REVISED CLERK'S BOARD SUMMARY

REPORT OF ACTIONS OF THE
FAIRFAX COUNTY BOARD OF SUPERVISORS

TUESDAY
April 28, 2026

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Budget Markup Session **10-26**

JFC:jfc

At a Budget Markup meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Government Center at Fairfax, Virginia, on Tuesday, April 28, 2026, 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 Rachna Sizemore Heizer, Braddock District
- Supervisor Kathy L. Smith, Sully District
- Supervisor Daniel G. Storck, Mount Vernon 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; Jordyn Crane, Administrative Assistant, Department of Clerk Services.

BOARD MATTER

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

The Board asked everyone to keep in thoughts the family, friends, and/or colleagues of:

- Madison Warner, who died recently after a decades long battle of juvenile diabetes and other health issues. She was the daughter of Senator Mark Warner

- John H. Hawes, who died recently. He was a Mason District resident who lived a life defined by public service and deep commitment to education. He graduated from Princeton University and served the nation for three decades as a Foreign Service Officer with the United States Department of State. He later worked for Fairfax County Public Schools as an educator at Annadale High School, earning recognition as Teacher of the Year

SA:sa

AGENDA ITEMS

2. **BOARD DECISION ON THE COUNTY'S AND SCHOOLS' FISCAL YEAR (FY) 2026 THIRD QUARTER REVIEW** (9:35 a.m.)

(SARs)
(FPR)

Chairman McKay stated that the *FY 2026 Third Quarter Review*, as advertised, included previous balances of $52.0 million and recommended revenue, spending, and reserve adjustments totaling a net of $50.3 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 $1.7 million.

The Board utilizes this balance to provide additional funding to the County's Reserve for Economic Uncertainty, which was established as part of the FY 2026 budget to respond to changing economic conditions. This action reflects the Board's commitment to maintaining fiscal resilience and ensuring that the County is prepared to respond to potential revenue fluctuations or emerging needs.

FY 2026 Third Quarter Board Adjustments	
	FY 2026
FY 2026 Third Quarter (Advertised) Balance	**$1,672,600**
Board Adjustments	
Reserve for Economic Uncertainty	($1,672,600)
Subtotal:	($1,672,600)
Net Balance	**$0**

Therefore, Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved approval of the *FY 2026 Third Quarter Review* including:

- Approval of Supplemental Appropriation Resolution AS 26190 and Amendment to the Fiscal Planning Resolution AS 26901, which include the revenue, expenditure and transfer adjustments, grant awards and adjustments, and associated reserve adjustments contained in the County's and School's Third Quarter Review dated March 17, 2026

- The Appropriation of $2 million from the fuel reserve, as recommended in the Add-on package dated April 16, 2026

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

Vice-Chair Smith and Supervisor Palchik jointly seconded the motion. Following discussion regarding the motion, the question was called on the motion and it carried by a vote of nine, Supervisor Herrity voting "NAY".

EBE:ebe

3. **BOARD MARKUP OF THE COUNTY EXECUTIVE'S FISCAL YEAR (FY) 2027 ADVERTISED BUDGET PLAN AND THE FY 2027 ADD-ON PACKAGE** (9:39 a.m.)

Chairman McKay stated that this package begins with a balance of $23.17 million, which represents the balance included in the Advertised budget as no adjustments impacting this balance were recommended in the County Executive's Add-On package of April 16, 2026.

Adjustments Recommended by Board

The Board appreciates the diligent and disciplined approach taken by the County Executive in developing the FY 2027 Advertised Budget Plan under challenging circumstances. The continued economic and political uncertainty created by the current Federal administration has made long-term planning more difficult for residents, businesses, and local governments alike. Despite these headwinds, the County Executive put forward a balanced budget that does not require an increase in the Real Estate Tax rate.

Navigating these challenges without raising the Real Estate Tax rate has required a fourth consecutive year of agency budget reductions, with this sustained effort to control costs now totaling approximately $124 million. In addition, the proposed budget included a comprehensive review of fees such as those in the land development process. At the same time, the Board appreciates the emphasis on the County's workforce, with full funding of the Collective Bargaining Agreements with the County's three unions and equitable increases for non-represented employees that include pay scale adjustments to maintain internal equity between the S, M and A scales. The Board also values the investment that this budget makes

in facilities, recognizing both the importance of safe, well-maintained infrastructure today and the need for continued investment in the years ahead.

