



## Supervisor Letourneau's FY21 Budget Report

The Board of Supervisors met (most of us remotely) on Tuesday night to approve our Fiscal Year 2021 budget on an 8-1 vote. I voted in favor of the budget proposal. The budget sets the tax rate at \$1.035/\$100 of assessed value, a one cent reduction from the current tax rate.

These are truly unprecedented times, and they required unprecedented actions from the Board. The Fiscal Year begins on July 1, and the June tax collections will be based on the new rate. Over the course of the last several weeks, County staff has worked to assess the impacts of COVID-19 on County operations, both in the current fiscal year and in FY21. As Finance Committee Chairman, I spent a great deal of time with the County Administrator and senior staff over the past week reviewing these projections.

The good news is that we are in a strong position for the remainder of the Fiscal Year. Revenues were running ahead of estimates in some areas, and prior to COVID-19 we were projected to have a surplus in the \$40-\$50 million range. We are obviously going to incur revenue reductions in this fiscal year, and we have seen unplanned expenditures as part of our COVID-19 response. For instance, many of our

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positions in Parks and Recreation are fee-offset, meaning that we are reliant on fees that we are no longer collecting to pay for them. Other revenues, like sales and use tax receipts, will clearly be lower because people are delaying large purchases. However, because of how strong our position was previously, we believe we can weather the storm and be able to keep all of our full time, part time and long term temporary employees on the payroll. The same is true for Loudoun County Public Schools, which will continue to pay teachers and staff through the end of their normal contracts this year.

In addition, we are working to provide some FY20 funding to provide immediate assistance to those in our community. We already have converted a program that normally provides home renovation assistance to rental assistance for at risk populations, provided financial assistance for our food banks, and our Economic Development team is working on a program to provide small businesses immediate assistance utilizing funds that normally would have been spent for commercial business development. We will be hearing more about that later this month and I'm hoping we will be in a position to finalize it at the Board's April 21 meeting.

Moving forward, the real question will be the impact of COVID-19 on property taxes and personal property tax. We are projecting a decrease in both - a larger decrease in personal property tax because new car sales have gone down to almost nothing, and a smaller decrease in real estate tax revenue, which is our largest source of revenue.

There are many, many variables to consider, including how the real estate market responds, how many foreclosures or individuals who don't pay taxes there are, and what happens in the commercial market. Of course these questions depend on how long the COVID-19 crisis lasts, how successful we are at flattening the curve, and when testing becomes more available. Those are all major unknowns. We are fortunate that the data center market remains very

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strong - stronger than ever, in fact - and this roughly \$300 million pool of revenue is very stable. Other commercial property values are at risk though, as we expect to see much higher vacancy rates, particularly in the retail sector.

On the residential side, many homeowners pay taxes through an escrow account held by their mortgage lender. Much of that money for the June collection should already be collected. We do expect to see a softening of demand in the residential market, which would decrease property values and result in less revenue later this year.

All told, the County is projecting a \$67 million revenue loss for FY21, but budgeting for a \$100 million loss, which is consistent with the "worst case" scenarios provided by financial analysts that we have access to. With this in mind, the Board has directed the County Administrator to withhold \$100 million in appropriations from the FY21 budget. In consultation with the Superintendent of Schools, \$60 million will be withheld from the LCPS appropriation and \$40 million from County operations. To meet these numbers, the County is instituting a hiring freeze, and freezing all salaries. That means that employees will not get the raises they were expecting in FY21, at least when they were planned. Although we are the first jurisdiction to pass a budget this year, our neighbors are taking similar steps. In our case, the County recently implemented a new classification and compensation system, which resulted in many employees receiving raises to meet the market rates for their job functions. Raises were also provided last fall as part of the normal merit based and cost of living adjustments.

LCPS will be responsible for its own decisions on how to reduce spending, though I expect similar steps to be taken regarding salaries. They do have some positions they will need to hire for FY21 because of new school openings. One additional threat is that the Commonwealth of Virginia may reduce aid to localities. The County receives comparatively little,

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but the school system does receive a significant amount. The amount it may be reduced is a complete unknown, and it is our hope that the CARES Act funding being provided to states may help replace lost revenue for the state. The state's finances are largely dependent on income tax revenue, and given the sudden job loss for many thousands of Virginians, those are certainly going to take a big hit.

The County will also suspend new expenditures on capital projects that have local sources of funding. Projects that are already underway and have gone out to bid will continue, as will design for projects. At the moment, the bond markets are jumping around, and in order to proceed with certain construction projects we need to sell debt. We are proceeding as we normally would to sell debt in May or June, but we will ensure that we can do so before proceeding with new construction contracts. I will be participating in meetings later this month with credit ratings agencies, who will no doubt be looking carefully at our finances and the decisions we have made before issuing new ratings.

