

The City of Fairfax

Office of the City Manager



Impacts of Pandemic and Economic Downturn on the Fiscal Year 2021 Adopted Budget*

As the COVID-19 pandemic escalated in March of 2020 it became evident that reaching revenue assumptions as provided in the Proposed Budget were unlikely. To address the economic uncertainty as a result of the pandemic, the City took immediate action to reprogram its Proposed Budget to accommodate potential losses in revenue. The City Manager's Revised Budget provides the fiscal and organizational flexibility to manage the unknown economic impacts of the COVID-19 pandemic, while continuing to prioritize current operations and the City's 5 year capital program. The Adopted Budget eliminated tax rate increases and zeroed out the Old Town Service District tax altogether, reducing the proposed tax burden to its citizens and businesses. To offset what may become a protracted economic downturn, proposed operating and capital expenditure budgets were significantly streamlined while funding for initiatives and other proposed increases were frozen and held in reserve. Expenditure budgets held in reserve will remain frozen until Council directs staff to unfreeze reserve accounts when and if funding becomes available. Quarterly budget updates will be provided to Council along with recommendations about when and to what effect to unfreeze budgets held in reserve.

Future Steps



* Addendum to City Manager's Recommended FY21 Budget Transmittal Message, dated February 25, 2020

Revisions to Proposed Tax Rates

For FY21 Recommending:

RETAIN FY20 RE TAX RATE OF \$1.075

Proposed real estate tax
 rate increase of \$0.03

ELIMINATED

**SET OLD TOWN SERVICE
 DISTRICT AT \$0.00**

(A REDUCTION OF \$0.06 FROM FY20 RATE)

Proposed Old Town
 Service District rate of \$0.06

ELIMINATED

RETAIN FY20 STORMWATER RATE OF \$0.03

(INCLUDED IN THE \$1.075)

Proposed stormwater tax rate
 increase of \$0.0025

ELIMINATED

Effects of Economic Downturn

Effects of Economic Downturn

Revised
 FY21 Budget
 Based on

Downturn Duration	Recovery Begins <small>Assumes 3 months</small>	Projected Shortfall
12 Months	July 2021	(17,669,841)
9 Months	April 2021	(15,711,287)
6 Months	January 2021	(11,539,108)
3 Months	October 2020	(7,529,654)

Short-Term CIP Financing

Short-Term CIP Financing

- **Financing \$6M** (net amount available \$5.8M) in CIP Funding through Short-term Borrowing
 - Facilitates Year One of Six-year CIP Financing Plan
 - Provides capital funding required to adequately protect the City's investment in infrastructure.

- **Plus \$1M in cuts to the following CIP Projects**
 - Schools Capital Project, All Hazards Safety & Security Program, Vehicle and Equipment Replacement, Performing Arts Feasibility Study, Annual – General Park Asphalt Resurfacing, City Sidewalk & Handicapped Ramp Replacement, Street Repaving

- **Short-Term borrowing reduces General Fund transfer requirement to CIP by \$5.8M**
- **Improves General Fund cash flow**

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Projected Shortfall to Proposed Budget and Adopted Adjustments

Adjustments to FY21 Proposed Budget	Reductions	% of total GF Budget
Projected Shortfall	(\$17,669,841)	(11.5%)
Budget Cuts	\$3,499,000	2.3%
Budget Expenditures Held in Reserve:		
School Tuition (contractually obligated if invoiced)	\$ 470,000	.3%
FY21 Initiatives/Increases	\$2,650,000	1.7%
FY21 Proposed Budget – Operations	\$1,131,261	.7%
FY21 Proposed Budget – Personnel Actions ²	\$1,900,000	1.3%
Parks & Recreation & Other Fee Based Operations (Labor, Materials, Program Costs)	\$1,700,000	1.1%
TOTAL BUDGET EXPENDITURES HELD IN RESERVE	\$7,851,261	5.1%
Deferred Real Estate Tax rate of \$0.03 to FY22 (1/2 year impact – FY21) ¹ \$0.03 on rate or equivalent tax base growth.	\$984,581	.6%
Short-term Borrowing - FY21-25 CIP ³	\$5,335,000	3.5%
Balanced Budget	\$0	

FY21 Budget Shortfall

@ \$1.075
 12 Month Downturn,
 Recovery During FY22 ¹

Footnotes:

1. Evaluated 3, 6, 9, & 12 month downturn scenarios. 12 month scenario is the most conservative/reasonable option.
2. Excludes critical positions in public safety and general operations (i.e. Refuse, Economic Development, Project Management, etc.)
3. Short-term borrowing – reduces operating cost, maintains the fund balance, provides cash flow and is multi-year. Not available to fund personnel/operations costs. Line-of-Credit does not support maintaining fund balance nor reduce operating costs.