The proposed budget allocated just over 51 percent of the County's budget, or over $3 billion to Fairfax County Public Schools. The State has yet to finalize its budget; however, the Board remains optimistic that State partners will step up to the plate and increase their support for K-12 education. In addition to operating support, the County's budget strengthens investment in Schools infrastructure, reflecting shared challenges of aging facilities and deferred maintenance. Continued collaboration on capital planning and facility renewal will be essential to ensure that both County and School buildings remain safe, functional, and able to support the wide array of services residents and students rely on.

The Board's mark-up to the FY 2027 budget builds on the County Executive's proposal to reducing the Real Estate Tax rate by ¼ cent, from the current rate of $1.1225 per $100 of assessed value to $1.12 per $100 of assessed value. At the current tax rate, the impact on the average Real Estate Tax bill would have been $357; with this rate reduction, the average increase is reduced to $337. The Board is acutely aware of the financial pressures and uncertainty many residents continue to face and believes it is important to moderate the impact on homeowners where possible. This reduction is made possible in large part due to the impact of the Food and Beverage Tax on the County's budget, which has begun to deliver on its intended purpose of diversifying the revenue base, lessening reliance on the Real Estate Tax, and allowing some of the cost of County programs to be shared by visitors, commuters, and others who spend money in the County but do not pay property taxes here.

In developing this mark-up package, the Board also carefully considered the concerns raised by residents about several programs that were recommended for elimination. The Board recognizes that achieving the necessary savings in this budget involves difficult choices and that these reductions are not without pain for the communities and individuals who rely on these services. However, in response to community input and with a focus on aligning resources with actual utilization, the Board is partially restoring funding for four programs: $250,000 for the Low and Moderate-Income Home Repair Pilot, $200,000 for the contract providing a part-time preschool program, $130,588 for Home-Delivered Meals, and $310,000 for the BeWell Program. These targeted restorations will allow these programs to continue in a right-sized form while still operating within a more efficient footprint. Where reductions remain, such as for community centers, the Board expects that staff will work with nonprofit partners to ensure a seamless transition of services.

The Board is also deferring by one year the planned realignment of transition services provided to high school seniors with Individualized Education Plans who are leaving FCPS and moving into adulthood. While these services remain more appropriately aligned with FCPS, this change will now be implemented as part of the FY 2028 budget, rather than the upcoming fiscal year. This deferral will provide FCPS with additional time to prepare to assume this function, ensuring a smooth transition for students and families.

Two of the Chairman's recent Board Matters directed staff to advance the Board's priorities related to economic competitiveness and attainable housing. The recommendations emerging from these initiatives will require additional staff capacity to implement. To support the Housing Task Force and related work, the Board is creating one new position in Land Development Services (LDS), funded entirely by LDS revenues with no cost to the General Fund. In addition, one new position will be added to the Department of Economic Initiatives to support the County's economic competitiveness efforts. The cost of this position will be largely offset by abolishing a vacant position in the Office of the Commonwealth's Attorney, reflecting the Board's continued commitment to aligning resources with priority initiatives while minimizing the impact on taxpayers.

Affordable housing remains a major priority for the Board as it continues to take deliberate steps toward the goal of a minimum of 10,000 new affordable homes. As part of this mark-up package, the Board is allocating the equivalent of an additional quarter penny on the Real Estate Tax rate, or roughly $8.8 million to affordable housing. This brings the recurring, baseline investment in affordable housing to a penny and a half on the Real Estate Tax rate, or $52.7 million, providing a predictable, ongoing investment in affordable housing and reflecting the commitment to sustained progress on this critical community need.

The remaining balance of $4,676,495 is allocated to the Reserve for Economic Uncertainty. Given the continued volatility and unpredictability associated with the current Federal administration and broader economic conditions, the Board believes it is prudent to bolster this reserve as a safeguard against potential revenue shortfalls or emerging expenditure pressures. Strengthening the Reserve for Economic Uncertainty enhances the County's ability to respond quickly and responsibly to changing circumstances, while helping to preserve critical services and maintain stability for residents, businesses, and employees.

