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Prince William Board of County Supervisors Meeting — Work Session, Tuesday, October 13, 2026

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- Official meeting video (Prince William County, Granicus): <https://pwcgov.granicus.com/player/clip/3920>
- Official Board of County Supervisors page (Prince William County): <https://www.pwcva.gov/departments/board-county-supervisors>

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[00:00:00] right everyone it is now two o'clock on tuesday october 30th i'm 13th we're going to start with a
[00:00:07] message about our system and then we're going to go into koya statements thank you so very much we

[00:00:42] are going to start with our koya statements thank you madam chair before the board discusses and considers the economic and revenue updates the fy28 budget and tax policy i need to declare a personal interest in these matters as a school's employee my wife and i are members of a group which is affected by these matters i will be able to participate in these matters because i be able to do so fairly objectively and in the public interest thank you madam chair madam chip madam chair before the board discusses and considers the economic and revenue updates nfy 28 budget and tax policy i need to declare a personal interest in these matters my wife is a

[00:01:21] school's employee as a school's employee my wife and i are members of a group which is affected by these matters i will be participating in them in these matters because i am able to do so fairly objectively and in the public interest thank you madam chair all right thank you so very much i'm going to have fun playing around with these things we are going to begin the work session i'm going to turn it over

to our cjo mr shorter to tee up the um presentations all right thank you very much madam chair members of the board welcome uh we have a i think a great slate of presentations this

[00:01:54] afternoon uh starting with 1a so uh burt is going to go over the economic update i saw the slides a few days ago, and they have been loaded for the public. So I'll turn it over to Bert to start us off with 1A, the economic update. Thank you, Mr. Shorter. Good afternoon, Madam Chair, members of the board. My name is Bart Cecil, and I'm with the Department of Finance's Treasury Management team. From what I understand, the board received an economic briefing at the joint county and schools meeting several weeks ago. So some of the content that will be discussed today may overlap with the information previously presented.

[00:02:31] That said, hopefully this discussion will offer a new takeaway or two. So today's discussion will begin with a broad overview of four fundamental measures of economic health. That's the labor market, inflation, economic growth, and consumer spending. Developments in these indicators will shed light on the economy's strengths and vulnerabilities and influence the Federal Reserve's interest rate policy in the months ahead.

[00:02:56] We'll then touch on some regional and county-specific highlights and conclude by reviewing a handful of key categories that will shape the economic outlook and illustrate a couple hypothetical examples as to how those categories are interconnected to one degree or another.

[00:03:11] So if you could turn your attention to page two of the economic deck, we have a labor market slide. As you can see here, we have unemployment rates dating back to June of 24 through September of 26, the orange bars are the national unemployment rates. The blue bars are the county's unemployment rates. So let's focus on the national unemployment rates for a moment. So to do that, let's take a step back to basically the late summer, early fall of last year. So we can set the

[00:03:50] stage for what's been going on in 26. So after flashing signs of potential weakness in the late summer, early fall of 2025, which prompted the Federal Reserve to cut interest rates three times. The labor market has remained relatively stable throughout 26, but the overall breadth of job gains remains narrow. Private sector job creation since the beginning of the year has been consistently supported by health care and social assistance, with additional support supplemented by trade, transportation, and utilities. Other sectors, such as leisure and hospitality and professional and business services have generated inconsistent results,

[00:04:30] but a couple of sectors that have shown modest improvement over the past few months are construction and manufacturing. Specifically, gains in manufacturing jobs appear to align with recent Institute for Supply Management survey results. If we turn to the county's unemployment rates. You can see that going back to June of 24, we were sub 3%. And then as we got into the middle part of 2025, there was a pretty sharp rise up. I think at this point, we can conclude with a

[00:05:06] reasonable level of confidence that reductions in the federal workforce and its contractor base played a key role in pushing the county's unemployment rate higher over the first six months of 2025. A couple of measurements presented in a later slide will shed some light on why the unemployment rate has likely remained range bound since mid 2025. We go to the next slide on

[00:05:33] inflation. So this is just a simple line chart showing the peak COVID rate of inflation dating back to June of 2022 at 9%, and where we are today as of August, we're currently at 3.4%.

[00:06:02] The sharp rise that you see there in roughly March of this year is directly related to the energy shock. Currently, the increase in inflationary pressure has been primarily an energy story and has not broadened into goods and services. However, signs of rising producer costs may put upward pressure on consumer prices if firms pass through a sufficient share of the increases. So in recognition of not only persistent price pressures but the potential for inflation to

[00:06:37] accelerate, the Federal Reserve raised interest rates by one quarter of a percentage point in September. Policymakers have begun to gravitate toward prioritizing the price stability side of central bank's dual mandate of full employment and stable prices. In the words of Federal Reserve Chair Kevin Warsh, here's my standard. We must be confident that underlying inflation is moving to our objective clearly and at sufficient speed. Otherwise, we have work to do. So against the current backdrop, raising interest rates one quarter of a percentage point will do very little

[00:07:16] to quell inflation or impede economic growth. That's my opinion. What matters is how the bond market responds to Federal Reserve messaging, incoming economic data, and event risk that can potentially, that can positively or negatively impact inflation and or economic growth. Because the bond market acts as a near-immediate transmission mechanism for the level of interest paid on various types of consumer and business loans, it could have a profound impact on whether

[00:07:46] financial conditions tighten or ease. We go to the next slide, which is GDP. So I want to take a moment to just talk about the bars from Q1 2025 through Q4 2025. You can see that there is, you know, some pretty dramatic fluctuations there. We know that in the beginning of 2025, the

[00:08:21] administration was signaling the potential for a new tariff regime. So during that period of time, businesses began to front run those tariffs, right, and import a lot of goods. So goods is a subtraction to GDP. And that's why you see the green bar there at 0.6%. In the second quarter, basically that was all unwound. There was very little in the way of goods that were imported.

[00:08:57] So that actually helped boost GDP, even though there was not a very strong, I should say, a steep drop in goods imports lifted GDP, while consumer spending rose modestly.

[00:09:16] And then in Q3, GDP was driven by solid consumer spending and exports. And then in Q4, the government shutdown caused federal spending to plunge sharply, dragging down overall GDP. And then as we moved into 2026, we've begun to normalize.

[00:09:39] You know, one thing that is going to be important to support growth over the near term is the build out in AI infrastructure. Now, there's various estimates as to what the contribution to GDP is, but I actually heard an estimate the other day by Apollo Asset Management that suggests the AI infrastructure build-out is contributing as much as 1% to GDP.

[00:10:09] So that would be nearly half of what the projected growth rate is for 2026. Um, but as we move through, uh, the month of October, the, uh, the Federal Reserve Bank of Atlanta currently projects GDP at the bullet point says 3.7%. That was actually updated last Thursday after this deck was dispatched. It is now 3.6%. So there's still some, uh, some data that will need to be accumulated between now and the end of the month.

[00:10:42] Third quarter GDP will be released, I believe, on October 30th, if I'm not mistaken. So if we roll over to consumer spending, consumer spendings, particularly discretionary spending, has been stood up

primarily by higher income households, while middle and lower income consumers have focused on value, actively pursuing promotions and discounts to stretch their budgets.

[00:11:11] Moody's Analytics actually conducted a study in the middle part of 2025, and they tried to determine what contribution higher-income households were actually making in the area of consumer spending.

[00:11:31] So in a post back in June, Moody's Analytics' Mark Zandy indicated Americans in the top 20% of income earners, and those are people who earn over \$175,000 annually, accounted for nearly 60% of spending in the first quarter of this year.

[00:11:52] That's a 6.5% year-over-year increase. Meanwhile, outlays by those in the bottom 80% rose only 2.6%. One other thing that I noted here was the run-up in the equity market over the past couple of years.

[00:12:11] We've seen a meteoric rise in equity valuations, which has contributed to enhancing wealth on the part of higher-income households. So this information is just a little dated, but given the equity markets have continued to advance since late last year, it stands to reason that wealth has continued to increase.

[00:12:38] So what I noted here was that According to an October 2025 CNBC article, the top 10% of earners have added roughly \$40 trillion to their wealth since 2020.

[00:12:55] So like I said, that has been a significant contributor, I would think, that has helped propel consumer spending. One little bit of positive news that, you know, I had not, you know, I had constantly heard about how the low-end consumer, you know, has struggled.

[00:13:20] And that is certainly still the case. But I ran across a post by Bank of America a couple of weeks ago, and it indicated that lower-income households after-tax wage growth rose above that of middle-income households.

[00:13:39] And they mentioned that, you know, whether that trend continues will depend on, you know, how the labor backdrop evolves. One thing that the note did not say was how that money is being spent, right? So there's a difference between, you know, your wages may be increasing, but if you have to actually use that money, you know, to spend on the higher cost of energy or other non-discretionary items, You know, it stands to reason that, you know, maybe people are just, you know, breaking even at this point.

[00:14:12] So if we go into the next slide, which is some regional highlights, the Stephen S. Fuller Institute noted in its Washington Area Coincident Index an employment forecast that the index pointed to a stabilizing economy that appears set to grow later this year.

[00:14:36] The report also noted that barring any further dramatic shifts in federal policy, the region's economy has nearly stabilized and appears set for near-term growth. The report also noted that the region's labor market appears poised to grow through the remainder of 26 and into early 2027.

[00:14:56] At least from the standpoint of local labor markets, the report seems to be intact at this point, again, in regards to how labor markets have stabilized, and that would be Prince William County, Fairfax County, Arlington County.

[00:15:22] You know, we generally see a stabilization in employment rates in all four of those jurisdictions. The second bullet point just, you know, notes some observations from Brookings, you know,

and the Weldon Cooper Center. And that's specifically around the real estate market, not only in the DMV region, but also in the state.

[00:15:45] I think at this point, we're probably all very well aware that housing prices have come under pressure. And one thing that I've noticed over, I'd say, the past year to 18 months is housing will typically soften when interest rates are rising.

[00:16:09] And then as interest rates have maybe fallen at any given point in time, you'll see a little bit of a pickup in activity in, you know, new home sales and then also secondary home sales. So right now, you know, we're in a period of time where, you know, the average 30-year mortgage rate is above 7%.

[00:16:32] So it stands to reason that that activity will likely be suppressed, you know, going into the end of this year. The final bullet point that I noted there is around AI. So, you know, one of the things that we've all heard a lot about is the astronomical level of spending around AI.

[00:16:56] But one thing that I have not, you know, heard a lot about is what is the adoption rate of the technology? And are people spending money, right, to, you know, to adopt this technology and build it out to support their own businesses?

[00:17:14] So the Federal Reserve Bank of Richmond conducted a survey of businesses in its district, right? So the Federal Reserve Bank of Richmond's district is Maryland, Virginia, D.C., North Carolina, South Carolina, and most of West Virginia.

[00:17:31] And, you know, the survey seemed to, you know, reveal that AI usage was frequently cited for business applications affiliated with sales and marketing, management, and strategy. But, you know, I think companies, again, according to the survey, you know, most firms, you know, are still determining how to use AI in their businesses and where and when gains from the technology will be realized.

[00:18:00] So that will be an important factor going forward to support the AI build-out. There has to be a demand component so that the build-out can continue to grow.

[00:18:17] And again, I think my takeaway is that businesses at this point potentially see some benefits, But whether those productivity gains are significant enough to really buy in, you know, to further spending around the technology remains to be seen at this point.

[00:18:39] So we take a look at a couple of a few county highlights. You know, I mentioned earlier that there were a couple of measurements that point to a measure of stabilization in the county's labor market.

[00:18:55] One of those measurements is initial claims for unemployment insurance. You can see there in the first bullet point that initial claims during Q2 26 declined to 117. An average of initial claims during Q2 26 declined to 117 compared to 126 for Q2 2025.

[00:19:23] The number of unemployed residents has gradually declined the first eight months of 2026, falling from 10,103 in January to 8,934 in August.

[00:19:39] So I think that kind of helps explain, again, a measure of stabilization that has occurred within the county's labor market. The second bullet point, so Virginia Works actually has an interesting, what they call, it's called a community profile.

[00:20:03] And this profile is done for, I believe, all the jurisdictions in the Commonwealth. And the community profile that was produced for Prince William County, some of the information is a little dated,

But it does have a wealth of information around demographics, labor market dynamics, you know, what's happening within specific sectors.

[00:20:33] But, you know, a couple of things that I had noted here, you know, from the report, and this goes back to February 2026, is that the highest number of claimants by industry reside in professional, scientific, and technical services, followed by administrative and support services and also construction.

[00:20:57] And then the top five largest employers cited in the community profile report are Prince William County Schools, Prince William County Government, U.S. Department of Defense, Walmart, and Sentara Health. And, you know, that top five has largely remained intact, say, over the past five to ten years.

[00:21:18] Obviously, you know, we touched on, you know, the state of the residential real estate market, you know, within the DMV and also at the state level. Within the county, you know, I noted here that there were some signs of softening between April and August as active listings and average days on market both trended higher year over year.

[00:21:42] You combine that with an average mortgage rate of, this says 7.28%. As of last Thursday, again, after this report was dispatched, Freddie Mac issues what's called a primary mortgage market survey every week.

[00:22:00] And last Thursday, the rate bumped up to 7.4%. So again, you know, given that, you know, we're, you know, we're pinned, you know, at above, above 7%, you know, it stands to reason the highest, and that's actually the, you know, the highest in nearly three years, home prices could weaken leading into year end.

[00:22:23] If we go to the final slide, which I've referred to as cyclical and structural forces shaping the economic outlook, you can see along the top row, we have our four primary indicators of economic health.

[00:22:46] It's inflation, labor market health, economic growth, and consumer spending. Along the bottom row, we have what could be considered secondary drivers or what I consider to be key secondary drivers. That's financial system stability, geopolitical friction, equity market performance, and the AI build-out.

[00:23:09] So I'd like to walk through just a couple of examples as to how these categories are all interconnected to one degree or another. And, you know, these are just hypotheticals. It doesn't mean they are going to come to fruition. But, you know, again, to one degree or another, you know, they will be interconnected based on underlying fundamentals, you know, within the U.S. economic backdrop.

[00:23:42] So for inflation, suppose inflation stays roughly where it is right now or possibly accelerates in the coming months. The impact from elevated inflation could cause consumer spending to deteriorate, which would present downside risk to economic growth.

[00:24:03] If economic growth comes under pressure, that translates into shrinking company profit margins. And we all know businesses utilize their labor force as a primary cost management mechanism. At this stage, companies could pull back on hiring or, if necessary, reduce their workforce.

