

Historic Old Town Hall



**City Manager's
Budget Message
FY 2023 Budget**

Highlights of FY 2023 Adopted Budget

- Expenditures for all funds total \$193,908,167, an increase of 5.3% from FY 2022 (General, Capital Projects, Old Town Service District, Transportation Tax, Cable, Wastewater, Stormwater Utility and Transit).
- General Fund revenues and expenditures equal \$162,157,745, an increase of 4.6% from the adopted FY 2022 budget and 3.4% from the FY 2022 estimate.
- Capital Fund expenditures for General Fund supported projects of \$39,651,791 (\$13,079,791 General Fund transfer represents 24.9% of General Fund expenditures), an increase of 138.6% over the FY 2022 amount of \$16,615,219.

The \$23,036,572 increase in General Fund investment for capital programming and infrastructure support is as follows:

| | FY 2021 | FY 2022 | FY 2023 | \$ Change | % Change |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| Technology | \$1,125,538 | \$ 2,039,171 | \$ 2,010,418 | \$ -28,753 | -1.4% |
| Vehicles & Equipment | 1,535,000 | 2,019,200 | 434,000 | -1,585,200 | -78.5% |
| Schools Projects | 600,000 | 1,650,000 | 470,000 | -1,180,000 | -71.5% |
| General Government: | | | | | |
| Pay as you go | 5,475,863 | 5,399,348 | 8,22,373 | 2,873,025 | 53.2% |
| Financed | 1,790,000 | 5,507,500 | 28,465,000 | 22,957,500 | 416.8% |
| Total General Funding | \$10,526,401 | \$16,615,219 | \$39,651,791 | \$23,036,572 | 138.6% |

- The City is scheduled to receive approximately \$29.6 million in American Rescue Plan Act (ARPA) funding. \$14.8 million is projected to be received in FY 2023 and \$12.8 million in qualified ARPA expenditures are included in the adopted budget.
- Excluding new construction, residential real estate assessments increased an average of 8.75% for CY 2022; commercial assessments increased an average of 1.97%; combined assessments increased an average of 6.33%.
- Based on an increase in value (excluding new construction), CY 2022 assessed value of all real property equals \$6,964,487,900, an increase of \$422,682,900 or 6.33%. The assessed value due to projects under construction is \$231,220,400 (\$91,383,400 of this increase is attributable to new construction in the past year). Including new construction, assessed value of all real property equals \$7,195,708,300, an increase of \$514,066,300 or 7.69%.
- The adopted budget reduces the real estate tax rate by \$0.065 to \$1.010 per \$100 of assessed value. The average residential tax bill increases 2.18% based on the increase of 8.75% in assessed values and a 6.5¢ reduction to the real estate tax rate. For CY 2022, the average City resident’s (assessed value of \$588,964) annual real estate tax bill would increase by \$127. One cent on the real property tax rate is equivalent to \$730,774.

Highlights of FY 2023 Adopted Budget (continued)

8. The real estate tax rate necessary to provide residential equalization, whereby the average homeowner would pay no more in taxes than in the prior year, equates to \$0.9885 per \$100 of assessed value. The real estate tax necessary to provide commercial equalization equates to \$1.0542 per \$100 of assessed value and a combined equalization rate of \$1.011 per \$100 of assessed value.
9. There is no change in the Commercial and Industrial real estate tax rate of 12.5¢ per \$100 of assessed value. The Old Town Service District was extended through CY 2040; however, the rate was set to 0.0¢ for FY 2022 in order to provide Old Town businesses some relief during the COVID19 pandemic recovery. For FY 2023 the Old Town Service District adopted rate is 4.0¢ per \$100 of assessed value.
10. The FY 2023 budget provides for a January 1, 2023 3.5% merit increase (\$650k) for eligible employees and a 2.6% market rate adjustment to employee pay scales, effective July 1, 2022 in order to retain parity within the region.
11. Public Safety employees will be moved from the pay ranges to a step system effective 10/01/2022.
12. All eligible employees will receive a one-time bonus (\$830k total cost) at 07/01/2022 to address hazardous duty pay and cost of living inflation.
13. Added Employee Positions:

New positions funded in the FY 2023 budget total \$849,900:

- 2.00 FTEs ARPA Fund, \$212,500
- 5.75 FTEs General Fund, \$487,400
- 2.00 FTEs Enterprise Funds, \$150,000

| Funded by ARPA (2.0 FTEs) | | FTEs |
|--------------------------------------|------------------------------------|-------------|
| Economic Development | Business Investment Manager | 1 |
| Finance | Contract Specialist I | .5 |
| Finance | Grants Administrator | .5 |
| Funded by General Fund (5.75 FTEs) | | FTEs |
| Fire Code | Plan Reviewer | 1 |
| Fire Code/PW Admin. | Business Analyst | 1 |
| Human Services | The Village Coordinator | .75 |
| Information Technology | Application Specialist | 1 |
| PW Fleet | Fleet Technician II | 1 |
| PW Admin. | Environmental Sustainability Spec. | 1 |
| Funded by Enterprise Fund (2.0 FTEs) | | FTEs |
| PW Admin. | PW Site Plan Reviewer | 1 |
| SWU/WW Admin. | WW/SWU Utilities Coordinator | 1 |
| TOTAL | | 9.75 |

Highlights of FY 2023 Adopted Budget (continued)

14. Wastewater utility rate increase of 6.0% to support the City's share of capital project costs required for the Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility) and other capital and operating costs. The adopted rate increase is recommended based on the results from the City's February 9, 2021 "Wastewater Enterprise Fund Multi-Year Financial Capital Planning Analysis" completed by the City's Financial advisors, Davenport and Company.
15. The current personal property tax rate is \$4.13 per \$100 of assessed value. Rather than tax the full market value, on May 3, 2022, the Fairfax City Council adopted a Personal Property Assessment Ratio for vehicles of 86.0% for Tax Year 2022. This means that on every vehicle being taxed, the City will apply a discount of 14.0% to NADA's January market value.
16. Use of \$1,786,086, Unassigned General Fund Balance.
17. Unassigned General Fund Balance is 15.0% of General Fund revenues, 3.0% greater than the 12.0% minimum balance targeted by the Council adopted financial policies. The 15.0% Unassigned General Fund Balance meets the City's Reserve Policy target.
18. The budget process continues beyond budget adoption. Quarterly budget updates will be provided to Council along with recommendations about whether to fund through supplemental appropriation FY 2023 unfunded priorities (City Manager priorities not funded in the FY 2023 adopted budget). Recommended supplemental appropriations will be contingent on availability of funding.

Guide to the Budget Document

OVERVIEW

The City’s budget serves as a financial and policy plan that guides decisions made during each fiscal year. The budget is the single most important document we have for establishing control over the direction of change and determining the future of the City. It lays the groundwork for what we hope will be our community’s continued future prosperity. Within the pages of the document, you will find:

- A fiscal plan
- Revenue and expenditure summaries
- Policy statement
- Goals and objectives
- An annual operating program
- A long-range planning guide
- A management tool to ensure financial control
- Performance measures to ensure accountability and evaluate performance

Not all narratives will contain each of these components, but rather only those that are applicable.

BUDGET PREPARATION PROCESS

The development of the City’s Operating Budget involves three phases: formulating budget requests, City Manager executive review and proposal, and City Council review and adoption. Each of the three phases is summarized as follows:

Formulating Budget Requests: July – October

- The formative stage of every budget begins in the summer.
- Work with the City’s Budget Committee throughout the entire budget process
- City Council sets guidelines for the budget in November, which provides the framework for developing the new budget. In addition, the City Manager briefs the City Council on the financial summary of the previous fiscal year, and a projection of the current and upcoming fiscal years.
- City agencies assess their budgetary needs and submit requests to the Budget Committee. Requests are typically due in the middle of October.
- Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future events in the City and a review of historic trends.

City Manager Executive Review and Proposal: November – February

- Requests from departments are reviewed and evaluated for priority.
- Meetings are held between the departments and Budget Committee to discuss budget requests. Based on estimated revenues, funding is requested by the City Manager for the programs, services and staffing required to maintain an essential level of service or to provide for enhancements to programs identified as priorities by City Council.
- City Manager proposes the budget to City Council in late February.

City Council Review and Adoption: March – June

- City Council advertises the proposed real estate tax rate (mid to late March)
- City Council reviews the proposed budget and a minimum of two public hearings are held to provide the public with an opportunity to comment, to ensure the budget is responsive to citizen needs.
- After careful deliberation, the proposed budget, as modified for additions and deletions, the real estate tax rate and all other rates and levies are enacted by City Council as the adopted budget.
- By law, local government budgets must be balanced (i.e., expenditures may not exceed revenues).
- The budget can only be amended by the City Council after proper notice and public hearing.
- The Adopted Operating Budget takes effect July 1, the beginning of the fiscal year.
- City Council approves the adopted budget appropriation resolution.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit estimates, which are evaluated for priority and funding. The initial proposed CIP is issued in November and presented to the City Council and the Planning Commission in a joint work session for discussion. The Planning Commission holds a public hearing on the CIP and issues a memorandum to the City Council with recommendations. The City Council holds a series of work sessions and public hearings on the CIP and defers action until adoption of the operating and capital budgets in April/May. The City Manager refines the initial proposed CIP based on an evaluation of operational funding requests and available resources. A capital budget (the first year of the CIP) is included in the operating budget—together they become the adopted budget. The CIP document contains all detailed project and budgetary information for the full five-year period.

FY 2023 Adopted Budget – City of Fairfax, Virginia

BUDGET REVIEW SCHEDULE

The following dates were scheduled for City Council review and approval of the budget, but are subject to change:

FY 2023 Budget Calendar*

| Date | Action Item |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 12, 2021 | FY 2022 Quarterly Financial Review |
| November 2, 2021 | FY 2023 CIP Joint Work Session with Planning Commission; CIP Presentation |
| November 9, 2021 | FY 2023 Discussion of Budget Guidelines & Budget Guidance |
| December 13, 2021 | FY 2023 Planning Commission CIP Public Hearing |
| December 14, 2021 | FY 2023 Budget Guidelines Public Hearing & Adoption |
| January 11, 2022 | FY 2023 City Council CIP – item Not Requiring Public Hearing |
| January 25, 2022 | FY 2022 Quarterly Financial Review |
| February 22, 2022 | FY 2023 City Manager’s Proposed Budget Presentation |
| March 1, 2022 | FY 2023 Budget Work session; Presentation by Schools |
| March 8, 2022 | FY 2023 Budget Public Hearing; Constitutional Officers Presentations and Budget Work Session |
| March 22, 2022 | FY 2023 Budget Public Hearing and Consideration of Real Estate Tax Rate to be Advertised** |
| April 5, 2022 | FY 2022 Quarterly Financial Review; FY2023 Budget Discussion Work Session |
| April 12, 2022 | FY 2023 Budget Public Hearing; Introduction of C&I, Wastewater, Stormwater Utility and Old Town Service District(OTSD) Rates |
| April 26, 2022 | FY 2023 Public hearing for RE Tax Rate, C&I, Wastewater, Stormwater Utility and OTSD Rates; Introduction of Budget Appropriations; Budget Discussion Work Session |
| May 3, 2022 | FY 2023 Special Council Meeting - Public Hearing on Budget Appropriation; Budget Adoption |

* All meetings listed are scheduled to begin at 7 pm. Please check the City Meetings link on the City website at www.fairfaxva.gov

** Required 30 days advance notice prior to public hearing on real estate tax rate if assessments increased greater than 1%.

