experts. We've done a bunch of that. But, you know, we heard from a lot of people that typically come to the board and advocate for additional money. We've heard from them instead that taxes are starting to seriously impact people and they are voting with their feet. So I would hope, Mr. Chairman, that you could take this to heart and figure out some way to work this into budget language. I'll propose something

[01:07:11] similar on Tuesday, but that's kind of the first thought. And I can either stop and keep going to the second and third thought or I can why don't you just continue on okay I figured that's where you'd go we also heard from numerous residents about the state of our parks they're important to our residents maintenance has declined in our parks and in this budget guidance there's some in there on parks already what I would ask that in it include language that talks about parks coming

[01:07:46] back to us for a plan to return maintenance to pre-pandemic levels in addition how it can meet the need for additional facilities as the county changes, because our CIP with parks is all going into renovation, but we've got the needs for new facilities. Happy to see the pickleball facility, and I'm glad that went under a thorough equity review, so we determined that Wakefield Park was the most equitable place to put that. I know my residents in Eastern Springfield District are going to enjoy it, but I know we've got pickleball needs elsewhere in the county, as well as other

[01:08:22] sports like cricket. So I think we really need to take a look at park maintenance and new facilities because that's what our residents expect. Finally, as no surprise to my fellow board members, I've got very serious concerns about the process and proposal for the consolidation of the, not the

consolidation, the change from APPOs to ACOs. On the process, I mean, this board wasn't even told initially it was going to be it was being worked through the collective

[01:09:00] bargaining process so this board wasn't even going to have a say in it which is i i find that to be for a decision of this magnitude pretty poor there's been poor communication within the community often only one-way feedback uh at the uh animal services advisory commission my member was educated because i provide the other side but the other side wasn't wasn't there at the asac um our personnel with expert experience related animal services were prohibited from speaking to board members about their concerns. I had a force a meeting with the wildlife biologist because she

[01:09:39] was told she couldn't meet with us and I find that unacceptable. This kind of process doesn't instill confidence in our residents that we're open and transparent. As far as as far as this proposal goes it was poorly thought out. It's been constantly changing and to be honest with you We're still past it now, and we're going to figure it out later when it comes to wildlife.

[01:10:03] We don't have a cost analysis, whether it's going to cost us more or cost us less. We don't know how we're going to handle wildlife. We don't know the impact on police officers because we don't know how we're going to handle wildlife. We don't know who our wildlife biologist is going to report to.

[01:10:20] We don't know who our wildlife biologist is going to work with when it comes to wildlife issues like the bear in Centerville right now. Is that going to be ACOs? Is that going to be the police? Is that going to be the park service? Is that going to be park rangers that we don't have yet, but maybe moving towards?

[01:10:39] Do we know whether ACOs are going to carry firearms? I heard they may, but I haven't been told whether they are going to or not going to. Do we have an answer to that? Yeah, Tom Arnold, Deputy County Executive, they will be carrying firearms.

[01:10:54] Oh, they will be. They will not be carrying firearms on their sidearm like the current APPOs. They would have a .22 long rifle in their vehicle to be able to dispatch animals, so it would not be a firearm on their side as an armed ACO. Okay, because that's the first definitive word that I've heard, that they'll all be carrying firearms?

[01:11:12] The vehicles for those when they are out patrolling would have firearms, so they would have the ability to... So they'll be in each vehicle. You know, it's interesting that Charlotte Mecklenburg was used as an example about how their animal shelter has ACOs and not APPOs.

[01:11:32] The animal shelter reports to the police department. So it's interesting that that is used as an example for going to the ACO model when it actually reports up through the police department. I've got a long list of things here, but, I mean, never in my time on the board have I seen such a diverse group.

[01:11:52] I've seen more people, but I've never seen such a diverse group of residents and organizations testify before the board opposing inaction. We've seen employee groups. We've seen HOAs. We've seen residents. We've seen wildlife organizations from the Employee Advisory Council, Fairfax Workers Coalition, our own EQUAC, Federation of Civic Associations, Mount Vernon Citizens Association, Rewild, NOVA, and I could go on and on and on with the organizations, but a very diverse set of organizations that don't support this.

