

# The City of Fairfax

Office of the City Manager



February 23, 2021

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 FY22 Budget Transmittal

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 2022 (FY22) Budget. FY22 expenditures for all funds total \$183,577,362. FY22 General Fund expenditures are \$154,514,318. This budget gets us significantly "back on track" from where we were pre-COVID and contains the necessary personnel, operating and capital resources to:

1. Make significant progress fulfilling the Mayor and City Council's Vision included in the adopted 2035 Comprehensive Plan while holding ourselves accountable to our organizational Core Values of Safety, Diversity, Integrity, Excellence, Collaboration, Professionalism and Compassion.
2. Implement the adopted 2020 – 2022 Goals (Economic Development, Governance, Neighborhoods, Transportation and Redevelopment) by providing resources to:
  - Facilitate economic development and small area planning, resulting in a more diverse, balanced, and resilient economy; and
  - Facilitate becoming a more environmentally sustainable community by clarifying organizational structure, roles and responsibilities and by creating an urban forester position; and
  - Complete multi-modal transportation projects (\$171M awarded since 2016) to improve City-wide safety, mobility and walkability as well as accelerating redevelopment and economic development; and
  - Implement the joint City/County redevelopment of the Willard Center and the Sherwood Community Center Complex as set forth in Resolution NO. R-21-03 adopted unanimously by City Council on January 26, 2021; and
  - Modernize the City organization by focusing more on human resources, specifically recruitment, retention, and compensation; organizational and career development; organizational, team and individual performance; equity and fairness.
3. Implement the FY22 – 26 Capital Improvement Program (CIP) by:
  - Recommending a FY22 General Fund Capital Budget of \$17,730,219, an increase of 68.4 percent from the FY21 amount of \$10,526,401.

## City of Fairfax Vision

In 2035, the City of Fairfax has a strong, sustainable economy that supports a vibrant 21st century community

## Core Values

Safety  
Diversity  
Integrity  
Excellence  
Collaboration  
Professionalism  
Compassion

4. Provide a multi-year fiscal plan that funds the FY22 – 26 CIP of \$272,307,538, maintains the City’s 12 percent undesignated fund balance, creates the opportunity to fund an Economic Development Opportunity Reserve, Fund Balance Reserve, CIP Reserve and School Tuition Reserve that could augment the City’s Undesignated Fund Balance, all while maintaining the City’s “AAA” bond rating.
5. Fully fund the City School Board’s adopted FY22 budgeted contract with Fairfax County Public Schools in the amount of \$53,480,000. The FY21 adopted budgeted amount was \$51,345,927. The updated FY21 estimated cost is \$52,245,927.

The City of Fairfax, like many other jurisdictions in the region, faces a challenging balancing act. The Mayor and City Council, City staff, our residents, businesses and community partners have high expectations regarding:

Overall Real Estate Equalization

- 3.17 percent growth (new and existing construction) from January 2020 to January 2021.
- The regional average was 3.66 percent for the same time period with a range of 2.2 to 5.79 percent

Proposed Rate Change for FY 22

- Recommended real estate tax rate increase of \$.005 dedicated for stormwater. (The City’s Stormwater Fund receives \$0.03 in dedicated General Fund revenue but has about \$0.064 in actual General Fund expenses.)
- Total recommended real estate rate increase of \$.005 raises the current tax rate from \$1.075 to a proposed rate of \$1.08.
- In FY22 one penny on the real estate rate will be equal to \$680,626.
- Recommended FY22 wastewater rate increase of 6 percent.
- OTSD recommended rate of \$0

FY22 Organizational Recommendations

- Support functions are key – HR, procurement, grants management, business applications, communications and safety/risk management
- Improve performance management, organizational development and staff career paths
- Modernize position descriptions, HR recruitment and retention practices
- Focus on process improvements, to provide a better resident and businesses experience
- Save time and costs by simplifying, reducing or eliminating redundant and manual efforts.

- Improving 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.

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.