ORGANIZATION OF THE BUDGET

The City’s financial operations are budgeted and accounted for in several funds. Fiduciary funds, used to account for assets held by the City in a trustee capacity (i.e., City retirement funds), are not included. A fund is a separate accounting unit. All the following funds are approved (through appropriation resolutions) and can be found in adopted budget books as part of the City’s annual budget review:

General Fund — This fund is the principal operating fund of the City, used to account for all expenditures and revenues not required to be accounted for in other funds. Generally, most of the spending incurred in performing the normal functions of the City, such as public works, public safety, administration, etc., is captured in the General Fund. The major revenue sources that fund these functions are general property taxes, other local taxes, licenses & fees, fines & forfeitures, charges for services, use of money & property, and state & federal aid.

General government services and expenditures are organized into the following functions: Legislative, Judicial Administration, Electoral Board, General and Financial, Public Safety, Public Works, Human Services, Cultural and Recreation, Community Development and Planning, School Board/Education, and Non-departmental (primarily fringe benefits, debt service, expenditure details, etc.). Within each General Fund function are departments that account for a specific set of governmental activities. For example, within the Public Safety function are the Fire and Police departments. Every department accounts for its activities in various accounts. While budgetary control is exercised at the department level, accounts are utilized to allow for more detailed management.

Capital Fund — Each year, the City adopts a five-year Capital Improvement Program (CIP) that serves as a blueprint for the long-term physical improvements to City infrastructure. The Capital Fund is funded through transfers from the General, Stormwater Utility, Transportation Tax, Cable, Downtown, and Wastewater funds; the Northern Virginia Transportation Authority (NVTA); federal and state aid; bond issues; private donations; and other outside sources. The current year CIP is approved as part of the annual budget.

Stormwater Fund — This fund was established to account for major stormwater projects. In past years, 3.0¢ on the real estate tax rate had been set aside for project funding. The newly adopted Stormwater Utility Fund will replace the Stormwater Fund as of July 1, 2022.

Cable Grant Fund — This fund receives its revenue from cable television fees, which can only be used for cable television equipment. This is a separate Capital Fund.

Old Town Service District Fund (OTSD) – This fund was established to fund services and capital projects in the Old Town District. The OTSD was reinstated in the FY 2022 budget for an additional 20 years. Because of the effects of COVID19 on commercial properties, the City Council chose to levy 0¢ per \$100 of assessed value for FY 2021 and FY 2022. The adopted rate for FY 2023 is 4¢ per \$100 of assessed value.

American Rescue Plan Act Fund - The American Rescue Plan Act (ARPA) of 2021 is a \$1.9 trillion economic stimulus bill signed into law on March 11, 2021 in response to the COVID-19 pandemic. ARPA funding includes \$350 billion in assistance to state and local governments. Payments to local governments were scheduled to be made in two tranches. The first half was paid shortly after ARPA was enacted (June/July 2021) and the second half will be allocated a year later. The City expects to receive a total of approximately \$29.6 million (\$24.8 million from the state and \$4.8 million directly from the US Treasury) in ARPA funding. The first half of about \$14.8 million was received in July 2021 and the second half is anticipated for receipt in July 2022.

Stormwater Utility Fund — The Stormwater Utility Fund was adopted by the City Council on December 14, 2021 and will begin accounting for the operations of the City’s Stormwater system on July 1, 2022 and is an enterprise fund. Enterprise funds are those funds in which the cost of providing goods or services is funded primarily through user charges.

Wastewater Fund — The Wastewater Fund accounts for the operations of the City’s Wastewater system and is an enterprise fund. Enterprise funds are those funds in which the cost of providing goods or services is funded primarily through user charges.

Transit Fund — The Transit Fund accounts for the operations of the City’s transit system. The City’s transit system owns and operates the CUE bus system and funds the City’s share of Washington Metropolitan Transportation Authority (WMATA) costs. The Transit Fund receives funding through the Northern Virginia Transportation Authority (NVTA) and the Northern Virginia Transportation Commission (NVTC). The City Council approved a fare-free program in FY 2022. ARPA funding is providing an offset to the revenue shortfall resulting from the implementation of the fare-free program.

Transportation Tax Fund – This fund levies an adopted 12.5¢ per \$100 of assessed value on all commercial and industrial properties. This fund also accounts for “30%” monies received from the NVTA pursuant to HB2331. The revenue collected is used exclusively for qualified and approved transportation projects and transit costs.

BUDGETARY BASIS

The budgets of the General and Capital funds (including Old Town Service District, Cable Grant, and Transportation Tax) utilize the modified accrual basis of accounting under which revenues are recorded when measurable and available to fund operations during the year. Expenditures, except for interest, are recorded when the liability is incurred. Interest is recorded when due. Budgets of the Wastewater, Stormwater Utility, and Transit funds utilize the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred. The accounting method used for City budgeting does not materially differ from that used for financial reporting (all funds), with the notable exceptions of depreciation and amortization, and debt service reporting in the enterprise funds, which are excluded for budgeting purposes, are included in the City’s Annual Comprehensive Financial Report (ACFR).



Long-Range Forecast & Planning

OVERVIEW



The City’s long-range financial forecast aligns the strategic goals of the City Council with the financial resources needed to deliver programs and services to meet the needs of the community. A five-year forecast provides a horizon to engage the community and anticipate and adapt to economic conditions that impact the budgeting process. The Fairfax City financial forecast is based on:

- City Council vision and priorities
- Historical revenue performance
- Revenue projections for major redevelopment projects
- Continued commitment to the City’s workforce
- Maintaining support for City schools
- Adhering to debt-service targets
- Funding the operating costs of the Capital Improvement Plan (CIP)

The Virginia constitution requires that the City adopt an annual budget. The budget is a roadmap that articulates a vision for the community, identifying priorities and providing a means to measure success in achieving the desired outcomes. The budget process continues throughout the fiscal year as a clear picture emerges of actual revenues and expenditures. The City can react to projected budget surpluses or shortfalls through a combination of re-programming, service level changes, revenue increases (fees and/or taxes), expenditure/service decreases, or added debt service.

The City’s strategic planning process allows the City Council to focus and prioritize initiatives. The annual budget is a component of the City’s strategic planning model, encompassing both the comprehensive improvement plan and ongoing programs for public safety, public works, human services, and parks. With a planning horizon of just one year, the annual budget is the most narrowly focused planning element within the strategic planning model. The proposed expenditures in the annual budget are based on service levels outlined in each department’s service plan. Departmental service plans are developed considering the fiscal forecast, the capital improvement plan, City Council priorities, and the comprehensive plan, each influencing the allocation of resources within the annual budget. Please see the City’s five-year operating forecast on the following page.






Five Year Operating Forecast

| Element | FY 2023 Adopted | FY 2024 (Projected) | FY 2025 (Projected) | FY 2026 (Projected) | FY 2027 (Projected) |
|---------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues | | | | | |
| Real Estate Revenues | \$ 77,628,182 | \$ 78,807,264 | \$ 82,919,673 | \$ 86,311,225 | \$ 87,554,106 |
| Personal Property | 13,653,696 | 14,055,517 | 15,144,576 | 16,175,817 | 16,469,788 |
| Other Local Taxes | 39,919,645 | 40,644,234 | 42,422,003 | 44,526,791 | 46,056,859 |
| Licenses, Permits, and Fees | 1,729,354 | 1,603,941 | 1,636,020 | 1,668,740 | 1,702,115 |
| Fines and Forfeitures | 1,075,352 | 1,086,106 | 1,096,967 | 1,107,936 | 1,119,016 |
| Use of Money and Property | 3,134,000 | 3,196,680 | 3,260,614 | 3,325,826 | 3,392,342 |
| Charges for Services | 3,459,149 | 3,493,740 | 3,528,678 | 3,563,965 | 3,599,604 |
| Miscellaneous Revenue | 313,400 | 316,534 | 319,699 | 322,896 | 326,125 |
| State Revenue | 14,731,966 | 15,026,605 | 15,327,137 | 15,633,680 | 15,946,354 |
| Federal Revenue | 2,575,915 | 527,433 | 537,982 | 548,742 | 559,716 |
| Other Financing Sources | 2,151,000 | 2,172,510 | 2,194,235 | 2,216,177 | 2,238,339 |
| Appropriated Fund Balance | 1,786,086 | - | - | - | - |
| Total Revenues | \$ 162,157,745 | \$ 160,930,564 | \$ 168,387,583 | \$ 175,401,796 | \$ 178,964,366 |
| Expenditures | | | | | |
| Compensation | \$ 38,039,952 | \$ 39,473,343 | \$ 41,288,762 | \$ 43,084,452 | \$ 44,700,119 |
| Fringe Benefits | 18,280,220 | 18,406,420 | 19,252,950 | 20,090,280 | 20,843,665 |
| Non Education County Contracts | 11,229,849 | 11,577,415 | 12,157,230 | 12,622,499 | 12,685,611 |
| Senior Tax Relief | 1,160,964 | 1,177,682 | 1,194,641 | 1,211,843 | 1,229,294 |
| <i>Education:</i> | | | | | |
| School Tuition Contract | 53,480,000 | 54,950,700 | 56,599,226 | 58,297,206 | 60,046,122 |
| Other (Contracts, Fuels, Utilities, Supplies, etc.) | 12,829,801 | 13,098,469 | 13,959,752 | 14,710,333 | 15,004,540 |
| Total Expenditures | \$ 135,020,786 | \$ 138,684,029 | \$ 144,452,560 | \$ 150,016,613 | \$ 154,509,351 |
| Total Operating Surplus (Excluding DS) | \$ 27,136,959 | \$ 22,246,535 | \$ 23,935,023 | \$ 25,385,183 | \$ 24,455,015 |
| Debt Service | | | | | |
| Existing Debt Service | \$ 11,476,825 | \$ 9,363,895 | \$ 9,215,054 | \$ 8,997,880 | \$ 8,996,179 |
| New Money Debt Service (Est.) | - | - | - | - | - |
| Total Debt Service | \$ 11,476,825 | \$ 9,363,895 | \$ 9,215,054 | \$ 8,997,880 | \$ 8,996,179 |
| Total Operating Surplus (Deficit) After DS | \$ 15,660,134 | \$ 12,882,640 | \$ 14,719,969 | \$ 16,387,303 | \$ 15,458,836 |
| Transfers / Other Adjustments | | | | | |
| Addition to Fund Balance | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Adjustments | - | - | - | - | - |
| Transfer to Capital Fund | (13,079,791) | (12,167,500) | (12,495,000) | (12,495,000) | (12,495,000) |
| Transfer to Other Funds (OTSD, Trans Tax, Firing Range) | (2,580,343) | (2,617,500) | (2,655,192) | (2,693,427) | (2,732,212) |
| Total Transfers/ Other Adjustments | \$ (15,660,134) | \$ (14,785,000) | \$ (15,150,192) | \$ (15,188,427) | \$ (15,227,212) |
| Total Surplus (Deficit) | \$ - | \$ (1,902,360) | \$ (430,223) | \$ 1,198,876 | \$ 231,624 |

City Council 2020-2022 Term VISION

In 2035, the City of Fairfax has a strong, sustainable economy that supports a vibrant 21st century community.

