

Historic Old Town Hall



City Manager's Budget Message FY 2026 Adopted Budget

Highlights of FY 2026 Adopted Budget

1. Net total expenditures for all funds equal \$290,212,082, an increase of 9.2% from FY 2025 (General, Capital Projects, Old Town Service District, Transportation Tax, Cable, Wastewater, Stormwater Utility, Transit and Debt Service).
2. General Fund revenues and expenditures equal \$198,691,789, an increase of 9.9% from the adopted FY 2025 budget and 5.1% from the FY 2025 expenditure estimate.
3. Capital Fund expenditures for General Fund supported projects equal \$48,239,164 (\$9,665,015 General Fund transfer represents 4.9% of General Fund expenditures), an increase of 47.8% from the FY 2025 amount of \$32,640,376.

	FY 2024	FY 2025	FY 2026	\$ Change	% Change
Technology	\$2,845,695	\$2,460,335	\$3,266,110	\$ 805,775	32.8%
Vehicles & Equipment	2,648,000	4,195,000	5,993,000	1,798,000	42.9%
Schools Projects	1,302,000	1,788,734	120,000	(1,688,734)	-93.3%
General Government*	18,845,900	24,196,307	38,860,054	14,663,747	60.6%
Total General Funding	\$25,641,595	\$32,640,376	\$48,239,164	\$ 15,598,788	47.8%

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

4. Excluding new construction, residential real estate assessments increased an average of 7.0% for calendar year (CY) 2025; commercial assessments increased an average of 0.6%; combined assessments increased an average of 6.5%.
5. Based on an increase in value (excluding new construction), CY 2025 assessed value of all real property equals \$8,232,755,100, an increase of \$859,059,800 or 7.8%. The assessed value due to projects under construction is \$116,824,900. Including new construction, assessed value of all real property equals \$8,349,580,000, an increase of \$506,498,500 or 6.5%.
6. The adopted budget increases the real estate tax rate by \$0.025 to \$1.055 per \$100 of assessed value. For CY 2025, the average City resident's (assessed value of \$694,503) annual real estate tax bill would increase by \$640. One penny on the real property tax rate is equivalent to \$834,958.
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 \$0.9629 per \$100 of assessed value. The real estate tax necessary to provide commercial equalization equates to \$1.0237 per \$100 of assessed value and a combined equalization rate of \$0.9843 per \$100 of assessed value.
8. The Commercial and Industrial real estate tax rate remains unchanged at \$0.125 per \$100 of assessed value. The Old Town Service District rate remains unchanged at \$0.080 cents per \$100 for FY 2026.

Highlights of FY 2026 Adopted Budget (continued)

9. The adopted FY 2026 budget includes a January 1, 2026, 2.0% merit increase (\$499k salary & fringe) for eligible general pay scale.
10. Public Safety employees were moved from the pay ranges to a step system effective October 1, 2022. The adopted FY 2026 budget includes the programmed annual step increase on January 1, 2026 (\$242k salary & fringe).

11. Added Employee Positions:

1.5 FTE has been added to the FY 2026 adopted budget from the FY 2025 adopted budget.

City Department	Position	Start Date	FTE	
CDP	Stewardship Coordinator	7/1/25	1.0	
Schools	Assistant to the Schools Superintendent	7/1/25	0.5	Budget neutral
		Total	1.5	

- 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 0.5 FTE moves the current part-time Assistant to the Schools Superintendent to a full-time position.

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 \$9.70/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 2026.
15. Unassigned General Fund Balance is projected to be 16.1% of General Fund revenues, 1.1% greater than the 15.0% minimum balance targeted by the Council adopted financial policies.

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

FY 2026 Budget Calendar

<div style="text-align: center;"> <h3>FY 2026 Budget Calendar</h3> </div> <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>	Date	Action Item
	October 22, 2024	FY 2025 Quarterly Financial Review; Suggested FY 2026 Budget Guidelines & Budget Process
	November 9, 2024	FY 2026 Budget Retreat
	November 12, 2024	FY 2026 Consideration of Budget Guidelines & Budget Process Approval
	January 28, 2025	FY 2025 Quarterly Financial Review
	February 4, 2025	FY 2026 Discussion with Planning Commission on recommended CIP to be included in the proposed FY 2026 budget
	February 25, 2025	FY 2026 City Manager's Proposed Budget Presentation
	March 4, 2025	FY 2026 Budget Work session; Presentations by School
	March 11, 2025	FY 2026 Budget Public Hearing; Consideration of Real Estate Tax Rate to be Advertised**
	March 25, 2025	FY 2026 Budget Public Hearing
	April 1, 2025	FY 2026 Budget Discussion WorkSession
	April 8, 2025	FY 2026 Budget Public Hearing; Introduction of C&I, Wastewater, Stormwater Utility and Old Town Service District Rates; Budget Work session
	April 22, 2025	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; FY 2025 Quarterly Financial Review; Budget Discussion Work Session
	May 6, 2025	Special Council Meeting - Public Hearing on FY 2026 Budget Appropriation; Budget Adoption

In addition to the above approved calendar, a budget open house was held on April 2, 2025, where residents and community members came and spoke to members of City Council and staff regarding the proposed budget, understanding the budget process and the priorities of the community.