[01:12:26] And I think we're making a big mistake. I think we're going from the gold standards to something a lot less. And I would hope that the board strongly use the next couple of days to reconsider

whether they're going to support this decision. And with that, I'll be done.

[01:12:43] Yes, Andres. Well, thank you, Mr. Chairman. I just have a few brief comments. Given it's my first budget season, I'd like to thank you, Mr. Chairman, our county executive, Supervisor Smith, and Supervisor Pelchek, and our staff for all of the guidance and help, as I've had many questions along the way.

[01:13:03] So I really appreciate that. You've helped clarify a lot and you've been very patient. So thank you for that. I'm happy to see where we are in many ways with our parks, our libraries, critical passage to move forward with collective bargaining. I believe that it will work to ensure our county employees have the same quality of life that they provide to so many of our residents.

[01:13:22] And just to finish my brief remarks, I would like to say that Supervisor Herdy, I do completely agree with you on one main point, and that's on parks. We absolutely need to look into the maintenance issue that our parks have. That is one space that is accessible to all.

[01:13:40] We have promised the residents of Fairfax County that that is a place that they can go for a clean outdoor community space, and we need to make sure that we're keeping up with that promise to our residents. So thank you, Supervisor Herdy, for bringing that up. Okay. Jimmy?

[01:13:57] I guess we'll do the two newbies back-to-back. Thank you, Mr. Chairman. A couple general thoughts I wanted to say as well. In the budget guidance, I think it is incredibly important on page eight that we talk about the county executive reviewing all existing taxing authority and coming back to the board at a future budget committee meeting with recommendations for strategies to diversify our revenue base and reduce the over-reliance on the real estate tax.

[01:14:31] I think of that as one of the most important sentences in this budget guidance. If you go to question C-134, which was Supervisor Walkinshaw and Supervisor Palchuk's question, you'll see some of the options we have. They aren't as good as if the state just funded us like it should, but they are really important.

[01:14:53] And I think given the consistent drumbeat of discussions about residential property taxes and seniors as well, I would like us also to consider, you know, senior tax relief. That's question C-139 and ask whether or not we can build on prior actions taken.

[01:15:17] The second thing I wanted to mention is that I do think there needs to be an additional reduction exercise next year. This year, there was $34 million in savings, and I suspect we're going to have to do something similar next year. And I suspect that it's going to be a lot more painful with every one of these things. And it's going to be a struggle, and there are struggles this year. I will tell you that as a new board member, I will now be asking probably a budget related question at every one of our committee meetings throughout the year, trying to figure

[01:15:56] out what can get us into a better place with respect to some of the spending cuts that we will actually, that we will unfortunately have to make. I mean, I can tell you, you know, one of the cuts this year that's in some ways quite unsettling is cross-staffing of tanker trucks, knowing one of them's at Wolf Trap right in my district and affects a good portion of my district.

[01:16:23] In fact, it's probably the closest fire station to my parents' house, which definitely doesn't have a fire hydrant at it. I think in the end that ultimately understanding the fact that we still have other tankers

in the area, the fact that the needs that we have and the way that it'll still be staffed, I think it's an acceptable risk, but it's a perfect example of something that is concerning. And one thing that I think that is actually quite admirable about this budget is that it doesn't cut services,

[01:17:02] but I worry that that's where we're going to have to go on certain things, given our profile, given our tax profile. I'll close by saying, you know, I don't know if any members of the school board are paying attention or Dr. Reed or whatnot, but two hours before this meeting started, we finally got a number of our questions asked by, sorry, answered by the school board. And those

[01:17:36] questions and the answers that were provided did show that the transfer request that we are going to fund through the advertised budget is very unlikely to leave any state dollars on the table with respect to teacher increases, that it creates a degree of flexibility to help teachers, And that our transfer request puts our schools in a strong position.

[01:18:08] They also reveal that there are things that can be done next year and years in the future to craft what I would say would be a better request. In fact, you know, if you go to question C118, sorry, I spent some time looking over all these questions.

