



**McLean Citizens Association
Resolution on Pandemic Caused Recession
July 1, 2020**

Whereas, the purpose of this resolution is to revisit the scope, magnitude and uncertainties of the economic challenges that Fairfax County (County) faces because of the coronavirus pandemic (Pandemic) and to reiterate the need for a continuing, cautious approach moving forward; and

Whereas, Governor Northam issued Executive Orders 53 and 55 in March, which mandated closures of non-essential retail businesses, restrictions on public and private gatherings and cessation of K-12 instruction at public and private schools for the remainder of the 2019-2020 school year; and

Whereas, Governor Northam issued Executive Order 65 in June, partially easing business, travel and gathering restrictions but still requiring businesses to follow guidelines that restrict occupancy and require physical distancing, cleaning and wearing of face coverings; and

Whereas, the Pandemic is causing welfare and economic effects to the state, County and our community that are different and more severe than past recessions, and the resulting magnitude and timing of reducing those effects are uncertain; and

Unemployment – the Financial Challenge to Our Community

Whereas, the Pandemic has resulted in higher levels of unemployment for Fairfax County, with the unemployment rate for the County at 10.2% in April 2020 and 8.8% in May 2020, compared to 2.0% in April 2019; and

Whereas, in contrast, the unemployment rate for the County did not increase during the Great Recession in 2009-2011, and was below the unemployment rate for the Commonwealth of Virginia, because retail businesses did not need to close and in part because of the substantial proportion of the community working for the Federal Government and for private-sector companies selling goods and services to the Federal Government; and

Whereas, the high rate of unemployment is adversely affecting a significant portion of our community and may continue to do so for an extended period of time, particularly if the coronavirus resurges, if businesses reopen with leaner staffing, or fail to reopen at all; the extent to which the community continues to make purchases online instead of from local establishments could have longer term, structural economic consequences, including longer term reductions in local employment; and

Loss of Sales Tax Revenue - Immediate

Whereas, during the Great Recession, sales taxes, Business, Professional and Occupational License (BPOL) taxes, and other local taxes and fees were not significantly affected; but by the very nature of the Pandemic-caused recession, where retail businesses were closed, the loss of much of these taxes to the County was immediate and significant; and

Whereas, the timing and magnitude of the return of these tax revenues to the County depends on the timing and severity of the Pandemic and the resulting reopening of retail businesses and the strengths of the businesses; return to business as usual is unlikely for some time; and County's revenue is likely to be adversely and significantly affected for an extended period; and

Whereas, the magnitudes of the County's sales tax and BPOL taxes combined were approximately \$355 million in FY 2019; the reduction thus far in these revenues are not yet available; and

Loss of Real Estate Taxes - Deferred

Whereas, real estate taxes comprised approximately \$2.8 billion or 66% of the County's Total General Fund in FY 2019; and

Whereas, during the Great Recession between 2009 and 2011, the taxable assessed value of residential and commercial real estate declined by approximately 8.3%; the County raised the property tax rate to offset the effect of the lower assessments, from \$0.92 to \$1.09 (per \$100 of assessed value); and the County's property tax revenue decreased by only 3.1% from 2009 to 2011; and

Whereas, the effects of the Pandemic and a severe recessionary economy, including higher unemployment, are likely to reduce property tax assessed values in the years ahead; the first effects would be in the FY 2022 property tax payments because this year's property tax bills are based on last year's assessment.

Pension Plans – Contributions and Reporting

Whereas, the County has three pension plans for its employees – the Employees', Uniformed , and Police Retirement Systems – and owed those systems funding at the end of FY 2019, an unfunded liability, of approximately \$2.4 billion, an increasing obligation about which Moody's has repeatedly expressed concern; and

Whereas, pension plan sponsors with large cash obligations to their pension systems, when faced with significant cash requirements, sometimes reduce their annual payments to their pension systems or change the accounting and reporting for some of the obligations to the pension systems; and

Conclusions

Whereas, the McLean Citizens Association commended the Board of the Supervisors for revising the Fiscal Year 2021 budget in response to the Pandemic, by directing agencies to defer all non-critical expenditures and imposing a hiring freeze on non-critical positions; and

Whereas, notwithstanding the efforts of the Board of Supervisors to balance the County's Budget, inevitably the need for additional funds for new, important problems arises shortly thereafter, for example arising from the Pandemic and current issues relating to racial justice; and

Whereas, the effects of the current recession may be more challenging than prior recessions because of the significant increase in unemployment, potentially significant loss of sales tax, BPOL and other local tax and fee revenue, and other issues.

Now, therefore be it resolved, that the McLean Citizens Association urges the Board of Supervisors to continue to be cautious in funding the County's expenditures in light of the Pandemic's potentially severe and uncertain impact on revenues; and

Be it further resolved, that the McLean Citizens Association urges the Board of Supervisors to continue finding efficiencies and otherwise limiting costs to fund other important needs; and

Be it further resolved, that the McLean Citizens Association urges the Board of Supervisors to continue providing for the needs of the County's residents as a result of high levels of unemployment; and

Be it further resolved, that the McLean Citizens Association urges the Board of Supervisors to fully fund its annual contributions to the pension plans for which it is liable, without reducing or delaying them, to reduce their unfunded liabilities.

*Approved by the MCA Board of Directors
July 1, 2020*

McLean Citizens Association, P.O. Box 273, McLean, Virginia 22101

Copies to:
John Foust, Dranesville District Supervisor
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