

Historic Old Town Hall



**City Manager's
Budget Message
FY 2025 Adopted Budget**

Highlights of FY 2025 Adopted Budget

1. Net total expenditures for all funds equal \$263,931,221, an increase of 5.9% from FY 2024 (General, Capital Projects, Old Town Service District, Transportation Tax, Cable, Wastewater, Stormwater Utility and Transit).
2. General Fund revenues and expenditures equal \$180,763,548, an increase of 4.5% from the adopted FY 2024 budget and 3.9% from the FY 2024 expenditure estimate.
3. Capital Fund expenditures for General Fund supported projects equal \$32,640,376 (\$11,936,540 General Fund transfer represents 6.6% of General Fund expenditures), an increase of 27.3% from the FY 2024 amount of \$25,641,595.

	FY 2023	FY 2024	FY 2025	\$ Change	% Change
Technology	\$2,010,418	\$2,845,695	\$2,460,335	\$ (385,360)	-13.5%
Vehicles & Equipment	434,000	2,648,000	4,195,000	1,547,000	58.4%
Schools Projects	470,000	1,302,000	1,788,734	486,734	37.4%
General Government*	36,737,373	18,845,900	24,196,307	5,350,407	28.4%
Total General Funding	\$39,651,791	\$25,641,595	\$32,640,376	\$ 6,998,781	27.3%

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

4. Excluding new construction, residential real estate assessments increased an average of 2.98% for CY 2024; commercial assessments increased an average of 6.62%; combined assessments increased an average of 4.55%.
5. Based on an increase in value (excluding new construction), CY 2024 assessed value of all real property equals \$7,695,812,200, an increase of \$335,250,800 or 4.55%. The assessed value due to projects under construction is \$147,269,300. Including new construction, assessed value of all real property equals \$7,843,081,500, an increase of \$254,108,900 or 3.35%.
6. The adopted budget increases the real estate tax rate by \$0.005 to \$1.030 per \$100 of assessed value. For CY 2024, the average City resident’s (assessed value of \$618,227) annual real estate tax bill would increase by \$193. One cent on the real property tax rate is equivalent to \$784,308.
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 \$0.9987 per \$100 of assessed value. The real estate tax necessary to provide commercial equalization equates to \$1.0191 per \$100 of assessed value and a combined equalization rate of \$1.0057 per \$100 of assessed value.
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 8.0¢ per \$100 of assessed value is an increase of 4.0¢ for FY 2025.

Highlights of FY 2025 Adopted Budget (continued)

9. The adopted FY 2025 budget includes a January 1, 2025, 3.5% merit increase (\$627k salary & fringe) for eligible general pay scale employees and a 2.0% market rate adjustment to general pay scales, effective July 1, 2024 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 2025 budget includes a 1.0% Cost-of-Living-Adjustment (\$172k salary & fringe) effective July 1, 2024, and the programmed annual step increase on January 1, 2025.
11. Added Employee Positions:

New positions adopted in the FY 2025 budget total \$1,235k, salary & fringe:
24.5 FTEs General Fund

<i>City Department</i>	<i>Position</i>	<i>Start Date</i>	<i>FTE</i>
Communications	Web Content Manager	7/1/24	1.0
Historic Resources	Historic Resources Specialist II	7/1/24	0.75
Parks Maintenance	Community Enhancement Coordinator	7/1/24	1.0
Police – Patrol Operations	Police Officer – Bike Team	9/1/24	2.0
City Manager	Housing Policy Manager	1/1/25	1.0
Public Works - Refuse	Sanitation Driver	1/1/25	1.0
Public Works - Refuse	Sanitation Worker I	1/1/25	2.0
		Total New	8.75
Economic Development	Temp Conversion (2 – 0.75 FTE)	7/1/24	1.5
Fire	Temp Conversion (1 – 0.75 FTE)	7/1/24	0.75
Parks and Recreation	Temp Conversion (11 – 0.75 FTE; 2 – 0.50 FTE)	7/1/24	9.25
Public Works	Temp Conversion (5 – 0.75 FTE; 1 – 0.50 FTE)	7/1/24	4.25
		Total Converted	15.75
		Total	24.5

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 \$9.16/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 reinstated the Personal Property Assessment Ratio for vehicles to 100% (full market value) and will continue into FY 2025.
15. Unassigned General Fund Balance is projected to be 16.6% of General Fund revenues, 1.6% 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.

BUDGET REVIEW SCHEDULE

The following dates were scheduled for City Council review and approval of the budget, and held true for Fiscal Year 2025 budget preparation, review and adoption:

FY 2025 Budget Calendar

	Date	Action Item
<p>FY 2025 Budget Calendar</p> <p>* All meetings listed are scheduled to begin at 7 pm. Please check the City Meetings link on the City website at www.fairfaxva.gov</p> <p>** Required 30 days advance notice prior to public hearing on real estate tax rate if assessments increased greater than 1%.</p>	October 10, 2023	FY 2024 Quarterly Financial Review
	November 7, 2023	FY 2025 City Council Work Session – Suggested FY 2025 Budget Guidelines
	November 14, 2023	FY 2025 Consideration of Budget Guidelines & Budget Process Approval
	January 23, 2024	FY 2024 Quarterly Financial Review
	February 6, 2024	FY 2025 Discussion with Planning Commission on recommended CIP to be included in the proposed FY 2025 budget
	February 27, 2024	FY 2025 City Manager’s Proposed Budget Presentation
	March 5, 2024	FY 2025 Budget Work session; Presentations by School Superintendent & Constitutional Officers
	March 12, 2024	FY 2025 Budget Public Hearing; Consideration of Real Estate Tax Rate to be Advertised**
	March 26, 2024	FY 2025 Budget Public Hearing
	April 2, 2024	FY 2024 Quarterly Financial Review; FY 2025 Budget Discussion Work Session
	April 9, 2024	FY 2025 Budget Public Hearing; Introduction of C&I, Wastewater, Stormwater Utility and Old Town Service District Rates; Budget Work session
	April 30, 2024	FY 2025 Public hearing for RE Tax Rate, C&I, Wastewater, Stormwater Utility and Old Town Service District rates; Introduction of FY 2025 Budget Appropriations; Budget Discussion Work Session
	May 7, 2024	Special Council Meeting - Public Hearing on FY 2025 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 and FY 2024 was 4¢ per \$100 of assessed value, and an additional 4¢ per \$100 of assessed value is adopted for FY 2025 bringing the total tax to 8¢ 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. 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 2024 Estimate	FY 2025 Adopted	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected
Revenues					
Real Estate Revenues	\$ 83,990,905	\$ 86,014,888	\$ 92,250,092	\$ 95,961,259	\$ 101,503,524
Personal Property	14,980,000	15,650,000	15,868,282	16,390,900	16,923,199
Other Local Taxes	43,310,509	45,176,961	44,405,178	45,383,305	46,372,861
Licenses, Permits, and Fees	2,017,323	1,946,044	1,994,783	2,034,679	2,075,372
Fines and Forfeitures	2,301,812	2,301,612	2,348,078	2,371,559	2,395,275
Use of Money and Property	7,267,025	6,839,024	4,938,607	5,037,379	5,138,127
Charges for Services	3,783,027	3,787,692	3,859,066	3,897,657	3,936,633
Miscellaneous Revenue	405,000	405,000	413,141	417,272	421,445
State Revenue	16,531,991	16,534,711	16,266,578	16,591,910	16,923,748
Federal Revenue	176,616	176,616	183,751	187,426	191,175
Other Financing Sources	1,146,000	1,146,000	1,143,532	1,154,967	1,166,517
Appropriated Fund Balance	9,117,600	785,000	-	-	-
Total Revenues	\$ 185,027,808	\$ 180,763,548	\$ 183,671,088	\$ 189,428,313	\$ 197,047,875
Expenditures					
Compensation	\$ 41,294,191	\$ 43,566,197	\$ 44,899,890	\$ 46,691,428	\$ 48,641,934
Fringe Benefits	18,377,114	19,891,157	21,206,218	22,052,361	22,973,585
Non Education County Contracts	12,820,143	13,027,075	14,713,909	15,373,962	16,258,145
Transfer to Other Funds (Storm, DT, Trans Tax)	2,723,981	2,845,775	2,676,925	2,715,472	2,754,575
Senior Tax Relief	1,253,000	1,275,000	1,289,346	1,307,913	1,326,747
Education:					
Tuition Contract	58,154,400	58,815,777	61,696,010	63,546,891	65,453,301
School Debt Service	3,665,181	3,672,802	3,745,325	3,739,284	3,739,284
School Capital Lease	560,499	559,590	598,487	597,797	597,797
General Debt Service	586,589	1,814,108	5,404,184	6,224,706	8,675,574
General Capital Lease	5,332,389	5,179,647	11,618,500	4,825,040	8,715,893
Capital Budget - GF Transfer	12,017,717	11,936,540	11,582,842	11,716,162	9,505,955
Other (Contracts, Fuels, Utilities, Supplies, etc.)	17,188,025	18,179,880	18,962,430	19,620,708	20,547,682
Total Expenditures	\$ 173,973,229	\$ 180,763,548	\$ 198,394,064	\$ 198,411,724	\$ 209,190,471
Surplus / (Deficit)	\$ 11,054,579	\$ -	\$ (14,722,976)	\$ (8,983,411)	\$ (12,142,596)

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 14, 2023.

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 as 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 and Stormwater Utility Fund that does not rely that 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 CityThe 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.
5. The Unassigned Fund Balance in the Wastewater Fund and the Stormwater Utility Fund should maintain the following minimums as a percentage of total revenues (fee, other, non-operating) with the respective fund:
- Wastewater Fund: 20%
 - Stormwater Utility Fund: 15%

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 2025 Budget Guidelines were approved by the City Council November 14, 2023.

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.
- The City shall set utility rates that will ensure the Wastewater Fund and Stormwater Utility Fund operations and capital needs are self-supporting and do not rely on recurring financial support from the City's General Fund.

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 Unassigned General Fund Balance in conformance with the City Council adopted financial policies.
- Maintain an Unassigned Fund Balance in the Wastewater Fund and the Stormwater Utility Fund 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 2025)	462.98

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 (2023 ACFR)

Zeta Associates
Ted Britt Ford Sales
Tradesource
Community Systems
Sentry Force
Premium Home Health Care
Home Depot
Nova Home Health Care LLC
NAV Home Care

Largest Public Employers (June 2023)

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

Taxes:

Real Estate Tax Rate

FY 2024: \$1.025 per \$100 assessed value
FY 2025: \$1.030 per \$100 assessed value (adopted)

Personal Property Tax Rate

FY 2024: \$4.13 per \$100 assessed value
FY 2025: \$4.13 per \$100 assessed value (adopted)

City Finances – Bond Ratings

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

Population

2022 UVA Weldon Cooper Ctr. Estimate	24,003
2022 U.S. Census Estimate	24,835
2020 U.S. Census	24,146
2010 U.S. Census	22,565

Households

2018-22 American Community Survey Estimate	9,129
2020 U.S. Census	8,800
2010 U.S. Census	8,347
2000 U.S. Census	8,035

Average Household Size

2018-22 American Community Survey	2.58 persons
2020 U.S. Census (estimate)	2.71 persons
2010 U.S. Census	2.64 persons

Age (2022 Census Estimate)

(1-19)	27.1%
(20-34)	20.9%
(35-64)	37.7%
(65 +)	14.3%

Race and Ethnicity (2018-22 Census ACS Estimate)

White	53.3%
Hispanic	18.1%
Asian	17.4%
Black	5.9%
Other/Multiracial	5.2%

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

Source: U.S. Census Bureau

Unemployment

	CY 2022	CY 2023(est)
City of Fairfax	2.4%	2.4%
Virginia	2.9%	2.9%
United States	3.6%	3.6%

Vacancy Rates

	FY 2022	FY 2023
Office Space	9.8%	8.9%
Retail Space	2.5%	2.0%

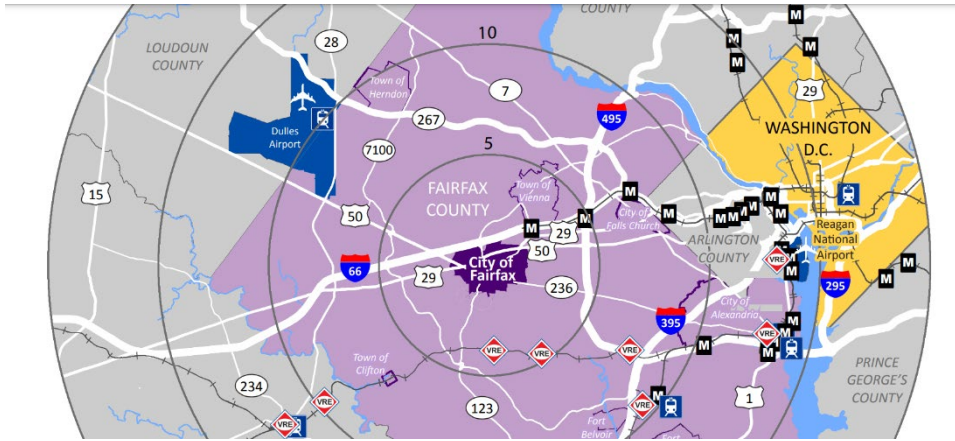
City of Fairfax Employment by Industry

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 March 2023, there were 22,743 jobs within the City of Fairfax (as reported by the Bureau of Labor Statistics). The City’s 2023 unemployment rate of 2.4% was below state (2.9%) and national (3.7%) 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 2.22% (including new construction) from CY 2023 to CY 2024. Estimated FY 2025 BPOL tax revenues increased by \$1.42 million or 11.4%, while local sales and use tax revenue increased \$2 million or 13.2%.