[00:24:22] So one thing to note about the consumer at this point, generally the consumer has held up pretty well, but one of the things that has happened since the beginning of the year is the savings rate, the personal savings rate of consumers has drifted lower.

[00:24:43] So I think that potentially puts the consumer in a little bit more vulnerable position. you know, as we move forward, you know, against a backdrop of higher inflation and higher interest rates. All right. So the second scenario is around the AI build out. So let's assume companies begin to scale back or delay AI investment over the next 12 months because they're not convinced the productivity gains in the near term justify the cost. We know equity market performance over the

[00:25:19] past couple of years has largely been driven by the technology sector. Those companies potentially struggle to produce earnings that justify their valuations, indexes such as the S&P 500 and NASDAQ will surely retrace lower. The result would cause household wealth to decline, which could generate headwinds for consumer spending and economic growth. So this goes back to what I said, you know, earlier about there has to be a demand component that supports the AI buildout going forward to

[00:25:52] justify the valuations that are currently priced into equity markets. Now, the equity trade has wobbled on a number of occasions over the past several years. When I say wobble, it means investors pull back a little bit. They sell off in some of the mega cap tech companies. It could be Google, Meta, Amazon. But each quarter, these mega cap tech companies have exceeded

[00:26:28] earnings expectations, right? So then you see a rotation back into those names, which has continued to fuel the rise in equity valuations. So the rest of the equity market in general lacks breadth. If you look at other components, industries within the S&P 500, they have largely struggled to gain any type of momentum. So really, this has been a tech-driven

[00:27:01] rally for the better part of two years now. So just to close this out, as we move forward, I think the immediate challenges confronting the U.S. economy with a nearer term are clearly elevated inflation and higher interest rates. Currently, the market is priced in three interest rate increases by June of next year. If the Federal Reserve indeed has to go that far to get inflation moving back to its 2% target, that potentially introduces downside risk to consumer spending, economic growth, and labor market health. So, and let me just say this real quick.

[00:27:41] I am probably the biggest pessimist of my colleagues, you know, in the finance department. You know, I am always kind of thinking about what could go wrong, right? So a lot of what I have said here, you know, may not ever come to fruition.

[00:28:00] So think back to 2021, right, when, you know, inflation was rising rapidly, you know, and there was talk about potential recession and, you know, consumer capitulation. You know, I thought that was, you know, a distinct possibility, but that never happened, right? But again, the difference this time is the consumer, especially the lower end consumer, is a little bit more vulnerable than it was five years ago. The other thing we have to remember as well is think back to 2020

[00:28:34] in 2021, you know, 2.2 trillion or 2.2 trillion in CARES funding, right? Almost 2 trillion in ARPA funding, right? The following year in 2021, that was a significant, you know, support system, right? For the U.S. economic backdrop. So, you know, and as that money has slowly been spent away, you know, the baton, you know, was handed off to tech, you know, to, you know, the technology companies and the AI build out. And that is, you know, again, you know, help provide a tailwind for

[00:29:10] economic growth. But again, you know, the key going forward, at least around, you know, AI is that there has to be a commitment on the demand side, you know, to buy into the technology to support those valuations going forward, you know, to keep economic growth moving along. With that, Madam

chair I will turn it over to you all right thank you so very much and I appreciate your pessimism I'm gonna start with my questions and if anyone else I'll kind of looking or be looking around I see Tom I see George my first

[00:29:47] question hold on I'm just writing page seven unemployment I just had some questions so that I understand sorry yes I'm stealing your space please don't charging, right? How long can someone be on unemployment? And do we know how many people have lost their benefits? Because when we talk about initial claims, that shows new unemployment.

[00:30:14] But for people who are continuing, for people who are experiencing long-term unemployed or unemployment, is there a way that we gauge that? So that is not a measurement that I look at specifically. So I will look at it at a national level. Now, I don't know if there is any data available to assess the long-term unemployed community within the county at a national level there is so you know BLS when they come out with their monthly labor report or their employment

[00:30:50] report you know there will be a measurement in there that identifies the number of weeks you You know, an individual is unemployed, and it's broken down into several categories. I know at one point, and then this goes back a little ways, that the long-term unemployed community, you know, that was growing a little bit.

[00:31:14] Not substantially, but it was growing a little bit. The number of weeks that someone can actually claim unemployment, I believe, is 26 weeks, but don't hold me to that. All right. And then my other question real quickly, should we be concerned? I know this is a tough one to answer, but I have to ask. Should we be concerned about an AI bubble?

[00:31:41] So again, I think I'll just go back to what I said a few moments ago, right? There has to be a demand component, right, to support the AI build out going forward. If, you know, one thing that we know is that, you know, the hyperscalers, when I say hyperscalers, I'm talking about, again, Google, Meta, Amazon.

[00:32:03] One thing that has begun to reveal itself, you know, on their financial statements is free cash flow is starting to compress, right? So Google, for example, when it reported second quarter earnings, second quarter of this year, it was the first time the company had actually reported negative free cash flow.

[00:32:27] And free cash flow is the operating cash that you generate minus cash expenditures. So the first time in its history is a public company that reported negative free cash flow.

[00:32:42] So, you know, again, if you look at the other hyperscalers, that same trend, you know, where there's, you know, free cash flow is starting to compress. But, again, I'll just keep saying it.

[00:33:02] You need to have, you know, the businesses buy into this technology. I think there's some skepticism around the productivity gains, at least at this point in time.

[00:33:19] So, again, you know, companies may just take a wait-and-see approach. All right. For me, that does make me a little nervous about whether or not we are in a bubble. Remember, I'm a pessimist. You're a pessimist, and I appreciate that. I rarely say that because I tend to be very cautious, too.

[00:33:40] So my only comment from my seatmates, this is one of the reasons I tend to be a little nervous. You can't necessarily judge a bubble when you're in a bubble, but it's something to think about, especially

when we start talking about budgeting and having additional sources of revenue and when we start to think about what our priorities are. So thank you very much.

[00:33:56] Supervisor Gordy. Thank you, Madam Chair. Thank you for this briefing. Very informative. I would like to kind of dig down a little deeper in a couple of areas, and hopefully you've got some answers on it. But on employment, do you know what our workforce, the size of our workforce is in Prince William County?

[00:34:18] So according to BLS, as of August, it was roughly 260,000. Excellent. And then in terms of, do we track household income in Prince William County and how that's moving up or down through the different cycles?

[00:34:40] I do not track that within my area. So I think the important thing to remember about how Treasury management specifically consumes economic data, at least within my space. I'm using it essentially to try to determine what the path of interest rates, how interest rates may either move up, move down, that type of thing.

[00:35:07] Obviously, there are micro components, but I tend to look at things from a macro picture, not only domestically, but internationally as well. again to try to get a you know a better understanding as to how uh you know what is going on could potentially impact interest rates because that will also impact how we go about positioning assets within the county's portfolio sure absolutely thank you for that supervisor gordy yes ma'am good afternoon leslie weldon director of finance and cfo um we actually just presented this to the rating agency so the average household income for prince william is about

[00:35:45] 131 000. um i don't know how that's trending up or down but that is where we are right now which i believe is above the average okay yeah thank you for that as well um you know and as we look at how that's trending compared to what's happening with inflation um if clearly if wage growth is not growing at the rate of inflation it certainly puts greater pressure uh and and reduces people's ability to spend. And so any information on that, I think it's kind of helpful for us to kind of understand what the trends are and what the capacity of our community is

[00:36:23] as it relates to anything that may be coming from us as a board in terms of tax policy or other fees and things like that. On the homes, looking at home, there's been some articles in the last week wall street journal i think had one talking about how and i actually got this from a local home builder as well that their normal sales per month is like 30 units per month they're down to four and the last month it's dropped to like four units um and and so we're

[00:37:01] seeing that in the northern virginia region um and so i think this is something that clearly as we think about, you know, we've got a 20,000 unit build out, but if all of a sudden now people aren't buying new homes, then that's certainly going to end up slowing the growth of some of what we anticipated to come along and therefore could impact our anticipated growth in revenue from real estate. But we're also seeing, what they're seeing is that homeowners are dropping their prices

[00:37:36] and making it even more difficult for new home builders to be able to compete in the market right now. So these are, but I would say in our county, we don't have a lot of capacity in terms of homes that are on the market, at least in the single family home market.

[00:37:55] So it's going to be interesting to watch how this plays out over the next six months, depending on what happens with these interest rates. But like you, I try to pay attention to what's happening. And to

be honest with you, I'm actually kind of glad to see interest rates where they are.

[00:38:12] It's going to stabilize housing prices. It's going to help balance out the market and hopefully be able to bring back affordability of homes as it sort of slows that demand and helps us get after the market forces that are increasing property values at a higher rate.

[00:38:29] Did you have something you want to add on that? No, so I mean kind of what I'm hearing there is demand destruction. It sounds like you would like maybe a measure of demand destruction to bring things back into balance. And that is certainly a possibility to eradicate inflation.

[00:38:51] But there's going to be some pain involved. I mean, think about what happened back when the global financial crisis unfolded. There was demand destruction within the residential real estate sector.

[00:39:07] know and there was a lot of a lot of pain around that and it you know it obviously spread into other areas it wasn't just a a housing story right it was you know it was a labor market story you know I mean it was a very very tough period of time for a lot of people so you know when when people sit here and they talk about you know they just throw out the term demand destruction well you have to think about the systemic risk around something like that you know but you know it could be that yeah it may be necessary you know again you know to potentially get get inflation back to target especially if

[00:39:46] you know if energy is is persistently high because again the risk going forward is you know you know at the you know we're seeing price pressures at the producer level all right but they have yet to kind of trickle down to the consumer level if that ends up happening if you see you know those costs get passed on to consumers you know now you get you're getting hit with higher energy prices plus you're getting hit with you know higher prices for goods and services as well madam chair i have a few more questions but i can defer to someone else for the time being if you like um what i'm actually going to do is i'll

[00:40:22] let you well i haven't been very good at timing i'm going to go down the line see if anyone else and i'll come back to you. I also do want to say that once I've acknowledged that you're in the queue, please turn off your light because we can only have a limited number for people at a time.

[00:40:38] So after this, I'm going to go to Stuart, then LaCroix. Unless anyone comes in, I'll go back to you. Thank you much. Thank you very much, Madam Chair. So I think I'll start with the demand destruction because, you know, economically, you know, we seem not to learn our lessons, you know, So like the bubble of 08 with the mortgage crisis and that sort of thing, people being underwater with their homes, dropping their keys on the counter and just walking away.

[00:41:13] And the trickle down effect, well, not trickle, but because it was more like Niagara Falls, but with people getting laid off, it's worse now. And as much as I love the market, I come from that background.

[00:41:30] I also am somewhat pessimistic at the headwinds that I see coming. I would eat my hat if mortgage rates weren't above 8% by the time we hit year-end. And so the consumer is being hurt by the high price of diesel as a result of...

[00:41:56] Because I like your chart here with the different Skittles on them. The geopolitical friction, and I get it. That's a euphemism for war. Also, and what the war walked into was a consumer, well, first of all, a K-shaped economy, which I think you pointed out about how consumers on the top end account for 60% of the economy.

[00:42:32] Referencing 2008, when the lower half drops out, The upper half is not that far behind. This is what contributed to a drop-off. And, you know, I always talk about it.

[00:42:50] If it wasn't for that, Bernie Madoff wouldn't have died in prison because people started cashing in. But what do you see for the county? So, for instance, I'm curious to know, and I think you answered this question, we don't keep track of people that leave unemployment, people that leave the workforce altogether, like they just stopped looking for a job, they were collecting unemployment. So the unemployment rate doesn't really talk about not just the unemployed, but people who are not even counted

[00:43:23] in that number. Correct. So I, you know, when I was looking at BLS data going back, you know, roughly 18, 24 months, the county's labor force has gradually declined, right? And, you know, obviously, you know, unemployment is simply the number of unemployed divided by the labor force, right? Why the labor force is shrinking, I cannot tell you that with a, you know, high level of conviction. It could be that, you know, people have moved into retirement. It could be people

[00:44:01] have left the county. It could be that some people have just taken a temporary leave of absence, maybe for health-related issues. But as far as, you know, any, you know, I can't point to one specific, I can't tell you, you know, that this is the reason that the labor force is shrinking. Now, I know that when we met with the Federal Reserve Bank of Richmond last year as we were working through the revenue forecasting process.

[00:44:36] Typically, we bring in a representative from the Federal Reserve Bank of Richmond. One of the things that this gentleman was tracking to, you know, identify any potential pain points, you know, within a county's labor market is whether there was an exodus.

[00:44:56] And he was actually looking at housing market data, you know, to try to determine whether people were actually, you know, leaving a jurisdiction altogether, right? Not only would that obviously, you know, impact the, you know, the labor force, but it also potentially impacts home prices as well. So, but again, I cannot, you know, answer with, you know, any high level certainty is what is driving the decline of labor force. Got it. And to just, Madam Chair,

[00:45:28] One final question. So considering the the headwinds that we're facing in your report, was any consideration given to what you spoke about earlier when it comes to, you know, when when when companies face headwinds and they start laying people off that coupled with the fact that right around that time, legislation from H.R.

[00:45:55] one is going to kick in. And SNAP benefits, unemployment, all of those things are going to be cut. What is that going to mean for us as a county when we have to shore up the safety net for our neighbors? I think I would probably need some, I mean, that sounds like a broader question around, you know, how the county is going to respond to a potential physical crisis. Is that kind of the direction you're going in exactly yeah so um i think that would probably you know

[00:46:35] require you know um you know county staff maybe looking at different different scenarios you know to understand you know if uh yeah you know maybe uh you know maybe reserves you know need to be boosted but i don't want to kind of a you know approach you know or speculate on something that again involves you know a probably a larger discussion around county staff as to you know how a

potential you know physical crisis you know would be dealt with thank you thank you very much madam chair all right thank you so we're going to go to la croix and then angry unless there's

[00:47:15] anyone else i just want to quickly see does anyone else want to speak because if not after that supervisor um all right i'm going to have i'm going to add bailey anyone else before i get back Vega, and then we go back to you, Gordy. All right, LaCroix. Thank you for your presentation.

[00:47:33] I thought it was good, and I think you're spot on. I disagree with my colleague here about the interest rates going up, and glad to hear it. You're a realtor. I'm a real estate agent, and I am selling in Williamsburg, Virginia Beach, as well as Northern Virginia.