GOALS

| | |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><i>Economic Development</i> Create opportunities for economic development through partnerships, planning, marketing, business recovery, recruitment, retention, expansion, and incubation that result in a more diverse, balanced, and resilient economy; tax base growth above the regional average; overall community affordability; and a business environment that supports the quality of life that our community expects.</p> |
|  | <p><i>Redevelopment</i> Preserve our sense of place, recognize the significance of public historic sites, embrace inclusivity of our changing demographics, prioritize housing affordability, and enable commercial and retail success to recover as we grow the local economy through appropriate, targeted, sustainable, and transportation-oriented redevelopment.</p> |
|  | <p><i>Neighborhoods</i> Encourage a close-knit community of distinct neighborhoods where people feel welcome, safe and secure; invite thought-provoking conversations addressing challenges faced by our communities; equitable access to the highest quality educational opportunities, passive and active recreation and cultural arts activities; enhance physical and virtual community connectivity; a diverse choice of housing; a culture of shared investment and civic pride supported by City services and amenities of indisputable value.</p> |
|  | <p><i>Transportation</i> Provide for the safe and efficient movement of pedestrians, cyclists, motorists, and mass transit riders within and across the City and region, highlighted by a green ribbon network of sidewalks and trails to reduce pollution and congestion supporting a sustainable and healthy community.</p> |
|  | <p><i>Governance</i> Maintain a trust-based, high-performing, transparent, technologically innovative, efficient, and effective governing system ensuring open communication with our residents, businesses, and neighboring jurisdictions; with active participation from our diverse citizenry and characterized by an agile, collaborative organization providing 24/7/365 responsiveness that highlights the City as a thriving, inclusive, environmentally sustainable community and regional leader and partner.</p> |

ORGANIZATIONAL VALUES

*As Employees and as an Organization,
the City of Fairfax values...*

| | |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Safety – ensuring the physical well-being and mental health of our community and workforce.</p> |
|  | <p>Diversity – appreciating that each person in our community and workforce is unique, adds value, and deserves equitable access to information, resources, and opportunities.</p> |
|  | <p>Integrity – uncompromising adherence to ethical principles, fairness and consistency in our actions, and candid communication.</p> |
|  | <p>Excellence – maintaining the highest standards of governance, pursuing innovative approaches, while promoting continual growth for ourselves and the community.</p> |
|  | <p>Collaboration – leveraging teamwork and partnerships, while managing differing perspectives, to achieve community and organizational goals.</p> |
|  | <p>Professionalism – demonstrating operational and fiscal expertise that enhances trust and builds resiliency within the community and organization.</p> |
|  | <p>Compassion – serving our community and workforce with warmth, empathy and active listening.</p> |

...and we hold ourselves accountable to these core values because we believe they are necessary for our community to prosper.

General Fund Overview

The General Fund is the principal operating fund of the City. Most of the spending in this fund is incurred in performing the normal, recurring functions of the City. The major revenue sources that fund these functions are general property taxes, other local taxes, licenses & fees, fines & forfeitures, charges for services, use of money & property, and State & Federal aid. Within each operational function listed below are the departments responsible for carrying out specific activities for that function. The cost of each department’s activities is tracked by account categories, such as salaries, fringe, purchased services, internal services, other charges, supplies and materials, and capital outlay.

The functions and associated departments of the City’s General Fund are:

- **Legislative**
 - Mayor and City Council; City Clerk
- **Judicial Administration**
 - General District Court; Joint Court Service; Juvenile and Domestic Court; Court Service and Custody
- **Electoral Board**
- **General & Financial Administration**
 - City Manager; City Attorney; Public Audit of Accounts; Human Resources; Communications & Marketing; Cable TV; Economic Development; Risk Management; Information Technology; Printing and Office Supplies; Fleet Maintenance; Finance and Accounting; Real Estate Assessment; Treasurer; Commissioner of the Revenue
- **Public Safety**
 - Police
 - Fire
- **Public Works**
 - Asphalt Maintenance; Concrete Maintenance; Snow and Ice Control; Storm Drainage; Signs, Signals, and Lighting; Refuse Collection; Facilities Maintenance; Streets and Rights of Way; Administration and Engineering
- **Human Services**
 - Health Department; Commission for Women; Community Services Board; Senior Citizen Tax Relief; Human Services Administration; Social Services
- **Culture and Recreation**
 - Parks and Recreation Administration; Special Events; Facilities Maintenance; Park and Ball Field Maintenance; Library; Historic Resources
- **Community Development & Planning**
 - Planning and Design Review; Zoning Administration
- **Education**
 - School Board; Contracted Instruction Costs; Capital Outlay; Debt Service; Capital Leases
- **Non-departmental page**
 - General Debt Service; Employee Fringe Benefits; Salary Vacancy; Reserve for Contingency; Contributions to Regional Agencies; Fund Transfers; Capital Leases

Council Adopted Financial Policies

To establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the City, in April 2000, the City Council initially enacted a comprehensive set of Financial Policies, as detailed below. The goal of these policies is to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Fairfax. Revisions to the financial policies were incorporated per recommendations by the Budget Committee and approved by the City Council in November of 2008. Further revisions were developed by the Financial Policy Committee and City Management in concert with the City's Financial Advisor and approved by City Council on March 13, 2018.

Budgeting Policies:

1. The City's annual operating budget, capital budget and Capital Improvement Program (CIP) shall be coordinated with, and shall be in concert with, the City's Comprehensive Plan.
2. The City shall adhere to the following guidelines in preparing, implementing and executing the annual budget:
 - a. Mayor and City Council shall develop general budget guidelines and provide them to the City Manager prior to November 15.
 - b. The Capital Improvement Program shall be considered by the City Council prior to its consideration of the annual budget.
 - c. Where appropriate, revenues related to expenditures shall be reflected in the budget documents.
 - d. The Mayor and City Council shall meet with selected boards and commissions in work sessions as part of the budget deliberations to review budget items concerning areas of interest to the boards and commissions.
 - e. The Mayor and City Council shall conduct a quarterly review of the execution of the budget.
3. Budgeted current revenues must be greater than budgeted current expenditures.
 - a. Significant one-time revenues shall be used only for one-time expenditures.
 - b. Revenues must be increased, or expenditures decreased in the same fiscal year if deficits appear.

4. The target for the General Fund transfer to the Capital Fund shall be at least five percent of General Fund expenditures to help insure adequate reinvestment in capital plant and equipment. This transfer percentage incorporates the City's use of annual debt service payments toward capital projects.
5. The City shall annually update a multi-year financial forecast that considers projected operating revenues and expenditures as well projected capital needs. The multi-year financial forecast will also track projected compliance with the City's financial policy guidelines.
6. The City shall set utility rates that will ensure a self-supporting Wastewater Fund that does not rely on recurring financial support from the City's General Fund.

Reserve Policies:

1. The General Fund Unassigned Fund Balance should be grown to a minimum of 12% of total General Fund revenues (as defined below) by the end of fiscal year 2021. The Unassigned Fund Balance will be measured for policy compliance at the end of each fiscal year. The City anticipates dedicating already earmarked transportation fund reserves, potential school tuition surpluses, and/or other annual surpluses to the Unassigned Fund Balance until the 12% target is met. If these previously listed sources of potential funding are insufficient to meet the target the City will proactively adjust its budget to meet the 12% target by the end of FY 2021.
2. Once the Unassigned Fund Balance policy is met, the City shall establish a Budget Stabilization Fund ("BSF") within the assigned portion of the General Fund Balance. At the close of each audited fiscal year, the BSF shall receive a minimum of 25% of any prior year operating surplus as calculated as part of the prior fiscal year audit. Balances in the BSF will be allowed to accumulate until they reach an amount equal to 3% of General Fund Revenues. Balances in the BSF are available for:
 - a. reserves against shortfalls in the City's portion of WMATA funding
 - b. unforeseen school tuition contract increases
 - c. a declared fiscal emergency
 - d. a financial opportunity(s) to enhance the well-being of the City
 - e. other such global purpose as to protect the long-term fiscal security of the City.

If the BSF reaches the maximum 3% level, the portion of any surplus normally allocated to the BSF will be allowed to fall to Unassigned Fund Balance, which may be appropriated by City Council for any one-time expenditure.

3. If the Unassigned General Fund Balance falls below its minimum threshold of 12% of total general fund revenues, a reserve replenishment plan will be enacted that restores the Fund Balance Reserve to its minimum level within the subsequent three fiscal years.

4. Revenues used in the fund balance calculation shall include total General Fund Revenues as reported in the ACFR with the following adjustments:

- a. Exclude Old Town Special Tax District Revenues reported in the General Fund
- b. Exclude Commercial and Industrial Tax Revenues reported in the General Fund
- c. Include revenues reported in the School Operating Fund other than the local transfer from the General Fund.

Debt Policies:

1. Debt Service Targets
 - a. Annual debt service expenditures shall be less than nine percent of annual expenditures.
 - b. Outstanding Debt shall be less than three percent of assessed valuation.
2. The term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

Revenue/Cash Management Policies:

1. The City shall develop an aggressive economic development effort in order to lessen the impact of any future real estate rate increases.
2. The City shall maintain a diversified revenue base in order to shelter City finances from short-term fluctuations in any single revenue.
3. Annual City revenues shall be projected by an objective and thorough analytical process.
4. Investment of City funds shall emphasize the preservation of principal with safety, liquidity and yield being the primary factors considered.

Accounting/Auditing and Financial Reporting Policies:

1. The City shall take necessary action to ensure receipt of the Government Finance Officers Association annual accreditation for the budget and for the Annual Comprehensive Financial Report (audit).
2. An independent audit shall be performed annually, and a management letter shall be received by City Council. City administration shall prepare a response to the management letter on a timely basis to resolve any issues contained in the letter.

Council Adopted Budget Guidelines

FY 2023 Budget Guidelines were approved by the City Council December 14, 2021.

Revenue:

- Projected revenues must equal or exceed adopted expenditures. Significant one-time revenues shall be used only for one-time expenditures.
- The City will pursue federal, state and private grants but will strictly limit financial support of these programs to avoid commitments which continue beyond funding availability.
- Sufficient user charges and fees shall be budgeted to support the full cost (operating, direct, indirect and capital) of operations. Market rates and charges imposed by other public and private organizations for similar services should be considered when establishing tax rates, fees and charges.

Operating:

- Review and assess all City government programs and operations to achieve the most efficient and effective delivery of community services possible using benchmarking, workflow evaluation, organizational design and technological enhancements.
- Use the City's 5-year workforce plan to evaluate and budget for human resources needed to provide the appropriate level of City services.
- To the extent possible minimize reliance on tax increases to balance the City's Proposed Budget.
- The annual budget process shall weigh all competing requests for City resources within expected fiscal constraints. New initiatives shall be financed by reallocating existing City resources to programs and services with the highest priorities or through new revenue sources.
- When budgeting for the potential of a protracted economic downturn, operating and capital budgets should be streamlined while funding for initiatives and other budget increases are to be frozen and held in reserve. However, the Adopted Budget shall also provide the fiscal and organizational flexibility needed to manage City operations and budgets held in reserve, to accommodate changes in the economic environment.

Employee Staffing/Compensation/Administration:

- Consider a fair and affordable market adjustment and performance-based increase for employees to retain parity with other local governments. The market adjustment shall be calculated using a wage index as recommended by the City Manager using the methodology prescribed by the City's compensation consultant in 2016.
- The City's budget shall fund the Annual Required Contribution (ARC) to the City's Supplemental Retirement Plan, as required by the City Council adopted financial policies.

Capital Improvement Program (CIP):

- Maintain the General Fund CIP transfer to provide the funding required for repairs and maintenance to adequately protect the City’s investment in infrastructure. The sources of funding will largely be determined based on the useful life of the project. However, the City will use the pay as you go funding method whenever practical.

Fund Balance:

- Maintain an Unencumbered General Fund Balance in conformance with the City Council adopted financial policies.

Financial:

Follow the rating agencies and financial advisor directives, in order to maintain the highest credit rating.

- Adhere to the City Council’s adopted financial policies.