Economic Development Program

Fairfax City Economic Development (FCED) seeks to foster an inclusive business community that is diverse and robust. To support a strong commercial tax base, economic development office staff develop 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, economic development office staff works with the Economic Development Authority (EDA) Commissioners 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 economic development staff and the EDA collaborate as under the brand, Fairfax City Economic Development.

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, FCED leverages its resources and access to talent to maintain and enhance the city's business community while pursuing economic growth.

The FY 2025 Adopted Budget continues to invest in the core services of the FCED, which is to support entrepreneurship, build vibrant and healthy activity centers, leverage publicly owned assets, and strengthen our business community. To accomplish this, the FCED 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 assistance 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 2025 FCED will continue to expand its programming and work with partners to ensure maximum impact. The FCED continues the implementation of the Streetsense strategic work-plan constructed in FY2023 which focuses on impact measurement, goal-oriented program development, and enhanced resource allocation.

As always, FCED will continue to expand its small business support by working with local businesses, organizations, the Mason Enterprise Center – Fairfax and the George Mason University Costello College of Business. Researching and implementing both small business programs and startup resources will allow FCED to address challenges and disparities affecting small businesses, preserve neighborhoods, and support strong and resilient communities.

FCED 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 reflected in FCED's newly launched partnership with the George Mason University Costello College of Business. FCED staff are working with University faculty to identify and develop programming that will serve both the business community and the student population.

Major Projects

Commercial/Mixed-Use:

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.

Lamb Center/ Wesley Housing (9640 Fairfax Blvd): Demolition of existing motel and redevelopment of site with 54 affordable multifamily housing units and 1,400 sq. ft. ground floor office space. The project was approved by the City Council on December 13, 2022.

City Center West: This approved redevelopment will replace an existing low-rise office building with an upper-story residential/mixed-use building with 79 multifamily condominium units, medical and general office space, a bank with a drive-through, and ground floor retail and/or restaurant uses on approximately 1.78 acres.

N29 WillowWood Plaza Residential Phase I: Replacing surface parking at 10306 Eaton Place with a seven-story building comprising 260 apartments, approximately 5,000 square feet of ground floor retail, and a parking garage on approximately 2.97 acres.

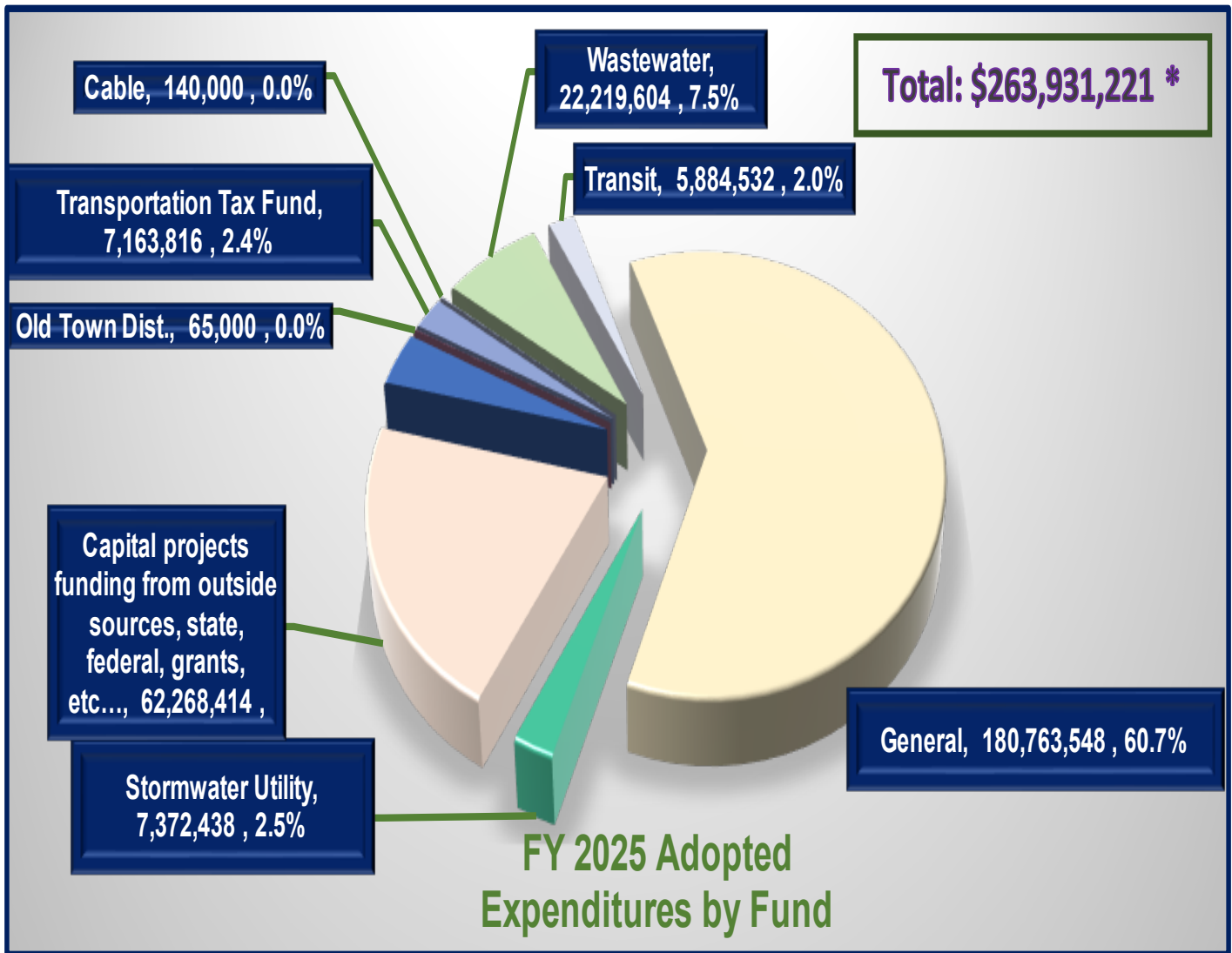
Residential:

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.

