

Historic Old Town Hall



City Manager's Budget Message FY 2024 Budget

Highlights of FY 2024 Adopted Budget

1. Net total expenditures for all funds equal \$249,286,834, an increase of 0.7% from FY 2023 (General, Capital Projects, Old Town Service District, Transportation Tax, Cable, Wastewater, Stormwater Utility and Transit).
2. General Fund revenues and expenditures equal \$173,013,859, an increase of 6.7% from the adopted FY 2023 budget and 3.0% from the FY 2023 expenditure estimate.
3. Capital Fund expenditures for General Fund supported projects equal \$25,641,595 (\$12,191,717 General Fund transfer represents 7.0% of General Fund expenditures), a decrease of 35.3% from the FY 2023 amount of \$39,651,791.

	FY 2022	FY 2023	FY 2024	\$ Change	% Change
Technology	\$2,039,171	\$2,010,418	\$2,845,695	\$ 835,277	41.5%
Vehicles & Equipment	2,019,200	434,000	2,648,000	2,214,000	510.3%
Schools Projects	1,650,000	470,000	1,302,000	832,000	177.0%
General Government*	10,906,848	36,737,373	18,845,900	-17,891,473	-48.7%
Total General Funding	\$16,615,219	\$39,651,791	\$25,641,595	-\$14,010,196	-35.3%

*General Government includes General CIP, Parks & Recreation, Transportation and Maintenance projects

4. Excluding new construction, residential real estate assessments increased an average of 2.28% for CY 2023; commercial assessments increased an average of 1.69%; combined assessments increased an average of 2.08%.
5. Based on an increase in value (excluding new construction), CY 2023 assessed value of all real property equals \$7,360,561,400, an increase of \$149,916,400 or 2.08%. The assessed value due to projects under construction is \$228,411,200. Including new construction, assessed value of all real property equals \$7,588,972,600, an increase of \$378,327,600 or 5.25%.
6. The adopted budget increases the real estate tax rate by \$0.015 to \$1.025 per \$100 of assessed value. For CY 2023, the average City resident’s (assessed value of \$602,375) annual real estate tax bill would increase by \$226. One cent on the real property tax rate is equivalent to \$767,906.
7. 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 \$0.9875 per \$100 of assessed value. The real estate tax necessary to provide commercial equalization equates to \$0.9932 per \$100 of assessed value and a combined equalization rate of \$0.9894 per \$100 of assessed value.

Highlights of FY 2024 Adopted Budget (continued)

8. The Commercial and Industrial real estate tax rate remains unchanged at 12.5¢ per \$100 of assessed value. The Old Town Service District adopted rate of 4.0¢ per \$100 of assessed value also remains unchanged.
9. The adopted FY 2024 budget includes a January 1, 2024, 3.5% merit increase (\$403k) for eligible general pay scale employees and a 2.0% market rate adjustment to general pay scales, effective July 1, 2023 to retain parity within the region.
10. Public Safety employees were moved from the pay ranges to a step system effective 10/01/2022. The adopted FY 2024 budget includes a 1.0% Cost-of-Living-Adjustment (\$74k) effective July 1, 2023, and the programmed annual step increase.
11. Added Employee Positions:

New positions adopted in the FY 2024 budget total \$425,550:

3.25 FTEs General Fund

City Department	Position	FTE
Finance	Contract Specialist II	1.00
Human Services	Village Coordinator	0.25
Information Technology	Technology Support Specialist	1.00
Police	Master Police Officer	1.00
Total		3.25

12. 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.
13. Stormwater utility fee increase of 6.0% to support the utility’s capital programming and operating costs. Estimated annual bill increase to be \$8.64/yr. based on five billable units (typical charge for residential property).
14. The current personal property tax rate to remain at \$4.13 per \$100 of assessed value. The adopted FY 2024 budget reinstates the Personal Property Assessment Ratio for vehicles to 100% (full market value) versus the temporary 86.0% ratio adopted for the fiscal year 2023.
15. Unassigned General Fund Balance is projected to be 15.2% of General Fund revenues, 0.2% greater than the 15.0% minimum balance targeted by the Council adopted financial policies. This amount continues upward movement and helps ensure our highest credit ratings.

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 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 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 2024 Adopted Budget – City of Fairfax, Virginia

BUDGET REVIEW SCHEDULE

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

	Date	Action Item
<p>FY 2024 Budget Calendar</p> <ul style="list-style-type: none"> * 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%. 	October 11, 2022	FY 2023 Quarterly Financial Review
	November 1, 2022	FY 2024 City Council Work Session - Discussion on the Draft Proposed CIP FY 2024 – FY 2028
	November 15, 2022	FY 2024 Consideration of Budget Guidelines & Financial Policy
	January 24, 2023	FY 2023 Quarterly Financial Review
	February 7, 2023	FY 2024 Discussion with Planning Commission on recommended CIP to be included in the proposed FY 2024 budget
	February 28, 2023	FY 2024 City Manager’s Proposed Budget Presentation
	March 7, 2023	FY 2024 Budget Work session; Presentations by School Superintendent & Constitutional Officers
	March 14, 2023	FY 2024 Budget Public Hearing; Consideration of Real Estate Tax Rate to be Advertised**
	March 28, 2023	FY 2024 Budget Public Hearing:
	April 4, 2023	FY 2023 Quarterly Financial Review; FY 2024 Budget Discussion WorkSession
	April 11, 2023	FY 2024 Budget Public Hearing; Introduction of C&I, Wastewater, Stormwater Utility and Old Town Service District Rates; Budget Work session
	April 25, 2023	FY 2024 Public hearing for RE Tax Rate, C&I, Wastewater, Stormwater Utility and Old Town Service District rates; Introduction of FY 2024 Budget Appropriations; Budget Discussion Work Session
	May 2, 2023	Special Council Meeting - Public Hearing on FY 2024 Budget Appropriation; Budget Adoption

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.

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 was 4¢ per \$100 of assessed value, and remains 4¢ for adopted FY 2024.

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. The City's allocation \$29.6 million (\$24.8 million from the state and \$4.8 million directly from the US Treasury) was received in two tranches. The first half of about \$14.8 million was received in July 2021 and the second half was received in July 2022.

Stormwater Utility Fund — The Stormwater Utility Fund was authorized by the City Council on December 14, 2021, and began operating as an enterprise fund on July 1, 2022. 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. A State grant is providing to help offset the revenue shortfall resulting from the implementation of the fare-free program. ARPA funding is also helping fund the operating costs of the City's CUE bus system.

Transportation Tax Fund – This fund levies 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, while 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 City of Fairfax financial forecast is based on:

- City Council vision and goals
- 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 Program (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 program, City Council goals, 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.