[00:47:50] So this is happening throughout, not just Northern Virginia, but Virginia. the prices of housing are going down the interest rate but really what's happening is nobody's even going to look at the houses especially in there's a category like if you are selling a high dollar they will they will go and continue to buy those homes but the workforce housing that is sitting there on the market and it's not going anywhere I do think we're about to hit a crisis, because a lot of the people that I talk to, it's not just about where they are

[00:48:27] right now, but we're kind of pricing them out of being able to have affordable living, not just affordable housing, but affordable living here in Prince William County. But to address my colleague, when the prices go up is usually when the interest rate is down, and it kind of equals itself up.

[00:48:49] So it's really not about inflation going up and down, although that does scare people. It's really more about how much more they're paying on a day-in, day-out basis is what they're telling me. And so I commend you for what you said with your pessimism, but I think it's just a reality check of what's going on because when we're about to decide how much more we're going to tax people and in what categories and what businesses, I think we've got to take that very seriously.

[00:49:19] That's all. All right. Thank you so very much. We are now going to go to Supervisor Angry. Thank you, Madam Chair. Ms. Weldon, you said the average median income is \$130,000 family. Do you know if you could break out what that is on a low scale?

[00:49:39] What families? We can have a millionaire that balances out someone living on \$10,000, but do you know a percentage of how much of our population in Princeton County is living on that lower end and what that lower end may look like um we'll have to go back and pull that but i think we do have access to that data so it's it's possible that the census bureau may have some information around that but that would just require some some digging yeah and and the reason i ask that because you know every when we get into budget season these are the folks we're talking about and and

[00:50:18] it's my honest opinion i believe that even 130 000 that you're living on is not considered you know, low income because, you know, everything's so high. So if we're even talking about people struggling off of living off of a six figure income, then what are we talking about for people who are literally living off of \$11,000 a year? And I do know a few families living off of this. So I think as we're having these discussions, that's the target of the population that I'm really looking at. What are we doing? And let me just say a little further. So I think all the areas that you mentioned of why the job market is where it is, all are true. Because we seem to

[00:50:57] forget COVID. And when COVID happened, people left the job market and went into new markets. Some did retire. People did a little bit of everything. And I think what we're seeing today is a result of that. But we haven't discussed what that looks like and where are those numbers and what is it? I

would even ask, what does the job market look like? Like, can we break out, I don't know who to ask this question to.

[00:51:19] Can we break out literally the job market in Prince William County and what are people doing? It's not the restaurant industry, so what are they doing? Are they working in data centers? Are they working home lawn care businesses? What are people doing in Prince William County for jobs? What's the market?

[00:51:35] So I think my starting point would be the Virginia Works community profile. I would start there. I'm not going to sit there and claim to have gone through all 50 pages, you know, of the report. But we could start there and maybe try to tease out, you know, some information that shows, you know, where the concentration, you know, of employment is.

[00:52:01] I know that is there, right? So one of the interesting things about, you know, the county's employment profile is, you know, there is a high percentage of, you know, people employed within the county that work for businesses that employ between zero and 20 people, right?

[00:52:23] That actually surprised me. I didn't think that there would be – now, I don't recall what the percentage was off the top of my head, but it was pretty significant. And, again, that surprised me. But, again, I would probably look to the community profile and see if we can, again, try to maybe extract some information that shows the sectors.

[00:52:48] There's sector color there. There's industry color. There's profession color. Okay, and I would like that. I hope we're going to do that. And then lastly, I'll just bring up housing again. We've been on this point a lot, affordable housing. I know for a fact in the Neopso District, the district that I represent, and all of the houses, townhouses, condos, and apartments, we can't build them fast enough.

[00:53:14] Literally, right now on the courts, and that's not even done, people are living in those townhouses that they just built the first row on. Now, let's talk about those sales. What we have not discussed in touch is the fact that we started these discussions because we know we have overcrowding in Prince William County, in our homes and our communities, which affects the school totals of counts of kids in schools.

[00:53:35] Like, everything affects everything. But we're trying to build to get people out of this overcrowding situation and get them into a better situation for themselves. What that price point looks like for a house or even an apartment, which is seriously over-rented, the numbers in there are ridiculous.

[00:53:52] But this is what people are doing. How they're doing it, I have no idea. But people are buying, and they're getting into these situations. And we still have the same thing going on. I think new home sales right now may potentially have two homes living in it right now as we're selling these. I don't know. I'm not digging that deep.

[00:54:08] But when we talk about this stuff, I mean, the reality is what are we facing in Prince William County? And we literally have folks living, double homes and, you know, two family homes. We have everything excelling. I don't know how they're going about this, but I think that's what we're looking at here and how we talk about this and what are we doing.

[00:54:26] But have we made a dent in the initial issue of problems that we were facing in Prince William County, which was overcrowding? And I would wonder, do we have data that could even talk about have we

made a dent in that? And I know that's hard to get because most people don't even report where they're living or how they're living.

[00:54:42] So, you know, thank you, Madam Chair. All right. Thank you so very much. We are now going to go to Bailey and then Vega. Thank you, Madam Chair. And I appreciate my colleague's question because one of the things that you mentioned, Mr. Well, well, what you mentioned, not Mr. Wellman, I know who you are, was about the demand component for AI.

[00:55:09] And I wanted to explore that a little bit more because when we look at creating jobs for people, being creative in creating jobs for people, not the traditional jobs, but when we look at sustainability and affordability for families, we don't want to get into a cycle of creating a tax base with something that we don't understand.

[00:55:39] And so when we talk about AI, you know, what does that demand component look like? Examples, if you have something in your head, you know, as we go forward, just in case. So, you know, I haven't run across an abundance of data around how companies are actually, or what the level of spend is, right, you know, for companies that are implementing, you know,

[00:56:17] AI solutions. One thing, I ran across, you know, a newly created index a couple of months ago that does show what the level of spend is, but I can't sit here and say with 100% confidence that it's, you know, it's accurate, right?

[00:56:43] I don't know exactly how the index is constructed, but what I will say is the, you know, the level of spend based on that index, you know, had been trending up, right, through the middle part of this year and then began to level off a little bit, right?

[00:57:05] So, but I would not want to sit there and kind of, I feel like I would be going out on a limb saying, yeah, this is the index that you should look at, right, to determine, you know, how companies are, whether companies are embracing, you know, AI and they're willing to spend money on it.

[00:57:26] The other question I had was, you mentioned the word, and I put on my paper, the bond saga. Can you flesh that out a little bit more for us in terms of what that looks like as we prepare ourselves for the future?

[00:57:49] Yeah, so, you know, what I had said earlier is that the bond market is an immediate transmission mechanism for interest rates, right? So, again, the Federal Reserve has only, you know, raised interest rates one time by a quarter a point. But what the bond market has said, because of the uncertainty around, you know, inflation and economic growth as well, the bond market is basically priced in three additional interest rate increases, right?

[00:58:20] That's pulled interest rates up, especially on the long end. When I say the long end, I'm talking about longer term treasuries, 10 years, 30 years, that type of thing. And that's actually what's caused the mortgage rate to spike recently. So there's a number of different thoughts on what is driving interest rates higher.

[00:58:46] I think it just comes down to two things. One, inflation expectations, uncertainty around inflation expectations. And two, there is a global reset taking place by central banks, whether it be the European Central Bank, the Bank of England, the Bank of Japan.

[00:59:10] Inflation is a global issue at this point. So when you think about what happens to the bond market when global rates start rising, that gives investors the opportunity to buy bonds in their own currency.

[00:59:33] So that means they're not going to necessarily go into treasuries as a safe haven. And that can put upward pressure on interest rates. So there's a lot of, you know, headwinds, cross currents, you know, that can impact the movement of interest rates.

[00:59:54] But I would say at this point in time, the move that you've seen over the past, we'll say, six weeks or so is, again, related to uncertainty around the path of inflation because of energy. And also, again, their inflation is rising, you know, outside the U.S.

[01:00:18] Globally. thank you all right supervisor vega thank you madam chair um given the softening of the housing market are we going to uh be adjusting or considering adjusting our real estate revenue projections for fy28 so we're actually going to we're going to talk a bit about that in a few presentations uh particularly the revenue the revenue update but the budget slides we'll be talking a little bit about the tax policy decisions that we're going to make and maybe even some some feedback that we can get from you all later uh later in the budget process so i'm thinking

[01:00:57] ahead um and then i just i'm going to follow up with a with a comment madam chair i certainly do appreciate the opportunity to engage so early on in the budget process i know victor you said um when we start i think we already started um the budget uh process and certainly appreciate um how early we're having these conversations more so i appreciate uh how candid you are with said I think that that is a very critical piece that has been missing in regards to our conversations when it comes to the budget and it will be interesting to see how we craft said budget when it comes to our own county spending and county growth and so I just wanted to put

[01:01:36] that out there for my colleagues and for staff and then I'll come back to the question that I had at the appropriate time. Thank you. All right. Thank you very much. I also want to do a time check. We're at 3:01. Remember that we are starting our evening session at 6:00.

[01:01:51] I just want everyone to be mindful of time. I'm going to go to Supervisor Gordy, and then I don't think there's anyone else who wants a second. Oh, I'm sorry. I'll go to Bodie first because he hasn't spoken. Sure. Thank you, Madam Chair. And to be fair, I did just jump in very late, so I appreciate that.

[01:02:07] Thank you for the presentation. Appreciate the comments and discussion by my colleagues so far. I guess part of my struggle, and I don't know how much elaboration or detail I can add to this, are sort of the shadow economic indicators that we see all the time that we can't fully grasp.

[01:02:28] So we talk about unemployment. We can't talk about underemployment. We can't talk about these folks that might be Uber drivers, these gig economy, those folks that may not have full employment. And so where do they sit in these conversations? Also talking about the folks that were a Fed or a federal contractor that now has found a new job, but that job is significantly lower in pay because they had to find a way to put food on the table. And so now their home household income is lower significantly, but they're still

[01:03:00] trying to make that math, math out. Also going back to your conversation earlier around a sort of that downturn of the workforce, the raw workforce numbers. I also wonder how much that has to do with some of the other federal actions that have been taken in regards to, you know, a federal immigration

enforcement, things like that, that we see does impact the economy, especially in a community like, like Prince William County. So I guess all those things first, do you have any elaboration on those parts of the economy and how that is affect those downstream parts of the economic outlook? As a supervisor, Brody, I'll just go back to what I

[01:03:37] said earlier. I typically just kind of look at, you know, macro drivers, um, you know, The underemployment rate does offer a measure of value when it comes to trying to determine skills mismatches.

[01:03:55] That's typically what you see reflected in the underemployment rate, right? You see people that, again, as you noted, they have been laid off. They were making \$100,000 a year, and then they have to go to work as an Uber driver. And this was something that was quite common last year, at least at a national level, right?

[01:04:17] So, you know, I remember, you know, just one example, a young man, you know, making, you know, north of \$100,000 living in Southern California, working in the marketing profession, gets laid off, you know, couldn't find any work, goes back home to South Florida, works at a marijuana shop, right?

[01:04:36] So, perfect example of, you know, underemployment. Where there's, you know, what his background is doesn't match what he's actually doing. I will say this, that, you know, the underemployment rate, again, this is just based on, you know, what it is I do and what matters to me, doesn't move markets.

[01:04:57] The underemployment rate doesn't move markets. It doesn't necessarily factor in, right, to how maybe economic forecasts, you know, are being generated. What matters when it comes to employment or labor in general is what are the job gains and losses each month, what are the revisions to previous months, and what's the kind of directionality or the underlying drivers that are pushing unemployment either higher or lower?

[01:05:35] Appreciate that. And my last couple of questions, Madam Chair. I appreciate that. Sort of on the same beat, some of the other topics you mentioned were, we talked about the housing market. My colleagues have all said several things around that. My curiosity is as we talk about how the market has taken shape, especially with some of the larger new bills like the courts district, is do we have any way of knowing how many of those homes are being bought by actual folks who intend to live in them versus investment buyers and those types of things?

[01:06:04] I don't know if any of my colleagues here could help me out on that. I don't know off the top of my head if we have any information around actual buyers, real buyers, versus corporate buyers.

[01:06:22] But again, I would have to defer to any of my colleagues in the room if they have a better understanding of that. I feel like that's also part of that housing picture, as we especially talk about the supply and demand side of it and who's actually moving these homes. Is it actually impacting the overcrowding issue, which we can't really completely grapple on?

[01:06:41] But more importantly, who is actually purchasing these homes and who's creating equity and generating wealth out of these homes and what have you? The last thing I sort of mentioned is you talked about the AI build and how that's really the wild card right now in terms of the big economic driver.

[01:06:58] I would posit that this is more of a global issue that I've seen more than anything else. everyone talks about AI as it's this huge monolithic thing. They talk about data centers as if all data centers are now AI data centers when we know that's not the case. Have you, as you began to look at and delineate sort of this, this CapEx spin that's happening on a macro level, and you mentioned a newer index that you can't even claim complete support or confidence in, has there been a bigger or better attempt by all these folks So we're looking at these numbers to delineate between the capex that's being spent on pure AI versus just data.

[01:07:37] And as we know, also build out cloud and streaming capabilities as well. Yeah, so I think there is a difference in the spend that's happening on the data center side versus what's called the compute side, which is cloud-based infrastructure to support the AI build out.

[01:07:59] know, as, you know, as the hyperscalers begin to kind of, you know, butt up against, you know, capital constraints, right, what they can actually spend, you know, what you're starting to see is a handoff, right, into that compute space.

[01:08:19] And, you know, again, I don't, I certainly don't have any information around what that CapEx looks like at this point, or what the demand component looks like around that. But again, what I can say is that there is a transition taking place between what's happening with a data center specific build out. I mean, data centers are still going to be built. But again, there is more of a focus now on compute infrastructure.

[01:08:55] it and i'll just say it sounds to me like again like you said a lot of these issues are all interconnected and again i just wanted to highlight some of those lower and sort of nuanced more shadow indicators that we don't always get the full picture of and also just highlight also that regardless of what the issue we're talking about i feel like there are a lot of inflection points that are happening right now that could like you said if you're a pessimist they could go downhill towards you know where or they could stabilize in some regards or they could grow in ways that we didn't really anticipate. I mean, you mentioned COVID. I know everyone thought that

[01:09:29] sales would decline, but we had some of the strongest sales revenue at least in the last 10 years or so, even during that COVID period, where there were weird, wacky things that happened in the economy that folks, for all their best efforts and all their projections, thought were going to happen, and they didn't exactly the way they did. So I just wanted to highlight that.

[01:09:50] So what the guy would say is, you know, pay attention to company earnings in the space. That's going to tell you the story going forward. Sometimes we can get, you know, bogged down and going into all these rabbit holes.