Now, you may wonder what would happen if the County's projections are wrong, and the revenue loss is greater than \$100 million. The County maintains a fiscal reserve which currently sits at just over \$200 million, and could be used to cover expenses beyond what we have planned for. At this time we do not anticipate having to touch any of that money, but it exists in the event of an emergency.

Regarding the tax rate itself, I consider it a positive that we were able to slightly lower the rate, although the average assessment went up slightly more than we reduced the tax rate, meaning that the average homeowner will see a very small increase. As always, your specific tax bill is entirely dependent on the assessed value of your property, which is calculated by the Commissioner of Revenue. In the Dulles District, our assessments really are varied, so some tax bills will go up, while some will go down. Some may ask why the Board didn't just reduce the tax rate further

instead of suspending \$100 million in appropriations. The answer is that 1) we don't know with certainty how much we will actually need to suspend appropriations, 2) we don't know exactly how much our revenue loss will be, and 3) we aren't at all clear what our additional expenses will be and how long the process for reimbursement from the federal government will take. The bottom line is that we still need the revenue to keep our local government functioning.

Those individuals that may have difficulty paying their taxes - either their personal or real property - should contact the Treasurer's Office and discuss their situation. The Treasurer has stated that his office will be as compassionate as possible with individuals and address things on a case by case basis.

Now, with all that said, it is time to tell you exactly what is in the budget. Most of what is written below assumes the entire appropriation is made - which of course it likely will not be. Thus, much of the "new" things mentioned are in flux. But, it is still important to understand what the spending plan is.

### **Loudoun County Public Schools**

As you may know, the Board of Supervisors is responsible for appropriating funds for Loudoun County Public Schools. This year, the Board fully funded the School Board's request, thanks in part to higher than expected state funding for teacher salaries (and again, this could change).

LCPS spending per pupil is up to over \$16,000 in FY21; for context, it was about \$11,000 when I took office in 2012. This increase demonstrates the Board's continued commitment to academic excellence in the County. With the COVID-19 situation impacting all our local institutions, LCPS is closed for the remainder of the academic year and there will be discussions about how and when LCPS should appropriate the funds we have provided to them.

## **School-Related Projects**

- Teacher / staff salaries and benefits: \$54.3 million has been set aside for salary and benefit increases for teachers and staff. Loudoun continues to remain competitive with neighboring jurisdictions.
- Personalized learning initiatives: \$25.6 million is set aside for personalized learning initiatives in subject areas like math, social studies, science, English, language arts, computer science, and others.
- Elaine E. Thompson Elementary School: This Dulles North elementary school will be located within Arcola Center with a planned opening in the fall of 2021. Total funding is \$44.2 million.
- Hovatter Elementary School: This Dulles South elementary school will be located adjacent to Lightridge High School with a planned opening in the fall of 2021. Total funding is \$44.2 million.
- Elementary School Classroom Additions: Last year's approved CIP includes funding in FY21 for additions at four elementary schools. Funding is \$12.4 million. Furthermore, there is a slated classroom addition at Hutchison Farm Elementary School that will be ready for the 2021/2022 school year.
- Arcola ES / Northstar Connection: In conjunction with the County's planned connection of Northstar Boulevard from Tall Cedars to Route 50, LCPS is planning to construct a second access point for Arcola. The access would improve traffic flow on the site and provide some additional parking as well. Cost is \$2.3 million.
- ES-32: ES-32 is a Dulles South elementary school, site to be determined. Design is funded in FY23, with construction in FY24. The planned opening is in the fall of 2025. Total funding is \$63.5 million.
- MS-14: MS-14 is a Dulles North middle school, site to be determined. Construction is funded in FY22. The

planned opening is in the fall of 2024. Total funding is \$118.4 million.

- Lightridge High School: I worked to accelerate this school in prior budgets. Planned opening is this fall. Total funding is \$125.5 million.

- HS-14: HS-14 will be a Dulles North high school, site to be determined. Construction is funded in FY26 at \$158.5 million and completion is anticipated for the fall 2028 school year.

