CLERK'S BOARD SUMMARY

REPORT OF ACTIONS OF THE FAIRFAX COUNTY BOARD OF SUPERVISORS

TUESDAY
May 6, 2025

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Budget Mark-up Session **09-25**

SA:sa

At a Budget Mark-up meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Government Center at Fairfax, Virginia, on Tuesday, May 6, 2025, at 9:31 a.m., there were present:

- Chairman Jeffrey C. McKay, presiding
- Supervisor Walter Alcorn, Hunter Mill District
- Supervisor James N. Bierman, Jr., Dranesville District
- Supervisor Patrick S. Herrity, Springfield District
- Supervisor Andres F. Jimenez, Mason District
- Supervisor Rodney Lusk, Franconia District
- Supervisor Dalia Palchik, Providence District
- Supervisor Kathy L. Smith, Sully District
- Supervisor Daniel G. Storck, Mount Vernon District
- Supervisor James Walkinshaw, Braddock District

Others present during the meeting were Bryan J. Hill, County Executive; Elizabeth Teare, County Attorney; Jill G. Cooper, Clerk for the Board of Supervisors; Dottie Steele, Chief Deputy Clerk for the Board of Supervisors; Jacob Caporaletti, Management Analyst; Ekua Brew-Ewool and Sameera Awan, Deputy Clerks, Department of Clerk Services.

BOARD MATTER

1. **MOMENT OF SILENCE** (9:32 a.m.)

The Board asked everyone to keep in thoughts the family and friends of:

- Glenn Howard Curtis, who died recently. He was a longtime Burke resident who was born in the Marshall House, home of his great uncle John Marshall, Burke's first postmaster. He and his brother Marshall were Charter Members of the Burke Volunteer Fire Department in 1948; he was one of the first responders of the 1967 Howrey Field tragedy and returned annually for the memorial; and he retired as a lieutenant in 1982

- Lieutenant Colonel Robert "Bob" Lee Jenks, who died recently. He was well known in the Burke community as the longtime assistant manager of Burke Nursery and Garden Center; served in the Army and had a distinguished military career earning numerous honors, metals, and awards for his bravery and leadership. After retiring, he remained active in the community including as a sports coach, church member, and Knights of Columbus member, among many others

- Cheryl Terio-Simon, who died recently. She was the widow of Reston founder Robert E. Simon, Jr.; was an attorney and active community leader, having served on the Reston Association's Design Review Board, Lake Anne Condominium Association, and the Reston Historic Trust Board of Directors; and played a key role in securing Lake Anne's placement on the National Register of Historic Places by the U.S. Park Service in 2017

- John Adams, who died recently. A long time McLean resident and dedicated community advocate. He served as president of the Georgetown Pike Association and was instrumental in securing its designation as Virginia's first scenic and historic byway. His preservation efforts helped protect sites like Salona and Scotts Run, and he played a key role in creating the Scotts Run Nature Preserve. He served on numerous civic and educational boards and was named McLean Citizen of the Year in 1999. A memorial service will be held on Sunday, May 18, 2025, at 2 p.m., at McLean Baptist Church.

AGENDA ITEMS

2. **BOARD DECISION ON THE COUNTY'S AND SCHOOLS' FISCAL YEAR (FY) 2025 THIRD QUARTER REVIEW** (9:40 a.m.)

(SARs)
(FPR) Chairman McKay stated that the *FY 2025 Third Quarter Review*, as advertised, included previous balances of $28.0 million and recommended revenue, spending, and reserve adjustments totaling a net of $19.9 million, with a majority proposed for investments in capital paydown, information technology projects, and support

for the County's Parks. The advertised package included a net balance available to the Board of $8.1 million.

As the Board considered the Third Quarter package, its overriding concern has been to prepare for the impact of the new presidential administration's actions on County residents and the local economy. Federal employees and contractors – including many County residents – are feeling the brunt of the administration's assault on government. Meanwhile, the president's trade war threatens the region's economy. In the face of these uncertain times, the County must remain nimble and ready to adjust to challenges. To those ends, the Board has examined its own funding and identified one-time balances totaling $2.0 million in the Board's district capital project funds that could be repurposed. These funds have been allocated over multiple quarterly reviews and have been used to address small-scale capital project needs such as upgrades of existing streetlights, installation of new streetlights based on safety concerns and resident requests, construction of missing trail segments and walkways, and repairs to pedestrian bridges. While this reduction will impact Board members' ability to respond to needs within their districts, freeing these funds for use in the County's response to emerging challenges is a prudent action. With these reductions, summarized in the table below, the net available balance increases to $10.1 million.

District	Current Balance	Committed Funds	Balance	Reduction	Remaining Balance
Braddock	$478,706	$360,459	$118,247	$66,906	$51,341
Dranesville	835,245	815,913	19,332	10,938	8,394
Franconia	550,096	12,904	537,192	303,952	233,240
Hunter Mill	387,526	-	387,526	219,268	168,258
Mason	397,400	21,916	375,484	212,455	163,029
Mount Vernon	922,969	-	922,969	522,231	400,738
Providence	572,223	-	572,223	323,773	248,450
Springfield	260,500	149,161	111,339	62,997	48,342
Sully	352,758	44,124	308,634	174,630	134,004
At-Large	421,772	240,000	181,772	102,850	78,922
Total	**$5,179,195**	**$1,644,477**	**$3,534,718**	**$2,000,000**	**$1,534,718**

This full balance is allocated to a new Reserve for Economic Uncertainty, which will better position the County to respond to negative impacts on revenues from economic conditions and to increases in demand for County services. This reserve will augment existing reserves which include the Managed Reserve, Revenue Stabilization Fund, and Economic Opportunity Reserve, demonstrating the Board's commitment to bolster the County's financial posture at a time when the bond rating agencies are questioning the stability of jurisdictions with close ties to federal spending. As a reminder, the Revenue Stabilization Fund is the primary reserve available to the County during times of economic stress. A withdrawal from the reserve can be made only if projected revenues reflect a decrease of more than 1.5 percent from the current year estimate, with the withdrawal not exceeding one-

half of the fund's balance. In addition, any withdrawal must be accompanied by expenditure reductions. The new reserve created as part of this process will be more readily available for the Board to access, providing a means to more immediately respond to needs in the community.