General Fund Five Year Operating Forecast

City of Fairfax, Virginia - Five Year Projection

	FY 2023 Estimate	FY 2024 Adopted	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
Revenues					
Real Estate Revenues	\$ 79,698,454	\$ 82,611,785	\$ 88,219,505	\$ 93,355,614	\$ 96,743,544
Personal Property	14,808,696	14,980,000	15,470,859	15,962,191	16,407,586
Other Local Taxes	41,274,645	42,534,985	43,453,820	44,549,722	45,461,574
Licenses, Permits, and Fees	1,729,354	1,917,323	1,955,669	1,994,783	2,034,679
Fines and Forfeitures	1,435,352	2,301,812	2,324,830	2,348,078	2,371,559
Use of Money and Property	3,596,965	4,746,835	4,841,772	4,938,607	5,037,379
Charges for Services	3,586,149	3,783,027	3,820,857	3,859,066	3,897,657
Miscellaneous Revenue	413,309	405,000	409,050	413,141	417,272
State Revenue	17,419,082	15,634,927	15,947,626	16,266,578	16,591,910
Federal Revenue	2,453,328	176,616	180,148	183,751	187,426
Other Financing Sources	1,914,195	1,120,999	1,132,210	1,143,532	1,154,967
Appropriated Fund Balance	1,786,086	2,800,549	-	-	-
Total Revenues	\$ 170,115,615	\$ 173,013,858	\$ 177,756,347	\$ 185,015,063	\$ 190,305,553
Expenditures					
Compensation	\$ 39,822,835	\$ 41,258,611	\$ 43,202,738	\$ 45,035,804	\$ 46,791,806
Fringe Benefits	17,798,993	20,579,640	20,404,653	21,270,410	22,099,770
Non Education County Contracts	12,306,451	12,820,143	13,906,222	14,731,654	15,309,986
Transfer to Other Funds (Storm, DT, Trans Tax)	2,599,035	2,601,463	2,638,924	2,676,925	2,715,472
Senior Tax Relief	1,187,464	1,253,000	1,271,043	1,289,346	1,307,913
Education:					
Tuition Contract	52,980,000	55,554,400	57,221,038	58,937,672	60,705,803
School Debt Service	4,615,674	-	-	-	-
School Capital Lease	555,494	-	-	-	-
General Debt Service	1,130,955	10,144,657	9,897,598	9,730,402	9,728,409
General Capital Lease	5,174,701	-	1,316,403	3,709,178	4,515,351
Capital Budget - GF Transfer	13,907,450	12,191,717	12,870,921	11,582,842	11,716,162
Other (Contracts, Fuels, Utilities, Supplies, etc.)	15,834,961	16,610,227	17,842,462	18,718,028	19,263,994
Total Expenditures	\$ 167,914,013	\$ 173,013,858	\$ 180,572,001	\$ 187,682,260	\$ 194,154,664
Surplus / (Deficit)	\$ 2,201,602	\$ -	\$ (2,815,654)	\$ (2,667,197)	\$ (3,849,111)

CITY COUNCIL 2023-2024 TERM

VISION

The City of Fairfax has a strong, sustainable economy that supports a vibrant and equitable 21st century community.

GOALS

Economic Development

Take actions that result in a more diverse, balanced, and resilient economy through business attraction, expansion and retention to enable a business environment that supports the quality of life that our community expects.

Environmental Sustainability/Stewardship

Preserve, protect and improve our community's natural, cultural and historical resources as population growth, economic development/redevelopment and climate change create significant impacts.

Community

Strengthen our welcoming and safe community, known for its distinctive quality of life, through community engagement, connectivity, a safety net for those in need and exceptional City services.

Transportation

Create safe and efficient movement of pedestrians, cyclists, motorists, commercial vehicles and transit through the City and region via an intermodal system that is appropriately scaled, efficient, safe and convenient.

Governance

Maintain and strengthen long-term fiscal health through governance distinguished by a high-performing, innovative and community based system that is founded on open, multi-faceted communication with residents, businesses, and visitors; demonstrates accountability and responsiveness and is supported by a professional workforce.

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; Environment & Sustainability; 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; Housing and Community Development
- **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**
 - 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 November 15, 2022.

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 maintained at a minimum of 15% of total General Fund revenues (as defined below). The Unassigned Fund Balance will be measured for policy compliance at the end of each fiscal year.
2. Once the Unassigned Fund Balance policy is met, the City shall maintain 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. An operating surplus for purposes of this policy is measured as General Fund revenues versus expenditures in a given fiscal year excluding the impact of changes to the budgeted tax rates that are adopted in the current fiscal year as part of the following year's budget process. 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 unbudgeted revenue shortfalls or expenditure overages that arise during a fiscal year
 - 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

The BSF will not be used as part of the annual budgeting process but rather is a reserve against unforeseen events not forecasted during the budget process. If the BSF reaches the maximum 3% level, the portion of any surplus normally allocated to the BSF will be allowed to fall to:

- a. The Unassigned Fund Balance;
- b. The Capital Fund; or,
- c. Other one-time uses

3. If the Unassigned General Fund Balance falls below its minimum threshold of 15% 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 Budget Guidelines

FY 2024 Budget Guidelines were approved by the City Council November 15, 2022.

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, 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 2024)	435.98

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 (2022 ACFR)

Zeta Associates
Ted Britt Ford Sales
Fairfax Operator LLC
Home Depot
Farrish of Fairfax
Lowe’s
Premium Home Health Care
Nova Home Health Care LLC
Ourisman Fairfax Toyota
The Wackenhut Corporation

Largest Public Employers (June 2022)

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

Taxes:

Real Estate Tax Rate

FY 2023: \$1.010 per \$100 assessed value
FY 2024: \$1.025 per \$100 assessed value (adopted)

Personal Property Tax Rate

FY 2023: \$4.13 per \$100 assessed value
FY 2024: \$4.13 per \$100 assessed value (adopted)

City Finances – Bond Ratings

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

Population

2021 UVA Weldon Cooper Ctr. Estimate	24,107
2021 U.S. Census	24,276
2010 U.S. Census	22,565
2000 U.S. Census	21,498

Households

2017-21 American Community Survey Estimate	9,090
2020 U.S. Census	8,800
2010 U.S. Census	8,347
2000 U.S. Census	8,035

Average Household Size

2017-21 American Community Survey	2.58 persons
2020 U.S. Census (estimate)	2.71 persons
2010 U.S. Census	2.64 persons

Age (2021 Census Estimate)

(1-19)	25.7%
(20-34)	20.8%
(35-64)	38.5%
(65 +)	15.0%

Race and Ethnicity (2020 Census Estimate)

White	53.1%
Asian	19.3%
Hispanic	18.2%
Black	5.9%
Other/Multiracial	3.5%

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

Source: U.S. Census Bureau

Unemployment

	CY 2021	CY 2022(est)
City of Fairfax	3.4%	2.2%
Virginia	3.9%	3.0%
United States	5.4%	3.4%