[01:18:28] We got about 290 pages if anybody wants to read them. But, you know, we talk and it ended up in our in our budget document about about the the twelve hundred positions where we went out and did a market midpoint study and made adjustments to those positions at a significant cost, by the way, 17 million.

[01:18:49] But at a cost to remain competitive with those positions, if you look at some of the questions and the answers from our school from our schools, you see that there are there are positions. in our schools where even a 6% raise will get you far for the first year, but by the time you get to the middle of your career, the end of your career, you might have to adjust money differently in order to achieve your goals. And I say that as well because what I'm actually pointing out is that there may be certain classes of positions or certain groups that need bigger raises than

[01:19:28] other ones, uh, in order to achieve your goals. But there also may be some that don't need as big raises. Uh, so I, I urge the, the schools next year to not wait and answer our questions till an hour before this meeting. Uh, I find it as an, as a, as a new guy to be pretty, pretty disrespectful.

[01:19:49] I would give them an F on that, but I'm saying that, and if it were just me, I'd probably make our budget guidance on Fairfax County Public Schools note some of those things more explicitly, but it's not just me, and I know that, but I hope for better outcomes in the future.

[01:20:17] Thank you. Thank you, Jimmy. And I share your concerns on the employee compensation piece. I think it's worth reminding people who are watching that over 89% of FCPS budget expenditures go to compensation. Yes. So this is not an insignificant thing we're talking about. If you have 89% of your budget going to something, you should be studying that ad nauseum and making sure that every dollar that's going in there is targeted to the people who need it most to be able to properly stay in market. And so we've done this exercise. I hope that the schools do it. And I don't know why you

[01:20:56] wouldn't when 89% of your budget is tied up in personnel. It is absolutely the entire meter mover on the school budget and should be the most important thing from a fiscal standpoint to be looking at. So I appreciate what you have said. Thank you. I'm going to go to Dan and then to James and then to Dahlia.

[01:21:17] Thank you, Mr. Chairman, and I share the concerns and the comments about the school budget and, frankly, the overall per-pupil costs that are really embedded in that process, and they're going to have to take a really tough, hard look at that.

[01:21:34] I know I've been through that. I know Kathy Smith and Dahlia, we've been through that, but this is unusual times, until the state steps up, and that's a whole other comment, steps up and funds schools at the level that they should be funding schools, we're going to continue to struggle. We're going to struggle as a county and struggle, I think, as a state, because it's throughout the state that impact is going to be significant. I wanted to start, though, by thanking the county executive and the 7% charge, or if you will, the 7% request that went out very early in the process a year ago,

[01:22:09] Not quite a year ago, but that, I think, was an essential part of the pathway to get us to pretty much where we are today. And I know we're not where we have to be, but I also know that we would not be anywhere close to where we need to be going forward if we hadn't at least taken that initial step.

[01:22:28] I know staff appreciate everything you all have done, Christine and Phil, your team, to make that happen. And those results are real. Again, I know that and I think our budget guidance kind of identifies that as well. There's the tougher choices now are going to truly involve not only I think efforts to take a deeper dive and a harder look at our budget and a process for doing that I think is important, critical.

[01:22:54] I think the board needs to be more engaged in that process. But it's also prioritization, which we're going to have to take a harder look at. And I was very frustrated with some of the process, particularly the animal support changes, if you will.

[01:23:13] And I looked at that really as a chance to do what we've been doing, frankly, on our community and human services side with police and protection and mental health services and responsiveness of that. In other words, our co-responder model that we've been working on and building, I think I've really been doing some remarkable work with that.

[01:23:34] I know, Walter, you've been one of the leaders of that and so many of us. And I really looked at this as an opportunity to create a similar kind of co-responder model. I think it has been very poorly communicated. I've said these comments privately, had many conversations with board members, so I'm not saying anything that I haven't shared before.

[01:23:51] I think we have to take some time over the next many months to really get that clear and communicate it better and not have really so many different voices that perceive this in so many different ways. And obviously I'm hearing it very strongly in the Mount Vernon community, both with people that have been involved with this for decades and are absolutely advocates for animals and others who share and are keenly tuned into animals disagreeing that this is the right way to go.