[01:10:05] And sometimes it's just as simple as looking at, you know, how companies are performing. So again, leading up to, you know, the global financial crisis, you know, we just looked at the simple chart that tracked home price appreciation versus wage growth, the two were out of balance, right? And we knew that there was going to be some problems. We knew that there were a lot of borrowers out there that once those adjustables began resetting could potentially run into issues. Now, did we ever think that it would turn into what it did? No. But again, a very simple

[01:10:41] chart that shows a disconnect. Sometimes that could be the most powerful piece of information. Thank you. All right, thank you. I get to do a classic boardy handoff now. Thank you, Madam

Chair. I just want to focus on one thing on the last slide.

[01:10:59] And it's one of these things that's not on your slide, but one thing I'd ask you to consider, and that's energy. Both as we think about the AI build-out, it's hitting a ceiling. And particularly here in Northern Virginia, we've run out of power.

[01:11:17] So the impact of that and the fact that the data center companies have basically left, and what I mean by that is their developers have left chasing power into other parts of Virginia, going west, going north, trying to find power because we've hit a cap in this part of Virginia.

[01:11:38] And then so we're already seeing where that's having an impact on sites' ability to sell to data as well as whether we've got some that are built but can't turn on. They don't have the power yet. It's going to take a long time to get it. So from that energy infrastructure, even from a local level, but then looking at it globally and much broader, because this is a problem across the country now that is going to continue to magnify itself throughout the economy as AI continues to build out.

[01:12:10] It is going to be a tremendous limiting factor. But at the same time, I look at energy from also on the inflationary side. We have trucking companies here in Prince William County driving to California to pick up produce and bring back here.

[01:12:27] It's \$25,000 a round trip. And right now, there are truck drivers who are literally on the hook to pay for fuel on the front end before they get paid on the back end. They can't afford to make the trips. So because of what's happening with the cost of diesel, and then you think about how much AI build-out is using diesel in terms of building their construction, competing against other construction areas.

[01:12:57] They're competing for concrete. They're competing, and they're outpaying everybody. So it has an impact on everybody else's ability to do business and to grow their business. So these are just some things that I'm paying attention to and looking at and I'm concerned about and what the potential impact is downstream within our local economy, but also seeing what the impact is.

[01:13:19] I deal with food and consumer goods in my civilian job, and, yeah, we're starting to see it. Prices are going up. The cost of goods. So, again, as I mentioned earlier, the transmission of higher prices at the producer level have yet to trickle down.

[01:13:48] to the consumer, but, you know, it stands to reason that, you know, if energy prices stay pinned, you know, where they are right now, somebody's going to have to pay for that. And, you know, whether there is, you know, some measure of absorption, you know, at the producer level, the retailer level, and maybe a little bit, you know, goes down to the consumer, it's hard to say.

[01:14:12] One thing that we saw last year, you know, when, you know, when tariffs were implemented, you know, there was a lot of fear around, you know, consumer prices escalating. And that never really materialized. And, you know, one of the reasons for that was that, you know, the businesses were willing to absorb, you know, those cost pressures to protect their customer base, right?

[01:14:37] They didn't want to lose customers, right? There was a really good research paper that was done by the Richmond Fed around that. And what they found was that, you know, first of all, a lot of businesses managed, you know, their inventory very well. But they also were willing to take on a little bit of that hit, you know, to protect, you know, their, you know, protect themselves from losing customers.

[01:15:03] But ultimately, you know, again, if energy prices stay pinned where they are right now, someone's going to have to bear that cost. It stands for reason that it will trickle down to the consumer at some point to one degree or another. All right.

[01:15:21] Thank you so very much for these presentations. I'm going to go back over to Mr. Oh, I'm sorry. You had something? Yeah, I had one more. Yeah. All right. I'm going to make this real quick again, guys. It's 315. We need to finish. You know what? We can skip. All right. We can skip, yeah. Thank you. Mr. Shorter? All right. Thank you very much, Madam Chair.

[01:15:38] So I jotted down a lot of notes here, and we'll make sure, and I'm sure the team did as well, we'll make sure that we go back and incorporate some of those responses in some of the sessions that we have coming up either this fall or during the actual budget cycle in the spring, including whether we actually have a session dedicated to housing, a housing presentation where we bring someone else in to talk about housing in the county.

[01:16:03] We don't have an economist on staff, So I just want to thank Mr. Cecil for stepping in and doing the presentation and bringing his expertise. So with item 1B, we're going to have Lily Jo Kress, Assistant Director of Finance for Treasury Management, walk us through the revenue update.

[01:16:25] Now, for the next few slides, this is going to be as specific as we can be to the FY28 budget development process. So what you're going to see in these slides are us being as specific as possible as we get closer to the budget development process for FY28.

[01:16:42] And then in the following presentations, we're going to talk more specifically about the budget. And with that, LaLegia, I'll turn it over to you. Good afternoon, Madam Chair, members of the board. LaLegia Cress, Assistant Director of Finance. Oh, we got it. Okay.

[01:17:00] There we go. Thank you. So first off, I want to say thank you because we have, BART is a valued member of our Treasury Management Team, and that's just one indication of the collaboration that exists within the revenue forecasting process. During this portion, as mentioned, I'm going to provide an overview of our revenue forecasting planning timeline, a recap of FY26, a brief status on FY27, and what we are monitoring as this fiscal year develops, along with a forward outlook as we begin to prepare the FY28-32 general revenue forecast.

[01:17:40] On the first slide, this calendar may look familiar as it aligns with the budget calendar, but the focus here is strictly on the development of our revenue forecasting process. I want to point out that our team is often working in three separate fiscal years.

[01:17:58] While our fiscal year-end is June 30th, during the months of July and August, we continue to monitor postings to final year-end results. And the team then extracts the FY26 data and begins to update our financial models. During September, the Office of Real Estate Assessments publishes their annual report.

[01:18:20] And land book values are added to our models for the development of the real estate tax forecast. Simultaneously, we are also producing the FY26Q4 unaudited quarterly report, and this report was provided to the board on September 30th.

[01:18:36] October represents our official start to the FY28 forecasting process within the Department of Finance. Internally, we have a revenue committee with members representing executive management,

department directors, key staff, and representatives from Prince William County Schools financial team.

[01:18:57] We also seek input from public and private sector experts by scheduling presentations to hear from Prince William Association of Realtors, the Northern Virginia Builders Industry, the Federal Reserve Bank of Richmond, the Data Center Coalition, just to name a few.

[01:19:19] Also, NADA, J.D. Power for the automotive industry. And these organizations help to inform the county's assessment of economic conditions and other factors that may influence projected revenues. So, Supervisor Bode, to your question about investor-related housing, we can probably get that in December when we hear from P-WAR.

[01:19:41] Or sooner. And as we head into November, we again prepare to report on the status of the current fiscal year, Q1 revenue estimates, as mandated by our principles of sound financial management and you can expect this report to be distributed by November 15th.

[01:20:02] We also continue to develop our speaker lineup. Finally, as we approach December, staff are invited to attend sessions from our external experts and finance staff begin to develop the preliminary FY28-32 estimate.

[01:20:20] At the start of the new year, if there are any additional presentations to be held, those will conclude and we will receive hopefully board tax policy guidance to help develop our revenue scenarios. Beyond February, we follow the budget calendar very closely as with recap and markup.

[01:20:39] And by June 30th, we publish our annual revenue report and the data center industry tax revenue report. So, on the next slide, on September 30th, you receive the FY26 preliminary and unaudited revenue results as reported fiscal year 26 produced a surplus of approximately 94.8 million which represents a variance of 5.5 percent over adopted demonstrating a modest and fiscally healthy

[01:21:13] variance and this surplus was largely driven by data center business 10 business tangible property tax revenue. I want to point out that our financial reporting team is still working through their year-end analytics of financial data across the organization, which could result in the identification of entries that change the final surplus, but still remain in the \$90 million range. Final numbers will be available upon completion of the external audit by Clifton

[01:21:48] Larson Allen later this year I also want to talk about in a little bit as a reminder in July the board requested information on the overall general revenue forecasting performance over the past five fiscal years our forecast accuracy has remained consistent over the period with continued improvement in recent years as variances have narrowed and differences are increasingly increasingly concentrated in a smaller number of revenue sources and are primarily driven by the timing of information and economic changes rather

[01:22:26] than our methodology of that 5.5% variance for fiscal 26 if we extracted the business tangible portion our accuracy level improves to 2.6% and industry accuracy benchmarks range anywhere from 8% to 15% so I want to just highlight that we have a very skilled and technical revenue forecasting team that is doing a great job on an almost 2 billion dollar revenue forecast I do want to again highlight the revenue sources that impacted this surplus which

[01:23:04] include real property tax at a surplus of 10.9 million and that was a combination of supplemental assessments lower than expected exonerations but those were partially offset by the

increase in tax relief with the largest portion of that coming from just the disabled veterans program personal property we've talked about business tangible from data centers we do produce a very conservative forecast businesses are required to report on January the

[01:23:42] the equipment that exists in the county as of January 1st and then they file April 14th which is very close to budget adoption so we don't have a lot of that information handy at that time and then they are all also offered a 90-day extension so it makes it even more challenging and if they wait one day to report any of their equipment then we won't see that revenue until the next fiscal year so again we provide a very conservative forecast because if we were

[01:24:18] to miss it, it could be potentially a huge miss. Investment income, I'm going to thank this guy right here. He didn't tell you about his day job, but he is our portfolio manager. Him and his team manage the county's \$2 billion investment portfolio and monitor our cash and liquidity.

[01:24:38] And so we had a nice surplus of almost \$14 million. And then BPOL was driven by stronger than except uh expected gross receipts and and i'll give another shout out to economic development because they have led efforts to grow and diversify the business environment and have been very successful in doing so so now we move to the next slide and talk a little bit about our fy 27 adopted revenue forecast of 1.95 billion this reflects a balanced and prudent approach to

[01:25:16] revenue forecasting with conservative forecast our real estate tax continues to be the largest revenue source at 57.2 percent and just for reference back in fiscal 20 that real estate taxes represented about 65 so there has been great you know some diversification in our revenue sources as we begin to prepare the first quarter estimate drum roll based on the receipts we will be reporting an increase in personal property business tangible revenue from data centers or

[01:25:54] let me just say predominantly from data centers of approximately 100 million given we are still early on in our fiscal year we do not anticipate making any other recommendations to other revenue sources at this time this fy 27 adopted programmed tax rates include a real estate tax rate of 0.865 supervisor vega we will be looking at you know any real estate reduct changes further down the

[01:26:32] road and dave will be talking about more of those details in his portion but we will be monitoring that the board adopted another vehicle rate at 350 the business tangible rate at 450 and the food and beverage is that remains at a rate of three percent the next slide i just want to again highlight that we are our forecast reflects revenue diversification and adherence to our principles of sound financial management you can see that real estate still remains the largest

[01:27:11] component of our overall revenue sources with personal property following last fiscal year was the first year that business tangible revenue surpassed our vehicle revenue and as for what is reported on this slide is the adopted portion for business tangible at 334 million we know that is now coming in another hundred million higher and then the other areas where we have significant revenue comes from sales tax and B poll food and beverage and then

[01:27:50] investment income remain the top ones there moving on general revenues that we're watching the first two real property and personal property want to make sure that we understand these are value valuation based we are monitoring collections as additional data becomes available that could shape this forecast tax relief continues to grow representing somewhere between four and

[01:28:23] a half and five cents on the tax rate total tax relief over the last five years let's see what did I have that has grown 49% and total tax relief both personal property and real estate is approximately \$64 million as reported by the Office of Real Estate Assessments. We will also be monitoring sales tax and food and beverage tax receipts. Now those are transactional so we get that

[01:29:02] information faster than valuation information at times. Sales tax is reported and by the Commonwealth of Virginia and that has a two-month lag to it but we are monitoring that as to determine consumer discretionary spending one of our our lead analysts for the revenue forecasting process is now taking a deeper dive into sales tax receipts

[01:29:32] to determine how much is impacted by inflation versus transactions or spend that detail doesn't really exist readily available so what i want to point out is we work heavily in excel our tax system and our real estate assessment a system don't always have the same fields and so we have to extract a lot of data and build our own models our data center revenue forecast is an

[01:30:08] in-house model there's no as far as we know no software available out there so these are huge files and a lot of analytical skill and data engineering when we try to make meaningful information to support our forecast and provide greater transparency and clarity to this board and in our residents on the next slide as we look forward to fiscal 27 and 28 i want to mention

[01:30:43] the key drivers in our revenue forecasting process include timing of data potential legislative change taxpayer filings asset reports and vehicle data right now are incomplete and so as we get closer to in 27 I will have more clarity in that data centers obviously they are big component growing and adding to our revenue base this is a small number of taxpayers driving a growing share economic conditions everything that Bart just mentioned in the last hour is part of our process and consideration

[01:31:21] And when we meet with our revenue committee, their collaboration helps to shape our forecast. So we don't do it in a silo just with finance staff.

[01:31:36] It includes housing. It includes planning. It includes economic development and market factors. Again, the housing market, affordability, inventory, vehicle values, all of those are as we develop our forecast and then on the final slide again looking at sales tax looking at changes in consumer activity and economic conditions again this has a two-month lag we do receive an annual estimate from the Commonwealth

[01:32:14] of Virginia in March and historically it has been in pretty much in alignment with our forecast and as you can tell from the FY 26 you know we were pretty accurate in our in our forecast food and beverage the change over the prior fiscal year has to do with the rate change was part of the fiscal year was at a 4% rate and then the rest was at a 3% rate so that obviously would would impact the overall forecast our B poll the health of our businesses within

[01:32:51] Prince William County we will monitor that yesterday Christina Wynn talked about the calibrate program that is opening at chin to support small businesses so anything like that that can be done outside of you know finance obviously will help the overall business profile bless you in Prince William County and of course our investment income which is like a nice little icing on the cake. But, you know, it's again a conservative forecast. It's based on a couple

[01:33:29] of driving factors. Revenue growth will impact our portfolio holdings, where the market and interest rates are. We benefited from higher for longer and cash and cash equivalents that added some of

our investment earnings. We are monitoring those revenue sources that are declining as well cigarette tax we are seeing that decline the communication sales and use tax less use of landlines those aren't being included in houses anymore transient occupancy tax we will have a tourism director talk to us about

[01:34:06] potential what's coming as far as events in the county that could support sales tax or transient occupancy tax and then the last thing I want to talk about is just our systems as I mentioned we are heavily heavy on Excel and this year we procured a forecasting software which is called forecast Pro and we are hoping that will assist us with different scenarios different types of analysis and we will be using that in our FY28 forecast.