After funding these Board adjustments, there remains a balance of $0.

FY 2025 Third Quarter
Board Adjustments

	FY 2025
FY 2025 Third Quarter (Advertised) Balance	**$8,055,008**
Board Adjustments	
Reduce uncommitted funds in district capital project funds	$2,000,000
Set aside one-time Third Quarter balance in Reserve for Economic Uncertainty	($10,055,008)
Subtotal:	($8,055,008)
Net Balance	**$0**

Therefore, Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved approval of the *FY 2025 Third Quarter Review* including:

- Approval of Supplemental Appropriation Resolution AS 24279 for FY 2024 adjustments to reflect the final audit

- Approval of Supplemental Appropriation Resolution AS 25190 and Amendment to the Fiscal Planning Resolution AS 25901, which include the revenue, expenditure and transfer adjustments, grant awards and adjustments, and associated reserve adjustments contained in the County's Third Quarter Review dated March 18, 2025, and the Schools Third Quarter recommendations forwarded to the Board and added to the County's Third Quarter package on March 31, 2025

- Board adjustments listed above, resulting in a net balance of $0

Vice-Chairman Smith seconded the motion. Following discussion regarding the motion, the question was called on the motion and carried by unanimous vote.

EBE:ebe

3. **BOARD MARKUP OF THE COUNTY EXECUTIVE'S FISCAL YEAR (FY) 2026 ADVERTISED BUDGET PLAN AND THE FY 2026 ADD-ON PACKAGE** (9:49 a.m.)

Chairman McKay stated that this package begins with a balance of $5.62 million, which represents the balance included in the Advertised budget as no adjustments were recommended in the County Executive's Add-On package of April 24, 2025.

Adjustments Recommended by Board

Chairman McKay stated that the Board appreciates the balanced approach taken by the County Executive in his proposed budget, focusing expenditure increases on employee compensation while offsetting other requirements with targeted reductions to limit the required increase in the Real Estate Tax rate. The Advertised budget was developed before the new administration took office; thus, it did not contemplate the extensive economic instability which has been generated in such a short period of time.

However, the Board is fully aware of the damage that this administration has already caused in its first few months. The Board understands that residents are worried about losing their jobs, especially if they work for the federal government; worried about their 401(k)s; worried about rising costs caused by the disastrous Trump tariff plan; and worried about the federal programs and services they have come to rely on. The actions on the FY 2026 budget – just as they did with the Third Quarter Review – reflect ongoing concern about the situation in Washington. Extensive language has been included in the Budget Guidance section later in this package which addresses these concerns and imperative to stay abreast of the actions taken by the Trump administration and to maintain maximum flexibility as staff works to combat the potential negative impacts on the County.

The Board's adjustments to the budget seek to build upon the solid foundation of the proposed budget. The Advertised budget included options to diversify the County's revenues, including an increase in the Transient Occupancy Tax from four percent to six percent, with half of the resulting revenue held in reserve for tourism-related initiatives. It included full funding of the County's compensation plan, including the second year of the collective bargaining agreements with public safety employees. It funded required adjustments such as increased debt service, contract rate and lease obligations, while including limited and necessary investments in affordable housing and information technology. And it shared the County's projected revenue growth with Fairfax County Public Schools (FCPS), which is a fair and equitable strategy when budgets are tight. It should be noted that this package maintains the School Operating transfer increase of almost $119 million included in the County Executive's proposed budget, representing an increase of 4.6 percent. For the second year in a row, the School Board requested an increase of more than $250 million; and, for the second year in a row, this request would

have asked too much of taxpayers, particularly given the current economic climate. Anticipated additional funding from the state should help to partially close this funding gap, but the Schools will likely have to prioritize its spending – just as the County has done to balance its budget. The Board hopes that FCPS will use the significant increase in the County transfer for School operations strategically, targeting compensation increases where they are most needed based on market competitiveness, turnover, and difficulty in filling positions. It is the Board's belief that FCPS will be able to provide sizeable salary increases that align with the spirit of the negotiated agreement, particularly when considered over its three-year lifespan.

While the Advertised budget sought to minimize, to the extent possible, the impact on taxpayers, the increase in the average Real Estate Tax bill was $638 – far higher than this Board can support. Most of this increase was driven by rising residential real estate values and not the 1.5 cent increase proposed by the County Executive. Regardless of the cause, the Board recognizes the financial pressures and uncertainty that many of the residents are facing. Thus, this mark-up package eliminates the proposed 1.5 cent increase and actually reduces the Real Estate Tax rate by ¼ cent from the current rate of $1.125 per $100 of assessed value. The resulting rate of $1.1225 results in an average increase of $499.

To offset the almost $60 million reduction in revenue resulting from this change, the Board supports the implementation of a four percent Food and Beverage Tax, commonly referred to as the Meals Tax. For many years, the County sought additional authority from the State to diversify revenue and help lessen reliance on the Real Estate Taxes. In 2020, the General Assembly granted limited additional authority, including the ability to implement a Meals Tax of up to six percent. However, lingering impacts from the pandemic discouraged the Board from taking this action until now. A Meals Tax provides advantages beyond reducing reliance upon Real Estate taxes. It is estimated that a third of the Meals Tax receipts will be paid by those who live outside of Fairfax County, allowing the County to transfer some of the cost of maintaining County programs to tourists, visitors, and those who commute into the County. Additionally, counter to what some of the public hearing testimony portrayed, a Meals Tax is not regressive in nature. In fact, those with higher incomes generally pay a greater proportion of their overall income on eating out at restaurants. Thus, this tax will more significantly impact those who are more able to afford it. It is also important to note that most of the jurisdictions that surround the County already have a Meals Tax in place, and a vibrant and thriving restaurant industry still exists in these counties and cities. Just as residents add to the coffers of those jurisdictions when they go to a restaurant outside the County, this action will help level the playing field, bringing in vital additional revenue. Restaurants themselves will benefit from the reduction in the Real Estate Tax rate, and also include an initial dealer discount of six percent, which will help to offset implementation costs that some restaurants may realize.