N29 WillowWood Plaza Residential Phase II: Replacing surface parking at 10300 Eaton Place with 50 multifamily units on approximately 2.18 acres.

Overview – All Funds

Expenditures for all funds total \$297,597,351 less fund transfers (\$33,666,131), result in net total expenditures of \$263,931,221. This is an increase of 6.1% from the FY 2024 adopted 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 (\$297,597,351), reduced by \$33,666,131 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 2024 Unassigned General Fund Balance is 17.4% of General Fund revenues, 2.4% greater than the 15.0% minimum balance targeted by the Council adopted financial policies. The adopted FY 2025 Budget results in an estimated 16.6 percent General Fund balance at the end of the year.

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

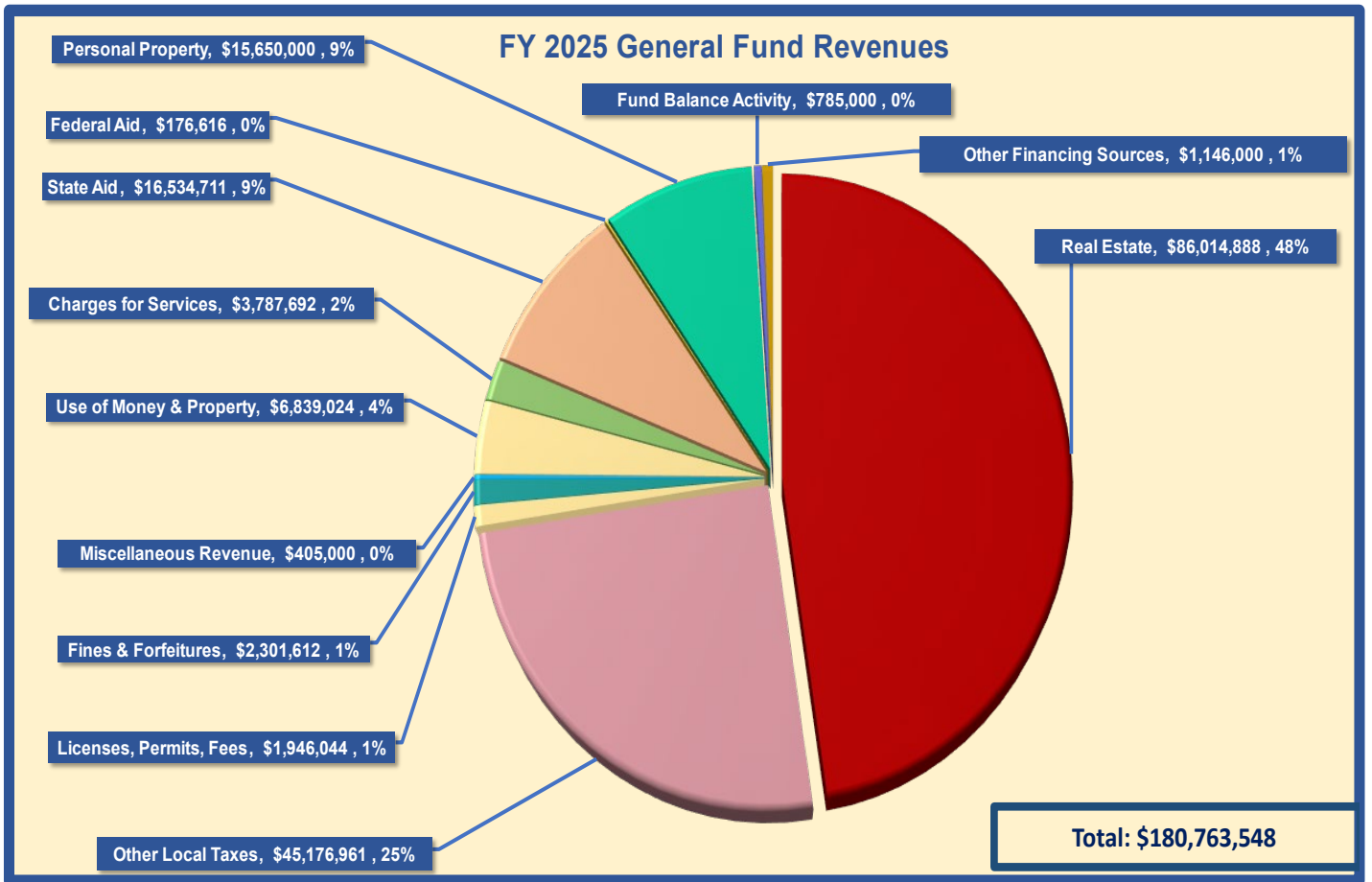
General Fund - Fund Balance		
Fiscal Year	Amount	% of Revenue
2025*	\$ 29,427,140	16.6%
2024*	30,212,140	17.4%
2023	28,275,162	16.8%
2022	31,453,451	21.0%
2021	28,817,189	19.9%
2020	17,917,998	12.9%
2019	17,841,004	12.9%
2018	18,087,673	13.4%
2017	16,931,385	12.8%
2016	15,244,854	11.8%
2015	13,429,441	10.7%

* Estimate

General Fund Revenues

Overview – General Fund

General fund revenues equate to \$180,763,548 for FY 2025, which represents an increase of 4.42% (\$7,641,843) from FY 2024. The following chart provides a summary overview of revenues by category for FY 2025.