[01:34:44] And we are also currently evaluating some reporting software called Gravity, which is currently in use by Financial Reporting for the production of the ACFER and the PAFER. So we are always looking at how we can become more accurate in our forecast, how we can become more efficient and transparent with our analysis.

[01:35:08] And with that, that provides our general timeline of what we will be doing. We are very much in an information gathering phase right now.

[01:35:24] And so there's no forecast for today, for 28, but I will open it up to discussion. and also, as mentioned, Dave will be including some of those metrics that are important to you as you make your tax policy decisions.

[01:35:43] All right, thank you so very much. I have a couple quick questions. I want to, you gave a number, I want to make sure I'm correct. You said \$60 million in tax relief? So what's that for car tax and real estate? I'm sorry, can you clarify again?

[01:35:59] Yes, the \$64 million included personal property and real estate, but real estate from disabled vets represents about \$40 million of that. Okay. And we've talked about, I feel like we've talked about, or maybe it was just, I know Tom and I mentioned this.

[01:36:18] We've had a conversation a while ago, but data centers are self-reporting, correct? Correct. Is there a better way for us to find out how much they really have? Because I know a lot of them don't necessarily want to open up trade secrets, but is there another way or is that really the only thing that we can do right now I think I believe that's the only thing that we can do the information also when they do report the equipment as it's described it makes it very difficult so a lot of the reliance becomes on our tax administration and their audits and

[01:36:55] their request for information it also doesn't come in an Excel spreadsheet sheet you do PDFs so talk about extracting that data makes it all right I'm gonna open it up for questions because I think the next two items are where we really may want to have the most discussion are there any other questions all right Bailey sorry turned it off I just needed you to clarify something for me as you were presenting you said we are not recommending any additional revenue projections right now something you said we're not recommending and I caught the tail at the beginning of it not the tail for

[01:37:33] fiscal 27 first quarter uh-huh the only rec uh the only update that we will be presenting at this time is the increase in personal property business tangible of a hundred million we will not be making any changes to our forecast in any of the other revenue sources there's just not enough data to to move that to justify it yeah okay but we did want to let you already know that we are seeing the surplus from Business Tangible.

[01:38:03] Okay. Okay. Thank you. All right. I'm looking around. Gordy? Looking at slide three on our investment income, it looks like we did pretty well. You knocked it out of the park. Great job, guys. 47% increase over what was expected. Can you remind us what the principle that we use for that investment income, what is that?

[01:38:35] Supervisor Gordy, the county's portfolio is managed according to Commonwealth code, right? And then we have our own investment policy where we'll make some tweaks, you know, specifically around, you know, maturity ranges, that type of thing.

[01:38:57] But, you know, the guidelines are established by the Commonwealth. The asset mix for FY26, you know, we were, I would say, overweight cash and cash equivalents. As we move through the first six to seven months of the year, what we saw is that the yield curve at that time was inverted, right?

[01:39:19] So we saw short-term rates higher than longer-term rates, and then that began to shift later on in the year. That doesn't mean that we don't go out and still buy longer-term bonds, three years, four years, that type of thing.

[01:39:36] But, yeah, I'd say that, you know, the primary driver of investment income was, you know, higher short-term rates. And also, you know, we had, you know, higher than anticipated business tangible revenue as well. So that actually, you know, was a contributing factor.

[01:39:53] And so the investments that we have, are those, are we using, turn it off, turn it back on.

[01:40:10] Is the accounts that we're using, I mean, the funding that we're using for these accounts, is that from, like, the reserves, or is it, or we just, we have a dozen, we have a specific amount of money that we're working with. It went off on its own. Yeah, I think when I turn mine on, yours goes off.

[01:40:26] So we've got some, I think we're kind of, yeah, so mine's having a little flip out over here. So, yeah, just with the, you know, just kind of explain the investment account, what that what those funds are from a you know you know is it it's based on us having a specific amount that we've invested and and can you kind of further explain that kind of what our goals are for that account so the the inflows are you know tax revenue largely um yeah and you know there

[01:41:02] could be you know other other forms of revenue you know that flow into you know our primary bank account and then from there essentially all we're doing is saying okay well how much do we need you know to pay the bills on a daily basis and we project out we have what's called a liquidity analysis and what we do is you know we project what revenues and expenses could look like for a given physical year and uh and then we update that accordingly as actuals come in and it kind of you know forms the basis under which what extra money we have available to put to work

[01:41:39] right so um and how we how we go about doing that is uh you know really just a function of you know where markets are at any given point in time and where we think markets could be going And then looking out for FY27, and I think some of our forecasts show reductions in investment income over time, can you kind of give us some, what's the thought there?

[01:42:11] So I will go back to what I said earlier about being a pessimist, right? So, you know, typically, you know, I'm building in a conservative forecast, especially when you're in periods of, you know, uncertainty and volatility. You know, one of my concerns, you know, is always financial system stability.

[01:42:32] You know, we know that if there is a major disruption in the financial system, right, and typically it's a, you know, what I mentioned earlier, a liquidity crunch, you know, that can cause a lot of problems. But, you know, regardless, I typically am a little bit more conservative just to make sure that in case there is, you know, some type of disruption that, you know, it's not going to, you know, cause a steep drop in what the projection was.

[01:43:01] And if I could add, just for clarity, the county's investment portfolio is a fixed income portfolio. So we're talking treasuries, municipals, our county, the state, local government investment pool.

[01:43:19] Safety. Yes. Safe part. Well, our investment policy is legality, safety, liquidity, yield. So we are not chasing yield, but we do want to make some earnings for the county. All right.

[01:43:34] Thank you so very much. We're going to move on to the next. Mr. Shorter. Thank you very much, Madam Chair. Thank you, Lily Jo, for the presentation and the presentations to come throughout the season. With item 1C, Madam Chair, we are turning it over to Dave Sinclair.

[01:43:52] Some of this information you wouldn't have seen normally until later in the fall, so just want to appreciate what Supervisor Vega mentioned a few minutes ago and that we are having this conversation much earlier in the process. This is going to be a reminder of some of the decisions that you have already made and what happened as part of the FY27 budget.

[01:44:15] So with that, Dave, I'll turn it over to you. Good afternoon. Before I begin, I just want to assure the board that Treasury is not investing in crypto. So today, really quickly, I'm going to up the tempo a little bit because there's a lot to get through here.

[01:44:37] First, I want to discuss with the board the fiscal year 2026 agency operating surplus. That's the expenditure savings and agency collected revenue. Then we'll transition to a review of the FY 2027 budget highlights, both from a tax rate and a revenue standpoint, but also an expenditure standpoint.

[01:45:00] And then we'll get into the Office of Management Budgets fiscal year 2028 budget outlook. We'll review what is programmed in the five-year plan already for fiscal year 2028, as well as start identifying what are some of those pressures on the FY2028 budget.

[01:45:21] Many of those are external. I don't know why I did that. I think I was going to transition a slide there. So as we talk about the fiscal year 2026 agency operating surplus on slide four, we had overall unrestricted general fund savings of \$23.6 million, representing about two and a half percent of the general fund budget.

[01:45:52] Coupled to that, we had a very, very slight agency operating revenue surplus of about \$100,000. The total surplus expenditure savings plus the agency surplus is \$23.7 million.

[01:46:12] I do want to emphasize that this is unaudited, so these numbers can and will likely move, but this is our best projection at this time. On slide five, that breaks out the expenditure savings across the expenditure categories, and most of the savings is in contractual and other services.

[01:46:37] We did have \$3.4 million of savings in salaries and benefits. Please note that is net of \$18.2 million of budgeted salary lapse. So if budgeted salary lapse did not exist, that salary and benefits savings would be \$21.6 million.

[01:46:59] So salary lapse is doing what it was intended. It's acting as an acre in terms of capturing savings up front for Prince William County taxpayers, okay? Slide six, this shows how the agency operating

surplus is being used at the end of fiscal year 2026.

[01:47:29] So as the finance team has shared with you, the \$94.7 million of general revenue surplus is being used to increase unassigned fund balance as we try to achieve that long-term goal of transitioning from 7.5% to 15% of general fund revenue.

[01:47:53] The agency operating surplus that I just shared with you is being used to maintain these other county reserves that you see on slide six. We're going to maintain revenue stabilization reserve at 2% of general fund revenue. We're going to replenish the economic development opportunity fund to a minimum of \$3 million. Third, we're going to maintain the data center revenue stabilization reserve at 10% of the prior year audited revenue generated from data center

[01:48:27] equipment and peripherals and anything left over at after those first three is going to go to the county's capital reserve and you can see on slide seven what that looks like with the numbers uh the total resources available for contributions to county reserves is 23 million dollars you might be asking dave you just told us it was 23.7 million dollars what gives why is it only 23 million because \$700,000 of that the board already reappropriated in fiscal year 2027

[01:49:05] for economic development studies that they're completing in fiscal 27. So while it was savings in fiscal year 2026, it's not available because the board has already budgeted and appropriated it again in fiscal 27. So of that \$23 million, you had a \$6.1 million contribution to maintain the Revenue Stabilization Fund Reserve at 2%.

[01:49:31] These are projections. We have \$3 million to fully replenish the Economic Development Opportunity Fund to \$3 million. And \$9.7 million to maintain the Debtist Center Revenue Stabilization Fund at 10%.

[01:49:50] For comparison purposes, the contribution to that reserve at the end of fiscal year 2025 was only \$4.4 million. Now it's \$9.7 million. So that just illustrates how that revenue source is growing and hence the reserve needs to grow with it. And so when all is sudden done and we've met all these reserves, \$4.2 million is estimated to fall to the county's capital reserve. We will have firm numbers for the board after the audit is completed uh probably in uh hopefully in the

[01:50:29] december time frame okay moving on to fiscal year 2027 budget highlights um on beginning on slide number nine we just want to review uh with the board some of the changes in the major tax rates Um, the real estate tax rate was reduced, uh, 4.1 cents to 86 and a half cents in the FY 27 budget.

[01:51:03] Um, what that means is the average residential tax bill decreased \$56 or 1.1% over fiscal year 2026. And just, uh, as we look at a five-year trend history, the real, the county's real estate tax rate did decrease 25 cents from \$1.115 to \$86.5. Now, conversely, since fiscal year 2022,

[01:51:35] the average tax bill has increased \$447 or a little less than 10%. So I want to tell both sides of the story there. Conversely, the personal property tax rate on computer equipment and peripherals was increased from \$4.15 per \$100 valuation to \$4.50 per \$100 valuation.

[01:52:03] Overall, in the grand scheme of things, total general revenue increased \$216 million or 12.5% over fiscal year 2026. On slide 10, the county executive committed to showing the board the total impact on the total bill. So slide number 10 emphasizes that when you include the levees and the fees, including the stormwater fee and the solid waste fee,

[01:52:37] the average residential bill decreased \$33. The fire levy rate did decrease from 7.2 cents to an even seven cents. The mosquito and forest pest levy decreased from one quarter of one cent to one-fifth of one cent. The stormwater fee was increased, if the board recalls, to achieve mandated reductions and meet MS4 permit requirements for nitrogen, phosphorus, and sediment

[01:53:13] loads. And the solid waste fee was increased in fiscal year 2027. As we start to plan for future phase 4 development at the landfill and providing that infrastructure that is required. At this time I do want to emphasize staff at this time we do not anticipate increases to either the stormwater fee or the solid waste fee for fiscal year 2028. As we transition to the expenditure highlights on

[01:53:47] slide number 11 that shows the recent history of school transfer investments. Fiscal year 2027 school transferred increased \$123.8 million or 12.5% over fiscal year 2026. That is the largest dollar increase in the history of the school transfer policy. It eclipsed the increase that

[01:54:15] we experienced in the 2025 budget. On slide number 12, as we transition to some of the county expenditure highlights both the police and fire and rescue collective bargaining agreements were fully funded in fiscal year 2027 totaling 29 million dollars the police cva that those market adjustments was approximately 19 million dollars and on the fire and rescue side the

[01:54:53] major costs there, we had the final complement of 30 positions necessary to achieve a 50-hour work schedule beginning on July 1, 2027. And you've received updates through the county executive as Fire and Rescue transitions to that new work schedule. The FY27 budget included 127 new

[01:55:24] positions. Of that 127 positions, 70% were specifically in a safe and secure community. 55 positions were in the Department of Fire and Rescue, 12 in the Police Department, 11 in the Commonwealth Attorney's Office, and 8 in the Sheriff's Office. Conversely, only 5% of new positions were in government operations. More on that later. As we wrap up our recap of the

[01:55:59] FY27 budget on slide number 13. The board authorized what I think is really impressive almost \$65 million of cash to capital investments for capital projects. About \$42 million of that was to cash fund the Devlin Road widening project and Old Bridge-Gordon Boulevard intersection projects so that the county does not have to issue debt realizing long-term savings and preserving precious debt capacity. Also, the board authorized several one-time investments

[01:56:38] totaling \$8 million. \$5 million was for the revitalization, redevelopment, and assemblage. \$2 million, there was a one-time donation for Lunara Health to provide health services to the

[01:56:56] We'll see you in the next one.

[01:57:31] That's going to come back down to the adopted principle of sound financial management minimum of \$1 million in fiscal year 28. Any questions before I move on to the FY 2028 budget outlook?

[01:57:50] I would like to take all the questions at once for the sake of time. Thank you. All right. Before we begin with some of those budget pressures on fiscal year 2028, I just wanted to review with the board what is already programmed in our five-year plan for fiscal year 2028 of the adopted fiscal 27 through 31 five-year plan.

[01:58:16] And that is summarized on slide 15. Almost \$51 million is currently programmed for employee compensation. And the big programmed expense there is the class and comp study recommendations that were deferred from fiscal year 2027 to fiscal year 2028.

[01:58:41] That was originally planned to be a two-year implementation. Now all of it is programmed to be implemented in one year in fiscal year 2028. We also do have collective bargaining market adjustments for both fire and rescue and police.

[01:59:01] Fire and rescue is a 2% market adjustment. Police is a 3% market adjustment. That is programmed in for fiscal year 2028. We also have programmed in health and dental increases. Health is programmed at 7.5% increase over fiscal year 2027.

[01:59:22] more on that because I'll just give you a preview right now. It is a pressure. There is a total of \$14.4 million programmed for capital projects in the county's adopted CIP for either debt servicing new debt or cash to capital investment or operating costs for facilities that are projected to come online in fiscal year 2028. Something I would like to emphasize for the board

[01:59:55] As part of our development of the new CIP, the fiscal year 2028 CIP, we will not issue debt service before we are ready to do so. So part of that is we're going to review all the project schedules that I have as bullet points on this slide.