Vacancy Rates

	FY 2021	FY 2022
Office Space	10.7%	9.8%
Retail Space	4.1%	2.5%

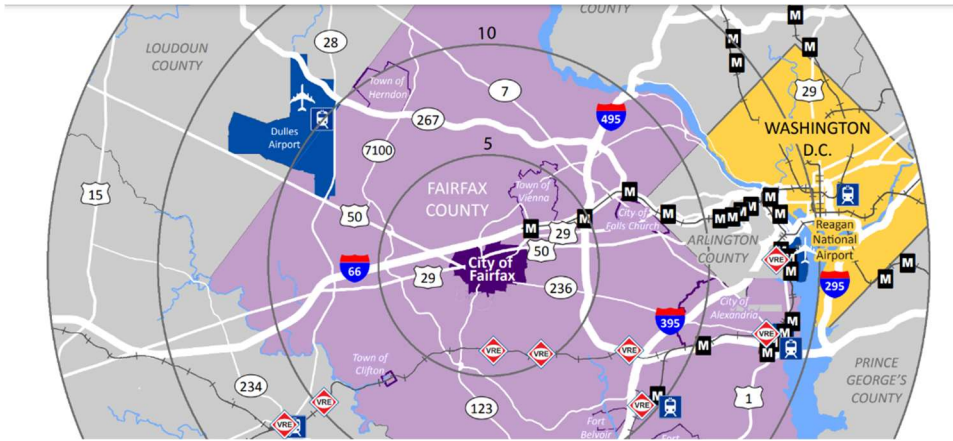
City of Fairfax Employment by Industry

The largest major industry sector was Health Care and Social Assistance with 17.1%, Professional, Scientific and Technical Services with 15.7% and Retail Trade with 14.9% of the employment. The following is a listing of major industries and the number employed in those sectors for 2022 in the City of Fairfax.

Industry Group	Employees
Health Care and Social Assistance	3,690
Professional, Scientific & Technical Services	3,374
Retail Trade	3,205
Public Administration	2,797
Accommodation and Food Services	2,695
Administrative and Waste Services	1,128
Other Services (except Public Administration)	930
Finance and Insurance	808
Arts, Entertainment and Recreation	605
Construction	603
Education Services	539
Transportation and Warehousing	216
Information	213
Management of Companies and Enterprises	213
Real Estate, Rental and Leasing	183
Wholesale Trade	121
Manufacturing	114
Unclassified	83

Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages, Second Quarter 2022

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 region’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 free rides to every office building in the City and Metrorail (rapid transit) at the Vienna/Fairfax-GMU station, less than three miles from the City’s center.

Local Economy

Economic growth remains stable in the City. Private sector employment within the City increased year over year. As of June 2022, there were 21,625 jobs within the City of Fairfax (as reported by the Bureau of Labor Statistics). The City’s 2022 unemployment rate of 2.2% was well below state (3.0%) and national (3.4%) 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 5.25% (including new construction) from CY 2022 to CY 2023. Estimated FY 2023 BPOL tax revenues increased by \$0.63 million or 6.1%, while local sales and use tax revenue increased \$0.37 million or 2.9%.

Economic Development Program

The Economic Development Office (EDO) seeks to foster an inclusive business community that is diverse and robust. In order to support a strong commercial tax base, the EDO develops programs that prioritize business attraction and retention, development, redevelopment, and strategic programming. The office also serves as a resource for developers and consultants with specific commercial, office, and industrial development projects providing assistance with site selection within the city. 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. Together the EDO and the EDA collaborate as under the brand, Fairfax City Economic Development (ED).

Working in cooperation through partnerships 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, ED leverages its resources and access to talent to maintain and enhance the city’s business community while pursuing economic growth.

The FY 2024 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 ED develops and administers programming and services that:

- attracts residents, visitors, and new businesses to the city
- invests in the retention and growth of existing businesses
- increases business visibility to 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
- Administers various incentive programs through the Business Investment portfolio

For FY 2024 ED will continue to expand its programming and work with partners to ensure maximum impact. Beginning in the current fiscal year and continuing into the upcoming fiscal year, the ED team will begin implementation of the newly received Streetsense strategic work-plan which focus on, among other things, impact measurement, goal-oriented program development, and enhanced resource allocation.

As always, ED will continue to expand its small business support by working with local businesses, organizations, and the Mason Enterprise Center - Fairfax. Researching and implementing both small business programs and startup resources will allow ED to address challenges and disparities effecting small businesses, preserve neighborhoods, and support strong and resilient communities.

ED will continue to work with George Mason University to strengthen our partnership in creating a strong city-university relationship. The city-university relationship continues to be one of the City’s greatest partnership opportunities and is reflect in ED’s oversight of the Mason Enterprise Center – Fairfax (MEC).

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 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 in August 2020. Commercial tenants in the ground floor retail spaces include Roots Natural Kitchen, TeaDM, F45, Salon Lofts, Verizon, Vivian Nail Bar, 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 with a phased occupancy beginning in 2022.

Paul VI (“Boulevard 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. Phased occupancy, starting with townhouses and condominiums, began in 2022.

Breezeway Motel: This redevelopment of the aging Breezeway Motel and Fairfax Gardens Apartments includes 40 townhouses and 20 “two over two” condominium units. A one-acre parcel within the development along Fairfax Boulevard will be cleared and prepared for future commercial development. The project was approved by the City Council in March 2022 and is expected to break ground in 2023.

Hi-Way Motel: Demolition of existing motel and redevelopment of site with 54 affordable multifamily housing units and 1,400 sq. ft. ground floor office space. Project was approved by the City Council on December 13, 2022. Preparation of site plan expected in 2023.

Residential:

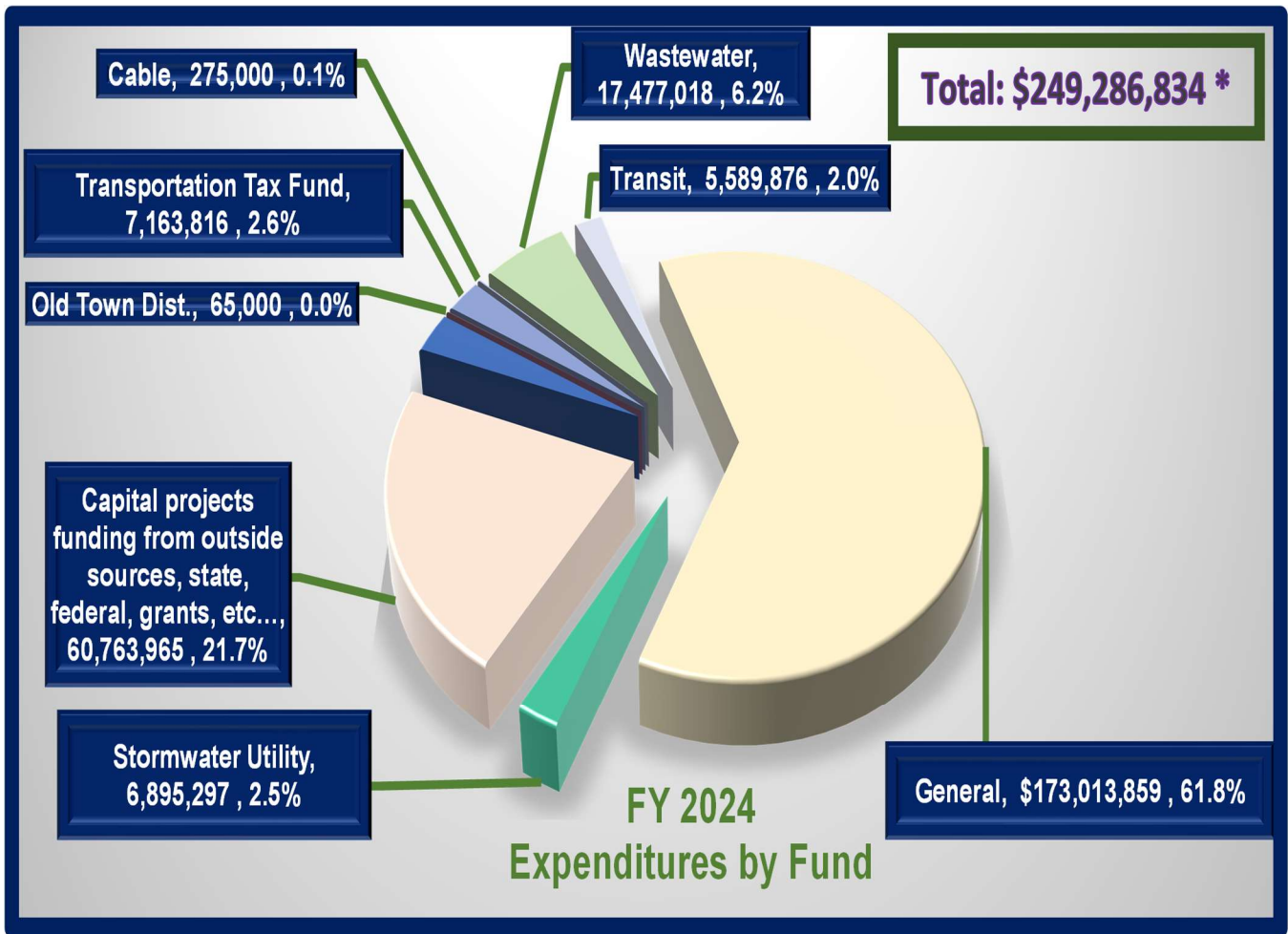
Capstone Collegiate (“The Flats on University”): Project includes the redevelopment of a 1970’s-era low-rise office buildings site into a 275-unit privately-owned student housing complex. The site, located to the north of the City’s downtown, is approximately one mile from the campus of George Mason University. The units are 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. Residents of the complex took occupancy in August 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 and site work commenced in May 2022.

EYA Townhouses (“Sutton Heights”): This 50-unit townhouse development was approved by the City Council in June 2020 to replace a former church on Pickett Road. Site plan was submitted to the City in August 2020 and construction began in July 2021. Phased occupancy began in January 2023.

Overview – All Funds

Expenditures for all funds total \$279,768,831 less fund transfers (\$30,481,997), result in net total expenditures of \$249,286,834. This is an increase of 0.7% from the FY 2023 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 (\$279,768,831), reduced by \$30,481,997 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 15 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. Estimated FY 2023 Unassigned General Fund Balance is 17.0% of General Fund revenues, 2.0% greater than the 15.0% minimum balance targeted by the Council adopted financial policies. The adopted FY 2024 Budget results in an estimated 15.2 percent General Fund balance at the end of the year.

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

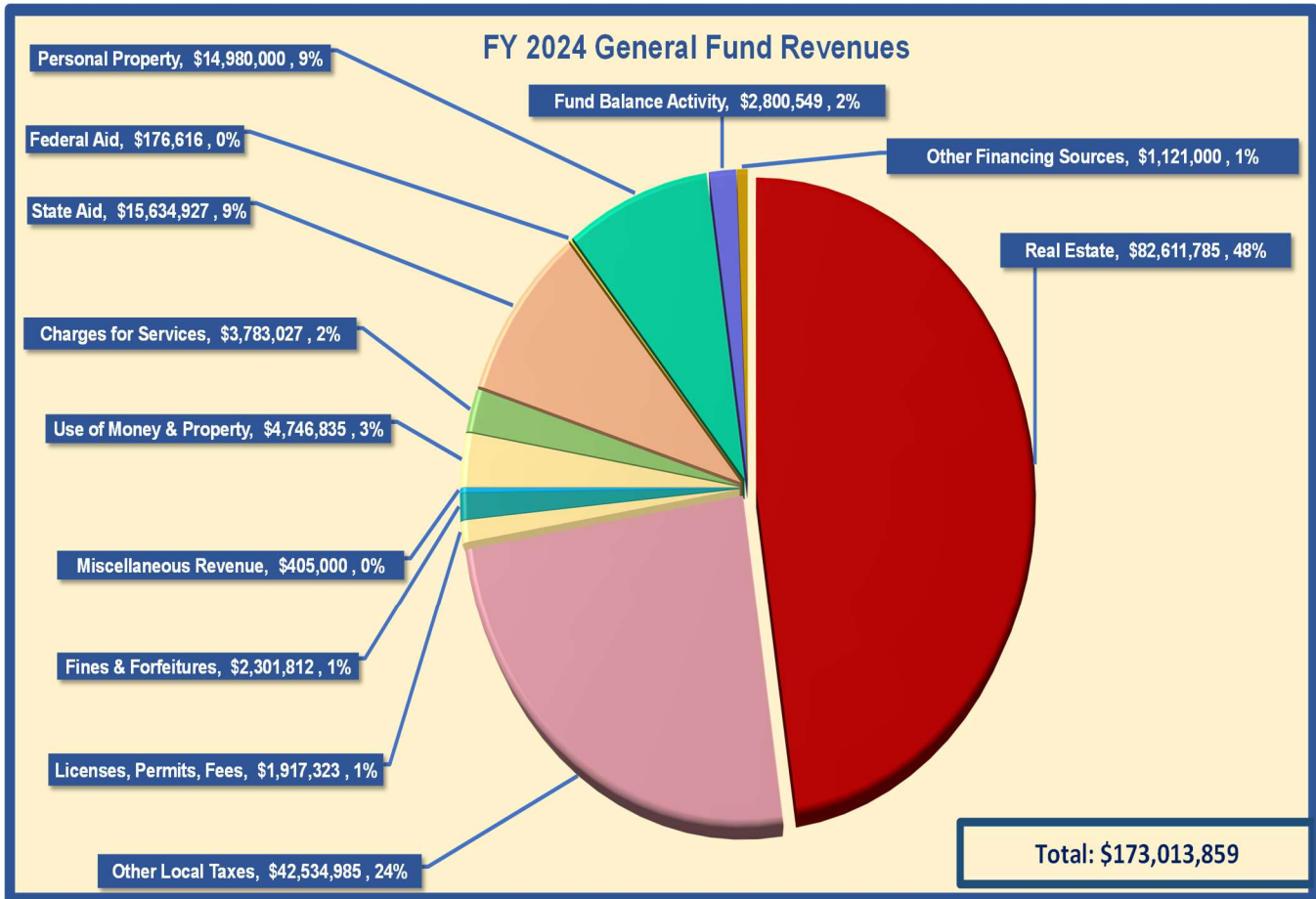
General Fund - Fund Balance		
Fiscal Year	Amount	% of Revenue
2024*	\$ 25,445,223	15.2%
2023*	28,245,772	17.0%
2022	31,453,451	21.0%
2021	28,817,189	19.9%
2020	17,917,998	12.9%
2019	17,841,004	12.9%
2018	18,087,673	13.4%
2017	16,931,385	12.8%
2016	15,244,854	11.8%
2015	13,429,441	10.7%