Cuts to Proposed Budget

FY21 Budget Shortfall @ \$1.075 12 Month Downturn, Recovery During FY22

Budget item	Reduction
School Tuition - City Schools Adjustment	\$1,499,000
FY21 Capital Budget (CIP)	\$1,000,000
Schools Capital Project	\$260,000
All Hazards Safety & Security Program	\$150,000
Vehicle and Equipment Replacement	\$125,000
Performing Arts Feasibility Study	\$20,000
Annual – General Park Asphalt Resurfacing	\$25,000
City Sidewalk & Handicapped Ramp Replacement	\$60,000
Street Repaving	\$360,000
Misc., Operating Costs, Materials, Supplies, Etc.	\$200,000
Travel Training	\$200,000
Utilities	\$400,000
Fuel	\$200,000
TOTAL CUTS TO FY21 BUDGET	\$3,499,000

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Balanced Budget	\$0

Budget Expenditures Held in Reserve

FY21 Budget Shortfall @ \$1.075 12 Month Downturn, Recovery During FY22

FY21 Initiatives/Increases	Dollars
Employee Merit – 3.5%	\$700,000
Added Positions – 5.6 FTEs	\$710,000
Compression Relief	\$390,000
Two Small Area Plans	\$500,000
Contract Services	\$350,000

Operations Held in Reserve	Dollars
Misc., Operating Costs, Materials, Supplies, Etc.	\$650,000
Renaissance Housing Corporation	\$200,000
Procurement Savings/Revenue Generation	\$150,000
Use of Fund Balance (FY20 Surplus)	\$131,261

Personnel Actions Held in Reserve	Dollars
Hiring Freeze ²	\$450,000
Eliminating Temporary Employees ²	\$350,000
Furloughs/Layoffs/Retirements ²	\$455,000
Suspending Two Holidays	\$70,000
Freezing Overtime ²	\$575,000

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Live

Added Positions Requested in Proposed Budget, Held in Reserve

Additional Positions Originally Proposed in FY21 Budget \$710,000

- 0.25 Administrative Assistant (Fleet Maintenance)
 - converts a part-time position to fulltime.
- <1.0> Emergency Management Specialist
 - (Fire Code Administration - reduction)
- 1.0 Urban Forester (Stormwater Fund)
- 0.5 Economic Development Specialist (Economic Development)
- 1.0 Business Development Manager (Economic Development)
- 0.6 Historic Resources Specialist I (Historic Resources)
- 1.0 Business Application Manager (City Manager's office)
- 0.25 Special Events Coordinator (Parks Special Events)
 - converts a part-time position to full-time.
- 1.0 Environmental Program Specialist (Refuse)
- 1.0 Assistant Fire Marshal (Fire Code Administration)

Hiring Freeze/Vacant Positions Held in Reserve

Hiring Freeze/Vacant Positions \$450,000

- Positions Currently Frozen
 - Fleet Technician
 - Auto Parts Assistant Manager
 - Truck Driver I – Asphalt
 - Utility Worker II – Sewer Line
 - Communications Director
 - Historic Resources Director
 - Zoning Technician
 - Real Estate Appraiser II
- As vacancies open each will be reviewed and considered as part of this process.