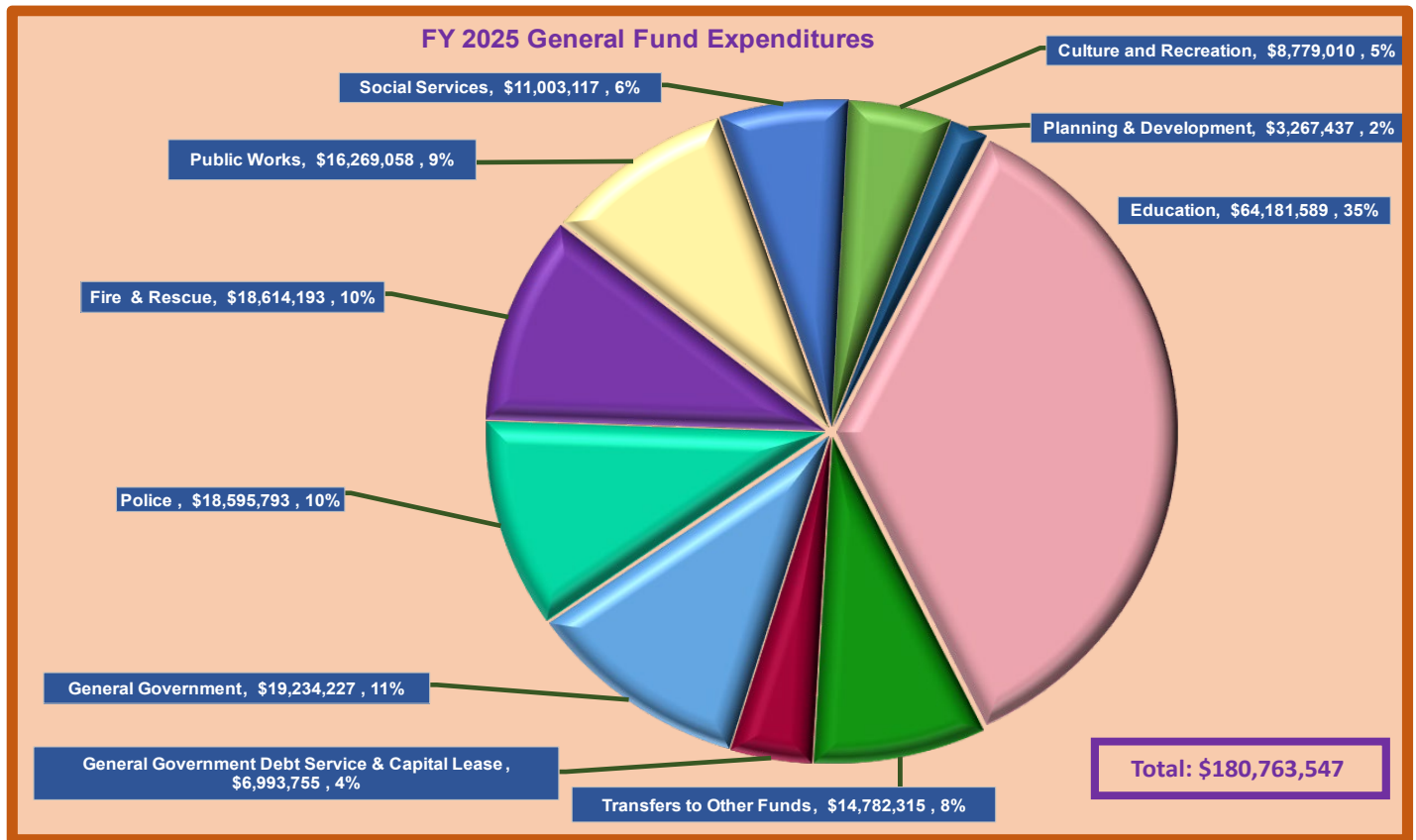
Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

The use of the Appropriated Fund Balance in the amount of \$785,000 is from the FY 2024 estimated Unassigned General Fund of 17.4% (\$30.2 million). The estimated ending Unassigned General Fund balance for FY 2025 is equal to 16.6% (\$29.4 million) of General Fund revenues.

General Fund Expenditures

Overview- General Fund

The City’s adopted General Fund expenditures are budgeted at \$180,763,547 for FY 2025. The largest spending category remains Education, followed by 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 2024 to FY 2025

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

FY 2025 General Fund Revenue Changes	
Increase / (Decrease) in Revenues	\$ Change
Real Estate Taxes (Increased Assessed Value, 0.5¢ Tax Rate Increase)	\$ 3,158,793
Interest on Investments	2,008,689
Meals Tax	1,025,976
Business & Occupational Licenses (BPOL)	1,100,000
Street & Highway Maintenance	746,158
Personal Property Tax	500,000
Transient Lodging Tax	150,000
Rental - Schools	150,000
Licenses, Permits & Fees (Building, Electrical, Plumbing, Mechanical, Fire)	150,000
All Other Changes	775,623
Use of Fund Balance	(2,015,550)
Total Increase / (Decrease) in Revenues	\$ 7,749,689

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

FY 2025 General Fund Expenditure Changes	
Increase / (Decrease) in Expenditures	\$ Change
Changes in Personnel Costs:	
Salaries - Full Time/Part Time (Added FTEs, COLA, Merit & Step)	\$ 2,859,593
Net Reduction in Temporary Help Costs for Converted Positions	(479,472)
Fringe (Decrease Health Insurance)	(688,483)
Contracted Tuition Costs	3,261,377
General Debt Payments	1,227,519
Contract Services	397,653
Donations	300,000
Non-Educational Fairfax County Contracts	206,932
Transfers to OTSD and Transportation	186,572
Election Equipment	125,128
VOIP Phone System Changes	43,000
All Other Changes (i.e. Inflation)	309,870
Total Increase / (Decrease) in Expenditures	\$ 7,749,689

Education

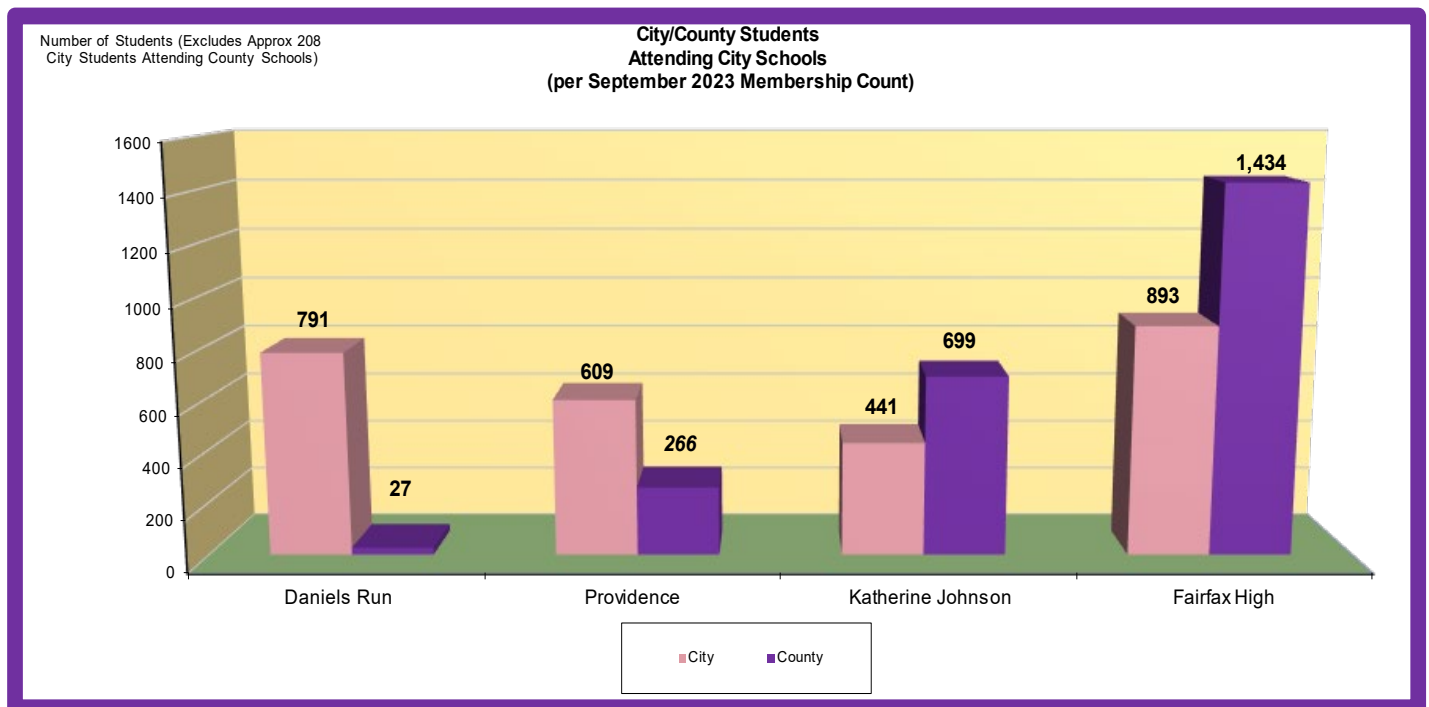
The total budget for the schools is \$64.2 million, an increase of 5.21% (\$3.2 million). Administrative costs account for \$1.1 million, and combined debt/lease payments equate to \$4.2 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at \$58.8 million, an increase of 5.9% (\$3.3 million). The following chart highlights the historical costs associated with the school tuition contract.