* Estimate

General Fund Revenues

Overview – General Fund

General fund revenues equate to \$173,013,859 for FY 2024, which represents an increase of 6.7% (\$10,856,114) from FY 2023. The following chart provides a summary overview of revenues by category for FY 2024.



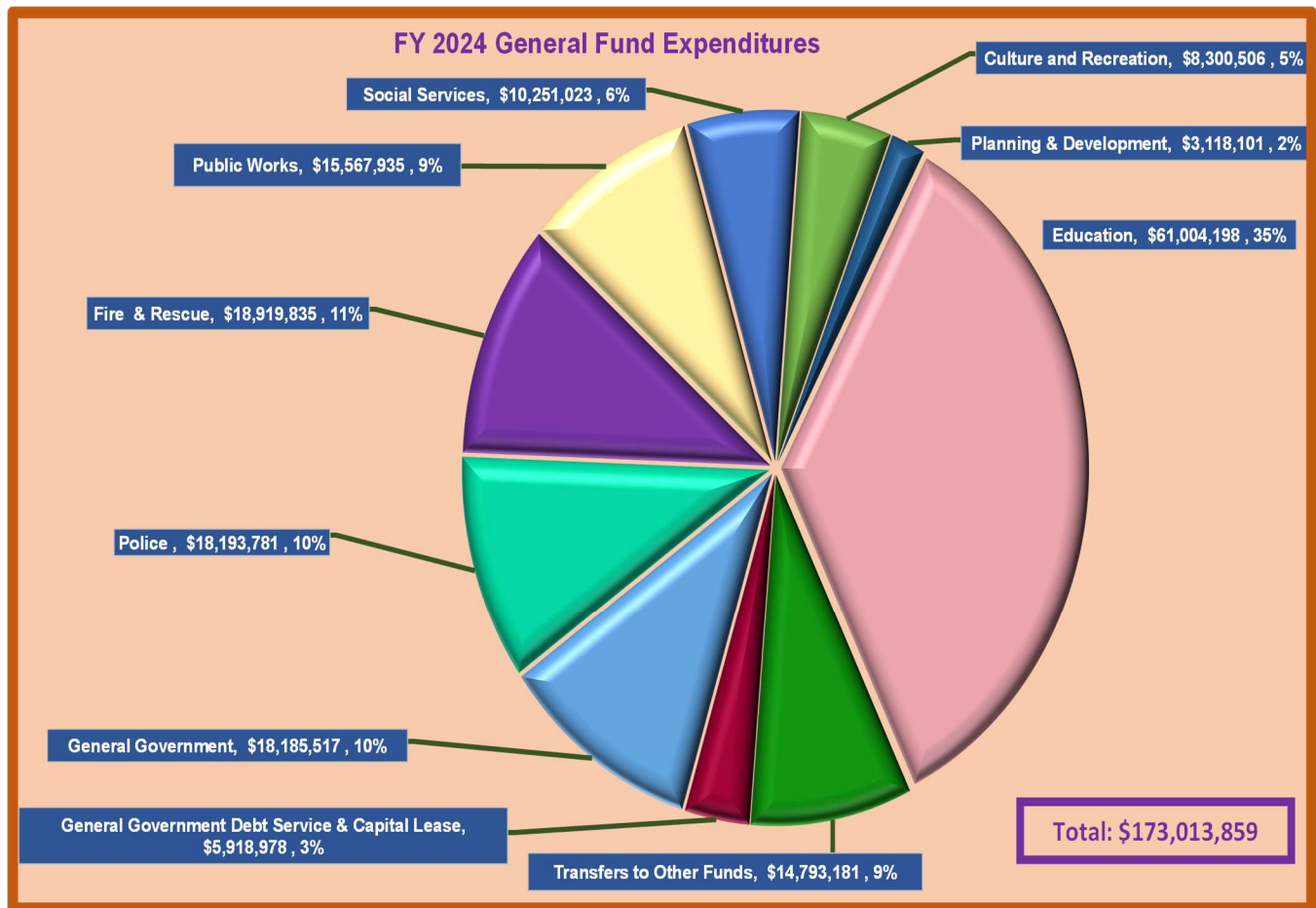
Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

The use of the Appropriated Fund Balance in the amount of \$2,800,549 is from the FY 2023 estimated Unassigned General Fund of 17.0% (\$28.2 million). The estimated ending Unassigned General Fund balance for FY 2024 is equal to 15.2% (\$25.4 million) of General Fund revenues.

General Fund Expenditures

Overview- General Fund

The City’s adopted General Fund expenditures are budgeted at \$173,013,859 for FY 2024. The largest spending category remains Education, followed Fire Department, Police Department, General Government and Public Works. The “Transfers to Other Funds” category notes the General Fund transfers to the Capital Budget, 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 2023 to FY 2024

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

FY 2024 General Fund Revenue Changes	
Increase / (Decrease) in Revenues	\$ Change
Real Estate Taxes (Increased Assessed Value, 1.5¢ Tax Rate Increase)	\$ 4,890,930
Personal Property Tax	1,391,304
Interest on Investments	1,381,311
Meals Tax	1,329,868
Business & Occupational Licenses (BPOL)	1,815,000
Photo Red Light/Speed Enforcement Cameras	1,240,000
Basic School Aid & State Sales Tax	763,441
All Other Changes	184,797
Use of Fund Balance	1,014,463
ARPA Funds	(1,055,000)
Old Town Hall Rehabilitation Grant	(2,100,000)
Total Increase / (Decrease) in Revenues	\$ 10,856,114

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

FY 2024 General Fund Expenditure Changes	
Increase / (Decrease) in Expenditures	\$ Change
Changes in Personnel Costs:	
Salaries - Full Time/Part Time (Added FTEs, COLA, Merit & Step)	\$ 1,549,409
Fringe (Increase in Retirement Plans & Health Insurance)	2,299,420
Temporary Help (Police)	691,686
Overtime (Fire)	294,276
Contracted Tuition Costs	2,074,400
Budget Reduction	1,336,372
Contract Services	622,430
Fuel	348,770
BikeShare Program	245,000
Renaissance Housing Program	100,000
All Other Changes (i.e. Inflation)	1,294,351
Total Increase / (Decrease) in Expenditures	\$ 10,856,114