Funding Adjustments Recommended by Board	
	FY 2027
Balance as of Add-On	**$23,167,079**
Reduce the Real Estate Tax rate from the current rate of $1.1225 per $100 of assessed value by ¼ cent to $1.12 per $100 of assessed value	($8,788,269)
Restore partial funding for Low- and Moderate-Income Home Repair Pilot Program	($250,000)
Restore partial funding for the contract providing a part-time preschool program	($200,000)
Restore partial funding for Home-Delivered Meals to allow for 7 meals per week	($130,588)
Restore partial funding for BeWell to allow for 3 contracted peer support specialists	($310,000)
Delay shift of transition services for high school seniors with Individualized Education Plans from County to Schools for one year, which restores 3/3.0 FTE positions	$0

Funding Adjustments Recommended by Board	
	FY 2027
Add 1/1.0 FTE position in Land Development Services to support Housing Task Force	$0
Reduce 1/1.0 FTE additional vacant position and associated funding from the Office of the Commonwealth's Attorney	$112,680
Add 1/1.0 FTE position in Department of Economic Initiatives to support economic competitiveness	($136,137)
Support for Affordable Housing initiatives	($8,788,269)
Set aside recurring balance in Reserve for Economic Uncertainty	($4,676,496)
Subtotal:	($23,167,079)
Final Remaining Balance	**$0**

As a result of these changes, the FY 2027 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 $0.12 to $0.105 per $100 of assessed value

- A decrease in the Phase II Dulles Rail Transportation Improvement District tax rate from $0.14 to $0.12 per $100 of assessed value

Increases are included in Land Use, Refuse and Sewer charges, as follows:

- An increase in the Refuse Collection fee from $610 to $630 per household

- An increase in the Refuse Disposal fee from $90 to $98 per ton

- An increase in Sewer Service Charges from $9.33 to $9.88 per 1,000 gallons

- An increase in the Sewer Service Base Charge from $52.62 to $55.78 per quarter

- An increase in the Sewer Availability Charge from $9,218 to $9,398

Taxes and fees in the FY 2027 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 2027 Budget as Advertised, with the changes included in the Add-On package dated April 16, 2026, and as outlined above, and required Managed Reserve adjustments. The tax and fee adjustments become effective on and after July 1, 2026, unless otherwise noted. These actions result in a balanced budget for FY 2027. Vice-Chairman Smith seconded the motion.

A lengthy discussion ensued regarding the budget markup, with Board Members thanking everyone who provided input, staff for all their work, and expressing support/non-support of the motion.

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

BUDGET GUIDANCE FOR FISCAL YEAR (FY) 2027 AND FY 2028

Chairman McKay stated that the next step is to adopt guidance for the development of the FY 2028 budget. The purpose of Budget Guidance is to indicate Board's support for initiatives included in the FY 2027 budget, to provide direction to the County Executive and County agencies related to the implementation of the FY 2027 Budget, and to make recommendations to the County Executive and County staff for the development of the FY 2028 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.

Economic and Policy Uncertainty

The County continues to navigate a period of heightened economic and policy uncertainty given the General Assembly's budget impasse coupled with the volatility of geopolitical conflicts. The current Iranian conflict could have significant economic impacts, both for FY 2027 and lasting into FY 2028, mainly through disruptions to global energy markets. Because much of the world's oil flows through the Strait of Hormuz, instability there is already impacting oil and gas prices, increasing inflation, and raising costs for businesses and consumers. Prolonged disruption may also slow economic growth, strain supply chains, and heighten the risk of a broader global downturn. The FY 2027 Add-on Package noted that the County is already experiencing increases in fuel prices, relying upon the County's fuel reserve to absorb any immediate impacts. Staff will continue to monitor revenue categories sensitive to macroeconomic trends and inflationary impacts on expenditures to determine if further adjustments will be necessary as part of the *FY 2026 Carryover Review*.