Contract Services Held in Reserve

Contract Services Impacts

\$350,000

Contract service impacts to:

- The City Manager's Office,
- Communications,
- Department of Public Works,
- Parks & Recreation,
- Historic Resources,
- Police,
- Fire & Rescue,
- Human Services

= \$350,000

The City of Fairfax

Office of the City Manager



February 25, 2020

The Honorable Mayor and Members of the City Council
City of Fairfax, City Hall
10455 Armstrong Street, Suite 316
Fairfax, Virginia 22030

RE: City Manager's Recommended FY21 Budget Transmittal Message

Dear Mayor Meyer and Members of City Council,

On behalf of City staff, I am pleased to present the City Manager's recommended Fiscal Year 2021 (FY21) budget. The recommended FY21 budget contains the necessary personnel, operating and capital resources to:

1. Make significant progress fulfilling both the Mayor and City Council's Vision included in the adopted 2035 Comprehensive Plan and the Old Town Vision developed in Fall 2019 by the Mayor and Council's Old Town Visioning Committee;
2. Continue implementing the adopted 2018 – 2020 Strategic Goals (Economic Development, Governance, Neighborhoods, Transportation and Redevelopment) by providing additional resources for:
 - Economic development and small area planning;
 - Achieving the City's adopted environmental and sustainability goals;
 - Completing multi-modal transportation improvements, including expedited City-wide LED street lighting, to enhance mobility and walkability; and
 - Effecting a more consistent, streamlined business experience for those who interact with City government.
3. Implement the FY21 – 25 Capital Improvement Program (CIP) by:
 - Recommending a FY21 General Fund Capital Budget of \$12,916,892, an increase of 60.7 percent from the FY20 amount of \$8,038,362.

City of Fairfax Vision

Fairfax City is a vibrant, livable, 21st-century community with a strong, sustainable economy that supports walkable, safe and convenient access to the natural and built environment.

Old Town Fairfax Vision

A vibrant destination for all people to connect, innovate, and share unique experiences.

4. Provide a multi-year fiscal plan that funds the FY21 – 25 CIP of \$102,522,401, maintains the City’s 12 percent undesignated fund balance, creates an additional capital project reserve fund that will also augment the City’s Undesignated Fund Balance, all while maintaining the City’s “AAA” bond rating.
 - Recommend a plan to fund the Van Dyck Park Master Plan preparation in FY24 as a part of the FY21 – 25 CIP, with subsequent construction in FY26 of \$10M in improvements.

PRAB CIP
Priorities and Fiscal Years Funded

- Sherwood/Willard Community Center – FY 22, 23
- Van Dyck Master Plan – FY24, 26
- Thaiss Field Renovations - FY23
- Lanier Middle School Turf Complex – FY23

Planning Commission CIP
Priorities and Fiscal Years Funded

- Performing Arts Study – FY21
- Sherwood/Willard Community Center – FY22, 23
- Comstock Trail Design– FY20
- Residential Sidewalk Program – FY21,22,23,24,25

5. Fully fund the City School Board’s adopted FY21 budgeted contract with Fairfax County Public Schools in the amount of \$53,314,927. The FY20 budgeted amount was \$48,287,277.

The City of Fairfax, similar to many other jurisdictions in the region, faces a challenging balancing act. Our residents, businesses and community partners expect us to fulfill the Mayor and City Council’s adopted Strategic Goals of:

- Advancing the economic health of the City;
- Stimulating and supporting targeted redevelopment;
- Improving the City’s multimodal transportation system;
- Enhancing the quality of neighborhood living; and
- Modeling successful municipal governance.

Old Town Fairfax Guiding Principles

- Build strong partnerships
- Grow business
- Enhance culture
- Provide convenient and safe accessibility and connectivity
- Create unique experiences

The City consistently delivers outstanding value even though revenue growth has been limited partially because the tax base is constrained by our size (6.24 square miles), density and existing development characteristics.

Assessment to Sales Ratio
The City’s ratio of over 97% is the highest in Northern Virginia.

City-wide real estate valuation has increased on average 2.62 percent annually over the last ten years. Since real estate taxes comprise 49.8 percent of the City's General Fund revenues, this is a significant concern now and in the future. Compared to six other Northern Virginia jurisdictions, (two cities and four counties), the City's January 2019 to January 2020 real estate valuation growth, despite being significantly stronger than last year's growth rate of 1.3 percent, is still below average. The regional average growth rate was 4.28 percent with the highest growth rate at 4.90 percent. The City of Fairfax growth rate was 3.95 percent, which includes 1.97 percent of new construction and 1.98 percent growth of existing properties.