Education

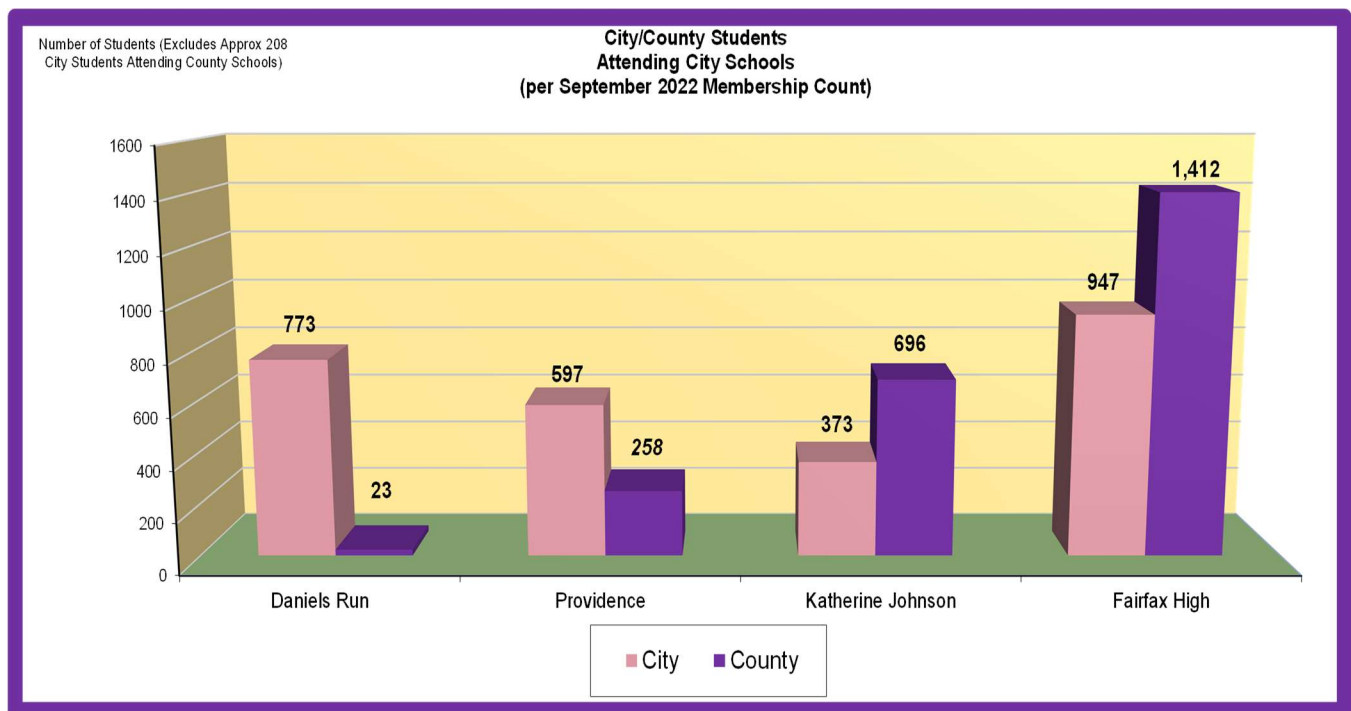
The total budget for the schools is \$61.0 million, an increase of 2.0% (\$1.2 million). Administrative costs account for \$1.2 million, and combined debt/lease payments equate to \$4.2 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at \$55.6 million, an increase of 3.9% (\$2.1 million). The following chart highlights the historical costs associated with the school tuition contract.

Fiscal Year	Final Tuition Bill (excludes Classroom Rental Fee)	ADM *
2024**	\$55,554,400	2,835
2023*	52,980,000	2,900
2022	51,163,080	2,857
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

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

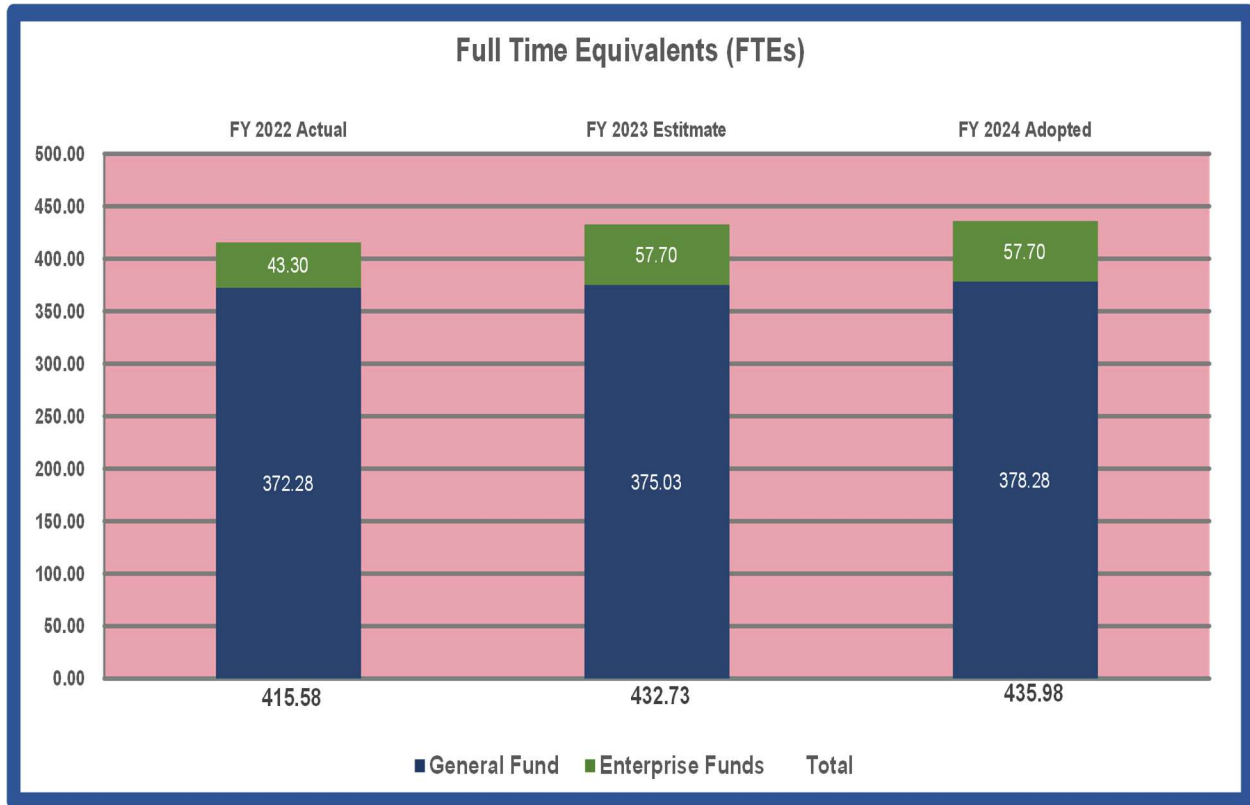
**Per FY 2024 Estimate

City students comprise most of the total population at both Daniels Run and Providence Elementary schools at 94.1% and 69.8%, respectively. Katherine Johnson Middle School at 34.9% and Fairfax High School statistics note that City students represent 40.1% of their schools' populations.