Most of the feedback on the budget this year revolved around the targeted reductions proposed by the County Executive to balance the budget. This was the

third straight year that spending reductions have been included, meaning that the cuts proposed this year had greater impacts in the services and programs offered by the County. The Board appreciates the thorough and thoughtful process that County staff undertook to develop the proposed reductions, and the Board supports a vast majority of the recommendations. However, a number of the reductions risked going too far in impacting critically essential services or simply went too fast in changing programs upon which residents rely. Particularly as many of residents face an uncertain future, it is necessary to remain prudent and cautious as the County strives to balance potential cost savings with the cutting of County services.

The greatest concern the Board heard from the community was the impact that the proposed programmatic reductions would have on services provided by County agencies in support of FCPS. Chief among those was the Middle School After School (MSAS), a program that students enjoy and that many families rely upon for supervised after-school care. It became clear during deliberations on the budget that the program is worth preserving, though changes could be made to reduce costs. MSAS will be fully funded for the 2025-26 school year at $3.93 million, and County and Schools staff will work together to propose changes to the program, including development of a fee model that will consider ability to pay. Similarly, funding of $0.84 million is restored to allow the Police Department to continue to provide crossing guards at FCPS high schools, though staff will continue to look for efficiencies within the program. Finally, transition services provided by the Fairfax-Falls Church Community Services Board to students with developmental disabilities who are leaving FCPS and moving into adulthood are restored, at a cost of $0.42 million.

The Board also heard from many residents regarding the impact that the proposed reductions would have on emergency response in the community. A total of $2.65 million is restored to allow the ambulances at Clifton, Crosspointe, Gunston, and North Point stations to continue their current operations. In addition, the Board recognizes the value provided by volunteer partners, with a partial restoration of $35,000 to the apparatus stipends provided to Volunteer Fire Departments and a full restoration of $34,000 to continue the Community Emergency Response Team (CERT).

The health and human services system provides services that are vital to vulnerable populations. Funding of $0.59 million is restored to the Fairfax-Falls Church Community Services Board to allow it to continue to provide Post-Secondary Education services for one year to families currently being served to allow time for a planned transition from the program. Half of the proposed reductions are restored to the supportive and inclusion services provided at Department of Neighborhood and Community Services Senior Centers and to contracted services provided by the Juvenile and Domestic Relations District Court to survivors of domestic violence. Finally, the proposed reduction to case management services in emergency shelters is restored.

Several reductions were proposed in the Advertised budget that would reduce maintenance at County facilities, particularly at the Parks. The pandemic has demonstrated the value of open spaces and outdoor recreation, and it is important to maintain them at the standard that the community expects. Funding of $0.38 million is restored to provide trail maintenance and mowing at Parks, while $0.22 million will provide for grounds maintenance at other County facilities. The Board also recognizes the important role that the Park Foundation plays in raising funds in support of Parks programs. The proposed reduction of County support to the Foundation will be phased in, with only half of the proposed reduction taken in FY 2026, to allow the Foundation time to explore options to reduce its reliance on County funding for its operations.

Recognizing the fiscal challenges that the County faces, the Board has worked within its own budget and with partners to identify additional reductions to augment those proposed by the County Executive. Board office budgets will be held at the FY 2025 level, a decrease of $0.28 million, or 3.4 percent, from the funding level proposed in the Advertised budget as Board offices will absorb the cost of compensation increases for office staff within existing funding levels. In addition, the IAFF, representative of the firefighters' and public safety communicators' union, has proposed that the Fire and Rescue Department shorten the internship for the Advanced Live Support (ALS) certification program from six months to four months, at a savings of $0.38 million. The Tysons Community Alliance has also proposed a $0.25 million reduction in the County's contribution towards its work. After all of the aforementioned adjustments to the FY 2026 budget, including these additional reductions, a balance of $2.55 million remains. This funding is added to the Reserve for Economic Uncertainty, resulting in $12.60 million being held for potential federal impacts.

A cautious approach to this year's budget extends beyond the annual budget itself. Included in the Board's motions to approve this year's Capital Improvement Program – included later in this package – is an action to delay activity on the planned Judicial Annex for at least one year. This project is expected to be financed using Economic Development Authority bonds, with a planned construction cost of $185 million and an estimated first year debt service payment of approximately $17 million in FY 2027. Although delaying the project could result in inflationary cost increases, the current bid environment could be negatively impacted by the ongoing tariff battles. As a result, the Board feels that the risks of proceeding in uncertain market conditions outweigh the potential costs of delaying the project.

Funding Adjustments Recommended by Board

	FY 2026
Establish a Food and Beverage Tax with rate of four percent and an initial dealer discount rate of three percent	$67,900,000

Add 21 positions and operating expenses in the Department of Tax Administration and the Department of Information Technology to update County systems and administer the Food and Beverage Tax	($2,800,000)
Reduce the Real Estate Tax rate from the current rate of $1.125 per $100 of assessed value by ¼ cent to $1.1225 per $100 of assessed value (a reduction of 1 and ¾ cents from the proposed rate of $1.14)	($59,418,524)
Provide bridge funding in the Department of Neighborhood and Community Services to allow FCPS to continue to operate the Middle School After School program during the 2025-2026 school year while transitioning to a fee-based Model	($3,930,000)
Restore funding and 16 positions in the Police Department for crossing guards at FCPS high schools	($842,581)
Restore funding and three positions in the Fairfax-Falls Church Community Services Board for services to support students with developmental disabilities who are transitioning out of FCPS	($422,349)
Restore funding to Ambulance 416, Clifton, Ambulance 441, Crosspointe, Ambulance 420, Gunston, and Medic 439, North Point in the Fire and Rescue Department	($2,651,965)
Restore half of the proposed reduction for Volunteer Fire apparatus stipends in the Fire and Rescue Department	($35,000)
Restore funding to the Community Emergency Response Team (CERT) Program in the Fire and Rescue Department	($34,000)
Provide bridge funding in the Fairfax-Falls Church Community Services Board for one year for Post-Secondary Education services (within the Self-Directed Services program) for adults with developmental disabilities	($590,483)
Restore half of the proposed reduction in the Department of Neighborhood and Community Services for supportive and inclusion services provided at Senior Centers	($300,997)
Restore funding in the Department of Housing and Community Development for case management services provided to adults in emergency shelters	($75,000)