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.

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 cents per \$100 of assessed value for FY 2021 and FY 2022. The adopted rate for FY 2023 and FY 2024 was 4 cents per \$100 of assessed value, and an additional 4 cents per \$100 of assessed value was adopted for FY 2025 bringing the total tax to 8 cents per \$100 of assessed value and will stay at 8 cents per \$100 of assessed value in FY 2026.

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.

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 cents 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.

Debt Service Fund – The General Fund and Wasterwater Fund set aside funding the City's debt service payments. Starting in FY 2026, these funds will be transferred to the Debt Service Fund to allow a comprehensive accounting of all debt payments made by the city.

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 2025 Budget	FY 2025 Projected	FY 2026 Adopted	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Revenues						
Real Estate Revenues	\$ 86,014,888	\$ 89,613,324	\$ 94,052,712	\$ 94,831,592	\$ 100,739,101	\$ 102,984,062
Personal Property	15,650,000	13,195,995	13,205,995	13,674,014	14,330,485	14,800,283
Other Local Taxes	45,176,961	46,028,561	46,132,460	47,175,821	48,337,091	49,213,344
Licenses, Permits, and Fees	1,946,044	1,939,044	1,937,537	1,976,288	2,015,813	2,056,130
Fines and Forfeitures	2,301,612	2,301,612	2,301,560	2,324,576	2,347,821	2,371,300
Use of Money and Property	6,839,024	8,207,348	7,514,381	7,664,669	7,817,962	7,974,321
Charges for Services	3,787,692	3,785,492	3,761,280	3,894,843	3,933,791	3,973,129
Miscellaneous Revenue	405,000	405,000	525,000	530,250	535,553	540,908
State Revenue	16,534,711	20,990,353	21,718,568	22,152,939	22,595,998	23,047,918
Federal Revenue	176,616	176,616	176,616	180,148	183,751	187,426
Other Financing Sources	1,146,000	1,546,000	1,146,000	1,157,460	1,169,035	1,180,725
Unassigned Appropriated Fund Balance	785,000	1,385,000	-	-	-	-
Assigned Appropriated Fund Balance	-	-	6,219,680	-	-	-
Total Revenues	\$ 180,763,548	\$ 189,574,345	\$ 198,691,789	\$ 195,562,600	\$ 204,006,402	\$ 208,329,547
Expenditures						
Compensation	\$ 43,566,197	\$ 43,566,197	\$ 44,064,324	\$ 46,002,127	\$ 47,972,492	\$ 49,205,773
Fringe Benefits	19,891,158	19,891,158	20,595,281	21,726,804	22,657,408	23,239,887
Non Education County Contracts	13,027,075	13,027,075	13,287,617	13,699,174	14,573,354	14,837,862
Transfer to Other Funds (Storm, DT, Trans Tax)	2,845,775	3,281,972	2,907,456	2,920,085	2,962,135	3,004,789
Senior Tax Relief	1,275,000	1,275,000	1,945,750	1,973,769	2,002,191	2,031,023
Education:						
Tuition Contract	58,815,777	65,983,877	71,427,547	73,570,373	75,777,485	78,050,809
School Debt Service	3,672,802	3,672,802	4,343,812	4,337,081	4,498,432	4,492,526
School Capital Lease	559,589	559,589	-	-	-	-
General Debt Service	1,814,108	1,814,108	13,277,357	7,311,610	6,094,773	6,095,833
General Capital Lease	5,179,647	5,179,647	-	-	-	-
Capital Budget - GF Transfer	11,936,540	11,936,540	9,665,015	11,936,540	11,936,540	11,936,540
Other (Contracts, Fuels, Utilities, Supplies, etc.)	18,179,880	18,784,715	17,177,630	19,115,957	20,138,361	20,304,807
Total Expenditures	\$ 180,763,548	\$ 188,972,679	\$ 198,691,789	\$ 202,593,521	\$ 208,613,170	\$ 213,199,850
Positive Variance / (Negative Variance)	\$ -	\$ 601,666	\$ -	\$ (7,030,921)	\$ (4,606,768)	\$ (4,870,303)