Employees, Salaries and Fringe Benefits

The adopted FY 2024 budget includes a January 1, 2024 3.5% merit increase and a 2.0% market rate adjustment for eligible general pay scale employees effective, July 1, 2023. City-wide, fringe expense increased by \$2,495,213 or 12.26%. The increase is primarily due to an increase in health insurance premiums and contribution increases required by the City Retirement Plan. The employer contribution rate for all employees participating in The Virginia Retirement System remained at 14.61%; increases in the City Retirement Plan: 9.90% to 11.41% for General employees and 19.77% to 24.41% for Public Safety employees.



Positions adopted in FY 2024:

- 1.00 Contract Specialist II (Finance)
- 0.25 Village Coordinator (Human Services – convert to F/T)
- 1.00 Technology Support Specialist (Information Technology)
- 1.00 Master Police Officer (Police Operations)

Unfunded FTE Priorities FY24-28

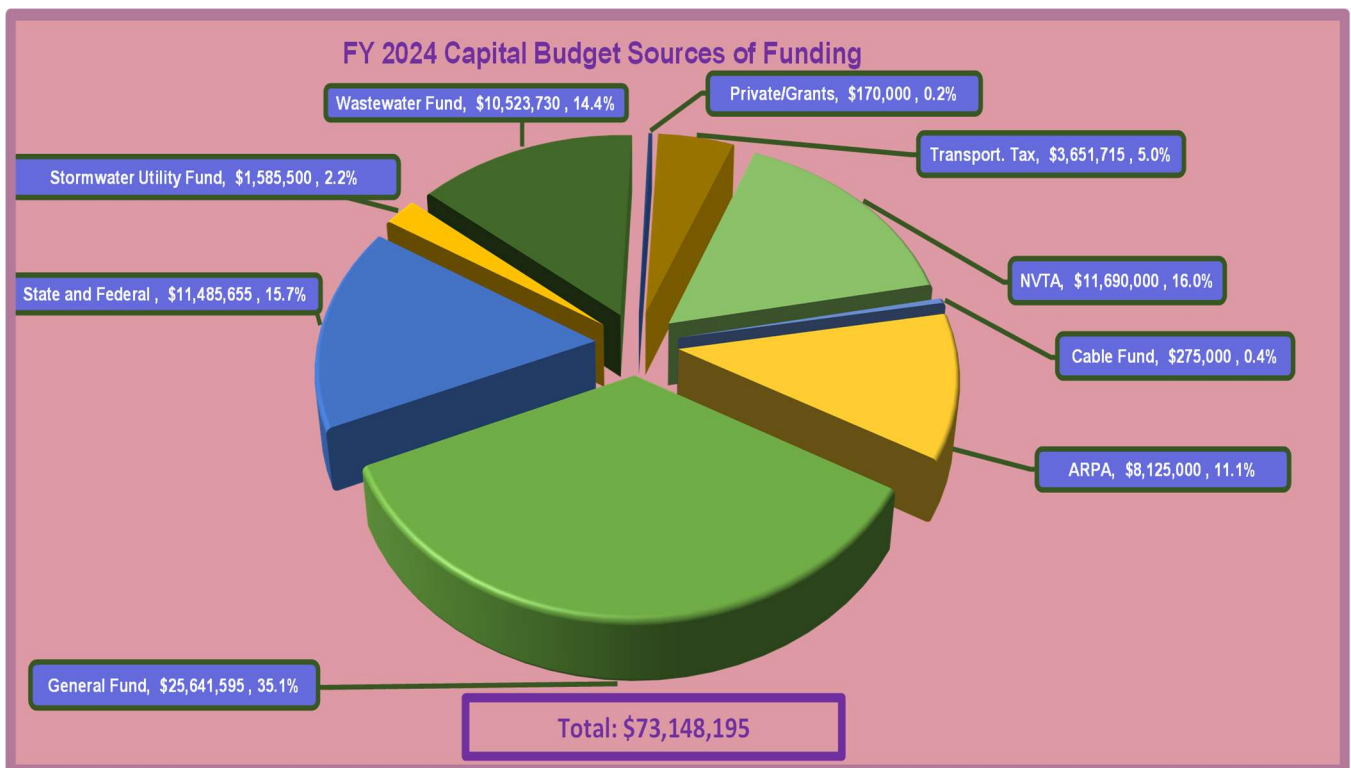
Unfunded Priorities		FTEs
Finance	Budget Analyst III	1
IT	Electronic Media Coordinator	1
Police	Master Police Officer	1
CDP	Plan Reviewer Ombudsperson	1
CM	Business Application Manager	1
Risk Management	Safety Officer	1
Public Works	Site Inspector	1
PW S&S	Administrative Assistant III	1
Police	Police Officer	3
Police	Victim Services, PIO, Logistics	3
Fire Code	Property Maintenance Inspector	1
Fire Code	Community Risk Reduction	1
Fire & Rescue	Fire Medic	2
Parks & Rec.	Public Arts Coordinator	1

Capital Fund

The adopted Capital Improvement Program for FY 2024 totals \$73,148,195. The chart below summarizes the City’s adopted FY 2024 Capital Improvement Program compared to the adopted FY 2023 program.

Category	FY 2023 Adopted	FY 2024 Adopted	Change	
			\$	%
Schools Capital Projects	\$ 4,743,500	\$ 1,302,000	\$ (3,441,500)	-72.55%
General Government Capital Projects	6,189,858	7,108,241	918,383	14.84%
Recreation / Community Appearance Capital Projects	43,106,305	8,471,839	(34,634,466)	-80.35%
Environment Capital Projects	13,703,000	15,074,230	1,371,230	10.01%
Transportation Capital Projects	14,510,494	28,343,815	13,833,321	95.33%
Infrastructure Repair & Maintenance	5,456,314	7,129,375	1,673,061	30.66%
Technology Infrastructure Fund	2,140,418	2,845,695	705,277	32.95%
Vehicles & Equipment Replacement Fund	2,234,000	2,873,000	639,000	28.60%
ARPA Prefunded	(11,674,500)	-	11,674,500	0.00%
Total Capital Improvement Program	\$ 80,409,389	\$ 73,148,195	\$ (7,261,194)	-9.03%

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 2024; detailed information can be found under the Capital Budget tab of this book.