The Cyclist
Part of a public arts initiative
Larry Morris, Sculptor



Community Profile

City Government

| | |
|----------------------------------|-----------------|
| Date of Incorporation | 1799 |
| Date of City Charter | 1961 |
| Form of Government | Council—Manager |
| City Employees (adopted FY 2023) | 431.48 |

Physiographic

| | |
|------------------------------------|------|
| Land Area - Square Miles | 6.34 |
| Acres of Public Parks & Open Space | 188 |
| Paved – Lane Miles | 169 |
| Sidewalks | 87 |

Utilities

| | |
|------------|-------------------------|
| Telephone | Verizon |
| Electric | Dominion Virginia Power |
| Gas | Washington Gas |
| Water | Fairfax Water |
| Wastewater | City of Fairfax |
| Cable | COX Cable / Verizon |

Economic Indicators:

Largest Private Employers (2021 ACFR)

| |
|-------------------------------------|
| Zeta Associates |
| Ted Britt Ford Sales |
| Inova Health System |
| Home Depot |
| Farrish of Fairfax |
| Fairfax Volkswagen, Honda |
| Lowe’s |
| Ourisman Fairfax Toyota |
| Tradesouce Specialty Services, Inc. |

Largest Public Employers (June 2021)

| |
|----------------------------|
| City of Fairfax |
| U.S. Postal Service |
| Dominion Virginia Power |
| U.S. Department of Defense |
| George Mason University |

Taxes:

Real Estate Tax Rate

FY 2022: \$1.075 per \$100 assessed value
 FY 2023: \$1.010 per \$100 assessed value (adopted)

Personal Property Tax Rate

FY 2022: \$4.13 per \$100 assessed value
 FY 2023: \$4.13 per \$100 assessed value (adopted)

City Finances – Bond Ratings

| | |
|--------------------------------|-----|
| Moody's Investors Service, Inc | Aaa |
| Standard & Poor's | AAA |

Population

| | |
|--------------------------------------|--------|
| 2020 UVA Weldon Cooper Ctr. Estimate | 24,209 |
| 2020 U.S. Census | 24,146 |
| 2010 U.S. Census | 22,565 |
| 2000 U.S. Census | 21,498 |

Households

| | |
|------------------|-------|
| 2020 U.S. Census | 8,800 |
| 2010 U.S. Census | 8,347 |
| 2000 U.S. Census | 8,035 |

Average Household Size

| | |
|-----------------------------|--------------|
| 2020 U.S. Census (estimate) | 2.71 persons |
| 2010 U.S. Census | 2.64 persons |
| 2000 U.S. Census | 2.61 persons |

Age (2019 Census Estimate)

| | |
|---------|-------|
| (1-19) | 26.5% |
| (20-34) | 20.3% |
| (35-64) | 38.6% |
| (65 +) | 14.5% |

Race and Ethnicity (2020 Census Estimate)

| | |
|-------------------|-------|
| White | 53.5% |
| Asian | 18.7% |
| Hispanic | 17.7% |
| Black | 4.4% |
| Other/Multiracial | 5.7% |

Note: White, Asian and Black categories include non-Hispanics only.

Source: U.S. Census Bureau

Unemployment

| | CY 2020 | CY 2021 |
|-----------------|----------------|----------------|
| City of Fairfax | 5.6% | 3.9% |
| Virginia | 6.2% | 4.3% |
| United States | 8.1% | 5.9% |

Vacancy Rates

| | FY 2020 | FY 2021 |
|--------------|----------------|----------------|
| Office Space | 10.2 % | 10.7 % |
| Retail Space | 4.2 % | 4.1 % |

City of Fairfax Employment by Industry

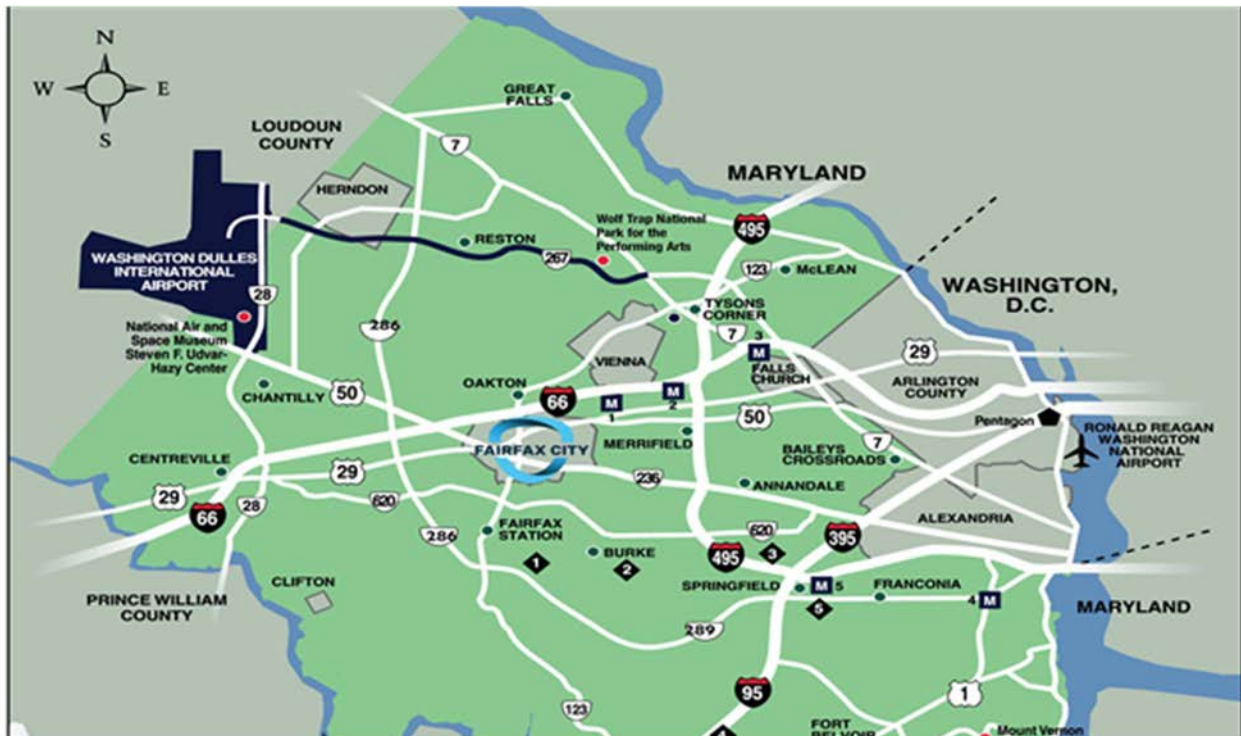
The largest major industry sector was Retail Trade with 17.5% of the employment, followed by Professional, Scientific and Technical Services with 17.5%, Health Care and Social Assistance with 15.7% and Accommodation and Food Services with 11.7%. The following is a listing of major industries and the number employed in those sectors for 2021 in the City of Fairfax.

| Industry Group | Employees |
|-----------------------------------------------|------------------|
| Retail Trade | 3,341 |
| Professional, Scientific & Technical Services | 3,309 |
| Health Care and Social Assistance | 2,965 |
| Accommodation and Food Services | 2,203 |
| Public Administration | 1,934 |
| Administrative and Waste Services | 1,163 |
| Finance and Insurance | 881 |
| Other Services (except Public Administration) | 851 |
| Construction | 493 |
| Arts, Entertainment and Recreation | 425 |
| Education Services | 408 |
| Information | 236 |
| Real Estate, Rental and Leasing | 176 |
| Wholesale Trade | 151 |
| Manufacturing | 108 |
| Unclassified | 86 |
| Management of Companies and Enterprises | 75 |
| Transportation and Warehousing | 67 |

Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages, Second Quarter 2021

Economic Condition and Outlook

An independent jurisdiction of 6.34 square miles, just 15 miles west of Washington D.C., the City of Fairfax lies at the center of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area’s major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Ronald Reagan National Airport, are within 30 minutes of the City. The City-run CUE bus system provides direct access to Metrorail (rapid transit) at the Vienna/Fairfax/GMU station, less than three miles from the center of the City.



Local Economy

Economic growth remains stable in the City. Private sector employment within the City increased year over year. As of June 2021, there were 19,140 jobs within the City of Fairfax (as reported by the Bureau of Labor Statistics). The City’s 2021 unemployment rate of 3.9% was well below state (4.3%) and national (5.9%) averages.

Three key revenue sources are bellwethers for the local economy – general property taxes, local sales and use tax, and Business Professional and Occupational License (BPOL) taxes. General property assessments increased 7.7% (including new construction) from CY 2021 to CY 2022. Estimated FY 2022 BPOL tax revenues increased by \$.80 million or 9.0%, while local sales and use tax revenue increased \$1.0 million or 7.7%

Economic Development Program

The Economic Development Office (EDO) seeks to foster an inclusive business community that is diverse and robust with a strong commercial tax base to enhance the standard of living for all Fairfax City residents through development, redevelopment, and programming. The office also serves as a resource for developers and consultants with specific commercial, office, and industrial development projects providing assistance with locating sites within the City, to understanding local regulations. In addition to these services, the EDO works with the Economic Development Authority (EDA) to market and promote the City to the region and beyond as a healthy and business friendly environment and one that empowers businesses to grow.

Working in partnership with the Northern Virginia Economic Development Alliance, Central Fairfax Chamber of Commerce, Old Town Fairfax Business Association, George Mason University, and business and industry associations, the EDO leverages its resources and access to talent to maintain and enhance the City's business community while pursuing economic growth.

The 2022-2023 adopted budget continues to invest in the core services of the EDO, which is to support entrepreneurship, build vibrant and healthy activity centers, leverage publicly owned assets, and strengthen our business community. To accomplish this, the EDO develops and administers programming and services that:

- attracts consumers and new businesses to the City
- invests in the retention and growth of existing businesses
- increases business visibility in the region and beyond
- supports and provides technical assist to local business associations, chambers, and regional alliances
- provides access to capital to support commercial tenant improvements and relocation

For FY 2022 and FY 2023 the EDO and EDA will continue to expand our programming and work with partners to ensure maximum impact. This includes building capacity in our Fairfax City Restaurant Week program to assist our restaurant community with marketing components, needs and direction, as well as incorporating fast casual restaurants into the program providing access to unique dining experiences across neighborhoods in the city. The EDO will continue to evaluate and enhance on newly created and existing programs such as the Old Town Fairfax Crawl and Park(ing) Day to promote a walkable City and re-envision urban landscapes while promoting our City business community. The EDO and EDA will also continue to strengthen the relationships between the university's community and city businesses through programs that create an ecosystem of mutual value. Programs such as Homecoming and Explore Fairfax City aim to

expand and strengthen the town-gown relationship through collaborative partnerships, increased consumer spending, and by emphasizing city as the university's hometown. Additionally, the office will optimize resources and develop new programs that engage professional and tech businesses throughout the City.

The EDO and EDA will expand its small business support by continuing to develop small business support programs, creating startup resources, and promoting the brand of Fairfax City. Researching and implementing both small business programs and startup resources will allow the City to address challenges and disparities affecting small businesses, preserve neighborhoods, and support strong and resilient communities.

The EDO and EDA continually works with GMU to strengthen the city's relationship with the University, creating a strong City/University partnership by identifying Fairfax campus needs and programs that strengthen the University community within the City. The EDO and EDA will also continue its oversight of the Mason Enterprise Center – Fairfax (MEC). 2022 will see the culmination of a multi-year project to recommit the City and the University to the Mason Enterprise Center- Fairfax with the relocation of the Center into state-of-the-art facilities within the NorthFAX district of the City. The new MEC will allow city and university teams to strategically collaborate on business attraction and growth within a new priority area for Fairfax.

Continuing the work that began in FY 2020, the EDO and EDA will again partner with the City's planning department, retained consultants, and various City stakeholders to further develop and review the small area plans (SAP) for Northfax, Old Town Fairfax, and Kamp Washington. The EDO will also look to build upon the knowledge gained to develop similar SAPs in the City's additional commercial activity centers to assist in guiding land use, transportation improvements, and opportunities for commercial revitalization.