Restore half of the proposed reduction for Juvenile and Domestic Relations District Court contract for services to survivors of domestic violence	($25,000)
Restore funding for Parks trail maintenance and mowing for the Fairfax County Park Authority	($379,258)
Delay implementation of the full reduction to Park Foundation staff support by restoring partial funding to the Fairfax County Park Authority	($150,000)
Restore funding in the Facilities Management Department for landscaping and ground maintenance services at County-owned buildings and facilities	($223,324)
Reduce funding for the Paramedic Internship Program as recommended by the International Association of Firefighters (IAFF)	$375,000
Reduce operational funding for the Tysons Community Alliance provided through the Contributory Fund	$250,000
Eliminate proposed increase in Board of Supervisor office budgets	$280,118
Set aside recurring balance in Reserve for Economic Uncertainty	($2,546,212)
Subtotal:	($5,619,575)
Final Remaining Balance	$0

As a result of these changes, the FY 2026 budget is balanced.

This budget includes other tax and fee adjustments, including decreases to the following taxes:

- A decrease in the Route 28 Highway Transportation Improvement District tax rate from $0.14 to $0.12 per $100 of assessed value

- A decrease in the Phase II Dulles Rail Transportation Improvement District tax rate from $0.16 to $0.14 per $100 of assessed value

In addition, this budget includes other tax and fee adjustments, including increases in Refuse and Sewer charges, as follows:

- An increase in the Refuse Collection fee from $555 to $610 per household

- An increase in the Refuse Disposal fee from $79 to $90 per ton

- An increase in Sewer Service Charges from $8.81 to $9.33 per 1,000 gallons

- An increase in the Sewer Service Base Charge from $49.73 to $52.62 per quarter

- An increase in the Sewer Availability Charge from $9,038 to $9,218

Taxes and fees in the FY 2026 budget that remain unchanged include:

- The Leaf Collection rate, which remains at $0.019 per $100 of assessed value

- The Stormwater Services district tax rate, which remains at $0.0325 per $100 of assessed value

- The Phase I Dulles Rail Transportation Improvement District tax rate, which remains at $0.09 per $100 of assessed value

- The Reston Service District tax rate, which remains at $0.021 per $100 of assessed value

- The Tysons Service District tax rate, which remains at $0.05 per $100 of assessed value

Therefore, having provided public notice and conducted a public hearing as required by Virginia law, Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved approval of the FY 2026 Budget as Advertised, with the changes as outlined above, and required Managed Reserve adjustments. The tax and fee adjustments become effective on and after July 1, 2025, unless otherwise noted. These actions result in a balanced budget for FY 2026. Vice-Chairman Smith and Supervisor Palchik jointly seconded the motion.

Discussion ensued, with input from Thomas Arnold, Deputy County Executive, regarding funding for the Volunteer Length of Service Awards program and with Board Members expressing their views/concerns and support/non-support of the motion.

The question was called on the motion and it carried by a vote of nine, Supervisor Herrity voting "NAY."

Vice-Chairman Smith returned the gavel to Chairman McKay.

JLC:jlc

4. **BOARD DECISION ON AN ORDINANCE TO AMEND THE CODE OF THE COUNTY OF FAIRFAX, VIRGINIA – CHAPTER 4 (TAXATION AND FINANCE), BY ADDING A NEW ARTICLE 31 RELATING TO FOOD AND BEVERAGE TAX** (11:12 a.m.)

(O) Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved that the Board adopt the proposed ordinance to amend Chapter 4 of the Fairfax County Code by adding a new Article 31 relating to a Food and Beverage Tax, with an initial rate of four percent of the amount paid for food and beverages sold as meals by restaurants and caterers, and which permits a sellers commission of three percent of the amount of the tax due and accounted for until January 1, 2028, at which time the sellers commission will be replaced to one percent of the amount of the tax due and accounted for, all on the terms set forth in the ordinance. The provisions of this ordinance will take effect January 1, 2026.

The motion was multiply seconded. Following comments, the question was called on the motion and it carried by a vote of nine, Supervisor Alcorn, Supervisor Bierman, Supervisor Jimenez, Supervisor Lusk, Supervisor Palchik, Supervisor Smith, Supervisor Storck, Supervisor Walkinshaw, and Chairman McKay voting "AYE," Supervisor Herrity voting "NAY."

Vice-Chairman Smith returned the gavel to Chairman McKay.

5. **BUDGET GUIDANCE FOR FISCAL YEAR (FY) 2026 AND FY 2027** (11:16 a.m.)

(NOTE: Earlier in the meeting, the Board took action regarding the Budget Mark-up. See Clerk's Summary Item #_.)

Chairman McKay stated that the next step is to adopt guidance for the development of the FY 2027 budget. The purpose of Budget Guidance is to indicate Board support for initiatives included in the FY 2026 budget, to provide direction to the County Executive and County agencies related to the implementation of the FY 2026 Budget, and to make recommendations to the County Executive and County staff for the development of the FY 2027 Advertised Budget. Budget Guidance is not inclusive of all priorities of the Board, nor is it inclusive of all issues raised by the community during the development of this year's budget.

At a regular meeting of the Board held in the Board Auditorium of the Fairfax County Government Center on Tuesday, May 6, 2025, the Board approved the following Budget Guidance for FY 2026 and FY 2027:

Economic Uncertainty

Not since the initial days of the pandemic has the County faced the levels of economic uncertainty that it faces today. Global financial markets are in turmoil, as the Trump administration's actions on tariffs have created chaos and weakened both equities and bonds, as well as the US dollar. Economists are increasingly predicting a recession in the coming months, with some placing those odds at greater than 60 percent. Still others are worried about stagflation, an extended period of high inflation and unemployment, accompanied by slow economic growth. As the administration continues its attack on the federal workforce and contractors, the regional economy is in an even more precarious position. Thousands of federal workers have lost their jobs, although many are challenging the administration's actions in court. Federal contracts and grants are being cancelled on an almost daily basis. These actions have already led to a downgrade of the District of Columbia's bond rating, falling from AAA to AA1, with the expectation that they will "erode the stability that the institutional presence of the federal government has historically had on the District's economy." Although the County's exposure is not as great as the nation's capital, federal workers are a sizeable portion of the overall workforce in Virginia and Fairfax County. As the County continues its efforts to assist these workers in finding other employment – and urge the State to do more – it is imperative that we stay informed of the specific economic impacts these irresponsible actions are having on the County's budget. Although a large proportion of the County's General Fund revenues are set based on values as of January 1, other revenue categories – such as the Sales Tax and BPOL (Business, Professional and Occupational License) Tax – are especially sensitive to economic conditions. In addition, federal revenue that the County receives from the federal government could be jeopardized. Looking ahead to FY 2027, the Trump administration's actions could also significantly harm the health of our residential housing market and could mitigate improvements in the commercial market that we have been working towards following the pandemic. The Board will receive revenue updates as a part of its normal budget processes, but more frequent updates may be necessary. In addition, the Board directs staff to continue to work collaboratively with its partners at the Economic Development Authority to gather data and analyze economic trends to better understand the potential impacts on residents, local businesses, and the County's overall finances. It will be important for the Board to be transparent with the community regarding these impacts, be prepared to assist residents as necessary, and be flexible as it navigates the upcoming year.

With this backdrop, much of the guidance that follows must be considered in light of these challenging and uncertain economic times.

Fairfax County Public Schools (FCPS)

By far, the largest share of the General Fund budget is dedicated to supporting the County's excellent schools. Given the current economic climate, the need for the Board of Supervisors and the School Board to work together has never been greater.

Both Boards continue to jointly advocate for increased State funding – with the need confirmed by the State's own Joint Legislative Audit and Review Commission (JLARC) study. These efforts must continue. As a result of joint efforts related to respective capital programs, the County has taken measures to provide consistent additional funding to FCPS, including increasing bond sales by $50 million annually and providing capital sinking fund allocations at year-end. In the past three years, these allocations have totaled almost $29 million. Similar to these efforts, both Boards have agreed to two new joint committees which will work across the organizations to identify cost savings and efficiencies in the areas of information technology and capital facilities. However, it is imperative that this collaboration extend to the broader budget. For the past 13 budget cycles, a Multi-Year Budget has been included as part of the budget materials, providing an early look at County revenue and expenditure projections for the following budget year. Similarly, the Board works with FCPS counterparts to develop the joint fiscal forecast, which is presented in November of each year. For the past two years, however, despite tepid revenue projections, FCPS has requested the two largest transfer increases in history, with each more than double the average increase requested over the prior decade. Such funding requests, which ignore revenue projections and the potential impact on County taxpayers, provide no benefit. Instead, they send mixed messages to residents and set unrealistic expectations for students, teachers, and parents. Additionally, FCPS is then forced to resolve a budgetary gap in a truncated timeframe, limiting the ability for the school community to fully understand and shape the final budget.

While the goal of releasing early budgetary projections is to provide transparency to County residents, another key purpose is to share information with FCPS to help inform their budget development process. FCPS is **strongly encouraged** to formulate an FY 2027 school operating transfer request which considers preliminary revenue estimates and the overall economic climate. This in no way impedes FCPS' ability to fully advocate for schools funding. But preparing a transfer request based upon current economic conditions, while also explaining the potential impacts resulting from that transfer amount, can help to educate County residents and allow for more robust, and informed, budget discussions.

The driving factor behind the increased transfer request this year was the seven percent compensation increase that FCPS negotiated for employees in its Licensed Instructional and Operational bargaining units, with the increase proposed to be extended to all employees. The Board believes the sizeable increase in the School Operating transfer provided in FY 2026 will allow the School Board to provide significant targeted salary adjustments for its school-based employees. The Board supports the empowerment of employees through collective bargaining; however, agreements must be rooted in reason. Affordability must be a key consideration in these discussions, as well as targeting increases for specific job classes based on market comparisons. The Board regrets that FCPS collective bargaining negotiations took place with limited input from County budget staff, creating a situation where a fiscal commitment was made absent confidence that it could be met. The Board's expectation is that the County Executive work with the

Superintendent to establish a formal process to avoid such a situation moving forward. FCPS is encouraged to engage its funding partners in its collective bargaining negotiations, and the County stands ready to assist in this endeavor. This process should also involve FCPS engagement with the Fairfax Delegation to the General Assembly to ensure that the General Assembly budget reflects pay raises included in the collective bargaining agreement.

FY 2027 Budget Development

As noted at the outset, given the considerable economic uncertainty facing the County, and the region, especially, predicting how the County's FY 2027 budget will be balanced is virtually impossible. County revenues for the next budget year are difficult to project, as future federal actions could have sweeping and significant implications. As the County tracks revenue and economic data over the following months, it will have a better understanding of what might lie ahead. But the County needs to be prepared to adjust to changing economic conditions and adjust projections – and expectations – accordingly. To balance the FY 2026 budget, the County took a multi-pronged approach: diversifying the County's revenue by implementing a food and beverage tax, focusing expenditure increases on employee compensation and required spending, and cutting $51 million in expenditures and 189 positions through an extensive reduction exercise. Further options to diversify revenue are few, as the State continues to limit the County's ability to reduce over-reliance on real estate taxes. Thus, for the County's FY 2027 budget, focus will need to be on limiting expenditure growth and pursuing additional cost-cutting measures. Over the past three years, as lingering impacts of the pandemic have continued to impact County revenues – particularly as it relates to commercial real estate values – the County has included budgetary reductions as a key element of its budget-balancing practices. In total, the County has cut expenditures by over $90 million during this timeframe by identifying efficiencies, eliminating funded vacant positions, and implementing targeted programmatic cuts and service changes. To provide options to balance the budget, particularly in light of an uncertain revenue outlook, the Board anticipates that the County will once again be pursing cost-cutting measures. While all opportunities for savings should be explored, reviews should specifically focus on programs that:

- Could be redesigned or enhanced through the use of new technologies to be improved, streamlined, or consolidated

- Need to be adjusted based on changing residents' needs, service demands or County priorities

- May no longer align with the County's current and future priorities.