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 -- UPDATE

OUR CORE VALUES



BELONGING

Value and seek out a diversity of talents, experiences, and backgrounds to enable us to maximize our employees' full talents and most effectively serve our diverse community

Be open minded and embrace different Ideas to drive creativity, Innovation, and optimal decision making

Facilitate a culture that promotes equity, fairness, and Inclusion in which all staff can bring their whole self to work and fully use their talents in service of our mission

Prioritize a cohesive, collaborative, connected work environment in which we feel valued and part of a team



SAFETY

Advocate for and support the physical safety, wellness, and mental health of our community and workforce

We feel valued and part of a team



COMPASSION

Serve our community and each other with understanding, empathy, kindness, and respect

Appreciate and recognize each other for our contributions and service



INTEGRITY

Uncompromising adherence to ethical principles, fairness, and consistency

Communicate with candor and honesty

Hold ourselves and one another accountable in our efforts to provide responsive and thorough service



EXCELLENCE

Strive for excellence to achieve the highest standards of service to our community and each other

Seek Innovation, continuous Improvement, and develop creative solutions for a more sustainable, livable, and connected community

Collaborate and create an organizational culture where we learn, grow, and serve

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 12, 2024.

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 2026 Budget Guidelines were approved by the City Council November 12, 2024.

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 2026)	465.48

Physiographic

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

Utilities

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

Economic Indicators:

Largest Private Employers (2024 ACFR)

Zeta Associates
Ted Britt Ford Sales
Premium Home Health Care
Community Systems
Sentry Force
Fairfax Operator
Home Depot
Farrish of Fairfax
Trident Systems

Largest Public Employers (June 2024)

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

Taxes:

Real Estate Tax Rate

FY 2025: \$1.030 per \$100 assessed value
FY 2026: \$1.055 per \$100 assessed value

Personal Property Tax Rate

FY 2025: \$4.13 per \$100 assessed value
FY 2026: \$4.13 per \$100 assessed value

City Finances – Bond Ratings

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

Population

2023 UVA Weldon Cooper Ctr. Estimate	24,043
2023 U.S. Census Estimate	25,144
2020 U.S. Census	24,146
2010 U.S. Census	22,565

Households

2019-23 American Community Survey Estimate	9,158
2020 U.S. Census	8,800
2010 U.S. Census	8,347
2000 U.S. Census	8,035

Average Household Size

2019-23 American Community Survey	2.61 persons
2020 U.S. Census (estimate)	2.71 persons
2010 U.S. Census	2.64 persons

Age (2019-23 Census ACS Estimate)

(1-19)	26.1%
(20-34)	20.7%
(35-64)	39.0%
(65 +)	14.3%

Race and Ethnicity (2019-23 Census ACS Estimate)

White	52.5%
Hispanic	18.3%
Asian	18.1%
Black	6.4%
Other/Multiracial	4.7%

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

Source: U.S. Census Bureau

Unemployment

	CY 2023	CY 2024(est)
City of Fairfax	2.4%	2.6%
Virginia	2.9%	2.9%
United States	3.6%	4.0%

Vacancy Rates

	4Q 2023	4Q 2024
Office Space	8.9%	8.5%
Retail Space	2.4%	2.7%

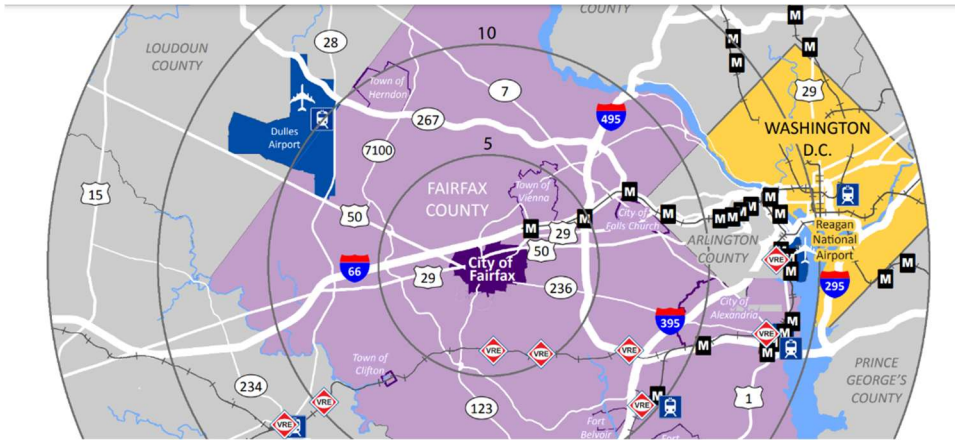
City of Fairfax Employment by Industry

The largest major private industry sectors are Health Care and Social Assistance with 16.5%, Professional, Scientific and Technical Services with 14.3% and Retail Trade with 13.3% of the employment. The following is a listing of major industries and the number employed in those sectors for 2024 in the City of Fairfax.