Lastly, 2022 also saw the relocation of the Economic Development Office from City Hall to a facility at 10300 Eaton Place. The new facility, located two floors below the future Mason Enterprise Center-Fairfax, provides the economic development teams with space to grow and collaborate. The added functionality provided by the expanded office is expected to result in enhanced programming and stronger engagement with the Economic Development Authority, consultants, and City Hall partners.

Major Projects

Commercial/Mixed-Use:

Scout on the Circle: Final plans to redevelop a 108,000 square foot former shopping center (dating to 1964) were approved in 2014. The mixed-use development includes 400 apartments and 88,000 square feet of retail space, including a 54,000 square foot Giant grocery store. Construction on the project began in February 2018 and began delivering in phases with residential occupancies starting in the spring of 2020. Giant opened the grocery store in August 2020. The ground floor retail spaces include Republik Coffee, TeaDM, F45, Verizon, Vivian Nail Bar, Roots Natural Kitchen, Izakaya Genki, and Peri Peri.

Fairfield Fairfax Gateway “The Moxley”: A 403-unit apartment building with approximately 29,000 square feet of commercial space was originally approved in 2015 for a former industrial site in the Kamp Washington area. Application was approved in 2018 to revise the building plan and site layout, including adjusting the amount of commercial space initially constructed to 21,000 square feet with an additional 9,000 square feet of commercial space as an optional future conversion. The project broke ground in June 2019 and it is anticipated that the developer will deliver buildings starting in the first half of 2022.

Point 50: Project was approved by City Council in July 2017 to redevelop an aging shopping center. The redeveloped shopping center includes 48,000 square feet of commercial space, including a 30,000 square foot Amazon Fresh grocery store, with the remainder of the space designated for retail and restaurants. Site construction commenced in June 2019 with tenant fit outs starting in 2020. Tenants other than the grocery store include: The Pediatric Group and Organic Nails, which both opened in February 2021, Orange Theory Fitness and Ideal Image, which both opened in July 2021, and Compass Coffee, Matchbox, and Big Buns, all of which are estimated to open during the first quarter of 2022 with the grocery store.

Paul VI: The Diocese of Arlington relocated Paul VI High School to Loudoun County after the conclusion of the 2019-2020 school year. In 2018, the City Council approved the site for residential redevelopment, to include 144 condominium units, 115 townhouses and 7 detached homes, as well as 20,000 square feet of new retail space and 24,000 square feet of community/commercial space in a retained portion of the original school building. Site work and demolition of the former school began in September 2020. The condominiums are anticipated to begin occupancies by the end of 2022.

Residential:

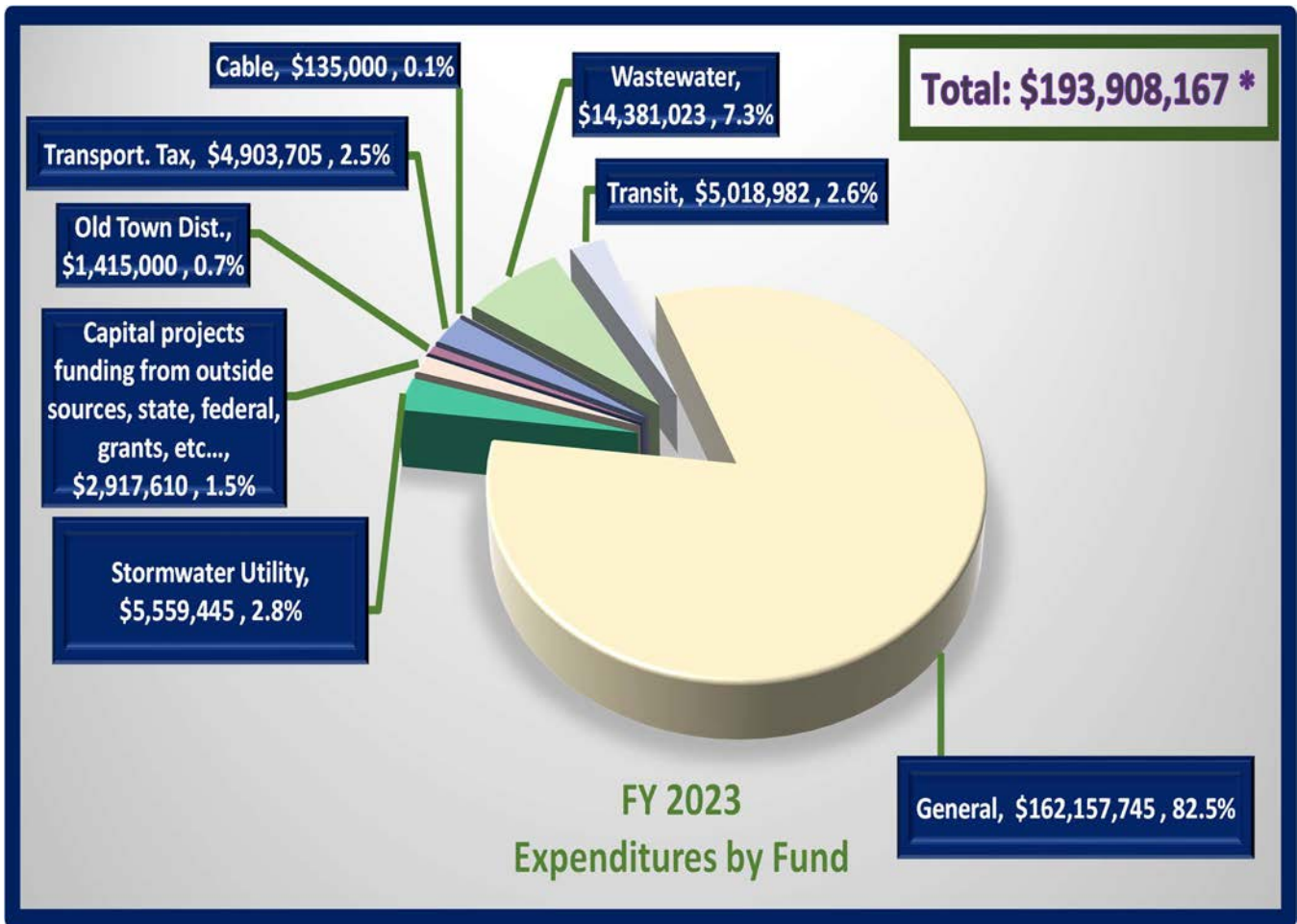
Capstone Collegiate: Project includes the redevelopment of a 1970’s-era low-rise office buildings site into a 275-unit privately-owned student housing complex. The site, located to the north of the City’s downtown, is approximately one mile from the campus of George Mason University. The units will be marketed to graduate and undergraduate students at the university. The project was approved by the City Council in December 2018 and site work commenced in September 2020. Occupancy is anticipated in the summer of 2022.

Northfax West: This mixed-use redevelopment on the site of former vehicle storage lots and vacant land was approved by the City Council in July 2020. The project will include a senior housing community, with 114 independent living units and 86 assisted living units, 56 townhomes, and 3.3 acres of residual land for future mixed-use development. A public improvement plan for streets and drainage facilities was approved in October 2021.

EYA Townhouses: This 50-unit townhouse development was approved by the City Council in June 2020 to replace a former church on Pickett Road. The project will include 5 for-sale affordable dwelling units, available to households earning up to 70% of the Area Median Income. Site plan was submitted to the City in August 2020 and construction began in July 2021.

Overview – All Funds

Expenditures for all funds total \$196,488,510 less General Fund transfers (\$2,580,343), result in net total expenditures of \$193,908,167. This is an increase of 5.3% from the FY 2022 budget. Further details follow in the accompanying sections of the book.



Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

**Total expenditures by fund (\$196,488,510), reduced by \$2,580,343 to eliminate double accounting of City-wide expenditures.*

Cash Management / Fund Balance

Financial policies recommended by the City’s financial advisors, the City’s auditors, and adopted by the City Council, require an unassigned fund balance equal to a minimum of approximately 12 percent of General Fund revenues. More than being key to maintaining the City’s bond rating, an adequate fund balance allows the City to cope with revenue shortfalls, to pay for unbudgeted expenditures or unanticipated needs, to pay for other one-time large expenditures, and provide for adequate cash flows to absorb fluctuating expenditures and revenues during the fiscal year. Unassigned General Fund Balance is 15.0% of General Fund revenues, 3.0% greater than the 12.0% minimum balance targeted by the Council adopted financial policies. The adopted FY 2023 Budget results in a 15.0 percent General Fund balance at the end of the year.

The following chart provides a history of the City’s General Fund Balance:

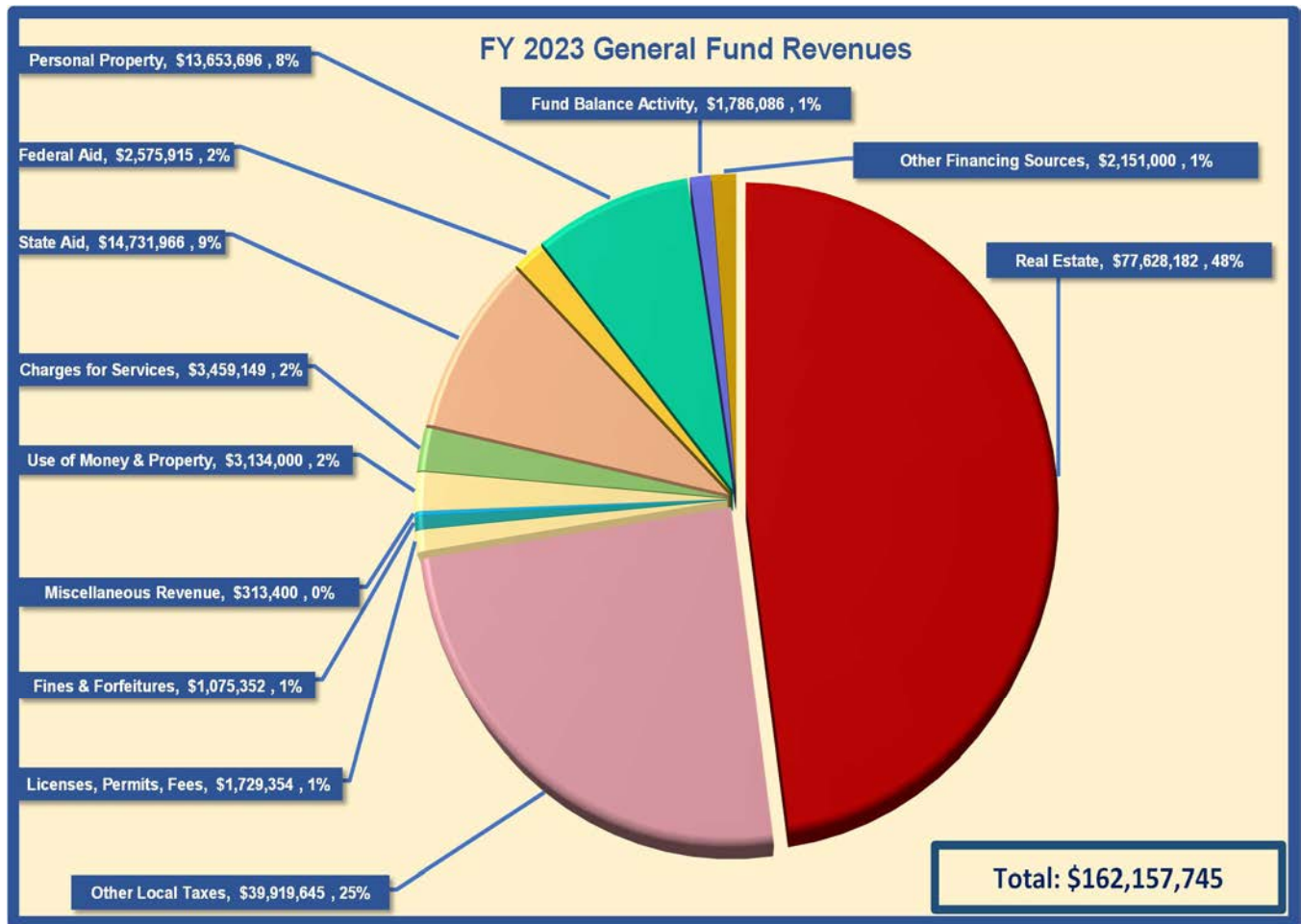
| General Fund - Fund Balance | | |
|-----------------------------|---------------|--------------|
| Fiscal Year | Amount | % of Revenue |
| 2023* | \$ 23,630,037 | 15.0% |
| 2022* | 25,416,123 | 16.9% |
| 2021 | 28,817,189 | 19.9% |
| 2020 | 17,917,998 | 12.9% |
| 2019 | 17,841,004 | 12.9% |
| 2018 | 18,087,673 | 13.4% |
| 2017 | 16,931,385 | 12.8% |
| 2016 | 15,244,854 | 11.8% |
| 2015 | 13,429,441 | 10.7% |
| 2014 | 15,130,848 | 12.3% |

* Estimate

General Fund Revenues

Overview – General Fund

General fund revenues equate to \$162,157,745 for FY 2023, which represents an increase of 4.6% (\$7,185,926) from FY 2022. The following chart provides a summary overview of revenues by category for FY 2023.