In addition to the evaluation of programs, agencies should continue to thoughtfully evaluate their resource requirements on a smaller scale. This may include adjusting job classifications or realigning positions when vacancies arise based on changing business needs or considering opportunities to boost productivity such as increased

training or enhanced use of technology for specific positions. Many of the reductions proposed as part of the FY 2026 budget process generated significant community feedback, resulting in the Board's restoration of cuts such as ambulance staffing, Parks trail maintenance, and supportive services provided at Senior Centers. Aside from those reductions that are specifically addressed through other budget guidance, agencies are encouraged to consider community and Board feedback received during this budget cycle when recommending restored reductions again for FY 2027. Furthermore, all levels of the organization – including management levels – should be reviewed to determine if efficiencies can be gained and savings captured. While the Board appreciates that direct employee involvement in these exercises can create considerable challenges and unnecessary workplace disruption, it is important that employees have an opportunity to provide their input.

Thus, the Board directs that, as part of any FY 2027 reduction exercise, a portal be established to allow employees to provide cost saving ideas directly to the Department of Management and Budget. This should include an option for employees to submit ideas anonymously, if they choose. Additionally, a program should be explored which would allow employees submitting viable cost-saving options to receive a reward, such as a monetary stipend or additional leave.

County Employee Pay and Collective Bargaining

The Board is pleased that the FY 2026 budget provides full funding of the County's compensation plans, including the second year of the collective bargaining contracts with Fire and Emergency Services and Police bargaining units, as well as increases based on the established pay programs for non-represented employees. This would not have been possible without both County staff and public safety unions considering affordability at the negotiating table and the Board incorporating agency reductions identified by the County Executive in recent years. An election for the General County bargaining unit is currently underway. Assuming that employees opt for union representation, the Board's expectation is that the resulting negotiations would likewise consider affordability and the market position of specific job classifications.

It must be noted that – given the unpredictable path of the economy as discussed earlier – fully funding compensation in the upcoming budget may be difficult. Consistent with past Board guidance, the County Executive is directed to recommend equitable pay adjustments across the various employee groups.

Transportation

The Commonwealth's 2025-2026 Biennium Budget provided temporary fiscal relief for Metro in FY 2025 and FY 2026. This supplemental funding for Metro addressed approximately half of Virginia's jurisdictional share of the system's needs during this period. Consequently, Fairfax County's General Fund contribution to Metro has remained unchanged for these two fiscal years.

This enhanced level of State support is not anticipated to continue in FY 2027. Projections indicate that the baseline State transportation aid allocated to Fairfax County will be inadequate to cover the County's required operating subsidy for Metro in FY 2027 and beyond. Compounding this pressure, this State aid allocation is also used to partially support the operating subsidy for the Fairfax Connector bus system.

The Board remains vigilant in monitoring the progress of regional efforts aimed at addressing Metro's long-term fiscal stability. Key initiatives include the work of the DMVMoves coalition and the General Assembly's SJ 28 Joint Subcommittee, both focused on identifying viable Metro cost containment strategies and establishing a dedicated, reliable funding source for regional transportation that does not rely upon local Real Estate taxes. Fairfax County continues to be an active participant in these critical regional discussions, investing considerable staff and Board time and resources. The Board looks forward to working with the new Virginia Governor and General Assembly following this fall's election in finding a solution to this perennial funding issue.

Failure to achieve a regional consensus on sustainable funding or significant operational efficiencies for Metro presents a considerable financial risk to the entire region. Without such changes, addressing Metro's anticipated operating and capital requirements in FY 2027 will likely require a substantial increase in the County's General Fund investment.

Metro is not the only transportation funding priority that must be considered, as the County continues to see demand for enhancements to pedestrian and bicycle infrastructure as well as needs within its own Connector bus system. As the County sees increased pressures on its General Fund, the Board directs staff to examine whether capacity exists to accommodate transportation needs other than Metro within the General Obligation bond program.

Affordable Housing

Affordable housing continues to be a top priority and once again the Board is reaffirming the goal of meeting a minimum of 10,000 new affordable housing units by the year 2034. This will require baseline funding equivalent to two pennies on the Real Estate Tax rate. The FY 2026 budget dedicates an additional ¼ penny on the Real Estate Tax rate bringing baseline resources to 1¼ pennies, or $42.44 million. These baseline resources, coupled with more than $97 million in one-time funding added between FY 2022 and FY 2024, demonstrates the Board's commitment to expanding the County's affordable housing portfolio. It is hoped that the equivalent of two pennies on the Real Estate Tax rate will be reached by FY 2027; however, until this goal is achieved, the County Executive is encouraged to identify one-time balances at quarterly reviews and pursue other funding opportunities.

Further, the County Executive is directed to identify opportunities to increase the speed with which new affordable housing is delivered and reduce the cost to do so. These opportunities should include encouraging fast-tracking predominantly affordable residential developments and developing a timeline and process for implementing existing state authority to moderate or reduce development and regulatory fees for affordable housing developments.

Parks

The FY 2026 budget incorporates a partial restoration of funding for essential Fairfax County Park Authority (FCPA) services, including trail maintenance, mowing, and support to the Fairfax County Park Foundation (Foundation).

The Foundation, through its 25-year history, has successfully fundraised, obtained grants, and created partnerships to supplement County funds for parks services, programs, and facilities. The Board directs the Foundation, without restrictions, to investigate and pursue the potential to support other governments or other entities engaged in the public benefit consistent with the mission of promoting parks, the environment, open space, sports and recreation. This opportunity provides for a more diverse development portfolio and ensures the long-term sustainability of the Foundation. The County looks forward to working with the Foundation to explore options for further reducing reliance upon County funding in FY 2027 and beyond. Options to be considered should be developed in time for inclusion in the FY 2027 Advertised budget.

Consistent with the County's commitment to achieving zero waste by 2030 under the Operational Energy Strategy, efforts to expand enhanced FCPA trash and recycling collection were initiated in a pilot program for two of the six maintenance areas in FY 2025. While this pilot program has been successful, the Board continue to hear from the community about the lack of recycling receptacles at parks in other parts of the County. As a result, funding for the one-time capital requirements for the four remaining maintenance areas not covered by the pilot should be prioritized in the *FY 2025 Carryover Review*. Any associated recurring operational costs will be incorporated into the FY 2027 budget development process.

