

The City of Fairfax

Office of the City Manager



February 26, 2019

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

RE: City Manager's Recommended FY20 Budget Transmittal Message

Dear Mayor Meyer and Members of City Council,

On behalf of a talented and dedicated leadership team, I am pleased to present the City Manager's recommended Fiscal Year 2020 (FY 20) budget. The recommended FY 20 budget contains the necessary personnel, operating and capital resources to:

- Fulfill the Mayor and City Council's vision included in the adopted 2035 Comprehensive Plan
- Pursue the adopted Strategic Goals, with a priority to prepare for economic opportunities thereby accelerating the City's prospects for longer term economic health
- Complete the Mayor and City Council's annual work plan as described in the recommended FY20 Budget

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

-2035 Comprehensive Plan
adopted February 12, 2019

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

- Advancing the Economic Health of the City
- Stimulating and Supporting Targeted Redevelopment
- Improving the City's Multimodal Transportation System
- Enhancing the Quality of Neighborhood Living
- Modeling Successful Municipal Governance

The City has consistently delivered outstanding value even though revenue growth has been limited and the City's ability to adequately address some needs has been significantly constrained. For the past several years, real estate taxes, have grown minimally, especially in the commercial sector. City-wide real estate valuation has increased only 1.43 percent annually over the last ten years. Since real estate taxes comprise 49 percent of the City's General Fund revenues, this is a

significant concern now and in the future. Compared to eleven other Northern Virginia jurisdictions, (four towns, three cities and four counties), the City’s January 2018 to January 2019 real estate valuation growth ranked a distant last. The regional average growth was 3.44 percent and the highest growth rate was 6.9 percent. The City of Fairfax growth rate was 1.3 percent, which includes 0.68 percent of new construction and 0.63 percent growth of existing properties.

The recommended FY 2020 budget highlights several opportunities and challenges including modest increases in operating expenditures, reflecting the limited revenue growth, few additional personnel resources, and a reduced Capital Improvement Program (CIP) – all while seeking to achieve the City Council’s primary focus and commitment to stimulate commercial growth and bolster the City’s financial position. This budget provides funding for investment in economic development while also increasing the City’s General Fund’s cash reserves, a best practice recommended by the City’s financial advisors.

Strengths	Constraints
Economic Development/People/Places	Tax Base Growth Ranked #12
Dedicated, Professional, and Versatile Staff	Employee Recruitment and Retention
Sustainable Living	Professional, Organizational & Leadership Development
Communicative/Close Knit Community	Public Safety Recruitment & Retention
City-Wide Redevelopment Opportunities	WMATA Funding/CUE Funding
Northfax/Old Town Primed for Greater Success	Clear Strategies, Policies & Processes needed to ensure consistency and predictability
Enhanced Partnership Opportunities: GMU, Fairfax County, Chamber, Civic/HOA Groups	Lack of Adopted 5 Year CIP
Financial Policies/12% Fund Balance	Significant Wastewater Treatment & Infrastructure Costs
2035 Comprehensive Plan – Clear Guidance	
Available Transportation Funding	

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

I. Economic Development and Redevelopment

1. Provides additional resources to the Department of Community Development and Planning, Economic Development Office, Economic Development Authority and other City operations to create and implement strategies for key commercial centers and, more specifically, to fund the development and completion of a small-area plan in the Northfax commercial activity center. The City’s immediate goal and primary focus of this recommended budget is the redevelopment of the Northfax area into a sustainable economic engine, one that will lead the way for development/redevelopment of other key activity centers throughout the City. Another area of focus will be to develop a strategic framework for the historic downtown. This framework will facilitate current decision-making while providing the foundation for the development of an area plan. (\$700,000, General Funds)

II. Transportation

1. Fund a Project Manager for Public Works to manage the City's transportation construction projects. This added position will help with strategic planning, securing funding, program administration and supervision to ensure City and regional coordination, resulting in the delivery of effective (and efficiently constructed) transportation projects. The successful launch and timely completion of key transportation projects will provide the infrastructure needed to support and encourage economic development and to improve the quality of life for City residents, business commuters and visitors (\$88,008, NVTA 30% funds).
2. Plan and equip a bikeshare system in partnership with Fairfax County, George Mason University and the Town of Vienna to implement a comprehensive bikeshare network. This project also supports quality of life and economic development (\$1,500,000, I-66 Inside the Beltway funds).
3. Design, engineer and implement the Old Lee Highway Multimodal project. The project provides a consistent design for the entire corridor, improving not only the appearance of this thoroughfare, but also the usability for all forms of transportation (\$16,000,000, state and regional funding, FY 2020 cost of \$1,500,000).