The County remains vigilant in monitoring potential impacts on Federal revenue based on actions taken by the current administration. Direct impacts have thus far been limited, but we have seen delays in Federal reimbursements, including Federal solar tax credits, as an example. Although Federal revenue is a small portion of the County's overall budget, Federal funding is a key component in some areas, such as human services and transportation, and is more significant for partners at Fairfax County Public Schools. It is important for staff to provide updates to the Board, as necessary, when funding challenges arise, particularly as the County can no longer sustain replacing resources to offset funding losses.

Consistent with staff recommendations as noted in the *FY 2026 Third Quarter Review*, several local revenue streams remain highly sensitive to broader economic disruptions. Sales Tax, Transient Occupancy Tax, and the recently implemented Food and Beverage Taxes are closely tied to consumer confidence and discretionary spending. The Business, Professional and Occupation License (BPOL) Tax is susceptible to changes in the regional business climate and broader market shifts. Investment Interest remains highly dependent on future actions taken by the Federal Reserve.

The County continues to feel the impact of the Federal H.R. 1, the One Big Beautiful Bill (OBBB) Act, most notably through significant changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP). These changes not

only increase the County's administrative burden but, more importantly, could result in coverage losses for some Fairfax County residents who struggle to meet the new requirements. A loss of eligibility in either program may further strain the health and human services system. Of primary concern is a shift in the SNAP administrative cost-sharing model effective October 1, 2026, alongside a potential State-mandated cost share for benefits if statewide payment error rates are not substantially reduced. In addition, new Federal mandates will increase the administrative workload for County Human Services staff. Medicaid eligibility must now be reestablished every six months rather than annually, while expanded work and community engagement requirements further intensify staffing demands. Combined, these changes could lead to increased financial pressures for the FY 2028 budget.

Given these uncertainties, the Board is increasing the Reserve for Economic Uncertainty, allowing for judicious use of the reserve to offset loss of Federal funding or required increases for the County's safety net programs. A strong reserve posture has consistently been a defining feature of financial management and is central to maintaining the County's AAA bond ratings.

Fairfax County Public Schools (FCPS)

The Board deeply values the strong partnership between Fairfax County Government and FCPS and the shared commitment to students, families, and educators. Collaboration has never been more important than it is now, as we navigate the economic uncertainty discussed above and work together to sustain the quality of schools and the services the community relies on.

The FY 2027 budget provides over $3 billion in funding for FCPS, more than 51 percent of the County's budget, including funding for operational needs, debt service requirements and capital investments. The State has not yet adopted its budget, creating unnecessary doubt regarding whether FCPS will be funded at the amount requested by the School Board. The Board is optimistic, however, based on the budgets put forth by the General Assembly, that additional funding for schools will be forthcoming. As FY 2028 is expected to be another difficult budget year, if these resources exceed the existing funding gap for FCPS, the School Board is strongly encouraged to use the excess funding for one-time needs or to set aside in reserve for FY 2028. Regardless of the outcome for this budget cycle, the larger issue remains: Virginia continues to underfund K-12 education, as confirmed by the JLARC study. The Board will continue to work with the School Board and the General Assembly delegation to press for a fair and sustainable State funding model that recognizes the true cost of educating our students. Addressing this structural underfunding is essential to protecting County taxpayers while maintaining the excellence of the public schools.

The County's FY 2027 budget includes deliberate steps to realign funding to FCPS for programs that are currently provided by the schools with the expectation that these important services will continue to be offered to students. This includes the Middle School After School program and the closely linked Values in Prevention program, which play a critical role in student engagement, safety, and enrichment. The Board's expectation is clear: the Middle School After School program must be

continued with the funding that has been provided. If the program is not maintained by FCPS, to include the collection of fees utilizing a sliding fee scale, the associated County funding will be rescinded. In addition, Fairfax-Falls Church Community Services Board (CSB) staff are directed to coordinate with its FCPS counterparts to work towards a seamless realignment of transition services for students with individualized education plans (IEPs) which was proposed as part of the FY 2027 budget but has been deferred to FY 2028. Staff should work with FCPS to clarify the roles and responsibilities of FCPS and CSB with respect to these transition services, such that there is not a reduction in transition support for these students. The goal is to ensure that County dollars directly support students in ways that are predictable, collaborative, and fiscally responsible.