Wastewater Fund

	FY 2022 Actual*	FY 2023 Budget	FY 2023 Estimate	FY 2024 Adopted
Revenues	\$ 14,561,864	\$ 17,799,229	\$ 16,145,162	\$ 18,074,482
Expenditures	\$ 4,988,873	\$ 14,381,022	\$ 14,744,393	\$ 17,477,018
Rate Increase	6%	6%	6%	6%

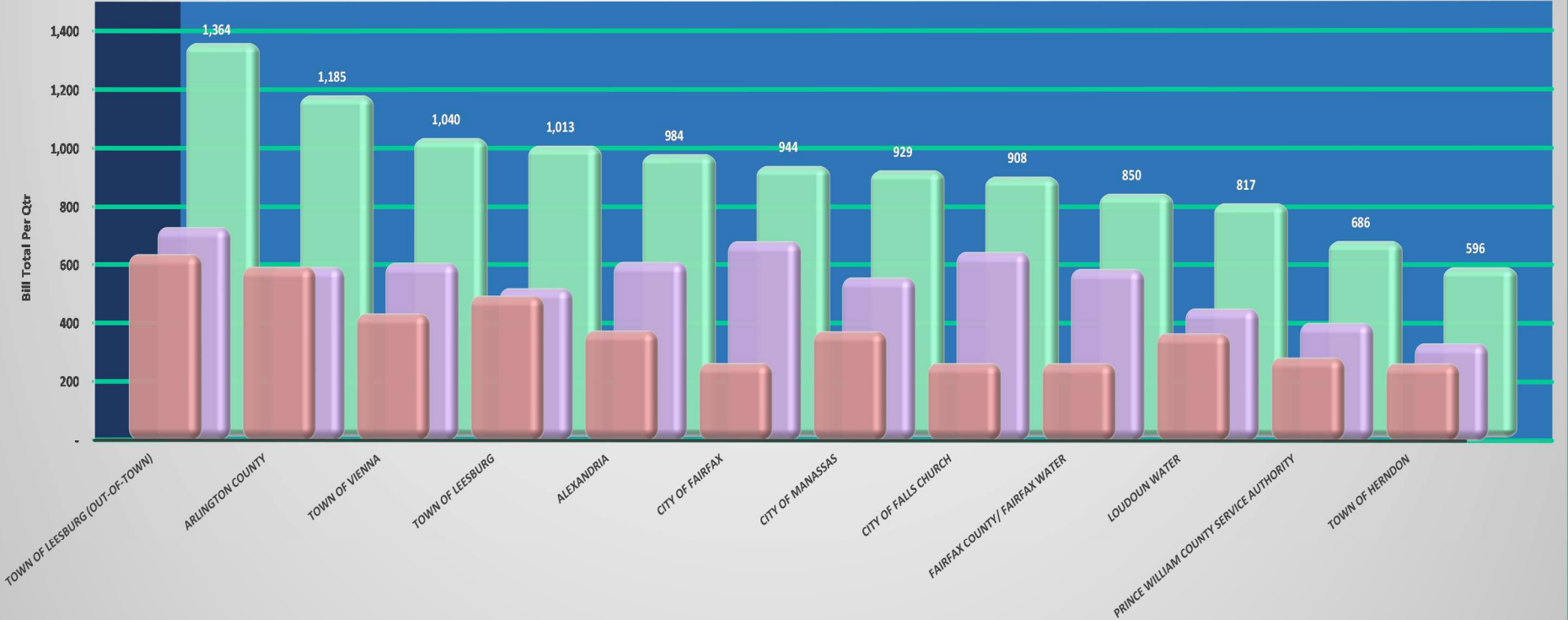
*Actuals, as reflected in the City’s ACFR, are exclusive of financing activity.

For FY 2024, a rate increase of 6.0% has been adopted for the Wastewater Fund 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 2024 through FY 2028 is projected to be approximately \$41.3 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 decreased from 8.0%-10% to a 6.0% recommended annual increase. These increases are primarily due to 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.

FY 2024 Adopted Annual
TOTAL RESIDENTIAL WATER & WASTEWATER BILLS
 (Based on 56 tgal of water consumed per year)



	Town of Leesburg (Out-of-Town)	Arlington County	Town of Vienna	Town of Leesburg	Alexandria	City of Fairfax	City of Manassas	City of Falls Church	Fairfax County/ Fairfax Water	Loudoun Water	Prince William County Service Authority	Town of Herndon
Water	636	593	433	494	375	264	373	264	264	366	284	264
Wastewater	728	592	606	519	610	680	556	644	585	451	402	332
Combined	1,364	1,185	1,040	1,013	984	944	929	908	850	817	686	596

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 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Adopted
Revenues:				
Local	\$ 98	\$ 320	\$ 31,700	\$ -
GMU Contribution	750,000	750,000	750,000	750,000
NVTC	752,480	728,000	728,000	728,000
Other State Revenue	-	-	300,000	231,000
Transfer from Transportation Tax Fund	2,982,890	3,162,101	2,862,101	3,512,101
Transfer from ARPA Fund	-	380,000	380,000	400,000
Total Revenues	\$ 4,485,468	\$ 5,020,421	\$ 5,051,801	\$ 5,621,101
Expenditures:				
Operating Expenditures	\$ 5,193,417	\$ 5,018,982	\$ 5,028,982	\$ 5,589,876
Total Expenditures	\$ 5,193,417	\$ 5,018,982	\$ 5,028,982	\$ 5,589,876

Stormwater Utility Fund

The Stormwater Utility Fund began January 1, 2022 yet received a six month deferral to July 1, 2022, and is supported by customer fees that are based on the amount of impervious surface on each parcel. It replaced 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. For FY 2024, a rate increase of 6.0% has been adopted to support the utility’s capital programming and operating costs. Estimated annual bill increase to be \$8.64/yr. based on five billable units (typical charge for residential property).

	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Adopted
Revenues:				
Revenue Bond Funds	\$ -	\$ 1,775,000	\$ -	\$ 1,000,000
Annual Billing Units Revenue	-	2,718,634	2,718,634	2,881,752
Grants	-	1,065,811	1,065,811	150,000
State Stormwater Aid	-	-	148,250	-
Transfers from General Capital Fund	-	-	-	1,200,000
Transfers from ARPA Fund	-	-	-	1,800,000
Total Revenues	\$ -	\$ 5,559,445	\$ 3,932,695	\$ 7,031,752
Expenditures:				
Operating Expenditures	\$ -	\$ 5,559,445	\$ 6,856,472	\$ 6,895,297
Total Expenditures	\$ -	\$ 5,559,445	\$ 6,856,472	\$ 6,895,297

Acknowledgements

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Old Town Square Fountains

Budget Information

The FY 2024 Budget and FY 2024-2028 Capital Improvement Program (CIP) are available on the City's website:

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

City of Fairfax
10455 Armstrong Street
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