Fiscal Year	Final Tuition Bill (excludes Classroom Rental Fee)	ADM *
2025**	\$56,435,753	3,006
2024*	55,704,186	3,006
2023	52,911,698	2,835
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 2025 Estimate

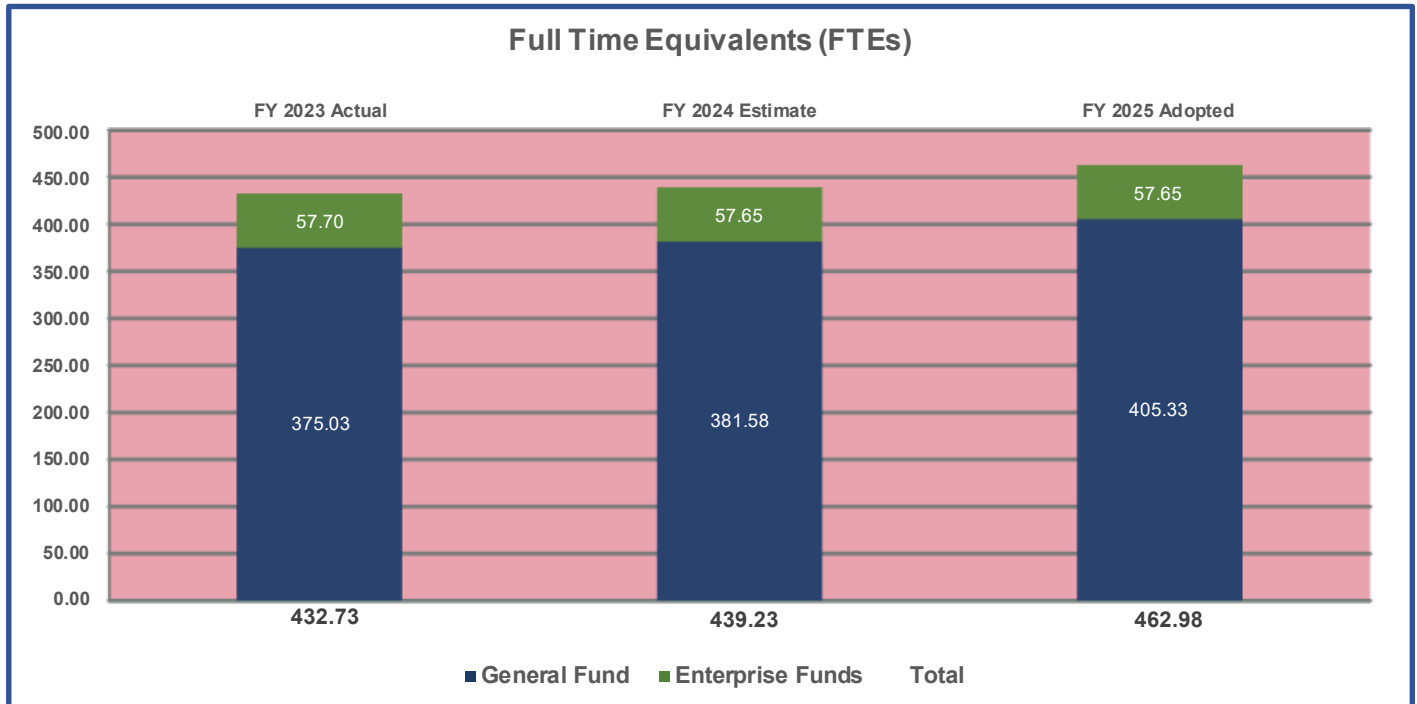
City students comprise most of the total population at both Daniels Run and Providence Elementary schools at 96.7% and 69.6%, respectively. Katherine Johnson Middle School at 38.7% and Fairfax High School statistics note that City students represent 38.4% of their schools' populations.



FY 2025 Adopted Budget – City of Fairfax, Virginia

Employees, Salaries and Fringe Benefits

The adopted FY 2025 budget includes a January 1, 2025 3.5% merit increase and a 2.0% market rate adjustment for eligible general pay scale employees effective, July 1, 2024. City-wide, fringe expenses decreased by \$(688,483) or -3.35%. The decrease is primarily due to a budgeting change for healthcare expenses. The employer contribution rate for all employees participating in The Virginia Retirement System increased to 14.96%; with the City Retirement Plan increasing as well: 12.30% for General employees and 27.89% for Public Safety employees.