In advance of next year's budget in recognition of the fiscal environment and existing structural imbalances, the Board continues to urge the Superintendent and the School Board to engage in a comprehensive process to identify cost savings, efficiencies, and reduction opportunities. The Board further urges FCPS to bring forth these changes early in the process and long before the County marks up its budget so that they may be fully evaluated.

FY 2028 Budget Development

As the County turns to FY 2028, as noted above, there is continued economic and geopolitical uncertainty, fiscal and operational pressures due to Federal legislative changes, and the anticipated softening of the residential real estate market. While the revenue outlook is uncertain, funding needs to address employee compensation, support for schools, maintaining the County's aging infrastructure, and modernizing the County's IT infrastructure are considerable. The County must balance these competing priorities while continuing to consider the affordability of taxes for residents and businesses.

Affordability is a considerable concern for the community. With a full year of collections informing FY 2028 revenue projections, It is expected that the Food and Beverage Tax will continue to alleviate pressure on the Real Estate Tax rate. In addition, the Board has enhanced the County's Senior Real Estate Tax Relief program in recent years to provide broader and more meaningful relief to fixed-income homeowners facing rising property assessments. As part of next year's budget development, staff should conduct a comparative analysis of similar programs in other local jurisdictions and an analysis of utilization rates and participation trends under the expanded relief tiers, as well as the relatively newer tax deferral program, to inform future adjustments and ensure these tools are effectively reaching intended beneficiaries while managing the fiscal impact on the General Fund.

The Board remains committed to the ongoing evaluation of local tax rates and fees to ensure adequate cost recovery and appropriate inflationary adjustments. County staff will continue comprehensive benchmarking against regional jurisdictions. This analysis is essential to maintaining a competitive and equitable tax environment that aligns with counterparts while ensuring the County's revenue streams remain sustainable. Additionally, staff will continue to maximize State and

Federal reimbursements, where possible, and pursue grant opportunities that help to alleviate budget pressures, not exacerbate them.

Maintaining the County's extensive network of aging facilities remains one of the most significant long-term fiscal challenges. Expanding upon the progress made in the FY 2027 Advertised Budget Plan, which increased baseline funding for capital renewal for the County and Schools, the Board remains committed to increasing the baseline support for the County's capital renewal needs. This is a responsible approach that mitigates the significantly higher costs associated with full facility replacements or emergency repairs. Sustained investment in capital renewal is essential to ensuring assets remain in a state of good repair, reducing long-term reliance on one-time quarterly balances and precluding the need for more costly bond-funded projects. The Board also supports similar continued baseline investments in information technology, as many of the challenges that the County has faced regarding its aging facilities are also applicable to its information technology infrastructure.

The Board encourages the County Executive to continue to pursue operational efficiencies and identify savings wherever possible; however, after four years of reductions totaling approximately $124 million, a broad, across-the-board reduction exercise may not yield meaningful results. The Board recognizes that the County Executive may need to consider program elimination, facility closures, reduced contributory support, and reducing services to mandated levels. Staff should continue to examine the utilization of programs as they evaluate potential reductions, as well as areas for potential consolidation or collaboration, particularly as it relates to services provided by nonprofit partners. While recognizing that this may be a longer-term initiative, staff should also further analyze the utilization of community centers, as well as their underlying governance and fee structures, to determine if there are opportunities to create a more consistent level of service across the county. This analysis should bear in mind that community centers serve a number of purposes, including serving as election sites. Overall, reductions should be strategic and aligned with sustaining essential functions while still maintaining accessibility for all residents. The Board acknowledges that these reductions will be challenging and will have a real impact on the community and the workforce; however, maintaining long-term fiscal stability and affordability is essential. The Board, as always, is ready to continue to engage in this work, with budget conversations occurring year-round, not just in the weeks leading up to budget adoption.

County Employee Pay and Collective Bargaining

The Board appreciates the inclusion of full funding for the County's compensation plans in the FY 2027 budget, including the third and final year of the current agreements with the Fire and Emergency Services and Police bargaining units and the first year of the new contract for the General County bargaining unit, as well as pay adjustments for non-represented employees in accordance with established plans. This reflects a continued effort to maintain competitive compensation while managing overall fiscal constraints. For FY 2028, the County Executive is directed to continue bringing forward recommendations that promote equitable

compensation practices across all employee groups, while accounting for variations in market demand and position-specific factors.