Finally, the Board supports the ongoing discussions between Department of Management and Budget and FCPA staff regarding FCPA’s operational and capital needs. Much progress has been made in this area, as consistent investments have been seen for Parks outside of the normal annual budget process. In total, the County has provided over $90 million to Parks through quarterly reviews in the past five years and an additional $40 million through federal ARPA stimulus funding. The Board encourages this type of commitment and encourages continued collaboration to examine opportunities to provide more flexibility in meeting the challenges currently facing FCPA.

Employees' Child Care Center

The Board heard from many parents and staff regarding the Employees' Child Care Center (ECCC) and appreciates the thoughtful feedback and suggestions. In particular, given the child care shortage, the Board agrees that access to child care should be maximized. It was clear from the testimony that both families and staff are passionate about the services and have ideas on how to make the program successful. Therefore, before the Department of Neighborhood and Community Services (NCS) moves forward with contracting out this service, it is directed to engage with families of children currently enrolled to explore options to reduce costs while maintaining service quality. NCS should report to the Board on progress and next steps at an upcoming Human Services Committee meeting in time for recommendations to be incorporated into the FY 2027 Advertised budget.

Middle School After School

The Middle School After School (MSAS) partnership with the Fairfax County Public Schools has provided a safe, supervised learning environment after the regular school day since its inception in 2007. The Board recognizes the value families place in these options and the immediacy of the proposed reductions. As such, the Board is restoring the proposed reduction for the 2025-26 school year for one year, with the expectation that the program will continue for the 2026-27 school year at a reduced cost. Staff is directed to work with FCPS to develop potential program savings, including fee options, for consideration as part of the FY 2027 Advertised Budget. The proposed fee structure should incorporate a reduced fee option to ensure alignment with joint One Fairfax efforts. Further, staff is directed to pursue a Memorandum of Understanding to both update and memorialize the partnership. These efforts should include a clear agreement on funding responsibility and management of the program, program consistency among middle schools, and mechanisms for regular reporting of metrics regarding utilization and demographics to both Boards. Staff from both the County and Schools should report to the Board of Supervisors at a Human Services Committee meeting as soon as possible. It is imperative that decisions about this program be made well in advance of the development of the FY 2027 budget, taking into consideration the integration of the MSAS program with other programs and allowing adequate time to plan for future school year programming.

Post-Secondary Education Program

The Fairfax-Falls Church Community Services Board (CSB) operates the Self-Directed Services (SDS) program to support adults with developmental disabilities as they learn or improve important skills so they can be active in their communities. While two of the three components of the SDS program (employment and community-based day activities) will be maintained, the Board recognizes families were facing an abrupt end of funding for the third component, Post-Secondary Education (PSE) support, and is concerned with the commitment made to the families already receiving that support. Accordingly, the Board has

restored the funding to continue these programs for currently enrolled families for one year. Moving forward, CSB should consider options to reduce funding needs, including the institution of a cap on support, sunsetting services not reimbursed by a Medicaid Developmental Disabilities (DD) waiver, and working with alternative service providers to develop lower cost options for families in need of PSE services. Staff should report to the Board on progress and next steps at a Human Services Committee meeting in time for recommendations to be incorporated into the FY 2027 Advertised budget.

New Generations/Cornerstones

The Fairfax-Falls Church Community Services Board operates New Generations and Cornerstones as part of a continuum of care to address substance use disorders with or without co-occurring mental health disorders. Given the number of individuals these two programs serve, both will be discontinued in FY 2026; however, the Board is committed to ensuring clients at New Generations and Cornerstones continue to receive uninterrupted services as they transition out of these two programs and into other CSB programs.

Sheriff

The Office of the Sheriff continues to experience heightened vacancy rates among deputy sheriffs, requiring mandatory overtime and increased costs to staff the Adult Detention Center, Courts, and Civil Enforcement. The Board directs staff to investigate the root causes of these vacancies and return to its Safety and Security Committee with recommendations to improve staffing levels, which could include increased funding for recruitment initiatives, the identification and accelerated implementation of operational efficiencies, and revisions to staffing formulas.

Child Safety Seat Program

The community has come to rely on the child safety seat inspections provided by the Police Department. However, utilizing sworn police officers in this capacity increases overtime costs and reduces the number of officers available for patrol and other duties. Therefore, the Police Department is directed to review other options to provide this valuable service to the community, which could include training volunteers in the CERT or Auxiliary Police to fulfill this role.

School Crossing Guards

Many residents contacted the Board to express their concerns regarding the proposed elimination of crossing guards at all FCPS high schools. The Board has restored funding to continue that service in FY 2026 and remains committed to improving safety for school children and other pedestrians, as demonstrated by the significant investments made for pedestrian and bicycle infrastructure over the past several years totaling over $82 million.

However, the Police Department has faced difficulties in recruiting crossing guards, requiring sworn police officers to fill in at many school crossings each day, increasing overtime expenses and reducing the number of officers available to respond to calls for service. The Police Department is directed to continue to explore cost-saving measures for this program, such as those discussed at the Safety and Security Committee meeting on July 23, 2024, that would identify alternative staffing or a contract provider to alleviate the impact of crossing guard vacancies. The placement of crossing guards and any decisions to add or remove protected crossings must continue to be based upon clearly defined metrics that prioritize the safety of students while also considering the impact on school bus and kiss and ride operations. The Police Department should solicit feedback from existing crossing guards on how to recruit and retain more guards as well as challenges they experience at their unique crossings.

Police Overtime

One reduction recommended by the Police Department and included in the FY 2026 budget is a decrease of $1.7 million to the department's overtime budget, which represents 3.7 percent of the department's total overtime spending last year. These savings recognize recent improvements in overtime policy and procedure compliance and police officer retention and recruitment with the number of sworn vacancies decreasing over 25 percent in the last year, reducing the need to rely on overtime to meet requirements. We continue to support initiatives, such as the successful hiring incentive program, that will reduce officer vacancies and drive down overtime expenses. However, the safety of the community and officers must continue to be the priority. Therefore, staff is directed to monitor police staffing and overtime trends and report to the Board on any negative operational impacts resulting from this decrease in overtime funding.