City Department	Position	Start Date	FTE
Communications	Web Content Manager	7/1/24	1.0
Historic Resources	Historic Resources Specialist II	7/1/24	0.75
Parks Maintenance	Community Enhancement Coordinator	7/1/24	1.0
Police – Patrol Operations	Police Officer – Bike Team	9/1/24	2.0
City Manager	Housing Policy Manager	1/1/25	1.0
Public Works - Refuse	Sanitation Driver	1/1/25	1.0
Public Works - Refuse	Sanitation Worker I	1/1/25	2.0
		Total New	8.75
Economic Development	Temp Conversion (2 – 0.75 FTE)	7/1/24	1.5
Fire	Temp Conversion (1 – 0.75 FTE)	7/1/24	0.75
Parks and Recreation	Temp Conversion (11 – 0.75 FTE; 2 – 0.50 FTE)	7/1/24	9.25
Public Works	Temp Conversion (5 – 0.75 FTE; 1 – 0.50 FTE)	7/1/24	4.25
		Total Converted	15.75
		Total	24.5

Unfunded FTE Priorities FY25-29

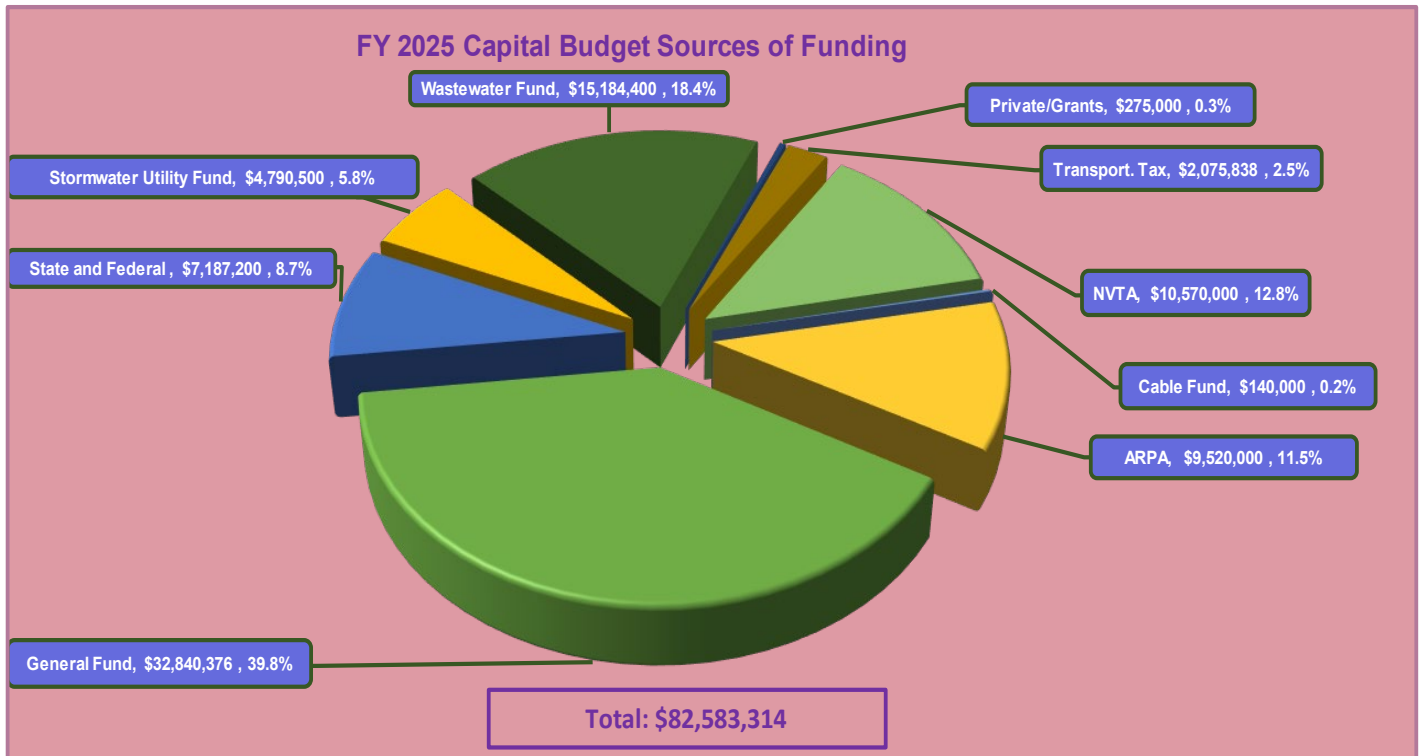
Unfunded Priorities		FTEs
Communications	Communications Specialist	1
EDO	Tourism	1
Finance	Budget Management Analyst II	1
Fire	Captain - EMS Supervisor	1
Fire	Community Risk Reduction Specialist	1
Historic	Historic Resources Specialist II - PT	0.75
Parks	Sponsorships and Marketing Manager	1
Parks	Customer Service Coordinator	2
Parks	Parks Crew Member	1
PW - Admin/Eng/Trns	Senior Inspector	1
PW - Fac Maint	Utility Worker I	1
PW - Fac Maint	Utility Worker II	1
PW - Fleet	Fleet Shop Porter	1
PW - Refuse	Sanitation Drivers	1
PW - Refuse	Sanitation Workers	2
PW - Sign & Signals	Assistant to the Superintendent	1
PW - Stormwater	Urban Forester I	1
PW - Stormwater	Stewardship Coordinator (Urban Forestry)	1
Pol - Executive Div	Deputy Chief of Police	1
Pol - Comm. Services	CRT Officer	1
Pol - Patrol Ops	Police Officer - Bike Team	3

Capital Fund

The adopted Capital Improvement Program for FY 2025 totals \$82,383,314. The chart below summarizes the City’s adopted FY 2025 Capital Improvement Program compared to the adopted FY 2024 program.

Category	FY 2024 Adopted	FY 2025 Adopted	Change	
			\$	%
Schools Capital Projects	\$ 1,302,000	\$ 1,788,734	\$ 486,734	37.38%
General Government Capital Projects	7,108,241	17,045,000	9,936,759	139.79%
Recreation / Community Appearance Capital Projects	8,471,839	11,194,407	2,722,568	32.14%
Environment Capital Projects	15,074,230	19,844,900	4,770,670	31.65%
Transportation Capital Projects	28,343,815	19,115,000	(9,228,815)	-32.56%
Infrastructure Repair & Maintenance	7,129,375	5,657,938	(1,471,437)	-20.64%
Technology Infrastructure Fund	2,845,695	2,460,335	(385,360)	-13.54%
Vehicles & Equipment Replacement Fund	2,873,000	5,277,000	2,404,000	83.68%
Total Capital Improvement Program	\$ 73,148,195	\$ 82,383,314	\$ 9,235,119	12.63%

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 2025; detailed information can be found under the Capital Budget section of this document.