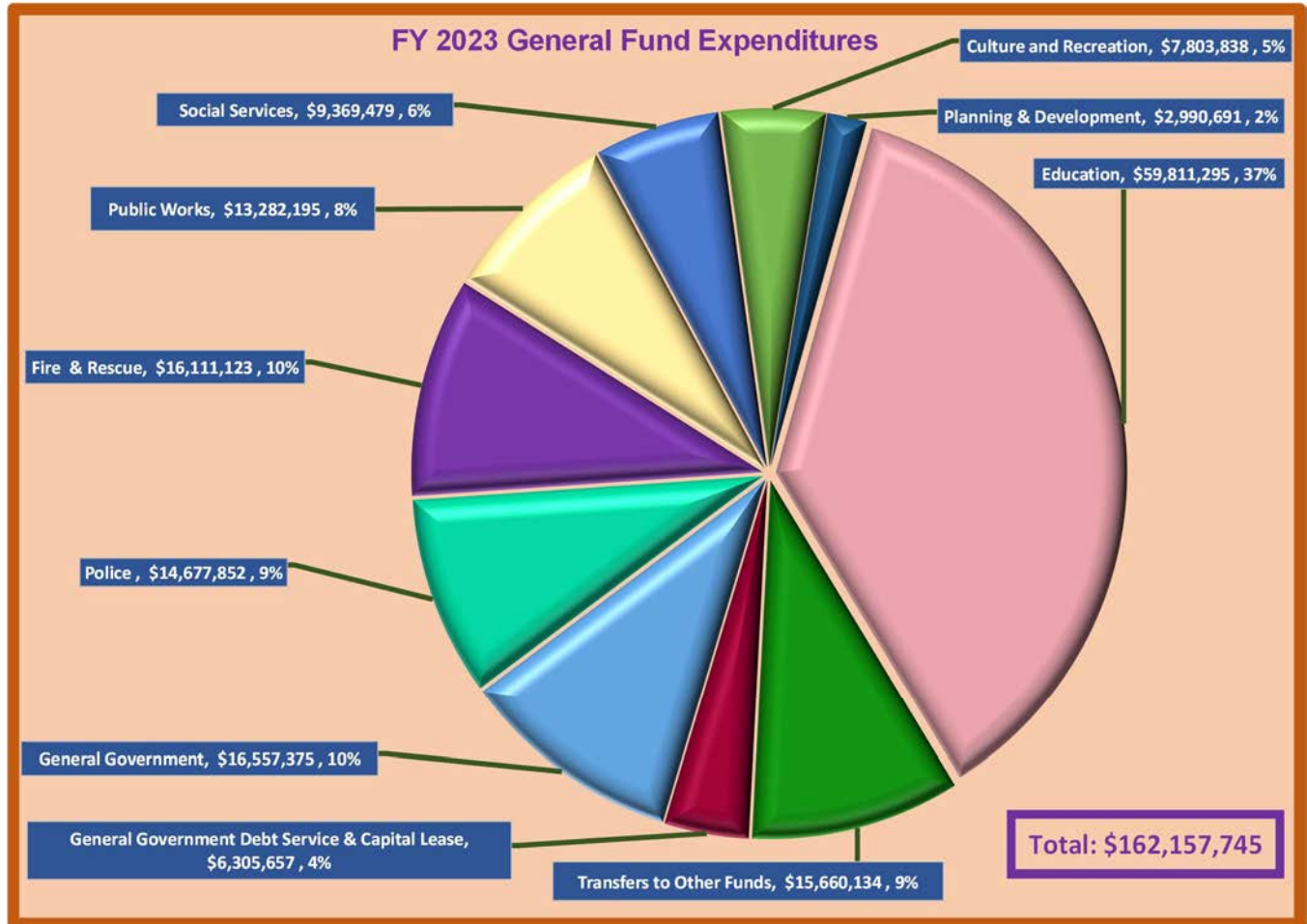
Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

The use of the Appropriated Fund Balance in the amount of \$1,786,086 is from the FY 2022 estimated Unassigned General Fund balance in excess of the required 12.0% General Fund Balance minimum. The estimated ending Unassigned General Fund balance for FY 2023 is equal to 15.0% (\$23.6 million) of General Fund revenues.

General Fund Expenditures

Overview- General Fund

The City’s adopted General Fund expenditures are budgeted at \$162,157,745 for FY 2023. The largest spending category remains Education, followed by General Government, Fire Department, Police Department, and Public Works. The “Transfers to Other Funds” category notes the General Fund transfers to the Capital Budget, Firing Range, Old Town Service District and Transportation Tax Funds.



Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

General Fund Revenue and Expenditure Changes – FY 2022 to FY 2023

The following chart highlights the major changes in expenses from last year’s budget:

| FY 2023 General Fund Expenditure Changes | |
|----------------------------------------------------------|---------------------|
| Increase / (Decrease) in Expenditures | \$ Change |
| Changes in Personnel Costs: | |
| Salaries - Full Time/Part Time (Added FTE's & Merit) | 2,044,782 |
| Fringe (Increase in Retirement Plans & Health Insurance) | 1,394,909 |
| Temporary Help, OT, etc. | 1,256,033 |
| CIP Transfer | 3,795,565 |
| Economic Development Initiatives | 776,835 |
| Contract Services | 676,557 |
| Travel & Training | 100,545 |
| Renaissance Housing | (100,000) |
| All Other Changes | (2,759,299) |
| Total Increase / (Decrease) in Expenditures | \$ 7,185,926 |

The following chart highlights the major changes in revenues from last year’s budget:

| FY 2023 General Fund Revenue Changes | |
|------------------------------------------------------------------|---------------------|
| Increase / (Decrease) in Revenues | \$ Change |
| Real Estate Taxes (Increased assessed value, 6.5¢ tax reduction) | 2,997,845 |
| Sales Tax | 1,676,209 |
| ARPA Funds | 1,055,000 |
| Basic School Aid & State Sales Tax | 1,043,255 |
| Meals Tax | 969,850 |
| Personal Property Tax | 608,696 |
| Consumer Utility Tax | 399,207 |
| Photo Red Light/Speed Enforcement Cameras | 395,000 |
| Recordation Tax | 325,834 |
| Old Town Service District (4¢ tax rate) | 181,347 |
| All Other Changes | 3,460,819 |
| Eliminate Stormwater Fund Tax 3¢ | (2,005,409) |
| Use of Fund Balance | (3,921,727) |
| Total Increase / (Decrease) in Revenues | \$ 7,185,926 |

Education

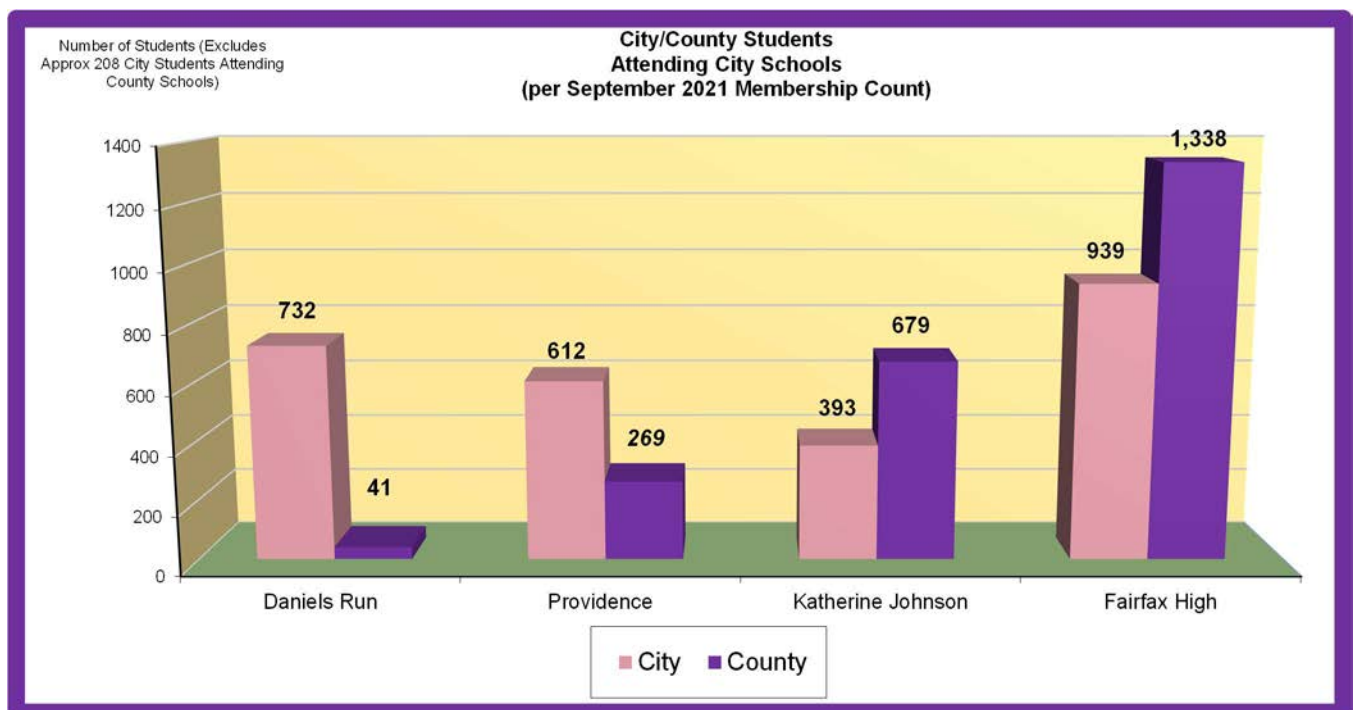
The total budget for the schools is \$59.9 million, an increase of 0.2% (\$0.1 million). Administrative costs account for \$1.1 million, and combined debt/lease payments equate to \$5.3 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at \$53.5 million, remains at the FY 2022 budget level. The following chart highlights the historical costs associated with the school tuition contract.