The FY21 recommended budget provides the resources to continue our recent economic development progress. However, to equal or exceed Northern Virginia's annual average rate of growth, we must continue to be focused, collaborative, creative and persistent to leverage our opportunities while overcoming our inherent challenges.

The recommended FY21 budget proposes increased investments to support several ongoing and newly identified opportunities/initiatives while providing funding for a number of fiscal challenges. \$8.2 million in increased funding is proposed to support General Fund operations and Capital Fund programming. The additional General Fund expenditures reflect increases in the school tuition contract (\$5.0m), strategic human resource additions and organizational support (\$1.7m), and an expanded CIP (\$1.8m). Increased real estate tax revenue (\$2.0m, \$0.3 cent rate increase, \$3.3m increased assessed value) is the main funding source supporting the increase in FY 2021 expenditures. Funding increases in organizational and human resources and the City's capital plan are recommended to provide the City with the resources and infrastructure needed to support and stimulate commercial growth and advance the City's economic development programming in an immediate, impactful and sustainable way. This budget fully funds City Schools' requests and initiatives in addition to promoting City Council's goals by investing in projects and programs designed to improve the experience (quality of life) for its citizens while improving the environment in which we all live. This budget provides the investment and creates the foundation for the City's long-term economic development plan while boosting the City's overall cash reserves, a best practice recommended by the City's financial advisors.

Overall Real Estate Equalization

- 3.95 percent growth (new and existing construction) from January 2019 to January 2020.
- Despite being the most significant increase in over a decade, 3.95 percent growth is below the regional average of 4.28 percent for January 2019 to January 2020
- Goal for January 2021: equal or exceed the Northern Virginia Region's annual average rate.

Proposed Rate Changes for FY 21

- Recommended real estate tax rate increase of \$.03 plus an additional \$.0025 for stormwater.
- Of the FY 21 recommended \$.03 tax rate increase, \$.0257 offsets the unbudgeted FY 20 City Schools need of an additional \$1.7M.
- Total recommended real estate rate increase of \$.0325 raises the current tax rate from \$1.075 to a proposed rate of \$1.1075.
- In FY21 one penny on the real estate rate will be equal to \$656,500.
- Recommended FY21 waste water rate increase of 8 percent.

The recommended budget is designed to advance Council directives and goals by investing in the following:

1. Economic Development and Redevelopment

The FY21 Budget provides additional resources to create and implement strategies for key commercial centers - specifically to fund the development and completion of two additional small-area plans in either the Fair City, Fairfax Circle or Kamp Washington commercial activity centers. A primary focus of the FY21 budget is to continue the momentum from FY20 that resulted in a one year commercial tax base increase of 6.25 percent (the FY20 budget funded the small area planning work currently underway in Old Town and Northfax). Redeveloping additional City commercial activity centers will accomplish this goal (\$500,000 General Funds).

74 City of Fairfax/GMU
Partnership Initiatives

2. Transportation and Neighborhoods

The FY21 budget provides significant resources to enhance City neighborhood and multi-modal transportation infrastructure.

- The Old Lee Highway Multimodal Improvements Project will advance to 60% design plans as we work with an engaged stakeholder advisory team;
- Design of the Jermantown Road Multimodal Improvements Project will commence;
- George Snyder Trail design will be wrapping up and construction will start in FY22;
- Design for the Pickett Connector Trail and Warwick/McLean/Fairfax Boulevard intersection improvements will begin;
- Development of the Bicycle Plan will be in full swing (funding adopted in FY20);
- Design and implementation of four bike share stations in downtown will begin in collaboration with George Mason University;
- The Fire Station #33 Trail, which will connect Old Lee Highway neighborhoods to Fairfax Boulevard via an off-street connection, will be submitted for Smart Scale funding consideration;
- A sidewalk on the west side of Chain Bridge Road between Taba Cove and Fairfax Boulevard will be submitted for Smart Scale funding consideration;
- Construction will occur on the Judicial Trail Connection;
- Northfax East Roadway (University Drive Extension) will be advertised for construction;
- Northfax West Roadway design will be finalized in coordination with adjacent redevelopments;

Transportation Revenues

- City has been awarded approximately \$130M in state, local and regional transportation funding since 2016.
- Applying for an additional \$42M in FY20.
- Receipt of funds does not occur immediately after award (ranges from 1-6 years) and then spending occurs over many years.
- Projects range in size from small (install of EV chargers for \$50K) to very large (Old Lee Highway Multimodal Improvements for \$25M).
- Funding is reimbursement based.