Wastewater Fund

	FY 2023 Actual*	FY 2024 Budget	FY 2024 Estimate	FY 2025 Adopted
Revenues	\$ 11,135,901	\$ 18,074,482	\$ 10,352,252	\$ 10,909,096
Expenditures	\$ 6,144,025	\$ 17,477,018	\$ 17,477,018	\$ 22,219,604
Rate Increase	6%	6%	6%	6%

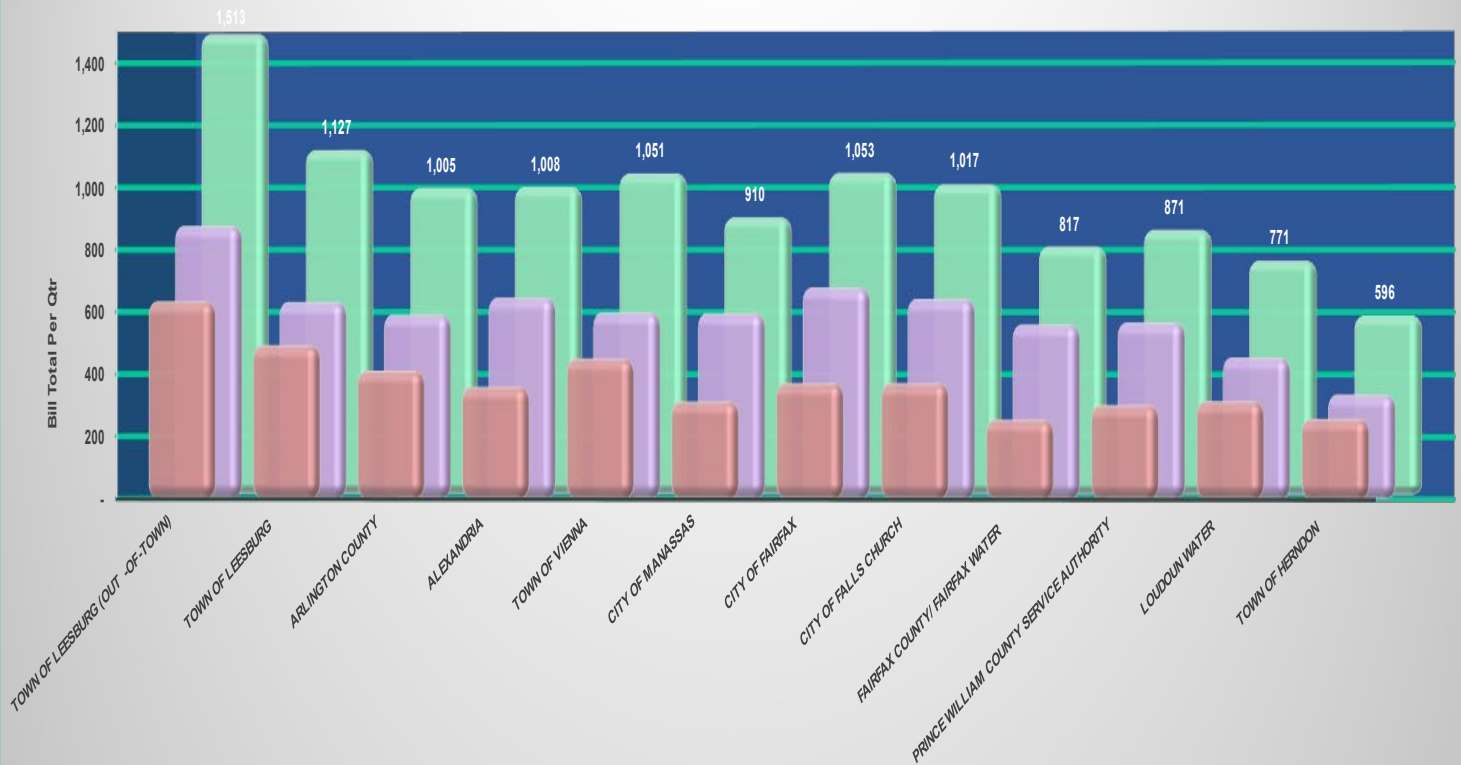
*Actuals, as reflected in the City’s ACFR, are exclusive of financing activity.

For FY 2025, 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 reduced 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 2025 through FY 2029 is projected to be approximately \$37.8 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 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 2025 Adopted Annual
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	361	452	314	373	373	256	303	316	259
Wastewater	878	633	592	647	600	597	680	644	561	568	456	337
Combined	1,513	1,127	1,005	1,008	1,051	910	1,053	1,017	817	871	771	596

Transit Fund

The City.University.Everyone (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 contribution for FY 2025 is \$927,000, up 23.6% from FY 2024 adopted budget and 3.0% from FY 2024 estimated revenue of \$900,000, 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 2023 Actual	FY 2024 Budget	FY 2024 Estimate	FY 2025 Adopted
Revenues:				
Local	\$ 2,115	\$ -	\$ -	\$ -
GMU Contribution	750,000	750,000	900,000	927,000
NVTC	2,995,056	728,000	728,000	728,000
Other State Revenue	-	231,000	231,000	120,000
Transfer from Transportation Tax Fund	-	3,512,101	3,512,101	3,512,101
Transfer from ARPA Fund	-	400,000	400,000	400,000
Total Revenues	\$ 3,747,171	\$ 5,621,101	\$ 5,771,101	\$ 5,687,101
Expenditures:				
Operating Expenditures	\$ 5,328,324	\$ 5,589,876	\$ 5,593,267	\$ 5,884,532
Total Expenditures	\$ 5,328,324	\$ 5,589,876	\$ 5,593,267	\$ 5,884,532

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 2025, 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 \$9.15/yr. based on five billable units (typical charge for residential property).

	FY 2023 Actual	FY 2024 Budget	FY 2024 Estimate	FY 2025 Adopted
Revenues:				
Revenue Bond Funds	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Annual Billing Units Revenue	2,671,305	2,881,752	2,881,752	3,054,657
Grants	321,525	150,000	150,000	-
State Stormwater Aid	-	-	-	-
Transfers from General Capital Fund	16,628	1,200,000	1,200,000	-
Transfers from ARPA Fund	8,314	1,800,000	1,800,000	1,800,000
Total Revenues	\$ 3,017,772	\$ 7,031,752	\$ 7,031,752	\$ 5,854,657
Expenditures:				
Operating Expenditures	\$ 4,349,047	\$ 6,895,297	\$ 6,896,165	\$ 7,372,438
Total Expenditures	\$ 4,349,047	\$ 6,895,297	\$ 6,896,165	\$ 7,372,438

Acknowledgements

The budget is the product of an intensive effort by staff in all City departments. Appreciation is expressed to Gwen Riddle, Budget Director, and J.C. Martinez, Chief Financial Officer who have principal responsibility for the preparation of this document. Additional thanks go to the Budget Committee of Valmarie Turner, David Summers, Sara Greer, John O’Neal, and Melanie Zipp, 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

The FY 2025 Adopted Budget and FY 2025-2029 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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2023 – 2024 Elected Officials

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