

# The City of Fairfax

Office of the City Manager



May 6, 2025

The Honorable Mayor and Members of City Council  
City of Fairfax, City Hall  
10455 Armstrong Street, Suite 316  
Fairfax, Virginia 22030

RE: Adopted Fiscal Year 2026 Budget

Dear Mayor Read and Members of City Council,

On February 25, 2025, the recommended Fiscal Year 2026 (FY26) Budget was presented. After the presentation of the recommended budget, which proposed a \$.09 increase in the City's real estate tax rate, continued investments in employee compensation, and fully funding both the FY26-FY30 CIP and the City School Board's tuition request, City Council deliberated, and the public provided input through a series of public hearings as well as the budget open house. At the conclusion of the deliberation process, City Council amended and approved a \$.025 increase in the City's real estate tax rate, total net expenditures for all funds total \$290,212,082; FY26 General Fund expenditures are \$198,691,789. This budget represents a critical element of a multi-year financial strategy focused on sustaining and enhancing daily operations, capital investments, and fund balance (reserves). As a city, we celebrate our collective success with our residents, businesses, and the hardworking employees who are committed to delivering outstanding service. Highlights of the FY26 budget include:

1. Advancing the City Council's adopted vision while embracing our organizational core values of belonging, safety, compassion, integrity, and excellence.
2. Fulfilling the Council's adopted strategic goals that focus on economic development, environmental sustainability & stewardship, community, transportation, and governance, as well as the twenty-five corresponding priority action items, by providing resources to:
  - Implement the FY26 – FY30 Capital Improvement Program (CIP),
  - Strengthen the City's economic resilience through business attraction, expansion, and retention, and enable a business environment that supports the quality of life that our community expects,
  - Preserve the community's natural, cultural, and historical resources amid growth and climate change,
  - Provide a diverse range of community programs, special events, and activities,

## City of Fairfax Vision

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

## Strategic Goals

- Economic Development
- Environmental Sustainability/Stewardship
- Community
- Transportation
- Governance

- Enhance transportation systems for safe and efficient movement of pedestrians, cyclists, and motorists,
  - Modernize City operations with a new personnel and timekeeping enterprise system,
  - Build financial reserves to ensure continued fiscal health, including increasing the unassigned general fund balance to 20%, to maintain our double Triple-A bond rating.
3. Plan, design, and construct the 125 projects in the recommended CIP by appropriating \$97.1M for FY26 and forecasting \$615.1M for the five-year period FY26 to FY30. The five-year program includes an estimated \$201.0M for school capital improvements related to the \$220.0M bond referendum.
  4. Fully fund the City School Board's tuition request of \$71,427,547, which represents a 21.4% increase from FY25.

The City, like many regional jurisdictions, faces the challenge of balancing growth with sustainability. Real estate development in the City is closely in line with the regional average, and we remain focused on strengthening our tax base. To ensure long-term growth and improve the quality of life for our residents, it is crucial that we continue collaborating with stakeholders, employing creative solutions, and leveraging opportunities to address these challenges. The Mayor and City Council, City staff, our residents, businesses and community partners have high expectations regarding:

#### Real Estate Valuation Growth Rate

- 6.5% growth (new and existing construction) from January 2024 to December 2024.
- The projected regional average is 7.1% for the same time period with a range of 2.0% to 17.7%.
- In FY26 one penny on the real estate rate will be equal to \$834,958.

#### Adopted Rate Changes for FY26

- Real estate rate increase of \$0.025.
- Adopted real estate rate increase of \$0.025 raises the current tax rate from \$1.030 to a rate of \$1.055.
- FY26 Wastewater rate increase of 6.0%.
- Stormwater Utility rate increase of 6.0%

- Real estate tax base growth above the Northern Virginia regional average,
- Development or redevelopment that embraces sustainable practices, increases green space, and creates compact and less car centric places,
- A comprehensive community-based range of programs, special events, activities,
- Opportunities for walking, cycling and other transportation options that are safe and environmentally sustainable,
- Modeling successful municipal governance via maintaining and strengthening long-term fiscal health.

The City consistently delivers outstanding value even though revenue growth has been limited, partially because the tax base is constrained by our size (6.34 square miles), density and existing development characteristics.

The FY26 real estate tax rate of \$1.055 is still one of the lowest compared to the other Northern Virginia cities and towns. The projected proposed rate for the City of Falls Church is \$1.200 and the Town of Herndon is \$1.3955.

Compared to other Northern Virginia jurisdictions, the City's January 2024 to December 2024 real estate valuation growth rate of 6.5% is closely in line with the projected average of 7.1%. Growth rates in the Northern Virginia region ranged from 2.0% to 17.7%. The City growth rate of 6.5% includes 1.3% of new construction and 7.8% growth of existing properties. Since real estate taxes comprise 48.0% of the City's General Fund revenues, continuing to grow the tax base is imperative. The adopted FY26 budget provides the resources to continue our recent economic development progress.

The adopted FY26 General Fund Budget includes an expenditure increase (\$17.9M, 9.9%) over the adopted FY25 budget. The adopted FY26 budget includes significant capital investments in key areas that will directly support the City's ongoing development:

- **Recreation** (\$9.6M) to enhance community engagement and wellbeing,
- **Transportation** (\$31.9M) to improve mobility and reduce congestion,
- **Wastewater** (\$11.8M) to ensure sustainability and address future environmental needs,
- **General Government Projects** (\$24.1M) to modernize operations and improve services.

The FY26 Budget includes a net increase of 1.50 full-time equivalent (FTE) positions, funded through the General Fund. This adjustment will elevate the Asst. to the School Superintendent position to a 1.0 FTE ensuring adequate staffing to support the upcoming responsibilities associated with the school bond initiative. Additionally, a 1.00 FTE was created for the Stewardship Coordinator – a previously grant funded position which supports the development, implementation, and outreach programming related to urban and community forestry.

The FY26 Budget allocates a 2.0% merit increase for eligible general pay scale employees totaling \$499K in General Fund expenses, in addition to the annual step increase for public safety personnel (Police and Fire). These compensation adjustments are designed to maintain the City's competitiveness in recruiting and retaining top talent, while promoting a stable and motivated workforce.

The adopted FY26 budget includes a 6.0% rate increase for both the Stormwater Utility Fund and the Wastewater Fund. The estimated annual increase to residents is \$9.70 for stormwater (based on five billable units) and \$42.12 for wastewater (based on 56 thousand gallons used). In calendar year 2024, residents applied for and received over seventy-one thousand dollar's worth of Stormwater credits. The proposed increases are needed to meet regulatory, operational and capital improvement requirements while minimizing the fiscal impact on its customers.

The adopted FY26 expenditures of \$290,212,082 for all funds and \$198,691,789 for the General Fund support the significant progress we have made over the last several fiscal years and will help to ensure a financially stable and vibrant City of Fairfax for generations to come.

In closing, this budget positions the City to fulfill its strategic goals, ensuring we maintain long-term fiscal health while continuing to enhance the quality of life for all residents. I would like to express my gratitude to the Mayor and City Council for your leadership and commitment to excellence.

There are many people to thank for their hard work in the preparation of this document. The principal responsibility lies with the City's Budget Director, Gwen Riddle, Budget Management Analyst I, Jessica Imes, and the Chief Financial Officer, J. C. Martinez, as well as the Budget Committee of Melanie Zipp, David Summers, Jing Li, and Matthew Kaiser.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bryan D. Foster". The signature is fluid and cursive, with the first name "Bryan" and last name "Foster" being clearly legible, and "D." as a middle initial.

Bryan D. Foster  
City Manager