- Construction will occur for the University Drive Traffic Calming Improvements;
- Residential sidewalk construction will occur on Hallman Street and Jones Street along with a neighborhood connection between Hill Street and Fairfax Marketplace;
- Six replacement CUE buses will roll in near the end of the year;
- Technology and access improvements to CUE stops will be designed and implemented;
- Design efforts will wrap up for Government Center Parkway Extension;
- Construction will occur to spot widen downtown sidewalks on Chain Bridge Road and Old Lee Highway;
- Design will commence on a new downtown sidewalk on Sager Avenue;
- Construction will occur to install a missing link of sidewalk on the east side of Chain Bridge Road between Kenmore Avenue and Jenny Lynne Lane;
- Address aging infrastructure and regulations from the federal and state governments regarding storm-water management (additional 0.25 cents or \$164,097 on the real estate tax rate for a total allocation of 3.25 cents);
- Provide funding for the LED Streetlight Conversion capital project. This program is scheduled to provide funds in FY21 to convert more than 2,600 electric streetlights to light-emitting-diode (LED) technology. Once completed, the conversion is projected to reduce the City's yearly carbon footprint by 800 metric tons of CO₂ while reducing the City's energy consumption by an estimated \$100,000 annually (\$550,000 financed in FY21); and
- Provide funding to the Lamb Center for a daytime drop-in meant to serve the most vulnerable residents of the City and the area (\$72,000, General Fund).

3. Governance

The FY21 Budget:

- Achieves desired cash reserves (12% of General Fund revenues) in the General Fund, providing enhanced fiscal health aimed at retaining the City's "AAA" bond rating as adopted in the City Council's Financial Policies.
- Recommends a net increase of 5.6 full time equivalent (FTE) positions (4.6 net General Fund supported FTEs). 6.6 FTEs are new with the reduction of one FTE. FTEs will support Economic Development, Environmental Sustainability, Urban Forestry, Business Applications, Historic Resources, Fleet Maintenance, Parks and Recreation and the Fire Marshal's Office.
- Recommends a 3.5 percent merit increase, a 2.5 percent Market Rate Adjustment (MRA) to the pay plan (total cost of \$715,000 to the General Fund) and \$300,000 to

Staffing and Organizational Recommendations

- Pay closer attention to support functions – HR, procurement, business applications, communications and safety/risk management
- Support performance management, professional/leadership development and career paths for staff
- Update and standardize human resources policies and procedures
- Focus on process improvements, standardization, application support and online services to provide a better resident and businesses experience
- Save time by reducing redundant and manual efforts.

convert police, fire and rescue to a step system and to alleviate pay compression City-wide. These recommendations will allow the City to maintain parity with the Northern Virginia region and support our recruitment and retention efforts.

In closing, this budget positions the City to advance Council goals in Economic Development, Redevelopment, Transportation, Neighborhoods and Governance.

The budget does require additional tax revenues to maintain the City's high level of services in addition to supporting the investments outlined above. The recommendation of any tax-rate increase is always a serious matter and only advised if considered absolutely necessary. In preparing this budget, the cost of the proposed investments was weighed against the future cost of not investing now. The proposed funding, as outlined in the FY21 budget plan, is meant to plant the economic development "seed" needed to ensure a financially stable and vibrant City of Fairfax for generations to come.

I want to thank the Mayor and City Council for their leadership and expectation of excellence for the organization.

There are many people to thank for their hard work in the preparation of this document. The principal responsibility lies with the City's Chief Financial Officer, David Hodgkins and the Budget Manager, Kerry Kidd. There are many others who contributed substantively to the completion of the budget and they are acknowledged on page A-39.

Respectfully submitted,
Robert A. Stalzer
City Manager