| Fiscal Year | Final Tuition Bill (excludes Classroom Rental Fee) | ADM |
|-------------|----------------------------------------------------|-------|
| 2023* | \$53,480,000 | 2,484 |
| 2022** | 53,480,000 | 3,001 |
| 2021 | 49,796,169 | 2,840 |
| 2020 | 49,737,309 | 3,040 |
| 2019 | 48,906,010 | 3,004 |
| 2018 | 47,500,899 | 3,079 |
| 2017 | 46,048,509 | 3,081 |
| 2016 | 45,300,452 | 3,106 |
| 2015 | 45,389,893 | 3,160 |
| 2014 | 44,029,716 | 3,078 |
| 2013 | 43,361,720 | 3,039 |
| 2012 | 40,392,677 | 3,046 |
| 2011 | 37,927,714 | 2,976 |

* These figures are reconciled to actual amounts after the close of the respective fiscal year and may be adjusted

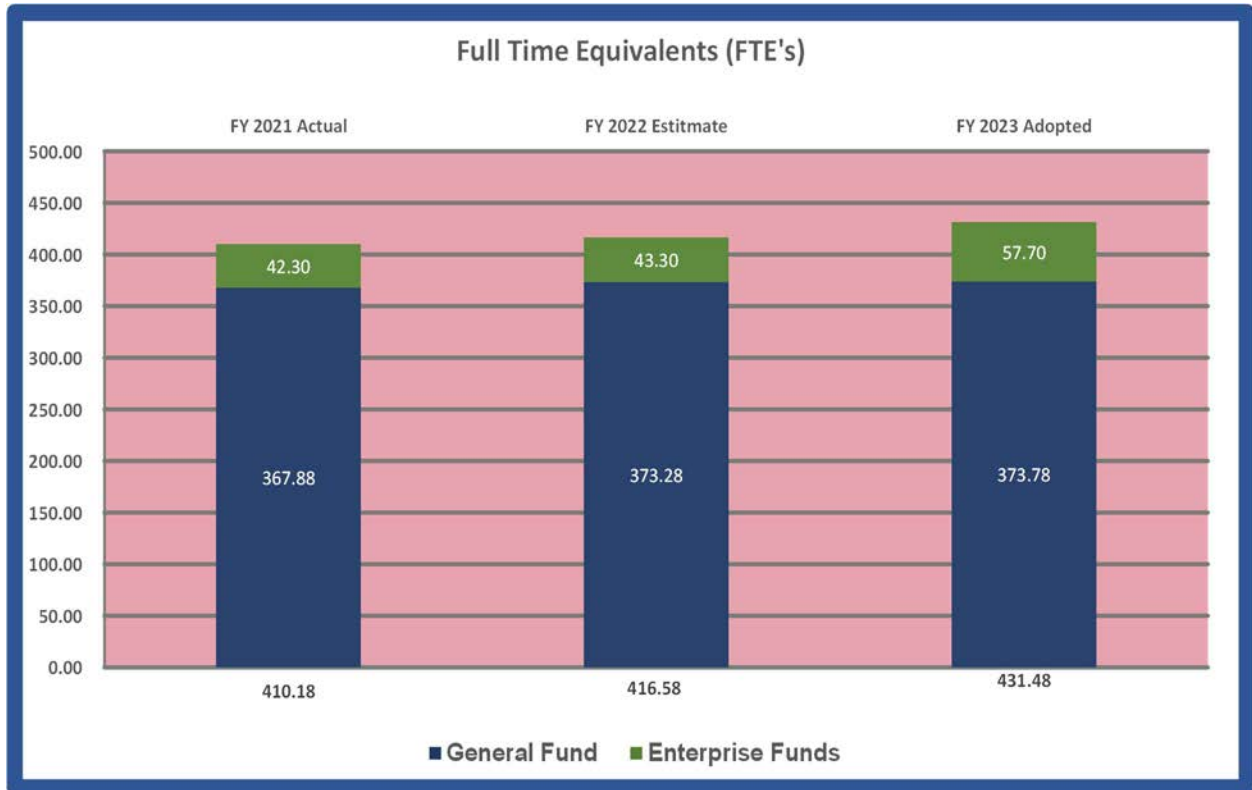
**Per FY 2022 Estimate

City students comprise most of the total population at both Daniels Run and Providence Elementary schools at 94.7% and 69.5%, respectively. Katherine Johnson Middle School and Fairfax High School statistics note that City students represent 40.0% of their schools' populations.



Employees, Salaries and Fringe Benefits

The FY 2023 budget provides for a mid-fiscal year 3.5% merit increase and market rate adjustment (2.6%) for eligible employees effective, July 1, 2022. Employee benefits are projected to increase 5.7% for FY 2023 compared to the FY 2022 adopted budget. FY 2023 retirement costs are projected to increase primarily due to an increase in the City’s contribution to the State retirement plan (\$1.1 m).



Positions Adopted in FY 2023:

- 1.0 Business Investment Manager (Economic Development)
- 0.5 Contract Specialist I (Finance)
- 0.5 Grants Administrator (Finance) converts position to full-time
- 1.0 Plan Reviewer (Fire Code Admin)
- 1.0 Business Analyst Permit Process (Fire Code Admin/Public Works Admin)
- 0.75 Village Coordinator (Human Services)
- 1.0 Application Specialist (Information Technology)
- 1.0 Environmental Sustainability Specialist (Public Works Admin)
- 1.0 Public Works Plan Reviewer (PW Admin/Wastewater/Stormwater/Transit)
- 1.0 Fleet Technician II (Public Works Fleet)
- 1.0 Utilities Coordinator (Wastewater/Stormwater)

Unfunded FTE Priorities FY23-27

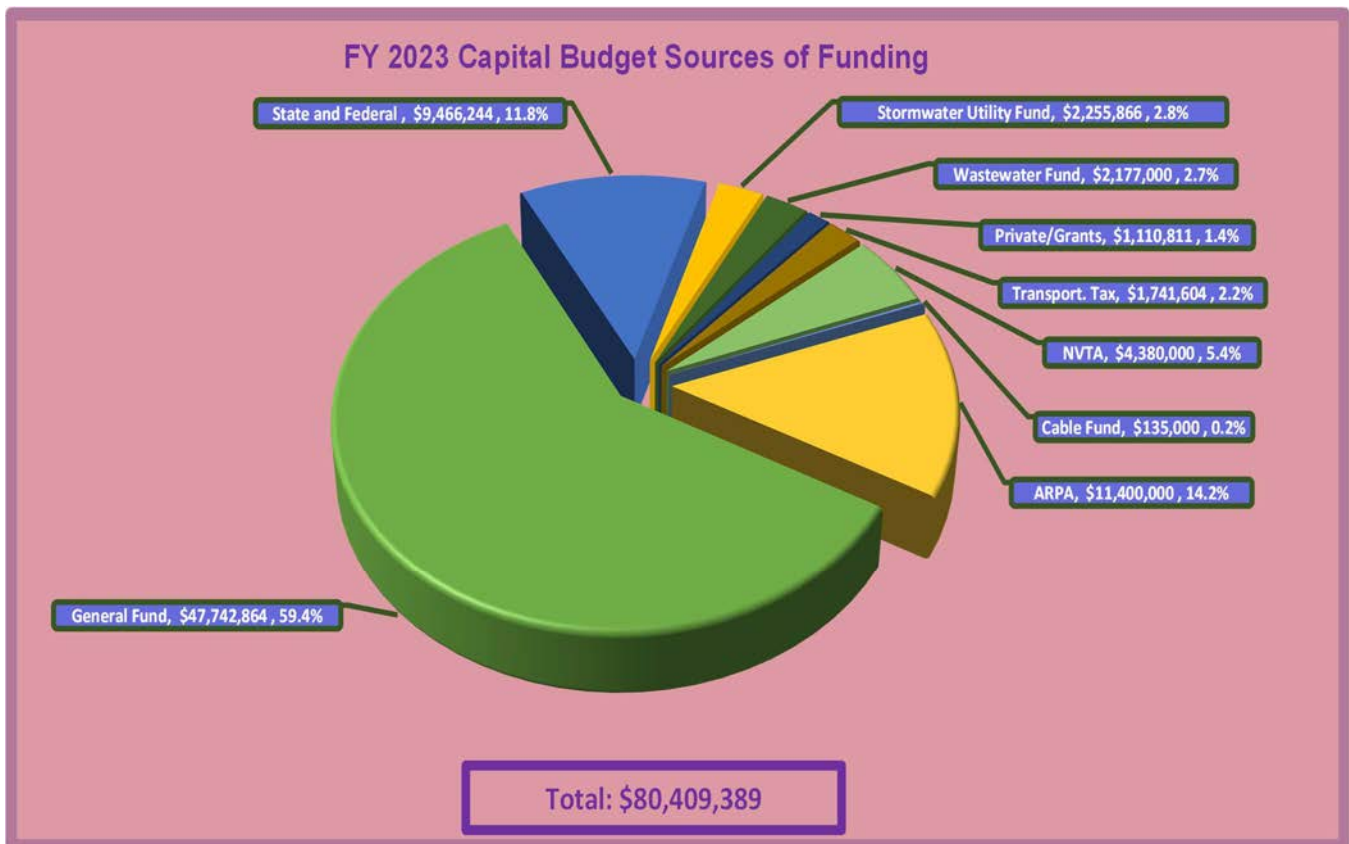
| Unfunded Priorities | | FTEs |
|---------------------|-----------------------------------------------|------|
| Human Serv. | Community Response Team Clinician | 1 |
| Fire Ops. | Fire Medic (Community Response Team) | 1 |
| CM | Business Application Manager | 1 |
| Police | Police Officer | 2 |
| Risk Management | Safety Officer | 1 |
| Finance | Budget Analyst | 1 |
| CDP | Develop. Review Ombudsperson | 1 |
| Human Serv. | Village Coordinator | .25 |
| CM | Deputy City Manager | 1 |
| PW | Site Inspector | 1 |
| PW S&S | Administrative Assistant III | 1 |
| Police | Police Officer | 3 |
| Police | Victim Services, PIO, Logistics | 3 |
| IT | Technology Support Specialist | 1 |
| IT | Electronic Media Coordinator | 1 |
| Fire Code | Property Maintenance Inspector | 1 |
| Fire Code | Community Risk Reduction Specialist/Inspector | 1 |
| Fire Ops. | Fire Medic | 2 |
| Parks & Rec. | Public Arts Coordinator | 1 |
| Parks & Rec. | Special Events Coordinator | .25 |

Capital Fund

The Adopted Capital Improvement Program for FY 2023 totals **\$80,409,389**. The chart below summarizes the City’s adopted FY 2023 capital improvement plan compared to the adopted FY 2022 program.

| Category | FY 2022 Adopted | FY 2023 Adopted | Change | |
|----------------------------------------------------|----------------------|----------------------|----------------------|----------------|
| | | | \$ | % |
| Schools Capital Projects | \$ 1,650,000 | \$ 470,000 | \$ (1,180,000) | -71.52% |
| General Government Capital Projects | 1,713,872 | 5,873,858 | 4,159,986 | 242.72% |
| Recreation / Community Appearance Capital Projects | 9,421,656 | 37,916,305 | 28,494,649 | 302.44% |
| Environment Capital Projects | 12,175,000 | 13,218,000 | 1,043,000 | 8.57% |
| Transportation Capital Projects | 3,646,280 | 14,995,494 | 11,349,214 | 311.25% |
| Infrastructure Repair & Maintenance | 5,274,554 | 5,456,314 | 181,760 | 3.45% |
| Technology Infrastructure Fund | 2,759,171 | 2,010,418 | (748,753) | -27.14% |
| Vehicles & Equipment Replacement Fund | 2,208,000 | 469,000 | (1,739,000) | -78.76% |
| Unfunded CIP | (400,000) | - | 400,000 | 0.00% |
| Total Capital Improvement Program | \$ 38,448,533 | \$ 80,409,389 | \$ 41,960,856 | 109.14% |

In addition to the General Fund, support for the Capital Fund comes from the Wastewater Fund, Federal and State funds (including NVTA 70% funds available under HB 2331), the Cable Fund, privately donated funds, the Stormwater Utility Fund, and the Transportation Tax Fund (includes NVTA 30% funds available under HB2331 and the Commercial and Industrial Tax). The following chart illustrates the sources of funding for the adopted Capital Budget in FY 2023; detailed information can be found under the Capital Budget tab of this book.



