

## **Budget Guidance for FY 2024 and FY 2025** **May 2, 2023**

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Fairfax County Government Center on Tuesday, May 2, 2023, the Board approved the following Budget Guidance for FY 2024 and FY 2025:

### **Fairfax County Public Schools (FCPS)**

The Board appreciates the continued partnership between the Board of Supervisors and the School Board, as well as between the management and staff of both organizations. This spirit of cooperation has once again led to the full funding of the Schools' recurring requirements. With limited projected revenue growth in FY 2025, next year is shaping up to be a difficult budget year. The County Executive is directed to build his FY 2025 proposal by focusing on the needs of each organization, which are expected to continue to include a focus on employee compensation, while balancing spending with maintaining affordability for taxpayers.

### **State Budget**

Collaboration with the Schools will also be required as we address any changes in the state budget. While the General Assembly continues its negotiations, we are optimistic that a compromise will be reached that includes additional funding for localities. It is hoped that any additional funding received from the state will allow the County to divert current General Fund resources to other shared County and Schools priorities such as adolescent mental health services and affordable housing initiatives. Staff is directed to report back to the Board on additional funding and any recommended changes in funding allocations as part of the *FY 2023 Carryover Review*.

### **Children and Adolescent Mental Health**

We are facing an unprecedented mental health crisis among children and adolescents. The rates of childhood mental health issues have been steadily rising over the past decade; however, the COVID-19 pandemic has further exacerbated the challenges. The American Academy of Pediatrics, the Children's Hospital Association and the American Academy of Child and Adolescent Psychiatry have issued an urgent warning declaring the mental health crisis among children and adolescents so dire that it has become a national emergency. We must take action now. Therefore, our highest priority is to enhance our mental health system with a focus on children and adolescent mental health. The County is already taking major steps. Last year, at the direction of Chairman Jeff McKay and Supervisor Dalia Palchik, the Roundtable on Youth Mental Health and Substance Use was convened. The Roundtable delivered a set of recommendations which are in progress now. Through this Budget Guidance, the Board is advancing the County's efforts by directing the Fairfax-Falls Church Community Services Board (CSB) to develop a carryover recommendation for a more robust mental health system. This should include the utilization of any additional funding received from the state as well as CSB year-end balances.

### **Employee Pay and Collective Bargaining**

Negotiations are underway with two employee unions, following the election of representatives for the Fire and Emergency Services and Police bargaining units. We anticipate that more employees will be at the bargaining table this time next year, as groups continue to work toward an election in the General Government bargaining unit and the School Board has approved its own collective bargaining resolution. With increased employee involvement, the Board anticipates the development of collaborative solutions

to acknowledge and reward employees, as well as further improve the quality of services delivered to residents, while understanding the fiscal constraints of the budget. FY 2025 pay adjustments for many of our County employees will be set by agreements that are reached through collective bargaining with approval by the Board in December 2023. However, there will be a large portion of our workforce that will not be covered under one of these agreements, and it will be important for the County Executive to develop a FY 2025 proposal that provides equity in pay and benefits to those employees.

### **Affordable Housing**

Fairfax County is committed to producing and preserving affordable homes. The Board has adopted the goal of producing a minimum of 10,000 new affordable homes by the year 2034. Continued capital investments are necessary to meet this goal. Baseline funding of \$31.4 million is currently included in the budget, equivalent to one penny on the Real Estate Tax rate. Including the actions taken by this Board as part of the *FY 2023 Third Quarter Review*, one-time funding of \$75 million has also been allocated since FY 2022 for this important initiative. This one-time funding is a combination of utilizing \$45 million in federal stimulus funds and \$30 million from one-time General Fund balances. It is hoped that this funding will have a significant impact on meeting the 10,000 new home goal. However, we need to continue to build baseline funding in order to maintain a long-term funding strategy. The County Executive is encouraged to add recurring resources in FY 2025 with the goal of reaching a total investment of two pennies on the Real Estate Tax rate by FY 2027.

The provision of affordable housing is only one aspect of the Board's priority; the other is to ensure that sufficient wrap-around services exist for the occupants of that housing. This is most often provided by our non-profit partners, however the funding for these services has often lagged the need. To better address these needs, it is directed that the ongoing cost for these services be included in the initial conversations about developing units, and the costs be planned for in the appropriate future operating budgets. Similarly, the Board recognizes that additional resources for affordable housing will require additional County staff support in order to utilize the funding in a timely manner. Therefore, the County Executive should include a recommendation to address the additional workload as part of the FY 2025 budget.