[01:24:24] And as with many of the things that are in here that were recommended, I'm not very enthusiastic about them. I recognize that we have to make some harder choices on some of those savings, particularly, as Jimmy said, the tanker part of that. Clearly, there's impacts in Mason Neck and other areas that aren't well served, and that's a cost and an impact that I know community members are very concerned about.

[01:24:48] And I know that I'm going to be looking very closely and monitoring that very closely to see if, in fact, there is any significant impact on service level, because it's not one of the ones that I would

personally choose, but recognizing as a board that we're looking for lots of different ways to save, and that's clearly part of the objective of the process that you undertook, is to bring forward ideas that maybe weren't ones that we would like but recognize as a package they have balance to them that we need to continue to pursue and do.

[01:25:21] That ties really into two more things that I wanted to mention. One is the role of the audit committee. I think it has an opportunity. We finally, I think, are getting closer to being staffed where we need to be, and we have meetings coming up where I think they're going to be pretty much ready to rock and roll.

[01:25:39] You're going to see something from the Audit Committee in June, which will have the audit plan for the year, so it will give you a chance to at least look at that, but it's also a chance for them to get more involved. There is an opportunity for us to look and do not only revenue enhancement work, which has been a focus that I've had, but also cost savings and efficiency parts of that.

[01:26:00] I'm not here to suggest that they can possibly do the kind of deeper dive that I know that we are going to need to do, but they clearly have a role to play in that process, and I'm I'm here as chair to support that and look forward to being part of that. And then I know the, maybe it's not even the elephant, the big tower in the room, the office impact that we're currently experiencing and how do we address the economic development issues to accelerate whether it's repurposing an office or do a better job of getting more folks to increase their housing of their employees in Fairfax County.

[01:26:38] I think we're still going to have – we have major advantages over other areas, but we need to continue working that. But we absolutely have to identify other sources of income and revenue. That's not for this conversation today, but I recognize that those are key parts. And, again, as chair, I'm looking to support and work with all of you, particularly with the chairman, to drive that further.

[01:27:00] But really the core issue that we're dealing with here is a pretty simple one. The buck stops with us. I mean, that's kind of the bottom line, and I know, Mr. Chairman, you've used the term, we're the ATM of Virginia.

[01:27:17] I would probably use the term the cash cow of Virginia, and we're delivering a lot of milk to a lot of folks, and it's high-quality milk and good food and nutritious and healthy, but it means that we're, to some degree, we're starving ourselves because we're shipping it.

[01:27:35] we're shipping down essentially 77 cents of of that is going downstate and while we may see a little bit of it back you know the 23 cents that we get maybe we see a little bit more of that with state services and and universities and prisons I mean at best we still get maybe 50 percent 50 cents on the dollar back to us that's just that's just not a it's not a fair deal even and I would say clearly for us it's not a good deal we could start with with the education and that's I know what our focus has been for all the right reasons. $560 million represents almost 20% of our real

[01:28:12] estate tax rate. So we get $560 million, we clearly could make a huge dent in our tax rate. But you add to that some of the other challenges we have with the federal government and their funding of schools, hundreds of millions of dollars short on special education funding and on funding for federal dependents here. Those are two major sources that we do not get adequate compensation on and are very costly. And again, the buck stops with us, and we're having to make up for that. And kind of the last related comment to this is that I've been sharing this

[01:28:47] consistently with my community, as you all know, for many years. This number, I think, is one that hopefully opens their eyes a little bit more to the point I'm making about the buck stops with us and, frankly, the real estate tax rate, which is a very regressive form of raising revenue.

[01:29:04] But if we just got 1%, just 1% of the dollars that we send to Richmond back, 1% back, that would represent about 25 cents on our property tax rate. That's more than 20% of our tax rate.

[01:29:22] So, you know, 1%, just give us one, you know, and we could make a difference here in treating our taxpayers, our seniors, and others more fairly. And that will be a continuing push I have. And I truly am looking for ways that we can make this more of a cause and something that we more aggressively package.