### **County Budget**

Although they are funded differently, I'll include both the operating and capital budgets in my breakdown. For projects in the six-year Capital Improvement Plan, it is important to note that we are fiscally constrained, meaning we simply can't fund everything we want to whenever we want to for a number of reasons. These reasons include the ability of staff to effectively manage projects (we only have so much staff) and our debt limits. We can also only take on so much debt at one time, so that number is very carefully managed. The capital projects you see here fit within existing, planned debt limitations and will not jeopardize the County's outstanding AAA credit ratings - which we earned yet again in 2019. Funding for projects comes through many different sources including local tax funding, General Obligation bonds, developer proffers, Northern Virginia Transportation Authority funds, and state revenue matching grants. The CIP changes annually due to limitations and alterations in funding structures. While the projects listed below are accurate, as I mentioned we are suspending future construction contracts, which will impact project timelines. I am expecting to receive more details on this next week at the Finance committee meeting.

### **Transportation**

Every year the Board prioritizes adding funding to our Department of Transportation and Capital Infrastructure (DTCI), which is responsible for the

projects found in our Capital Improvement Plan. This year, we were able to add DTCI positions in addition to more funding, which will increase project capacity and ensure quality programs from beginning to end. These new positions will support the implementation of a coordinated intersection improvement program, shorter timelines for the land acquisition process, and increased oversight and review of all Capital Projects.

Transportation projects occupy 40% of the CIP, with school projects accounting for 27% - fully incorporating the School Board's adopted capital plan and accommodating all school projects. The approved CIP includes funding over the next six years for some major transportation projects, including many in the Dulles District.

**Arcola Boulevard:** This new major collector roadway will connect Route 50 at the intersection of Gum Spring Road to Arcola Mills Drive and Route 606 (Old Ox Road). The project is intended to relieve congestion on Stone Springs Boulevard, Route 50, and Arcola Mills Drive. Arcola Center is proffering much of the project and have it under construction today with an anticipated opening in mid-2021. However, the segment from Arcola Mills to 606 is not expected to be triggered for some time. We are working with the Arcola Center developer to accelerate their proffer with County funding that will be paid back when they meet the proffered requirements. The total County cost is now \$22.8 million and we expect that would be reimbursed to the County.

**Arcola Mills Drive:** Arcola Mills Drive (previously Evergreen Mills Road) will be widened from Belmont Ridge Road to Stone Springs Boulevard at a cost of \$16.8 million. Construction funding will not kick in until FY24, with an estimated completion date of FY30. The portion from Northstar Boulevard to Belmont Ridge Road will cost \$18.7 million and has an estimated completion date of FY31. The widening from Stone Springs Boulevard to Loudoun County Parkway will cost around \$46.6 million and will be completed sooner, in FY27.

**Belmont Ridge Road Widening:** The Belmont Ridge Road widening project was split into several smaller sections. The only portion we have left to complete is from Truro Parish Drive to Croson Lane. At our November 2019 Public Hearing, the Board approved eminent domain to secure the rest of the needed private right of way to complete the project. The only property subject to the eminent domain is strip land by the road, some of which belongs to utility and construction companies. There are no impacted homes. The total cost is \$42.7 million, and it should now be completed sooner than its FY23 estimate. Widening from Arcola Mills Drive to Shreveport Drive, which is in the Blue Ridge District but will impact some Dulles drivers, will not be completed until much later in FY28. Its current anticipated budget is \$57.7 million.

**Braddock Road Widening:** Much like Belmont Ridge, the Braddock Road widening was broken into smaller segments. As of this year, the segment between Royal Hunter Drive and the eastern entrance of Paul VI High School was not budgeted until FY22. Paul VI is opening in September 2020, so I worked with Van Metre (who already has a contractor on the Gum Spring / Braddock intersection improvement program). We were able to agree using a proffer furtherance for Van Metre's work to extend further east. The County will pay Van Metre about \$4 million to design and construct the Braddock widening from Whitman Farm to the eastern entrance of Paul VI. The project will now get done for much cheaper and much sooner (it began in March of this year and should be completed by August). Braddock widening between Royal Hunter Drive and Gum Spring Road is funded at \$7.3 million with construction funding in FY23. Braddock widening from the Paul VI eastern entrance to Bull Run Post Office Road will cost \$50.5 million but will be covered by sources such as general obligation bonds, Smart Scale funding, and NVRTA regional contributions. It is not funded until FY25 but we have allocated some preliminary engineering funds to scope the project and make it more competitive for the regional funding. Braddock widening from Bull

Run Post Office Road to the Fairfax County line is not included in the current CIP but is estimated to cost \$45.8 million.

**Braddock Road / Supreme Drive / Summerall**

**Drive:** A traffic light is being installed with turn lanes at the intersection of Braddock Road and Supreme / Summerall. The missing half-section of Braddock Road near the subject intersection is being widened from two lanes to four lanes. Utility relocation and right of way acquisition are currently underway and we expect construction to begin in 2021.