As we advance our housing goals, it is important that we take action to preserve the affordability of our manufactured housing communities. The Board is pleased that this budget establishes a manufactured housing coordinator position to support the recommendations of the Manufactured Housing Task Force. Staff should engage with the residents of these communities to ensure that they are aware of the programs available to them, such as the County's manufactured home repair program, and should track participation in the program and return to the Board with additional recommendations if resources are not adequate to address need. Staff should also seek opportunities to utilize our allocations to affordable housing preservation for manufactured housing community acquisition.

### **Parks**

The Advertised Budget included funding for several of the top priorities of the Fairfax County Park Authority (FCPA). Parks funding was further supplemented with an additional \$6.5 million included as part of the *FY 2023 Third Quarter Review*, directed primarily towards capital projects. Third Quarter funding was also identified for the management of the natural areas of our parks through forestry operations and bamboo mitigation, and Board action on the FY 2024 budget adds a total of four new positions that are needed to expand these efforts. The County Executive is encouraged to identify baseline funding in FY 2025 for the operational costs of the programs that these new positions will support.

FCPA maintains and operates 420 parks and nearly 24,000 acres of parkland. Providing adequate park security over this vast area is a daily challenge that is necessary to ensure that our residents feel safe while enjoying our parks. The Fairfax County Police Department (FCPD) responds to calls at parks facilities throughout the County but has recently faced the same workforce shortages that other law enforcement agencies across the country are experiencing. The Board therefore requests that County staff, with representatives from both Parks and FCPD, initiate a review of options to expand the presence of law enforcement within our park system, including the proposed park ranger program, and return to the Board with recommendations.

A total of \$1 million has been added to the Parks baseline budget since FY 2023 to further equity initiatives and an analysis is currently underway that will provide recommendations for greater access to park programs and a more equitable service delivery model. The Board looks forward to the results of this study, which will be presented to the Board as part of a Health and Human Services Committee meeting. Continued FCPA progress towards our One Fairfax goals will require additional investments from the General Fund as well as other sources such as the Park Foundation. The Board hopes that the implementation of mobile nature centers in FY 2024 can serve as a model for future efforts to leverage a variety of financial resources and potential sponsorships to support equity projects.

To further the already strong collaboration between the Board of Supervisors and the Park Authority Board, members of the Park Authority Board are encouraged to coordinate with their District Supervisor in fall 2023 to discuss budget issues in advance of the preparation of the FY 2025 Advertised Budget Plan. This will provide an opportunity early in the budget process to discuss parks priorities within the context of early staff projections of FY 2025 revenues.

### **FY 2025 Budget Development**

The FY 2025 Multi-Year Forecast, included in the FY 2024 Advertised Budget Plan, presents a relatively bleak outlook for the next budget. Total General Fund revenues are projected to increase just over one percent, attributable primarily to the largest revenue driver – residential real estate – projected to be flat over FY 2024, based on the anticipated continuation of higher mortgage rates. With this challenging FY 2025 forecast, it is imperative that all options to generate and diversify county revenues be explored, but also focus on identifying expenditure savings or moderating expenditure growth. Therefore, the County Executive is directed to undertake a comprehensive review of rates and fees as part of the FY 2025 budget. This examination should include an analysis of the taxing authorities available to the County, and options which may be implemented to reduce pressure on the Real Estate Tax rate. Additionally, as no challenging budget year is addressed solely by focusing on revenues, the Board directs the County Executive, as part of the development of next year's budget, to continue to scrutinize current services and programs to evaluate efficacy and determine further efficiencies or savings that could be achieved. The Board appreciates the work done by County leadership and all County employees to strive consistently to meet residents' needs through the most efficient and cost-effective means. The creativity regularly employed by staff to streamline processes and innovate with technology helps to curb cost increases and identify savings that can be reinvested for other priorities. These actions have helped to minimize operating cost increases in recent years across the County, and similar efforts will be needed to address the fiscal challenges ahead.

**I now move the Budget Guidance that I just reviewed, which will help direct the FY 2025 budget process.**