The Board supports the ongoing evaluation of potential efficiencies and savings associated with consolidating the County's three retirement boards. In addition, the Board endorses the pay study for uniformed Sheriff employees included in the FY 2026 Third Quarter recommendations, with the goal of ensuring alignment with the appropriate peer groups.

Affordable Housing

Affordable housing remains a core priority for the Board. As reflected in the Board's budget guidance for the past few years, the County is committed to taking steps necessary to reach the goal of a minimum of 10,000 new affordable homes. The Board's dedication of $8.8 million in additional recurring funds, the equivalent of an additional quarter penny on the Real Estate Tax rate, as part of the FY 2027 budget is a substantial step forward towards the goal. In tandem with this, the Board encourages the County Executive to continue to pursue creative approaches and additional sources of funding, such as Federal and State grants, to support affordable housing. The Board further encourages staff to be mindful of preservation needs and promoting homeownership, as it continues to address the affordable housing needs of the community.

The Board also recognizes that the needs in the community for affordable and attainable workforce housing have continued to evolve since it was first adopted, and then expanded, the affordable housing production and preservation goals. The response to this challenge must also continue to evolve. The recent Housing Needs Assessment, produced by the Department of Housing and Community Development, clearly identifies the need for affordable homeownership and rental housing options for low- and moderate-income working families. Going forward, the County will invest public resources to produce and preserve the housing needed by those earning up to 80 percent of the Area Median Income (AMI) in furtherance of the goals; at the same time, will utilize public policies and other incentives to foster the development of more diverse, abundant, attainable housing options for households earning over 80 percent of the AMI.

Finally, sustained housing affordability depends on more than direct budget allocations. The provision of attainable housing is central to the County's long term economic health and competitiveness and intend to remain a regional and national leader in responding to the housing crisis. The Chairman's September 2025 Board Matter "*Housing Initiatives to Increase Production and Sustain our Economic Advantage*" led to the creation of the Housing Task Force (HTF). The forthcoming HTF report builds upon initiatives previously directed by the Board while also suggesting new recommendations. As those recommendations are considered over the course of the coming weeks and months, it is clear the Board remains steadfast in its goal to support production at a scale that meets needs across the continuum, so that residents at all income levels can find attainable homes to rent or own in Fairfax County, keeping the community vibrant, inclusive, and competitive.

Economic Development Authority/Economic Incentives

In alignment with the Chairman's recent Board Matter on Economic Competitiveness, this guidance directs that further and more formal collaboration be considered between the Department of Economic Initiatives (DEI) and the Economic Development Authority (EDA). In light of ongoing economic uncertainty, it is imperative that the economic development approach remains unified across all County departments. Formal discussions have already commenced between the County Executive, the EDA, and members of the Board.

Given the magnitude of this endeavor, County staff are tasked with preparing a comprehensive organizational review over the next several months. This will ensure a level of due diligence that accounts for best practices, including comparative organizational structures, optimized staffing models, and any legal considerations related to the Authority. This deliberate approach ensures that any potential realignment is both fiscally sound and strategically positioned to amplify the economic impact.

Further, ongoing efforts will continue to evaluate options to aggressively expand the County's commercial tax base, thereby relieving the growing fiscal pressure on the residential tax base. Substantial progress is being made in this area in some parts of the County but more work needs to be done. These collaborative efforts will ensure that the County remains the premier destination for business investment and talent retention in an increasingly competitive global market.

Where feasible, the County should have the ability to incentivize economic development, and maintaining dedicated, flexible funding for this purpose is essential. The County's Economic Opportunity Reserve (EOR) is currently intended to serve this role. However, as the EOR is one of the three components of the County's core reserves, any use of this funding must be replenished at year-end to avoid negatively impacting reserve levels. As a result, the EOR, as it is currently structured, limits the County's ability to respond quickly to development opportunities. The County's reserve target was increased from five percent to 10 percent of General Fund disbursements in response to feedback from the bond rating agencies a decade ago, and the Board recognizes that maintaining the County's core reserves at this level is imperative. Therefore, staff is directed to develop and return to the Board with a strategy to transition the EOR into a more flexible tool for supporting economic development while ensuring that the County's reserve posture stays strong. This plan should be developed in time to support any updates to the County's *Ten Principles of Sound Financial Management* alongside the adoption of the FY 2028 budget.