Wastewater Fund

| | FY 2021 Actual* | FY 2022 Budget | FY 2022 Estimate | FY 2023 Adopted |
|---------------|--------------------|-------------------|---------------------|--------------------|
| Revenues | \$ 8,614,227 | \$ 11,915,879 | \$ 14,090,701 | \$ 17,799,229 |
| Expenditures | \$ 5,132,953 | \$ 12,422,164 | \$ 12,455,081 | \$ 14,381,022 |
| Rate Increase | 8% | 6% | 6% | 6% |

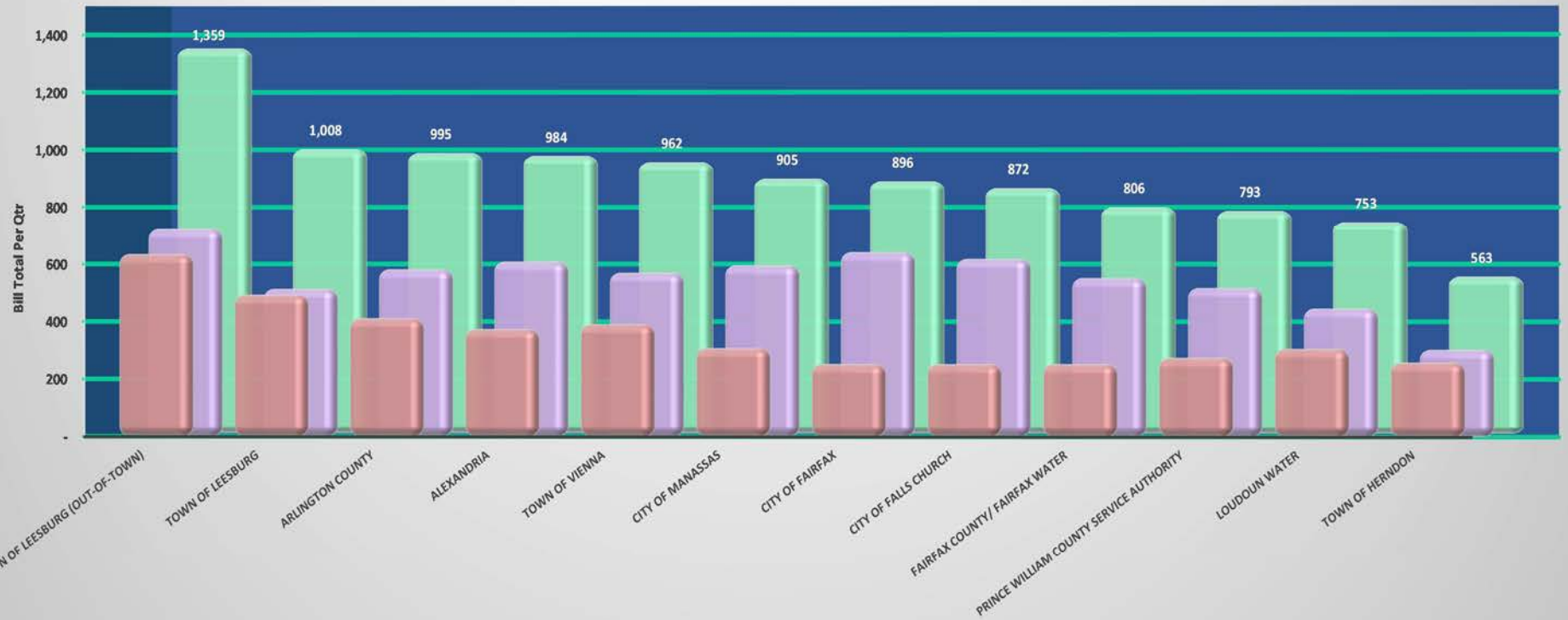
Actuals, as reflected in the City’s ACFR, are exclusive of financing activity.

For FY 2023, a rate increase of 6.0 % has been adopted for the Wastewater Fund in order to keep pace with future operating, capital, and debt service costs as well as building the Wastewater Fund Balance to industry recommended levels. In FY 2022 the City Council approved a “Winter Quarter” limit to be used in calculating residential customers’ wastewater usage during the non-winter months. This change in the rate structure will reduce the cost to residential customers who experience a significant increase in water use during the summer and fall months, water that does not enter the wastewater system (i.e., irrigation, swimming pools, etc.). The estimated annual reduction to operating revenue is approximately \$350,000. In FY 2010, the City was officially notified of planned cost increases related to the City’s cost sharing agreement with Fairfax County for the treatment of the City’s wastewater at the County’s Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility). This plant is subject to continuing stringent environmental standards to protect the Chesapeake Bay; therefore, numerous process upgrades to reduce nitrogen and phosphorus are mandated. Additionally, there are general capital upgrade costs, unrelated to treatment techniques that must be addressed at this facility. The City’s portion of these upgrades from FY 2023 through FY 2027 is projected to be approximately \$30.8 million. The City has successfully financed the first two phases of these costs and has established a payment schedule acceptable to both jurisdictions. Future rate increases, to enable repayment of the debt for the Wastewater treatment plant upgrades and modifications, will be significant. Establishment of a future rate increase schedule was prepared to match the financial forecast and ensure rate stabilization. In 2021 the City completed a “Multi-Year Financial and Capital Planning Analysis” providing a comprehensive cash-flow planning model used in the development of its operating budget and setting of Wastewater rates.

Based on the utility’s Financial and capital planning analysis, the three-year forecast for wastewater fee adjustments decreases from 8.0%-10% to a 6.0% recommended annual increase. These increases are primarily driven by the continued infrastructure improvements, particularly at the Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility).

The chart on the following page is a comparison of the average quarterly residential cost for combined water service and wastewater treatment by local jurisdiction.

**FY23 Adopted Annual (will be updated with the adopted budget)
TOTAL RESIDENTIAL WATER & WASTEWATER BILLS
(Based on 56 tgal of water consumed per year)**



| | Town of Leesburg (Out-of-Town) | Town of Leesburg | Arlington County | Alexandria | Town of Vienna | City of Manassas | City of Fairfax | City of Falls Church | Fairfax County/Fairfax Water | Prince William County Service Authority | Loudoun Water | Town of Herndon |
|------------|--------------------------------|------------------|------------------|------------|----------------|------------------|-----------------|----------------------|------------------------------|-----------------------------------------|---------------|-----------------|
| Water | 636 | 494 | 412 | 375 | 392 | 309 | 254 | 254 | 254 | 275 | 306 | 259 |
| Wastewater | 723 | 514 | 583 | 610 | 570 | 597 | 642 | 619 | 552 | 518 | 446 | 303 |
| Combined | 1,359 | 1,008 | 995 | 984 | 962 | 905 | 896 | 872 | 806 | 793 | 753 | 563 |

Transit Fund

The City/University/Energysaver (CUE) bus system provides an alternative transportation mode for City and area residents and George Mason University (GMU) students and faculty throughout the City and to and from GMU and Metro. The City has operated the CUE bus system since 1985 and provides 12 buses on a fixed route system traveling 441,430 vehicle miles during 30,215 hours of operation each year.

The City started a fare-free program in FY 2022. ARPA funding is providing an offset to the revenue shortfall resulting from the implementation of the fare-free program. GMU currently contributes \$750,000 annually to help offset the cost of student and faculty ridership. The chart below summarizes CUE’s financial results and projections. As directed by the Department of Rail and Public Transportation (DRPT) in FY 2014, Transit Fund revenues and expenditures reflect the pass through of funds from DRPT to the WMATA on the City’s behalf. CUE has not required a General Fund subsidy since FY 2012 because supplemental funding was made available from the Transportation Tax Fund.

| | FY 2021 Actual | FY 2022 Budget | FY 2022 Estimate | FY 2023 Adopted |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local | \$ 8 | \$ 182,685 | \$ 17,685 | \$ 320 |
| GMU Contribution | 750,000 | 750,000 | 750,000 | 750,000 |
| NVTC | 758,432 | 728,000 | 728,000 | 728,000 |
| Other State Revenue | - | - | - | - |
| Transfer from General Fund | 67,575 | - | - | - |
| Transfer from Transportation Tax Fund | 2,459,250 | 2,982,890 | 3,058,154 | 3,162,101 |
| Transfer from ARPA Fund | - | - | 190,000 | 380,000 |
| Total Revenues | \$ 4,035,265 | \$ 4,643,575 | \$ 4,743,839 | \$ 5,020,421 |
| | | | | |
| Expenditures: | | | | |
| Operating Expenditures | \$ 4,423,111 | \$ 4,735,375 | \$ 4,743,839 | \$ 5,018,981 |
| Total Expenditures | \$ 4,423,111 | \$ 4,735,375 | \$ 4,743,839 | \$ 5,018,981 |

Stormwater Utility Fund

The Stormwater Utility Fund is effective July 1, 2022 and is supported by customer fees that are based on the amount of impervious surface on each parcel. It replaces the previous Stormwater Fund which was supported by a dedication of the real estate tax rate (\$0.03 in FY22).

The city’s stormwater conveyance infrastructure consists of approximately 60 miles of storm pipe and 3,650 structures, which includes manholes and inlets, as well as over 10 miles of streams and 400 outfalls which discharge stormwater to these streams. The Stormwater Utility Fund supports the maintenance and improvement of this infrastructure, as well as capital projects necessary to reach pollutant reduction targets for the Chesapeake Bay and local waterways, and numerous drainage improvement projects to address drainage issues that are eligible to be resolved through utility funding. The City of Fairfax is a Phase II Small Municipal Separate Storm Sewer System (MS4) permittee, which has operational requirements that are reported annually to the Virginia Department of Environmental Quality (DEQ) to demonstrate permit compliance. Activities such as public outreach & education, public involvement, identifying and addressing illicit discharges to waterways, controlling runoff from construction sites, ensuring that stormwater management facilities continue to function as designed, and ensuring that good housekeeping practices are followed in the city’s operations are among the regulatory requirements that are met through the Stormwater Utility Fund.

| | FY 2021 Actual | FY 2022 Budget | FY 2022 Estimate | FY 2023 Adopted |
|------------------------------|-------------------|-------------------|---------------------|---------------------|
| Revenues: | | | | |
| Revenue Bond Funds | \$ - | \$ - | \$ - | \$ 1,775,000 |
| Annual Billing Units Revenue | - | - | - | 2,718,634 |
| Grants | - | - | - | 1,065,811 |
| Total Revenues | \$ - | \$ - | \$ - | \$ 5,559,445 |
| | | | | |
| Expenditures: | | | | |
| Operating Expenditures | \$ - | \$ - | \$ - | \$ 5,559,445 |
| Total Expenditures | \$ - | \$ - | \$ - | \$ 5,559,445 |

Acknowledgements

The budget is the product of an intensive effort by staff in all City departments. Appreciation is expressed to David Hodgkins, Chief Financial Officer and Kerry Kidd, Budget Manager who have principal responsibility for the preparation of this document. Additional thanks go to Sara Greer, Christine Johnston, Melanie Crowder, Julie Moran, Patti Innocenti and each of the Department Directors, the City School Superintendent and staff, the Constitutional Officers and every employee who participated in finalizing materials for City Council's deliberation.



Old Town Square Fountains

Budget Information Request

Copies of the FY 2023 Adopted Budget and FY 2023-2027 Capital Improvement Program (CIP) are available as follows:

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City website: <http://www.fairfaxva.gov/government/finance/budget>

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