[01:29:46] I know, Mr. Chairman, I know we've talked about this at VACO even, about how do we make education funding because it truly is a statewide issue. And you and I and others, I know, read an article that was from Southwest Virginia talking. And they were, I won't use the words, they were dissatisfied with the impact it was having on some of their more rural counties.

[01:30:08] And in those rural counties, they were really upset because it was going to cost them a lot more money. But their tax rate, their tax rates in some of those counties were 69 cents per hundred. So, I mean, you know something's wrong when our folks are paying almost twice as much on a real estate tax rate, you know, And they're paying half of that, and the state's funding their budget probably 70%, 80% of their school budget.

[01:30:36] So we've got work to do, but I know we've done the best we could do. We're going to have to keep trying to do better with raising revenue, looking for ways that we can save and be more efficient. But I appreciate the staff and your work to get us to where we are today. Thank you. Thank you, Dan.

[01:30:52] James? Thank you, Mr. Chairman. I want to just start, and I've let this go many times, but Supervisor Herdy, in his kind of dystopian novel titled Fairfax County, is always talking about people fleeing Fairfax County, and he's talking about the modest out-migration that we have seen that, by the way, is consistent across Virginia and accelerated in kind of the post-COVID remote work world where people who work an IT job in Tyson's all of a sudden could maybe move to a farm in Green

[01:31:29] County, right? And have 67 cents and pay 69 cents on their taxes. Yeah. Um, and it is consistent across inner suburbs of every successful economic, every region that's successful economically in the country. You can, you can look it up. It is, it is very consistent, but we should ask ourselves what why is that happening in Fairfax County is it because there's nobody that wants to live here right are there boarded up row houses I don't think there are in Springfield there aren't in Braddock when a house goes on the market in Springfield or Braddock or Town Vernon how quickly

[01:32:05] does it sell when a new apartment building opens up I'll just talk about one Woodley Chase dedicated to seniors when we opened it up cut the ribbon not long ago it is filling up as fast as they can move people in. A lot of folks from the Springfield District I met at the ribbon cutting, actually. The point is people are desperate to be here in Fairfax County. They are desperate to be here. What we're lacking is housing, right? We have a shortage of housing in our region.

[01:32:34] And there's nine of us working to address that, both on the market side and on the affordable side. And Supervisor Herod, if you got on board with that, we can make even more progress. Not a lot has been built in the Springfield District since I've been on this board, market or affordable. People need

housing. They want to be here in Fairfax County. We have great schools. We have a strong economy. They want to be here. They need housing in order to be here.

[01:33:00] I've been holding that back for a while, but I think it's important. An area where Supervisor Herity and I probably do agree on parks and the park language, and I just want to make sure I said this before when parks were here, if we're having a conversation about additional general fund dollars going to the park authority, we have to have a conversation about governance and maybe more specifically the budget process to ensure that we have a role in that, that our budget staff have a very concrete role in that when we're talking

[01:33:37] about general fund tax dollars going to the park authority in a more significant way than they already do. With respect to Supervisor Herity's language on the park maintenance plan and new facilities, I guess it was last year, so new board members haven't received it, but I think all of us last year got a very detailed briefing from the park authority on this very issue, so I think updating that is great.

[01:34:05] My recollection of that briefing is it's probably longer than a committee meeting could accommodate. But certainly the new board members should get that briefing, and I'd love to get an updated version of that briefing. But I think they pretty well laid out what the challenges are there.

[01:34:23] On the retirement system language, and I think the language existing is inclusive of this, I just want to make sure that that consultant review includes an analysis of the fees that our plans are paying, probably benchmarked against the fees that other similar systems are paying.

[01:34:48] I think that's all I have. Thank you, Mr. Chairman. Thank you, James. Dahlia? Thank you, Mr. Chairman, and a big thank you to you, to our budget staff especially. I know you've been barraged by our questions on this very tough budget, my first year of a tough budget on this board.

[01:35:08] And so I know no one's happy to see this budget, but I appreciate the work that's been done to make the best out of, they're not quite lemons, it's oranges. So a couple of things that I definitely, let me start with, as I read the questions on diversification, which I think we heard from a couple of our colleagues, including Supervisor Lusk and Supervisor Herity on what we're looking at.