[02:00:12] And if we're not ready to sell the debt because the project hasn't progressed like we thought it would, we're not going to budget for the debt service. Okay. Same holds true for operating costs. For example, right now, one of those operating cost expenses is six positions associated with the Homeless Navigation East project that is currently under construction. And we think that's right now going to come online during fiscal year

[02:00:42] 2028. And then we have a million dollars baked in for contractual increases associated with utilities, leases, and technology. OMB's outlook for budget pressures is divided in the following categories on slide 17. We're going to take inventory of some of the board decisions already

[02:01:14] made. We're going to touch base on employee compensation, external budget pressures that frankly we have no control over, but it is having an impact on us nonetheless. Some of that you've already heard from Bart and Lilly Joe earlier today we'll talk about budget deficiencies and what I mean by that is uh what is not programmed in the five-year plan that that may be concerning to the board and then we'll take inventory of of budget directives um as you know there are a lot

[02:01:52] of them okay on slide 18 uh really the board decisions that I've already been made it's really not too bad of a list at all um on July 24 21st the board authorized the use of proffers to uh construct uh outdoor lights at Veterans Park what that means for fiscal year 28 is we have to budget the the electricity costs and the maintenance costs of those lights not too bad it's only three

[02:02:25] that would be \$3,000 a year okay also uh recently the board um authorized a a maintenance agreement with the Virginia Department of Transportation for the North Woodbridge pedestrian bridge project that basically means the county is responsible for trash and graffiti removal that doesn't impact the FY28 budget but we do have to build those annualized costs beginning when the project is and that is estimated to be completed in fiscal year 30 to the tune of uh roughly thirty two thousand

[02:03:01] dollars per year however we did have a bunch of as I mentioned earlier there was a bunch of one-time investments made in the fiscal 27 budget um last week the board uh authorized the awards if you will for the soil and foundation management program I know there is one board member that is interested continuing that program in fiscal 28 and beyond and also during the FY 27 budget process there was more than one board member that was interested in continued recurring funding for the county's

[02:03:41] PDR program so if the board wishes to make any of these investments recurring that needs to be added to the five-year plan on the next slide slide number 19 we have employee compensation

[02:04:01] and the other things that we have to do is to make sure that we have a lot of the things that we have to do with the general services. So, we have a lot of the things that we have to do with the general services bargaining unit. What I have summarized here in the table is the class and compensation study recommendations that are programmed in fiscal year 2028. You can see the market adjustments, if you will, by band and examples of the positions impacted for each band.

[02:04:35] those negotiations result in additional costs those are not programmed in the five-year plan we would have to include those those additional costs in the fiscal year 2028 budget conversely we are anticipating continued health insurance and dental insurance increases in fiscal year 2027 Those health increases range from 8.5% to 10.5%, depending on which health insurance you had,

[02:05:09] and whether it was a single or a double or a family plan. I am bracing the board. Preliminary numbers suggest that it is possible that health insurance could increase more than 10% again in fiscal year 2028. What we have programmed is a 7.5% assumption. And so if it ends up being more than 10%, that would need to be built in. I do want to emphasize that our human resources department, they do a fantastic job, that team, of trying to negotiate

[02:05:48] and mitigate those increases, and that is not going to change. We will have firm numbers. Really, we don't have firm numbers until January, but I do want to make the board aware of that, I keep wanting to push that button.

[02:06:08] All right. On slide 20, the board is familiar with the director of social services presented to the board on September 15, 15, the impact of Medicaid changes and the associated SNAP work requirement.

[02:06:29] That what that means is DSS staff is going to be required to conduct eligibility renewals every six months instead of 12 months. That is a tremendous workload on social services.

[02:06:46] And I'm not even talking about the impact on potential impact on county residents that Supervisor Stewart, I believe, and Supervisor Bode brought up earlier this afternoon. In addition to that, the trends continue to increase for the Children's Services Act mandate administered by the social services team.

[02:07:13] Private education special placements continue to increase at approximately 4% per year, while the cost to educate those students has increased from \$76,000 per student in fiscal year 2023 to nearly \$93,000 per student in fiscal year 2026. We are anticipating those trends to

[02:07:46] continue in fiscal year 27 and fiscal year 28. If those trends continue, it could be an additional local cost of \$2.6 million in fiscal year 28. On slide number 21, I do want to emphasize that the crisis receiving, the county's crisis receiving center, we have not received, to my

[02:08:19] knowledge, any special notification that the county has received that Medicaid federal waiver So that's going to be the first year of operation, but that's going to be the first year of operation, but that's been tracking at around 50%.

[02:08:38] And lastly, the youth services component is going to be the first year of operation, and it's going to be the first year of operation, but that's been tracking at around 50%. And lastly, the youth services component is going to be and that's what we're going to have to do.

[02:09:02] We're looking at the youth services component, youth services utilization at the facility is lower than we anticipated. The reason why that is significant is the county has received funding from the Commonwealth specifically for youth services. And those discussions are underway. It appears that general district court judge, excuse me. It is being pursued with the Virginia Supreme Court.

[02:09:42] This has significant impacts both in terms of capital construction, in terms of the space for a new judge. There is no more room left at the end. All right. But also the operating costs for security provided by sheriff deputies and clerks. Staff doesn't want the board to panic, but my So it's not just about this judge, but if the judicial center expansion project isn't scheduled to be completed until 2031,

[02:10:18] it's not just about this judge, but if the judicial center expansion project isn't scheduled to be completed until 2031, it's not just about this judge, but if the judicial center expansion project isn't scheduled to be completed until 2031, and it might be prudent for us to just plan not for one judge but two or three that will have

[02:10:55] significant capital impacts even on a temporary basis okay and then lastly we have to plan for the next five years and it might be prudent for us to just plan not for one judge but two or three that will have significant capital impacts even on a temporary basis okay and then lastly and then lastly uh county insurance premiums continue to increase uh based on the number of

[02:11:27] claims claims severity and uh payroll you you've got a lot of really good people injured on the job in in a hazardous environment okay on slide 22 i start to transition into those external pressures on the fy28 budget and here we go mr gordy right at the top there is energy to our office of sustainability for this analysis but it's estimated that electricity costs have

[02:12:06] increased uh 23 percent from dominion energy in fiscal year 2027. the good news is um staff believes we can absorb that cost in the fy 27 budget the bad news is we believe that it's quite possible electricity costs can increase again approximately another three years ago we believe And so, whereas we're able to absorb those increases in our FY27 budget, we may need to build in an increase in the FY28 budget.

[02:12:38] As you heard from PFM during the joint meeting with the school board last month, retail gasoline costs are 48% higher compared to a year ago, and diesel is up 71%.

[02:12:57] We may need to build in an increase in the FY28 budget. I read a really interesting article last week on CNN Money. It's not just about the price of the oil itself and the cost per barrel.

[02:13:13] It's also about the cost of getting it out of the Persian Gulf. Insurance on those vessels has gone through the roof. Also, the cost of paying the sailors. I'm hearing talk of \$25,000 per trip, right?

[02:13:33] I'm just going to read you a really quick statistic. It used to cost \$2 a barrel to get crude oil out of the Persian Gulf. It now costs approximately \$33 per barrel in terms of the transit costs to get that oil out.

[02:13:55] So there's kind of a double whammy that's occurring there. In addition to that, vehicle replacements and parts are increasing. There does remain a 25% tariff on vehicle parts.

[02:14:12] And I just want to give a shout out to our facilities and fleet management. They have done an admirable job over the past three or four years managing the county's fuel budget along with the parts budget, almost working them in tandem.

[02:14:29] But now we're in a situation where both components are increasing dramatically. And so I can almost guarantee the board that during the second half of the current fiscal year, staff will be coming to the board to tap that \$5 million contingency for both fuel and parks, maybe both.

[02:14:54] I do want to emphasize 90% of the county's fleet replacement budget is for police vehicles. This is about keeping a safe and secure community, okay? What you don't see on this slide is this new concept.

[02:15:13] You've already touched upon it earlier this afternoon, chipflation. That is not our term. That was a term coined by Morgan Stanley in June of this year. And that is the run-up of memory chips.

[02:15:32] Because the big three producer, guess where they're going. Guess who they're manufacturing. They're manufacturing for the AI infrastructure. The big three, Samsung, Micron, and SK Hynix.

[02:15:50] I'm not as familiar with them. What this means is there's an impact to our Department of Information technology in terms of replacing county laptops to smartphones, okay?

[02:16:08] Replacing the county's hardware, computers, and our IT infrastructure, that's experienced a 15 to 20 percent increase compared to a year ago. Smartphones have increased 25 percent if you're into the latest generation, right? Me, I have my iPhone special edition. But yeah, there's a big impact there to the county. On slide number 23, we take inventory I'm going to show you a little bit about this.

[02:16:48] This is the story of some construction commodities. The table on that slide shows the current tariff rates for iron and structural steel, finished steel, copper, aluminum, and lumber, as well as the year-over-year increase compared to a year ago for each commodity.

[02:17:12] We are about to open bids on the Public Safety Training Center expansion project. And hopefully we will be in a position to present that to the construction contract for your approval later this calendar year.

[02:17:33] On slide 24, we take inventory of what is not programmed in fiscal year 2028. The first and foremost is strategic plan goals. we presented the budget calendar we have developed a a structure a process where we will be evaluating every fiscal year 2028 budget request against a a set criteria and one of those is going to be direct impact on the county's strategic goals and action strategies contained in the adopted plan

[02:18:09] Another criteria is going to be service-level impacts in terms of data-driven decisions. And Supervisor Stewart, last month you asked that question. Some of those other two criteria is, is it going to be a must-do?

[02:18:28] Is it tied to a state or federal mandate, this budget request? Or is it tied to a contractual increase? That is our definition of a must-do item. I do want to emphasize for the board that we do not have any staffing plans in the approved five-year plan for fiscal year 28.

[02:18:51] Nobody has one, not police, not the sheriff. No agency has a staffing plan. As you can see here, there have been a number of staffing audits that have been completed and shared with the board.

[02:19:07] Most recently, fire and rescue and public safety communications. but even before that there have been a number of staffing audits specific to government serve operations and services you can i won't go through the years here we've made some inroads to some of those recommendations but we have not fully utilized those staffing recommendations and lastly i'll mention security at county facilities we have a lot of security cameras that were replaced

[02:19:41] utilizing ARPA funding. That's good, but they are coming due for replacement. And at this time, the county does not have a replacement fund for replacing security cameras. We neither have the technicians necessary to replace those. We are utilizing expensive contracts to do that, But we need the security technicians.

[02:20:12] On slide 25, I've done my best to take inventory of some of the board directives that could have an impact on the fiscal year 2028 budget, both from a revenue standpoint, but also an expenditure standpoint.

[02:20:32] Some of these directives are completed. Some of them are still outstanding. What I can guarantee you is that I may not have captured them all. My intent is not to offend anyone who initiated those directives that are not represented on this slide.

[02:20:49] But I was trying to take inventory of what I'm aware of that is out there. And then on slide 26, but wait, there's more. The directives on slide 26 have a specific impact to the planning office and specifically their long-range planning program.

[02:21:17] these directives in order to bring these directives to fruition may require additional resources in the fiscal year 2028 budget i'll just note on the last bullet point regarding small area plans the planning office has they do receive half a million dollars a year in consultant funding to help deliver two small area plans per year.

[02:21:47] But the number of directives may be outpacing the planning office's ability to deliver with that funding. So that's something we're going to have to evaluate during the FY28 budget.

[02:22:02] On slide 27, I've taken inventory of those directives. Slide 27 is focusing on capital. The board is very familiar of the county's debt capacity constraints.

[02:22:20] It feels like we've been talking about that for the past six months. I mentioned the community energy and sustainability plan. \$4 million of local funding is about to be completely spent. We do not have any funding programmed in the out years of the CIP in fiscal year 28 through 31 to continue those efforts as we try to achieve some of those climate goals by 2030 and the clock is ticking on on that in terms of libraries the board is familiar we have a site already acquired

[02:22:59] for the linton hall corridor and there is a master plan that's been completed or is about to be completed for the dale city neighborhood library i have not forgotten about the the co-located woodbridge library and senior center there's that as well and also a study is underway for the county-wide recreation center study those recommendations should be presented to the board

[02:23:33] soon and that's all i have for the budget outlook any questions all right thank you mr fun just for the record i have a number of questions but i'm going to email them to you and what has been consistent in the past, any questions will go to the entire board. We are, and also just a time check, we're almost at 4 30. So unless you have a burning question, I do recommend that people send in questions because we also have supervisors time and that's about 40 minutes if everyone,

[02:24:08] unless people are willing to cut that. So I'm looking around, are there any burning questions? Again, we can email everything. I think our next discussion, we will do have to give some functional direction. All right. Thank you very much, Mr. Shorter. All right. Thank you very much, Madam Chair. So

with item 1D, this is really a review of our tax rates. We are not today asking the board to give us direction. And so we will hopefully be coming back in December with a

[02:24:43] facilitated discussion and hopeful direction from the board at that time. With that, Dave, i'll turn it back to you uh thank you i'll i'll try to keep the same cadence as the previous presentation i know you have uh places to be so really quickly on slide two the agenda is uh we're going to uh quickly review review the assumptions um the underlying assumptions and tax rates that are programmed in fiscal year 28 of the five-year plan the adopted five-year plan will

[02:25:19] do a major tax rates review um that being real estate personal property tax rate on programmable equipment and peripherals the personal property tax rate on vehicles and of course the food and beverage tax uh we'll talk about the the concept of a five-year plan capacity for board consideration at budget markup to assist the board with some of your final decisions on the fy28 budget And we'll talk about perhaps board discussion and next steps.

[02:25:56] As the county executive mentioned, we are not asking for any board decisions today. This is for information only and how we can support you moving forward. Before we begin on slide number three, I just want to be very upfront.