Office of the Public Defender

The County provides supplements to the salaries of many State employees, including those in the Office of the Public Defender (OPD). While these supplements are an important tool that help OPD recruit and retain highly qualified employees, OPD has highlighted several situations where the current process of administering them creates challenges during promotional processes. Therefore, staff is directed to work with OPD to explore changes to the administration of these supplements, including providing funds directly to the Indigent Defense Commission, and report to the Board with any recommendations.

Transient Occupancy Tax and Investments in Tourism Promotion

As part of the FY 2026 Advertised Budget Plan, a two percent increase to the Transient Occupancy Tax (TOT) rate was proposed, bringing the rate from four to six percent, aligning Fairfax County with comparable regional jurisdictions.

Pursuant to State Code requirements, revenue generated by the first additional percentage point must be designated and spent solely on tourism promotion, marketing, or initiatives developed in consultation with local tourism industry organizations. Funding derived from this specific percentage point increase is currently held in reserve for these dedicated tourism-related purposes.

Recognizing the importance of tourism and industry feedback received during the FY 2026 budget process, the Board requests hospitality industry representatives to collaborate with Visit Fairfax to develop a proposed outline for the optimal use of these reserved funds. Subsequently, Visit Fairfax is directed to then present these recommendations to the Board via the Economic Initiatives Committee (EIC) in fall 2025. This presentation will inform strategic decisions regarding the deployment of these funds for the benefit of the County and the tourism industry.

Separately, County staff will continue collaborating with the hospitality industry to explore potential remedies, including relief mechanisms or caps, concerning credit card processing fees charged to lodging establishments. Should viable solutions be identified, staff will include appropriate recommendations within the County's upcoming legislative program.

Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved the Budget Guidance, which will help direct the FY 2027 budget process. Vice-Chairman Smith seconded the motion.

Following discussion regarding the motion, Supervisor Herrity moved to add the following language to the FY 2027 Budget Guidance:

- The Board will convene with outside budget experts for a deep dive on the budget. The County Executive’s initial FY 2027 budget forecast is projecting a $271 million shortfall and a “challenging picture since early revenue projections indicate continued constrained growth while departments increases far exceed anticipated resources.” This forecast was prepared before the challenges of a shrinking federal forecast and uncertainty over tariffs. It is clearer than ever that we need to do a comprehensive review of the budget and cannot wait until the early budget process in 2026. As part of FY 2000, there were several Commissions and Task Forces formed to address County revenues and expenditures, emphasizing efficiency and fiscal constraint, from the Coal Commission under then-Chairman Tom Davis to the Task Force on revenues and expenditures under then-Chairman Kate Hanley. More recently, we had the line of business reviews under then-Chairman Sharon Bulova. These provided a forum for citizens of diverse backgrounds with fiscal expertise to review the County’s revenue and expenditures, sharing feedback to the Board year-round outside of the annual budget process. Based on the testimony we heard from numerous citizens on the impact of the tax increases and

recommendations of organizations, like the McLean Citizens Association, the Board convene a group of citizens and/or consultants to conduct a deep dive review of the budget for areas where the County can provide services more efficiently and reduce the impact on residents. This group should be comprised of constituents with demonstrated budget expertise from diverse backgrounds for purposes of providing recommendations on how the County can provide quality services in a more cost-efficient manner, provide options for revenue diversification, benchmark with other jurisdictions, review the areas where the budget has grown, review programs started during the pandemic for their continued need and effectiveness, and provide options to address the reduced commercial tax base with the goal of reducing the cost of government and the tax burden on County businesses. Our County Executive and Department of Management and Budget staff do an incredible job each year balancing the County budget, finding savings and proposed greater efficiencies to the Board. As staff work under direction of the Board, an outside budget review group will provide a greater diversity of perspectives on the budget, which may aide this Board and staff in their efforts

The motion died for lack of a second.

Following additional discussion, with Board Members expressing their views/concerns and support/non-support of the motion, the question was called on the motion and it carried by a vote of nine, Supervisor Herrity voting "NAY."

Vice-Chairman Smith returned the gavel to Chairman McKay.

6. **BOARD DECISION ON THE FAIRFAX COUNTY CAPITAL IMPROVEMENT PROGRAM (CIP) FOR FISCAL YEARS (FYs) 2026-2030 (WITH FUTURE FYs TO 2035)** (12:40 p.m.)

Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved approval of the FY 2026-FY 2030 CIP (with future FYs to 2035) with the following amendments:

- Direct staff in the Department of Transportation to continue to prioritize setting aside a portion of the funding allocated for the bicycle and pedestrian access program as part of the next year end process to augment and enhance safety measures at prioritized intersections, sidewalks, and bikeways near Metro stations and in other activity centers

- Direct staff to review and update the existing maintenance backlogs, review the categorical funding allocation of the sinking fund, and consider future funding strategies and other available resources to

begin to address the current maintenance backlogs. Additional strategies may be necessary to ensure the progress that the County has been making is not lost and to mitigate the potential risks associated with economic uncertainty

- Direct staff to postpone actions to request construction bids and pursue financing for the Judicial Annex for at least one year. Although this new 150,000 square foot facility is anticipated to be a valuable addition to the Judicial Complex, providing expanded space for a number of County agencies and programs, the projected debt service requirements for FY 2027 are concerning given the fiscal climate. Staff is encouraged to use the additional time to scrutinize the design for the new facility to determine if there are potential cost-saving adjustments

- Make all necessary adjustments to reflect actions taken during the Board's decision on the *FY 2025 Third Quarter Review* and the FY 2026 Adopted Budget Plan that impact the CIP

Vice-Chairman Smith seconded the motion.

Discussion ensued, with input from Christina Jackson, Chief Financial Officer, Office of the County Executive, regarding deferral of the Judicial Annex project.

The question was called on the motion and it carried by unanimous vote.

Vice-Chairman Smith returned the gavel to Chairman McKay.

Chairman McKay thanked:

- Budget staff, and all those who they reached out to for information

- Channel 16 staff, for covering all of the budget public hearings

- Department of Clerk Services, who put in a lot of late hours

- His colleagues for their input

- The public who put in a lot of time and effort, showing up to provide testimony, and providing video and/or written input

7. **BOARD ADJOURNMENT** (12:48 p.m.)

At 12:48 p.m., the Board adjourned.