III. Neighborhoods

1. Supports four-person-minimum staffing (three additional FTEs, one per shift) on the Fire Department's Ladder Truck. For several years, the City has supported four-person-minimum staffing under certain conditions and with the financial support from SAFER Grants. SAFER Grant monies are no longer available for the City's minimum-staffing positions (\$458,600, General Funds).
2. Addresses aging infrastructure and regulations from the federal and state governments regarding storm-water management (additional 0.25 cents or \$161,052 on the real estate tax rate for a total allocation of 3.0 cents).
3. Provides funding for the LED Streetlight Conversion capital project. This program is scheduled to invest funds over a five-year period by converting more than 2,600 electric streetlights to light-emitting-diode (LED) technology. Once completed, the conversion is projected to reduce the City's yearly carbon footprint by 800 metric tons of CO2 while reducing the City's energy consumption by an estimated \$100,000 annually (\$110,000 a year investment for five years, General Funds).
4. Provides funding to the Lamb Center to provide a daytime drop-in for most vulnerable residents of the City and the area. (\$60,000, General Fund)

IV. Governance

1. Achieves minimum cash reserves (12% of General Fund revenues) in the General Fund, providing enhanced fiscal health aimed at retaining the City's AAA bond rating as adopted in the City Council's Financial Policies (\$417,720, General Funds).
2. Fund an upgrade to the Electoral Assistant Registrar position, converting a part-time (0.5 FTE) to fulltime (1.0 FTE). Additional help is requested by the Electoral Board to help ensure the integrity and efficiency of the voter registration process (\$29,223, General Funds).

3. Provided a 2.6 percent COLA to employees to maintain parity in terms of compensation with the Northern Virginia region supporting the City's recruitment and retention efforts (\$744,100, General Funds).
4. Fund the City's Supplemental Retirement Plan increase as recommended by the City's actuaries and as required by the City Council's adopted financial policies. The City's "recommended" contributions to employee retirement plans cannot be predetermined in the short term. Rather, the plans are managed and, when required, adjusted over the long-term. The City's retirement programs represent an integral part of the employees' compensation package, which also supports the City's recruitment and retention efforts (\$1,367,132, General Funds).
5. Improve the City's Senior/Disabled Citizen Tax Relief Program to be on par with Fairfax County's program. The program change will increase the tax-exemption amount for most qualified applicants (\$75,000 in FY 2020 and \$150,000 in future years, General Funds).

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

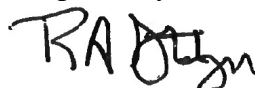
While conservative in its spending proposals, this budget plan does require additional tax revenues to maintain the City's high level of services in addition to supporting the investments outlined above. The increased funding needed to support this Proposed Budget includes a 2.5 cent increase to the Real Estate Tax Rate (\$1,610,523), a 0.25 cent increase to the Storm-water Real Estate Tax Rate (\$161,052), and a 1.0 cent increase in the Commercial and Industrial Real Estate Tax Rate (\$204,870).

The recommendation of a tax-rate increase is always a serious matter and only advised if considered absolutely necessary. In preparing this budget, the cost of the proposed investments was weighed against the future cost of not investing now. The proposed funding, as outlined in the FY 2020 budget plan, is meant to plant the economic development "seed" needed to ensure a financially stable and vibrant City of Fairfax for generations to come.

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

There are many people to thank for their hard work in the preparation of this document. The principal responsibility lies with the Director of Finance, David Hodgkins and the Budget Manager, Kerry Kidd. There are many others who contributed substantively to the completion of the budget and they are acknowledged on page A-37.

Respectfully submitted,



Robert A. Stalzer
City Manager