Industry Group	Employees
Public Administration (Government)	4,649
Health Care and Social Assistance	3,998
Professional, Scientific & Technical Services	3,456
Retail Trade	3,216
Accommodation and Food Services	3,064
Administrative and Support	1,721
Other Services (except Public Administration)	954
Finance and Insurance	785
Arts, Entertainment and Recreation	584
Construction	491
Education Services	324
Real Estate, Rental and Leasing	221
Management of Companies and Enterprises	197
Information	178
Wholesale Trade	166
Manufacturing	138
Transportation and Warehousing	69
Unclassified	39

*Source: Virginia Employment Commission, Economic Information & Analytics,
Quarterly Census of Employment and Wages, Third Quarter 2024*

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 2024, there were 19,570 jobs within the City of Fairfax (as reported by the Bureau of Labor Statistics). The City's 2024 unemployment rate of 2.6% was below state (2.9%) and national (4.0%) 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 6.46% (including new construction) from CY 2024 to CY 2025. Estimated FY 2026 BPOL tax revenues are anticipated to remain the same at \$12,415,000, while local sales and use tax revenue is anticipated to be \$14,000,000 million, or a .96% increase from FY 2025.

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 department staff develop programs that prioritize business attraction and retention, real estate development, redevelopment, and strategic programming and partnerships. The department 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 department 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 2026 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
- Establishes a new tourism division
- Develops strategic international partnerships to encourage foreign investment
- 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 2026 FCED continues to expand its programming and work with partners to ensure maximum impact. The FCED continues the implementation of the Street sense strategic work-plan constructed in FY 2023 which focuses on impact measurement, goal-oriented program development, and enhanced resource allocation. FCED is currently undergoing an update to the strategic work plan to incorporate a more robust public relations portfolio and tourism portfolio.

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

Retention:

Zeta Associates: In the fall of 2024, FCED announced the successful retention of Zeta Associates and the firm's commitment to a new seven-year lease with an option to extend three additional years. After several months of negotiations led by FCED staff, Zeta entered into a new lease at their existing WillowWood office building. The partnership between Zeta and FCED provides for the investment in new SCIF-specific spaces that assist the company in maintaining compliance with federal contractor rules and regulations. This partnership helps maintain the full-occupancy on 1.5 office buildings in NorthFax, preserves nearly 300 city-jobs, and secures the city's largest employer through 2033 or 2036 with the optional extension.

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 and continues in 2025.

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.

9571 Fairfax Boulevard: A request for seven special exceptions to allow for a standalone retail building and site improvements at Fairfax Circle. This project will include a 4,000-square-foot one-story commercial building with 2,130 square feet of lower-level storage space, as well as potential outdoor seating areas. The project was approved by City Council on May 26, 2020.

Taco Bell: A vacant pad site will be developed into a 2,090 square foot restaurant with a drive-through on approximately 0.66 +/- acres. This project was approved by City Council on December 10, 2024

Tommy's Carwash: The car wash building, which will be approximately 4,553 square feet, will include a single-lane tunnel with three stacking lanes. A Special Use Permit is required for vehicle service, and Special Exceptions are granted for exterior vacuums, modifications to the street tree requirements and the TY3 transitional yard, and a Major Certificate of Appropriateness is required for architecture and landscaping. This project was approved by City Council on December 10, 2024.

Brown's Mazda: Replacement of the automobile sales and service facility with a new two-story facility of 39,497 SF floor area. The facility also includes three levels of structured parking above the service department portion of the building.

Fairfield at Gateway: The project approved in 2018 maintains the 403 multifamily apartment units, including the 24 affordable units that were approved in 2015. The commercial space has been reduced from the 29,000 square feet approved to 21,249 square feet.

Popeyes – Fairfax Blvd: 2,275 sf restaurant building with drive-through windows/facilities. This project was approved by City Council on April 26, 2022.

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.