[02:26:13] Staff wants to be very upfront and transparent that the following information is based in the subsequent slides this afternoon is based on the programmed assumptions for fiscal year 28 of our adopted fiscal 27 through 31 five-year plan. Staff, as you heard from Lily Jo, we have not updated our general revenue forecast for fiscal year 28. The finance team will provide a preliminary general revenue estimate in that December-January time frame and then the final

[02:26:52] estimate is in March when the county executive presents his budget recap and then it is turned over to the board for your final decisions on the FY28 budget. What you see on this graph is uh that assumption for fiscal year 28 um it's about 2.1 billion dollars and it's divided among the the slices there um combined real estate and personal property uh provides 86 percent of the

[02:27:23] total based on on those programmed assumptions on slide number four here are the major assumptions in terms of tax rates. Okay. For fiscal year 28, the real estate tax rate is maintained at the current rate of 86 and a half cents. As a matter of fact, all the tax rates are maintained at fiscal

[02:27:53] year 27 levels because the residential appreciation driver is 3%. The average tax bill is going to increase three percent or 154 dollars and each penny on the real estate tax rate is projected at 13.7 million dollars you might be asking yourself well what was it for fiscal year 27

[02:28:26] that value of a penny was 12.9 million dollars all right also personal property tax rates are maintained at their FY27 levels, so computer equipment and peripherals is sustained at \$4.50 per 100 valuation, and vehicles are sustained at \$3.50, \$3.50 per 100 valuation. And the food and

[02:28:59] beverage meals tax is maintained at the current rate of 3%. In fiscal year 2028, that 3% is anticipated to generate 37 million dollars therefore each one percent is worth about 12.3 million dollars for a full year and 6.2 million for a half year next we're going to review the major tax rates beginning on slide number six that shows the real estate recent real estate tax rate

[02:29:35] history in the average residential tax bill is shown in the table for the board's review on slide So let's start with slide number seven.

[02:29:50] I think the board is familiar with this sensitivity analysis. It was provided during the FY 27 process. What this shows is incremental changes in the average tax bill at different real estate tax rates.

[02:30:08] So 86 and a half cents is highlighted in gold. you reduce that rate in half percent increments, you can read across and see what the resulting average tax bill. One caveat, again, this is based on 3% residential appreciation. You've already heard information from the finance team earlier today that all of this changes if residential

[02:30:41] values are relatively flat. Also, this is based on a value per penny of \$13.7 million. If residential values end up being relatively flat, that value per penny is going to decrease and maybe be more in line with the FY27 value per penny of \$12.9 million.

[02:31:12] Well, what's the difference? What's \$800,000 between \$12.9 million in fiscal year 27 and \$13.7 million in fiscal 28? Well, when you spread that out over 86.5 cents, you're talking \$60 million.

[02:31:37] So staff will have hopefully more information for the board as we get closer to the end of the calendar year. But this shows you some of that sensitivity analysis. There is one last point I'd like to mention. As you consider tax policy guidance for county staff, hopefully in December, staff recommends that you provide it as a percentage change in the average tax bill and not a specific tax rate because we do not know what residential appreciation is going to be.

[02:32:15] right i don't want the board to be cross with staff if for example you and this is an extreme example if you said keep keep the tax rate at the proposed tax rate at 86 and a half cents and residential appreciation came in at 10 the board would be pretty cross with with staff and and that's understandable that's not going to happen but that's why we would recommend that you provide us as any direction as a percentage change in the average residential tax bill

[02:32:50] rather than focusing on a tax rate okay on the next slide we have the food and beverage tax as i mentioned earlier that three percent tax rate would generate is forecast to generate \$37 million in fiscal year 2028. I do want to point out this provides revenue diversification based on the FY27 forecast. It is the county's fifth largest general revenue source,

[02:33:27] although it looks like that's being overtaken by investment income. But you can see on the far right the table of jurisdictions that have a food and beverage tax prince william county is at the bottom with our current rate of three percent the table on the left at the bottom you can see a sensitivity analysis if the board is interested in in reducing that rate to two percent or one percent or eliminating it outright staff does recommend a january one implementation date

[02:34:06] to properly communicate that out to to restaurants who remit that tax to the locality and also i do want to emphasize that a public hearing would be required before amending the county's ordinance to change that rate on slide number nine the business tangible personal property tax rate on computer equipment and peripherals you can see the recent history both in terms of

[02:34:41] the tax rate and the revenue generated by that tax going back to fiscal year 2021 the current rate is four dollars fifty cents a couple of fun facts if you will you've already heard some of this from lily joe the revenue generated by this computer and equipment rate surpasses that of the revenue generated from vehicles and data centers represent

[02:35:17] approximately eighty percent eighty seven percent of the uh business tangible taxable value that percentage is likely even higher now uh based on fiscal 27 q1 estimates slide number 10 provides that same sensitivity analysis if the board is interested in increasing that tax rate in nickel increments all the way up to five dollars per 100 valuation that is not a recommendation from

[02:35:55] county staff this is just an estimate based on the value of a nickel of 3.2 million dollars in fiscal year 28. i do want to point out for the board based on lily joe's update of 100 million dollar forecasted surplus already in fiscal year 27 that nickel is probably much higher in fiscal

[02:36:22] year 28 it's probably closer to four million dollars per nickel on slide 11 we have that same sensitivity analysis for changes in the tax rate for the personal property tax rate on vehicles that is based on 3.3 million generated per nickel in fiscal year 2028 if the board recalls

[02:36:59] you lowered the tax rate on vehicles from three dollars and seventy cents to three dollars and fifty cents in the fiscal year 2026 budget that was the first reduction in uh roughly 35 years on slide 12 in the chart on slide 12 if the board is interested in reducing that tax rate on the average vehicle personal property tax bill based on assessed value of \$14,200.

[02:37:36] I do want to emphasize for the board, this is the savings at each tax rate is per vehicle. Fun fact, I found out that there's more than half a million vehicles in Prince William County.

[02:37:52] So obviously most households have a number of vehicles in Prince William County, Obviously, most households have two or three or more vehicles. This average tax bill of \$313 is based on a tax relief percentage of 37%.

[02:38:18] Holding questions to the end, I'll continue. The next topic of conversation is a five-year plan capacity for board consideration at budget markup.

[02:38:36] So on slide 14, what staff is capable of doing at your direction is to provide unallocated five-year plan balances in order to provide the board some flexibility for your final decisions on the budget and tax rates during budget markup and or adoption in April of next year.

[02:39:03] This would allow the board to address items of board and community interest that you hear through public hearings and or adjust tax rates and fees. Some of the considerations as you give direction to staff is directed five-year plan balances should be recurring throughout the five-year plan.

[02:39:30] Some of those decisions that the board is confronted with during budget markup have a recurring impact. If you want to add something to the budget or if you want to reduce, reducing tax rates has a recurring impact throughout the five-year plan.

[02:39:46] So if you want that capacity on the bottom line, staff recommends it be recurring. Next, we would recommend as staff that you consider directing staff to provide those balances with the proposed budget in February, rather than with the final revenue forecast in March.

[02:40:11] Because as staff sits here, we can't guarantee you that has been the trend in the past, but we can't guarantee you that additional revenue will be realized in March. And lastly, a consideration should be given that directed five-year plan balances should not be so high that it restricts the county executive's ability to develop his proposed budget when considered in combination with the board's tax policy guidance.

[02:40:51] We respect the fact that you want unallocated balances on the bottom line, but it gets to be too restrictive, for example, if the board wanted \$20 million on the bottom line and you want to reduce the real estate average residential tax bill 2%.

[02:41:12] Can the board do that? Yes, of course. But it would become really difficult for staff to develop a proposed budget. On slide 15, we provide two options for your consideration.

[02:41:33] The first option for providing those unallocated balances would be to designate a percentage of the general revenue estimate to proposed five-year plan unallocated balances on the county side. And the table here shows what that would look like at different percentage rates.

[02:41:55] The first column is the county's FY28 general revenue estimate. The second column are different options for designating a percentage of revenue to unallocated balances.

[02:42:12] And the last column just shows you the dollar magnitude of what could be on the bottom line in available capacity for the board's use. Ranging from \$4.4 million at one half of 1% of the general revenue estimate, all the way up to \$17.5 million at 2%.

[02:42:36] The reason why those two rows are shaded in red is that's not something staff can recommend in terms of that magnitude. It becomes too restrictive. I'd be remiss if I didn't mention that if the board used this capacity to lower tax rates, that would reduce the proposed school transfer by a corresponding amount in accordance with the revenue sharing policy with the schools.

[02:43:08] okay um another option is on shown on slide 16 um as opposed to providing a percentage of the general revenue estimate to unallocated balance the board could just direct the county executive and staff uh this is the dollar amount you want we want you to leave on the bottom line um the table shows some some really nice round uh two and a half million dollar increments

[02:43:43] um that's another way of of looking at that you could tell um the county executive we want you to leave five million dollars on the bottom line in fiscal year 28 and make that recurring throughout the proposed five-year plan all right um really that's all that i have um the the slide on uh slide 18 um is just for board discussion an opportunity to ask staff questions um share

[02:44:21] your thoughts. All right, thank you so very much. This has been an excellent day. Again, I am glad that we're able to have these discussions sooner. I'm going to look around to everyone because we are tight on time. It is a quarter to five. We can go ahead and have a robust discussion, or if so, would everyone be interested in cutting supervisors' time? And the reason I say this, I don't know how many questions, so I'm looking around. Does anyone prefer discussion right now questions or cutting what i'm sorry gordy discussion la croix all right angry discussion

[02:44:57] all right bode stewart okay and i see you uh i see your thumb andrea so we are actually going to um do away with supervisors time and we don't have closed session so yay so let's get in the queue people with questions discussion points i would like us to be able to adjourn around 5 30 so that dinner and other people can come in. So with that, we've got a good 45 minutes. Who's up first?

[02:45:26] Gordy. Thank you, Madam Chair. Madam Chair, you know, last time I went to Disney World, there were these t-shirts in all the shops that said thing one and thing two. And I think fun one and fun two would be very apropos or appropriate for us. Get some t-shirts for these guys. Now, Appreciate the reality check and, you know, coming out of this past year's budget, we knew this 28 is going to be tough.

[02:45:59] We push forward the employment or the 3% pay adjustments and pay raises from 27 into 28. And that's going to lock us in and give us very little flexibility as it relates to what we're going to be able to accomplish.

[02:46:20] And I think we would all like to accomplish, you know, particularly in the line of thinking about affordability. You know, as we think about all these challenges that we have, you know, they present challenges to us as a county, but they also present the challenges to our residents.

[02:46:39] And we are not a cheap place to live to begin with. And so at the same time, I don't think we should be making steps. This is my opinion that would make living in Prince William County less affordable.

[02:46:55] but rather we should try to look for steps to try to make it more affordable. And while I've never been one to just simply want to treat symptoms, but rather create better environments for growth and to deal with the root causes of problems, much of that, it takes years for that to take place.

[02:47:17] Even if the interest rates, for instance, on a home loan, I mean, I do believe it's going to create balance in the housing market where it's just been all over the place for the past, since COVID, I do believe it will bring some rationality back to the market, but it's going to take time.

[02:47:33] It's not going to happen in one year. It could take two to three years, four years for that to happen. But nonetheless, the information that we've received today, again, I believe is a reality check. I would like to see as we go forward looking at How do we provide tax relief to our citizens?

[02:47:54] But on one slide, I did want to ask a question just for clarity. On page seven, or six and seven, you gave us six is just real estate, I mean residential, but slide seven is all real estate because we can only adjust the rate for all real estate, not just residential. My apologies for that, Supervisor Gordy. I didn't mean to turn off your

[02:48:31] mic. I do want to emphasize, yes, there is one real estate tax rate that rules them all. But the sensitivity analysis on slide seven focuses on the average residential tax bill. And do we know what the further impact would be to include the industrial? Because I mean, those property values have also been increasing significantly over the past couple of years and what that impact could be overall. So we don't necessarily have an average commercial value.

[02:49:09] Staff would rather discuss that with the board in terms of percentages, in terms of the overall. And I'm okay with that. As you know, there's just so many, I can press it all day. No, The reason for that is, as you know and very familiar with, there's just all types of commercial properties, retail, and each one is appreciating or depreciating at different rates.

[02:49:43] And there's just a wild swing by commercial type, perhaps. So, yeah. But just to emphasize on slide number seven, like I said, that is all contingent on the built-in assumption of a 3% average residential appreciation. If it looks like those values are coming in relatively flat, that would mean the existing rate of 86.5% would result in a close

[02:50:15] to flat average residential tax bill. Thank you for that. And, you know, one of the other things that we talked about uh during our last budget deliberations and we talked about trying to have a conversation about it we have yet to do that and that is the revenue sharing agreement at some point um

and so i just you know that that's another conversation that that we continue to uh continue to seems to we never get to it and so at some point i think it's worthwhile

[02:50:49] us having that conversation thank you madam chair all right we're going to do a reverse boardy we're going to do an ordi thank you madam chair thank you uh dave for the presentations and then really appreciate the granularity i actually wanted to go off of a bead that um so as a gordy started which i know is to surprise everyone but i want to dig into that a little because dave when you were talking you you mentioned how if for whatever reason the uh residential real estate uh rates don't or the the assessments don't increase by by three percent we're looking at about a delta

[02:51:24] about 60 million dollars i heard you say i just want to be very clear that is a very back of the envelope calculation um so the the value of a a real estate penny in fiscal 27 was 12.9 million right the forecast which includes three percent average residential appreciation is 13.7 million dollars per penny right if residential values come it were to come in flat that value per penny

[02:51:59] is going to come down from 13.7 million to a lesser number and when you spread that over 86 and a half pennies there's going to be a a significant uh revenue impact compared to what was programmed for fiscal 28. i appreciate that but the reason why i bring that up especially with those two things together is there's a there may be a situation correct me if i'm wrong this where it may be closer to fact for for real for residential but to Supervisor Gordy's point and because of the commercial and especially industrial increase in values that delta may not

[02:52:36] be that 60 million because we could see higher assessments and higher appreciation of the the industrial side that is absolutely correct absolutely but I as a percentage of the overall land book. Residential is still the king and queen. Understood. But I just also wanted to highlight that because as we've seen in especially recent years, especially the data center industry, the value of that real estate revenues has eclipsed the business personal property taxes and those other things. So I just wanted to mention that as well. That is correct. And so then my question

[02:53:11] there, I don't know, it goes back to an earlier slide. I had to jump back to 1C for a second, but But in terms of directives around potential revenue impact, the ones that could be positive, revenue positive, are consumer utility tax and cannabis local option.

[02:53:28] Do we have, and this might just be also a question for the county exec, when will we have any kind of lens into the potential revenues we could realize from those two sources? And is that going to be closer to when we get the budget present?

[02:53:45] Is it going to be the December timeframe for finance and budget? When are we going to be having that insight into those potential revenue impacts? Hello, Leslie Weldon, Director of Finance. For the consumer utility tax, that one is underway.

[02:54:02] We are still in the data gathering stage, but targeting having a memo out to the board by the end of November with the option if the board would like a presentation at the December FBC meeting, we could add that as well. With the cannabis local tax option may defer to the CXO, but there we are putting together a team as that one impacts multiple departments.