The City’s FY21 tax rate of \$1.075 is by far the lowest compared to the other Northern Virginia cities and towns. The City of Alexandria is the closest at \$1.13. Fairfax County is \$1.201

Compared to five other Northern Virginia jurisdictions, (two cities and three counties that have reported data as of February 22), the City’s January 2020 to January 2021 real estate valuation growth rate of 3.17 percent is below the average of 3.66 percent for those five jurisdictions, which ranged from 2.2 percent to 5.79 percent. The City growth rate of 3.17 percent includes 2.71 percent of new construction and 0.46 percent growth of existing properties. Since real estate taxes comprise 50 percent of the City’s General Fund revenues, growing the tax base is imperative. The FY22 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 FY22 General Fund Budget proposes relatively significant expenditure increases (\$18.9m, 13.9%) over the FY21 Adopted Budget. Because the FY21 Adopted Budget was developed to conservatively address the economic uncertainty caused by the Pandemic, the operating and capital expenditure budgets were significantly reduced while funding for initiatives and other proposed increases were unfunded and held in reserve. The proposed increases to the recommended FY22 Budget are designed to expedite the normalization and improvement of, not

just City operations but quality of life and our economic environment. The FY22 proposed funding plan positions the City to support economic recovery and resilience and to stimulate and grow the City’s commercial base in an impactful and sustainable way. The Proposed FY22 Budget restores City efforts at pre-COVID-19 levels by increasing funding for core operations, services and programs (\$5.5m), funding deferred initiatives (\$2.4m) and subsidizing the estimated increase in the school tuition contract (\$2.1m); and providing the minimum investment needed to support the City’s long-term CIP (\$8.9m). The FY22 increase in expenditures is funded by projected revenue increases from real estate assessments (\$1.9m), other local taxes (\$8.7m), State Aid for Schools (\$1.5m), parks & recreation fees (\$2.0m) and use of fund balance (\$4.4m).

Transportation Revenues

- City has been awarded approximately \$171M in state, local and regional transportation funding since 2016.
- Applying for an additional \$41M in FY21.
- 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.

\$18.9m (13.9%) does not represent a normal annual budget increase. Because the FY21 Adopted Budget

reflects the full impact of the Pandemic and related economic downturn, it is not necessarily the best barometer to use when assessing the FY22 Proposed Budget. The FY22 Proposed Budget reflects a healthier and safer environment and economy, and is more in line with the pre-COVID FY21 Proposed Budget. The Proposed FY22 General Fund Budget increased (\$0.9m, 0.6%) over the Proposed FY21 General Fund Budget. Though the FY22 General Fund Proposed Budget is nearly 14% greater than the FY21 General Fund Adopted Budget, it is commensurate with the FY21 General Fund pre-COVID proposed budget and reflects a spending plan that continues to support the City Council’s goals as originally envisioned in the Proposed FY21 Budget.

The FY22 Budget recommends a net increase of 6.375 full time equivalent (FTE) positions (4.375 General Fund supported FTEs of which .625 were requested by City Schools). FTEs will support Economic Development, Urban Forestry, Human Resources, Fleet Maintenance, Finance, Waste Water and Schools.

The FY22 Budget recommends a 3.5 percent merit increase and a 2.3 percent market rate adjustment (MRA) to the pay scale (total cost of \$694,000 to the General Fund). These recommendations insure greater parity within the Northern Virginia region and support our recruitment and retention efforts. (I will also be recommending that City Council consider releasing FY21 monies held in reserve to fund a 2 percent merit and MRA effective May 1<sup>st</sup> .

The budget recommends additional resources to support the City’s Stormwater Fund. The recommendation of any rate increase is always a serious matter and only proposed if absolutely necessary. In preparing this budget, the cost of the proposed stormwater investments was weighed against the future cost of not investing now, especially regarding current compliance and regulatory requirements. The possibility of a future Stormwater Utility Fund in 2022 was considered during the tax rate determination.

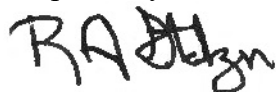
In closing, this budget positions the City to implement the adopted 2020 – 2022 Goals of Economic Development, Redevelopment, Transportation, Neighborhoods and Governance.

The proposed FY22 expenditures of \$183,577,362 for all funds and \$154,514,318 for the General Fund are meant to get us back on track and plant the “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 as well as the core budget team of Julie Moran, Patti Innocenti, Christine Johnston, Sara Greer and Melanie Crowder. 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