Transportation

The identification of adequate, recurring resources for the region's transportation systems is a perennial challenge that extends beyond the County. The FY 2027 budget addresses the County's share of Metro's operating subsidy without additional General Fund resources. However, this was achieved only by maximizing the use of one-time State Aid balances held at the Northern Virginia Transportation Commission (NVTC). State aid allocations are currently inadequate to cover the combined systemic requirements of the County's annual Metro subsidy

and the Fairfax Connector bus system. Furthermore, current State aid funding levels do not account for the significant capital investment requirements that the DMVMoves Task Force and the operating requirements General Assembly's SJ 28 Joint Subcommittee sought to address, with both focused on Metro cost containment strategies and dedicated funding sources for regional transportation. Absent a legislative solution with dedicated transportation funding, the County faces a substantial increase in General Fund support for both operational and capital system transportation needs in FY 2028. Relying on local tax sources to fill these gaps is not a viable long-term strategy. The Board remains committed to working alongside regional and state partners to secure a dedicated transportation funding source that ensures the sustainability of the transportation system.

Chairman McKay moved the Budget Guidance, which will help direct the FY 2028 budget process. Vice-Chairman Smith seconded the motion.

Following discussion regarding the motion, Supervisor Lusk moved to amend the motion by adding language to the Affordable Housing section, as follows:

- "…Going forward, the County will invest public resources to produce and preserve the housing needed by those earning up to 80 percent of the Area Median Income (AMI), **including those living within the manufactured housing communities**,…"

Supervisor Alcorn seconded the motion.

Discussion ensued regarding the amendment, with input from Thomas Fleetwood, Director, Department of Housing and Community Development, who confirmed that manufactured housing communities are not excluded from the funding for affordable housing and addressed concerns raised regarding resources for housing preservation.

Following additional discussion, with Board Members expressing their views/concerns and support/non-support of the motion, Supervisor Lusk moved to withdraw his motion. Supervisor Alcorn seconded the motion and it carried by unanimous vote.

Following additional discussion regarding the budget guidance, the question was called on the main 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 THE FAIRFAX COUNTY CAPITAL IMPROVEMENT PROGRAM (CIP) FOR FISCAL YEARS (FYs) 2027-2031 (WITH FUTURE FYs TO 2036)** (12:15 p.m.)

Chairman McKay relinquished the Chair to Vice-Chairman Smith and moved approval of the FY 2027-FY 2031 CIP (with future FYs to 2036) with the following amendments:

- Direct staff to identify long-term funding strategies and resources to incrementally increase the baseline for capital renewal projects. Prioritizing preventative maintenance and system renewal is a fiscally responsible alternative to the higher costs of full renovations or facility replacements. Furthermore, maintaining assets in a state of good repair reduces the County's long-term reliance on bond-funded projects

- Make all necessary adjustments to reflect actions taken during the Board's decision on the *FY 2026 Third Quarter Review* and the FY 2027 Adopted Budget Plan that impact the CIP

Vice-Chairman Smith and Supervisor Palchik jointly seconded the motion and it carried by unanimous vote.

Vice-Chairman Smith returned the gavel to Chairman McKay.

Chairman McKay thanked staff for their hard work.

ADDITIONAL BOARD MATTER

5. **CONCERN REGARDING USAGE OF COUNTY SYSTEMS (EMAIL AND NEWSLETTERS)** (12:17 p.m.)

Given the fact that recent elections have been held, and County systems (email and newsletters) have been used to weigh in, Supervisor Alcorn reminded Board Members that there are limitations when using those systems. He noted that he inquired the County Attorney, requesting guidance regarding the legal nature of those limitations and/or County Policy, and requested that this information be shared with the Board. Chairman McKay echoed these concerns.

6. **BOARD ADJOURNMENT** (12:19 p.m.)

At 12:19 p.m., the Board adjourned.