**Dulles West Boulevard:** The four-lane median divided roadway between Arcola Boulevard and Northstar Boulevard will cost \$76.3 million and includes shared use paths on both sides of the road and a bridge over the South Fork of the Broad Run. Estimated completion is FY27. Arcola Center is completing the eastern section of Dulles West Boulevard, from Dulles Landing to Arcola Boulevard, under a proffer. That segment is under construction now and is opening in mid 2021.

**Evergreen Mills Road:** Realignment of the intersection at Reservoir Road and Watson Road is funded at \$25.1 million and should be completed in FY25.

**Loudoun County Parkway Widening:** Loudoun County Parkway will be widened from Ryan Road to Shellhorn Road as a proffer from the Silver District West development. Cost to the County is only \$2.7 million for right of way acquisition. The estimated completion year for the project is FY23.

**Northstar Boulevard:** Northstar Boulevard will connect from Tall Cedars Parkway in Stone Ridge all the way across Route 50 to Shreveport Drive in Brambleton, with construction set to begin in 2021 and budgeted for in previous CIPs. Widening the existing segment from Tall Cedars Parkway to Braddock Road is budgeted at \$35.7 million and the completion year is FY28.

**Route 50 Northern Collector Road:** I have proposed this new road as an alternative to Route 50 that would connect from Tall Cedars Parkway to Route 28 at the Air and Space Parkway interchange. We have made significant progress with MWAA in resolving some concerns over the conceptual route, but more discussions are needed with the Smithsonian and Fairfax County. The current cost in the CIP is \$110.6 million, with design funding (\$7.2 million) budgeted as early as FY22 but construction not slated to begin until FY26.

**Waxpool Road / Loudoun County Parkway:** The intersection of Waxpool Road and Loudoun County Parkway is being improved for better traffic flow from the Dulles 28 center. The final plan is for triple left turn lanes onto southbound Loudoun County Parkway and a channelized free flow right turn with an acceleration lane from northbound Loudoun County Parkway onto eastbound Waxpool. The project is funded at \$10.2 million and the completion year is currently slated for FY24.

**Westwind Drive:** Westwind Drive will connect from Loudoun County Parkway to Old Ox Road with a sidewalk on one side, a shared use path on the other, and a bridge over the Broad Run. The total cost is estimated at \$51.5 million with a targeted completion date of FY28.

### **Public Safety**

The Sheriff's Office has a budget of \$104.2 million; about \$82 million of that will come from local tax funding. The Sheriff's Office budget is up from last year's total of \$93 million. Newly added positions include an SRO at the soon to open Lightridge and staff - including deputies - to accommodate the Courthouse expansion. The Office will also receive a latent print examiner and a property evidence technician, who will be an expert in admitting and investigating certain types of hard evidence.

Fire & Rescue has also received increased funding. Their budget totals \$106.6 million, with \$101.1 million coming from local tax funding. The Fire & Rescue budget is up from \$93.2 million last year. New staff positions include an Emergency Medical Services (EMS) clinical coordinator, civilian technology manager, and payroll specialist.

### **Parks & Recreation**

The total expenditures for the department are \$58 million, but only about \$28 million of that comes from local tax funding, as revenue in the department is quite high. We added several new positions, including HR staff. The situation with PRCS is a bit up in the air right now due to COVID-19, since most PRCS workers cannot do their jobs from home and rely on the revenue raised by the department to pay their salaries. The situation is fluid and we are looking at many different responses from the County perspective.

### **Library Services**

Board funding for library services this year was at \$22 million, which is up \$1.6 million from last year. The funding will go toward additional staffing, resources, materials, and maintenance.

### **Family Services**

Family Services falls under the umbrella of Health and Welfare, and the department has been historically understaffed given the growth and complexity of issues in our community. This year, we added staff to the Finance division, foster care team and kinship staff, and homeless assistance team. As we continue filling out the department, workload on individual staff will decrease and quality of service will continue to improve. Family Services is a crucial department that performs important tasks, especially right now as COVID-19 continues ramping up social and economic uncertainty.

### **In Summary**

Each year, the Board is presented with a new slate of challenges during budget season. This year, four new members joined the Board and were immediately faced with the task of crafting a responsible and efficient budget. Mere weeks later, a global pandemic broke out and created even more of a challenge. The Board has worked to craft a budget that kept the tax rate reasonably low while still funding important positions and initiatives. Over the course of the year, the Finance Committee will continue monitoring revenues and County operations and expenditures, and will be specifically reviewing COVID-19-related impacts every month.

If you have any specific questions, please feel free to contact me at [matt.letourneau@loudoun.gov](mailto:matt.letourneau@loudoun.gov).

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