[01:35:42] Number one, you know, I came in, I had my initial meeting with Brian Hill right before I took office. sorry, Brian, but he showed me excitedly where Providence District was, right? The first district that was going to very likely pass commercial over residential tax base. It was going to be the first district. This was pre-COVID. We still have a lot of PTSD there. And we know that that's something that the board before us, the boards before us, especially following the Great Recession,

[01:36:20] really worked on the diversification we knew we were heavily reliant on our real estate taxes and that we were heavily reliant on government jobs and the government economy and there has been and I want to say and I wasn't there but a very concerted efforts and I think in many ways very successful ones to diversify our industry our EDA continues to bring attract and retain from the the Hiltons, to the Guidehouse, to the HITs, to so many industries, I can't thank them enough for the work that they are doing, and happy to give any support for them to be able to continue

[01:36:56] to do that. And then the pandemic hit, and office is never going to be the same. We don't know where it's going to shake out, but that's an effort that I think this board, I think needs to be commended again, not this board, but the previous boards that really got it there. And as we continue to look at the tools we have and the levers we have to try to use what we have to not be so reliant on our residents and

their real estate taxes, we know that the commercial piece has really fallen out in the past several years. And we continue to focus on that from our local small businesses and our economic initiatives to our large ones in the

[01:37:33] EDA. And so that, I just want to, first of all, just, we've heard a lot of negativity around that, but Fairfax continues to be looked at, and you can see it in our bonding agencies, and you can see it in the way that our businesses are looking to locate and relocate here, that we continue to be very competitive.

[01:37:53] I just want to make sure that that continues to be clear, that it's not because there hasn't been work on that in this county. On that point, I just want to thank you for saying that, but this is one of the reasons why we're so frustrated by the metro situation.

[01:38:09] Because much of what you just described in Providence District happened because of the metro. And we had a good plan to deal with it, and it was a big piece of public infrastructure. So when people ask me sometimes why we talk about metro so much and how Virginia generates a billion dollars in revenue because of metro's existence, it's not a lot to ask them to help support the primer of the economy in Fairfax County and certainly in Tyson's. And so I just want to emphasize that point because people a lot of

[01:38:45] times ask why we're so concerned about Metro. You just heard a great example of why we're so concerned about Metro. And the idea that anyone would not see it as an economic development instrument as much as a transportation instrument, especially people in the business world, is astonishing and mystifying, Dahlia.

[01:39:07] - Yeah, and to add to that, as we've heard recently, the greatest growth has been in the Silver Line phase two, especially Dulles, and so we know that it is strong, it is coming back, and especially along the Silver Line quarter. So I appreciate you sharing that, Mr. Chairman.

[01:39:24] I also, you know, and I was here when we really worked on, in our last board, of expanding tax relief and adding tax deferrals to our seniors. I know that's in here. It had been many years, at least a decade, if not more, I believe, since the time before that.

[01:39:41] So both on the relief and then helping us, since it's such a new program, to look at how to expand the communication and the outreach on the deferrals. Absolutely, as we try to balance creating more housing, creating more affordable senior housing, helping people be able to, and I agree with my colleague, people want to live here.

[01:40:01] You know, we all have parents or aunts and uncles and others who really want to stay and live in this vibrant, healthy, more and more walkable community and where transportation is so important, where our bus system is so important, where our metro is so important.

[01:40:16] So that, I absolutely agree that we need to continue to focus on ways to expand that. When it comes to our public schools, I might push back a little bit on my colleague, Mr. Bierman, and perhaps as a former teacher and school board member, our schools have gone through a lot.

[01:40:33] There are definitely areas that we can work on with them on improvement. One thing I pointed out, 2014, under Karen Garza, we did have a market rate study and a three-year plan that became a five-year plan to really target beyond what WABE shows.

[01:40:51] And I know you had questions related to that as well as to how to implement and target the funding to ensure that we remain competitive because everyone is trying to be competitive in the region. You used to have 100 applicants for each position. That's no longer the case.