[02:54:29] Appreciate that. Because as was said, and I appreciate Surrey Gordy's point there, it's tight because of decisions already made because of these other issues. But we have potentially other revenue options that could help this. And I'm sure that most folks on the board, to Surrey Gordy's point, wouldn't

want to go back to taxpayers, especially residential real estate taxpayers to find more flexibility. But a consumer utility tax, depending on how we can sort of make it function, could give us more flexibility in other places where we currently don't have it. So I just wanted to add

[02:55:07] that. And then my final piece is I really appreciate the end, because I know it came up during budget this year of having some kind of uh bottom line uh uh remainder regardless of how we do it whether you do it as a signature a designated percentage of general revenue or if it's just a rote number i think that we should talk about that more as a board because frankly what happened this budget season is we got to markup we didn't really have any wiggle room to do anything and folks got cross to coin a term from some from mr fund over there um when we

[02:55:47] didn't give the county exec any indication prior to that that he should do that so to me we shouldn't be crossed with someone that we never asked to do something to begin with so i think that before we get too close to the the cxo's budget we should have a discussion sooner rather than later on what method we should do in terms of having some kind of bottom line before at the end there and more obviously more topical how much that should be because again I don't like going to markup with basically us having to scrape and fight and do all these things knowing that by the time we

[02:56:25] get there there's emergent things that we didn't know were going to be emergent during the budget cycle and two more importantly we then have to have that tension between hey we may want to lower the tax rate even further, but we have no wiggle room to do that. So I just wanted to highlight that as well. Thank you, Madam Chair. All right. Thank you so very much. We're going to go to Ingrid LaCroix. I guess Stuart Bailey, y'all want to jump in too, right? Yeah, I get my line.

[02:56:46] Okay. Okay. Bailey, and then I'll put Stuart after her. All right. Ingrid. Thank you, Madam Chair. Yeah, I'm just going to get them all out of the way too. The Economic Development Opportunity Fund, \$3 million. Is that fund empty right now?

[02:57:02] at the end of fiscal 27 it had maybe a hundred thousand dollars left okay okay at the end of 26 excuse me okay makes sense and then when you um so you've got the uh real estate tax rate reduced by 25 cents from 115 to 86.5 um this is slide um nine i can't see i don't have no glasses but basically my question is because that's until 2022 and i know covid 20 and 21 was kind of washed

[02:57:36] and so you're using 22. i'm curious what 2019 if you if you did a 2019 to now because 2019 was a really good year for the county then 2020 went haywire yeah i have that here so in fiscal year 2019 the real estate tax rate was a dollar 12.5 okay okay one 12.5 and that was sustained for fiscal year 20 and 21 and then in 22 is when the board started the march down perfect all right

[02:58:11] and then um the mitigating potential state and federal impacts um so i i attended the transportation meeting the vdot with the secretary of transportation and i was speaking with uh mr burke dick burke about you know in snow season we all were all requesting the snow plow to come out it come out a million times they eat up that budget and then in in the spring it's time to repair potholes and they don't have a budget and he was saying that they do work with localities to set aside funding so recognize we have a lot of potholes that need to repair and we're in that

[02:58:49] statewide list of things is inside of this mitigating potential state and federal impacts anything about like like a v like v that we can invest in our own future of what that will look like if we needed services faster than everyone else.

[02:59:05] So if that's not, I think that's something we definitely should be trying to talk about as we go forward, like setting aside funding for VDOT in those type of situations. That was not the original vision of this \$5 million, but if that is the will of the board.

[02:59:24] The \$5 million was in contingency in the current fiscal year was to address potential state and federal impacts, potential future federal government shutdowns. There was a big election coming up, trying to walk down the middle of the road here, but gridlock could get worse.

[02:59:48] Yeah, and I just kind of want to put that out. But also, as I mentioned earlier, it's the fuel, the parts. something i want to mention for the board is that the the annual budget does not provide inflationary increases to agency operating budgets we address it on a commodity by commodity basis other jurisdictions may have you know inflationary increases across the agencies we do not do that in prince william county that's neither a compliment nor a criticism but um we

[03:00:25] choose to tackle it on a commodity by commodity basis. Right. And I'm going to bring it up because I got to bring it up. I remember I was discussing this when we did this during COVID and we set aside some fuel and fire and rescue, 400,000, I believe it was. And none of that fell apart like we thought the world would. After all of that, do we put it back where it needs to go and spend it somewhere else? I mean, I don't know if we ever close up even that discussion, but I know we prepare for the worst, but when it doesn't happen, then what do we do to go back to reality? Is there

[03:01:00] a reset session that we have that says, okay, we planned for this, it didn't happen, now what are we doing? Well, and that's how we're able to absorb the energy, or at least the electricity cost increase in the current fiscal year. But when you have one significant increase, 20, 25 percent, And then on top of that, another 12%.

[03:01:26] That's when staff would likely recommend increasing the budget. Thank you. But when an agency requests that, the Office of Management budget works with that agency to do our due diligence to make sure it's necessary in the first place.

[03:01:42] Okay. And I do just have two more questions I don't want to eat at the time because it is on that energy piece. And I know we talked about this. When you mentioned that it went up 23%, I think you said. What slide was that? yeah 23 percent is that you're talking county like all of our county buildings you're not talking okay so my question is is the county green and what i mean by that you know uh energy efficiency and a lot of i know our older buildings probably not but what what are we doing i have we look at simply turning the light switch off you know what i mean like what are we doing for our part to make

[03:02:19] we're not just burning energy in really all of these buildings it's a very fair question um our office of our excuse me department of facilities and fleet management um the board is uh familiar with uh you know the electrification study and things like that they have already uh done a lot of a transition to led light fixtures that that's part of the reason why we are able to absorb these increases in the current budget the 23 increase if you will um but it's just if it's year after year it does reach us i just want to make sure like we are doing our part when that's

[03:02:59] efficiency and the last thing i have is when it comes to like you're talking employee compensation and i know police and fire are already unionized and have their collective bargaining we're working with general employees right now that that day is coming calling it pain because there's so much money going out there but will that negate these employee compensations that you have to do at that point

because if all three are kind of like already organized and they come in and we renegotiate what we're spending these uh compensation studies are they still needed i don't i just want to

[03:03:32] understand if that's still a part of what we yeah so uh obviously the class and compensation study recommendations that were deferred from 27 to 28. That is programmed in the five-year plan.

[03:03:49] Negotiations are underway. If those negotiations result in additional costs over and above the class and compensation study, those would have to be added to FY28. They were not planned for.

[03:04:08] I'm not on the negotiation team, but it could be more than what we have programmed. Because the class and comp studies cost us, right? I mean, we pay to get these done. I'm just, you know, everything is about a dollar, and, you know, they're going to...

[03:04:25] Anyway, okay. All right. Thanks. Thanks, Ed. All right. Thank you. Real quick, Mr. Short, is it helpful for board members to say if they prefer option one or two, or is it too soon for that? It's not necessary for today. We didn't plan on any decisions for today. All right. Thank you. Supervisor LaCroix.

[03:04:42] Thank you for your presentation. And I am not sure if I blacked out during this time, but forgive me if I did. It's \$100 million in data center income this year or the year that we're focusing on.

[03:04:59] The increases for FY27 that we are going to adjust our revenue estimate by \$100 million. Okay. From data center, computer equipment. And what was it from last year? Roughly?

[03:05:16] We were, the adopted, I believe, was it \$334 million for Business Tangible, and so we have an additional \$100 million. Okay. And I really do thank you for this, you know, shaved down and not increased in the percentage.

[03:05:32] That makes a huge difference to look at it. But what is the, what the increase is anticipated to be, and then what we have under 1C, which, Again, I'm so thankful that you guys did take, or y'all did take under consideration everything that was an important project that we want to go forward.

[03:05:56] When you take the amount, how much do we have left over for all the agencies to come in and ask us for money? Do we have enough? Do you understand my question? I do believe, yes. Am I ignorant? I really am not financially. Not at all.

[03:06:13] We're not far enough along the budget development process road to effectively answer that question for you, ma'am. Right. We'll have the general revenue estimate, a preliminary estimate in late December, January time frame, and then that's when we'll be in a better position to answer that question.

[03:06:35] Oh, okay. Because that's the thing. I want to always kind of focus on getting to a yes with people. And when you look at it, you know, what everybody's asking for, that's the part that scares me. But we have to also balance that against the tax policy direction that hopefully the board provides staff in December.

[03:06:58] Right. Okay. So we're not going to be coming at that end day. And that's budgeting in its essence. It's providing the services to a community versus their willingness to pay for those services.

[03:07:14] that's the balancing act. Right, right. Well, I just wanted to make, I think this is a great start in making sure we don't end up where we were last year. This was my first experience, and it was painful. And I just want to make sure we are able to say yes, instead of no to all the things, because I love C1, or 1C,

where you have all the things that are very, very vitally important to us and to the county. Thank you. All right, Supervisor Bailey. Thank you, Madam Chair.

[03:07:51] Supervisor LaCroix, it was painful. It was. But this is setting us on a better trajectory and having a deeper understanding of how we can do this and relieve some of that pain going forward with a deeper understanding. Because I think, first of all, let me just say kudos to all y'all for how you manage our money. You do an excellent job in how you manage our money. And with the opportunities that we have coming down the pike, as Supervisor Gordy said,

[03:08:27] it's going to be an eye-opener right now, like it was with COVID. So we've just got to hunker down and get that and use what you've just presented. So with that, I have two questions. One is on page um put my glasses on 16 option number two i like the two options that you presented but option number two you said this is why um to to leave to look just look at the bottom line of things to tell you what we want pretty much dave is what you said so my question is what's the

[03:09:07] advantage of option number two as we go through the budget process in the climate in the climate that may be may come upon us sure option two uh would in essence be uh you're directing the county executive and his staff to put a certain amount on the bottom line as part of the proposed budget that amount would be directed by the board rather than a general revenue estimate that we don't know

[03:09:40] yet under option a okay um understanding though that that money that we provide on the bottom line at the board's direction if you choose to reduce tax rates with it that will have a recurring impact throughout the five-year plan and it will impact uh the corresponding impact to the school transfer as well and that's always been the case right when the board makes decisions as part of budget budget adoption or budget markup okay okay okay so i want to thank you dave and i want also

[03:10:19] want to go back to what you said about uh building uh the new judicial center and the impact that that will have on us as we um get more judges so yes now the good news on on the judicial center expansion project is the debt service for the construction of that facility and the operating costs is already programmed in the five-year plan what what i'm what what staff referenced earlier today is is how do we accommodate new judges between now and when that facility is completely

[03:10:58] completed currently forecast in 2031 that's five years and between that now and then we could get two judges or three judges or even four but but but with that what control do we have over that i i i let me yeah sure so i'll say that we as you all know have a very good working relationship with uh with these judges uh i will tell you that bob blakely and i are in constant communication

[03:11:36] uh with the chief judge uh for general district court uh around this issue in particular so we are exploring all options we don't have anything to sort of report out now but this is a constant issue not just for the judges but the sheriff has also discussed this actually we talked about it in our budget session just a few weeks ago and so we're you know we're exploring options and we'll certainly come back to the board when we get to a place where we have some level of agreement with with the judges particularly the chief judge in terms of

[03:12:12] of what they may be willing to do in terms of changes to their operation. I'll also say on this that as we deal with the renovations at the current courthouse, there might be some pressure associated with the renovations themselves because they are continuing, and we'll provide more information on that in the coming months.

[03:12:35] But in the interim, as we think about not just the construction of a new courthouse, but the renovations of the existing courthouse, that there may be some pressure for us where we have to come back to the board. Madam Chair, members of the board, if I may just add to that.

[03:12:52] It's the General Assembly that decides whether or not to appoint another judge. But when any judicial circuit in the Commonwealth requests another judge, they have to provide statistics to say how many cases are being acted upon by a judge.

[03:13:10] each judge, and they have to show the verification as to why they are justifying their request. It goes through an analysis, and then it goes to the General Assembly. The General Assembly doesn't just appoint another judge just because someone asked for it. They have to show the data behind it.

[03:13:27] - So with, thank you, Michelle. So with that, going back to, with that in mind, going back to what Chris is saying about the collaboration that you have going on now, what impact, in terms of the board, and our relationships with the General Assembly do we have as it relates to the Judicial Center and the cost thereof?

[03:13:49] I mean, is that a triangular kind of navigation, or is there, it's just cut and dry? Does that make sense? It does, it does. I think the process of the judges making their case to the Assembly, I'm not sure that I would say that the board has any role to play there with the General Assembly.

[03:14:15] So what I was referencing in my comments is really more operational. And so once the decision is actually made, once we get indication that there will be an additional judge, what will we do to make sure that the operation at the courthouse remains smooth and that the judges can continue to hear cases?

[03:14:37] Just one last request, and then I'll be quiet. To what Ms. Weldon has said about, to my colleagues, inference to the cannabis tax and the energy tax, I would like to see a presentation in terms of that, if we could have that, and how we make a decision about incremental revenue.

[03:14:58] Thank you. Thank you so very much. Supervisor Stewart. Thank you, Madam Chair. So slide number nine, so about data centers representing about 87% of business tangible, taxable value.

[03:15:21] I've been getting some conflicting thoughts back and forth, and I'm looking for some clarity. So, you know, I think of a data center in the same context as like a pediatric dental center because they're also subjected to the C&P tax as well.

[03:15:44] And from a business standpoint, it's regressive corporately. A data center has a greater capacity for payment versus a smaller business. Is there a way to tier based on revenue?

[03:16:04] The business tangible is evaluation-based on equipment. So, yeah, there's...

[03:16:20] Well, because the feedback that I'm getting, and this was from a medical office that treats primarily children, but it wasn't dental. They were talking about how their bill went up substantially due to the CMP, the increase in CMP.

[03:16:39] And what I'm trying to find out is if there's a way to provide relief in that so that the larger industries pay a higher rate than the smaller industries.

[03:16:54] I believe we've actually received this question before, and we provided a memo that I will make sure that we look for and respond back to the entire board. I don't believe we can treat these categories of

businesses differently. Okay.

[03:17:09] but we will go back to what we provided to the board and we'll send that back out and take a note. Thank you. And that's it, actually. That's it. Yeah, I wanted to kind of keep it short. My other questions, I'll email in.

[03:17:26] Thank you so very much. And again, thank you to the staff. Thank you, Mr. Shorter. It's been great having this sooner in the budget cycle so that we all can think about our next steps and what we want to see. And I know that we'll have additional robust discussions with them.

[03:17:45] if i can get a motion to adjourn move second to properly move and second it all in favor all right we are adjourned thank you so very much



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