[01:41:08] So I want to make sure we partner with them, that we push on them, but that we know it was 1779 when Thomas Jefferson tried to implement public education in the Commonwealth of Virginia, and the state pushed back because they didn't want to pay taxes, and that's what they got.

[01:41:28] And so, yes, we need, J. Lark has shown that, sadly, not too much has changed since 1779. I don't want to go backwards. I want to go forward. And, yes, I want to continue to push on the state, especially from what we continue to learn from that J. Lark study, that they're absolutely underfunding our schools.

[01:41:49] And we also need to continue to find more ways at the local level to fund that. I think one other area that came out in that budget question from Supervisor Walkinshaw and I is that, and it's very confusing, we're in the D.C. region. Dillon rule is still very confusing to most people versus state rule if you're over in Maryland and then D.C., well, it's a whole other ballgame.

[01:42:12] And so the levers we have here are different. We do not have local, and I know the chairman shared this, we do not have local income tax. We unfortunately have to rely right now on the real estate tax. And so that is a big reason why I'm very happy to see that language here and look forward to the conversation we will have as to what do we have available.

[01:42:33] The state needs to step up, and we need to know what options we have with whether or not they step up. We're going to have to keep funding our parks, our schools, our transportation, our public services. And then finally, one other pushback I do have to this. I was, I think, still in high school when Tom Davis was chairman.

[01:42:51] He spoke at my graduation. But I was around on the school board when the lines of business reviews happened. And then I've seen as the internal reviews of the 7% cut exercise, which were tough, happened. But those have seemed to be the most thoughtful, the people who know where the money is being spent, where there are vacancies into that, the wording in here about working with our staff to understand why we have vacancies, where they are, whether they're funded or unfunded, and to help us

[01:43:25] both be able to retain and recruit the best employees because we have so many job categories way beyond the numbers in the schools. But I think that especially in here, and I know that this team, and I know Ms. Horst, working with the NCS team and so many others that we continue to struggle like the schools do and our public safety on recruitment and retention that that's going to continue to be very important sorry and then finally to the parks I think we all we all love our parks we all focus on our parks that equity study

[01:44:02] that came forward that really showed the history of our parks I think showed us that it's a long history we're not going to fix it overnight uh we do need to continue to find ways i think in one-time funds to help improve management um and those those maybe um band-aids that we need right now but i want to continue to see uh us and the park authority look at how to help address um those inequities that we have in our park system whether it's the physical parks

[01:44:35] the rec centers, the programs, that to me is, we've just started that work, and that's very critical. So I will pause there. Thank you. Thank you. Any other comments? Everyone's had a dress

rehearsal now. Some of this can be repeated on Tuesday. Not all of it needs to be, but we will do this again on Tuesday, because as I mentioned at the beginning of this meeting, we do not vote or adopt anything. This is pre-markup for what we will be doing on Tuesday. And so thank you all

[01:45:10] for your input. And again, thank our budget staff. We're not at the end yet, but we're nearing the end for all of their work, time and effort, the county executive and others that have put in to this budget. I think it was described earlier by a lot of people as right, which is this is the best budget we can do with the hand of cards we're dealt. And frankly, the hand of cards we're dealt from Richmond, as pointed out in here, is going to be a continued challenge that we're going to have to face, and something that I know I, at least as one supervisor, will not stop talking

[01:45:45] about. The magnitude of it is so extreme. When you're talking about $568 million just on the schools piece and you're talking about how difficult it is for us to increase three cents to generate a hundred million you can see the magnitude of the gap that we're dealing with and when you're dealing with a county with over 80 percent of our budget and personnel and schools with almost 90 percent of their budget and personnel I hope people watching this see the number of things this board can do becomes quite limited when you think about those pots and you

[01:46:23] think about the school transfer as a portion of our budget. And so by the time you make the school transfer, you handle compensation over 80% of both of these budgets. There's not a lot left to do after that, and I think that's becoming apparently abundantly obvious to all of us.

[01:46:39] But I do thank the budget staff for getting us to where we are today, and I look forward to seeing everybody next Tuesday. And the Budget Committee is adjourned.