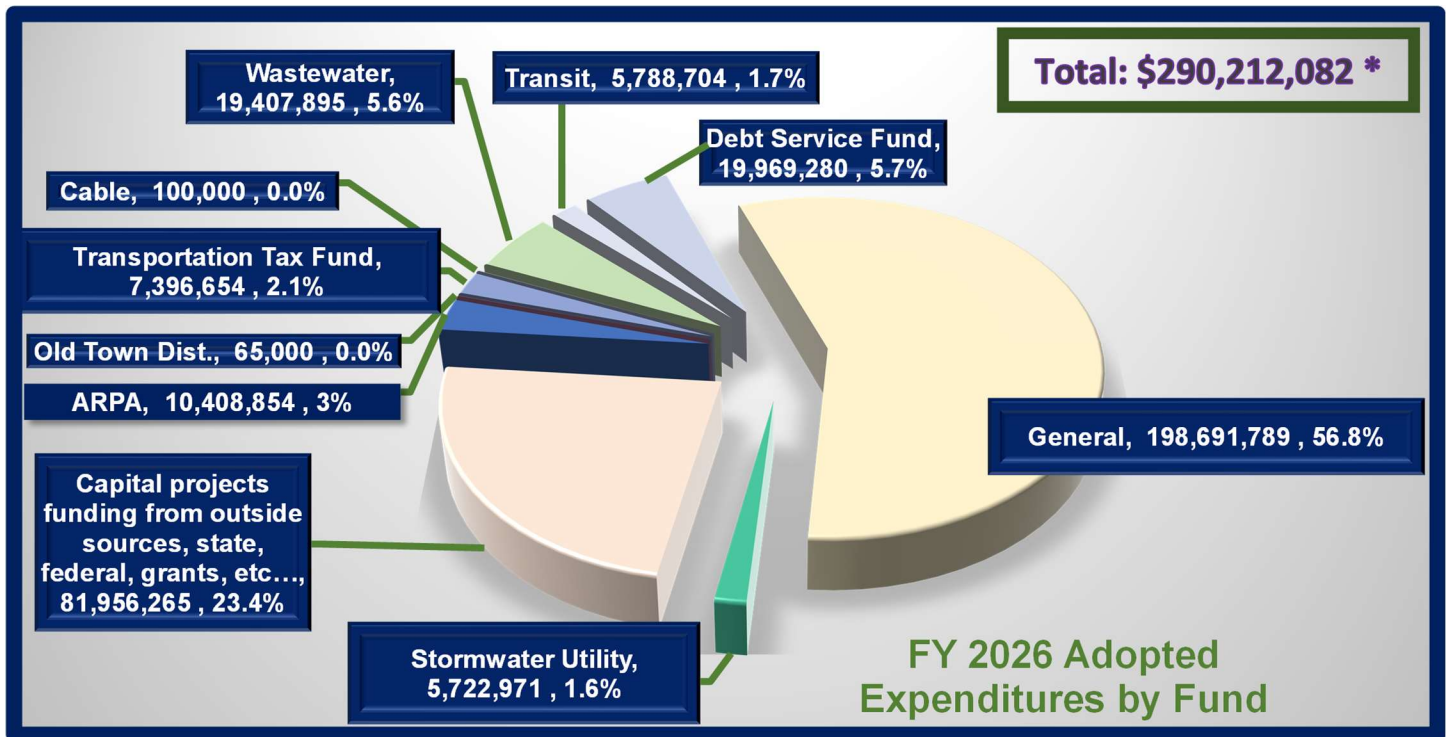
Park Rd – Townhomes: To replace the existing low-rise office buildings with 13 Townhouses. The project will advance 7 townhouses with frontage along Park road and 6 townhouses with frontage on a private street. The plan also shows a playground and 10 visitor parking spaces. This development required a rezoning from Commercial Retail to Residential Townhouse district. The project was approved by City Council on October 10, 2023.

West Drive Homes: The 0.55-acre parcel was rezoned from Residential High to Residential Townhouse, and approved for special exceptions to the requirements for front and rear yard setbacks and sidewalk width. Two single-family homes and four duplex units will be constructed on the site, arranged around a one-way loop road. The City Council approved this project on July 9, 2019.

Metro Church: Redevelopment of a church property with 50 townhouse units. The project was approved by City Council on June 9, 2020.

Overview – All Funds

Expenditures for all funds total \$339,308,496 less fund transfers (\$49,096,414), result in net total expenditures of \$290,212,082. This is an increase of 9.2% from the FY 2025 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 (\$339,308,496), reduced by \$49,096,414 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 2025 Unassigned General Fund Balance is 17.1% of General Fund revenues, 2.1% greater than the 15.0% minimum balance targeted by the Council adopted financial policies. The adopted FY 2026 Budget results in an estimated 16.1% percent General Fund balance at the end of the year.

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

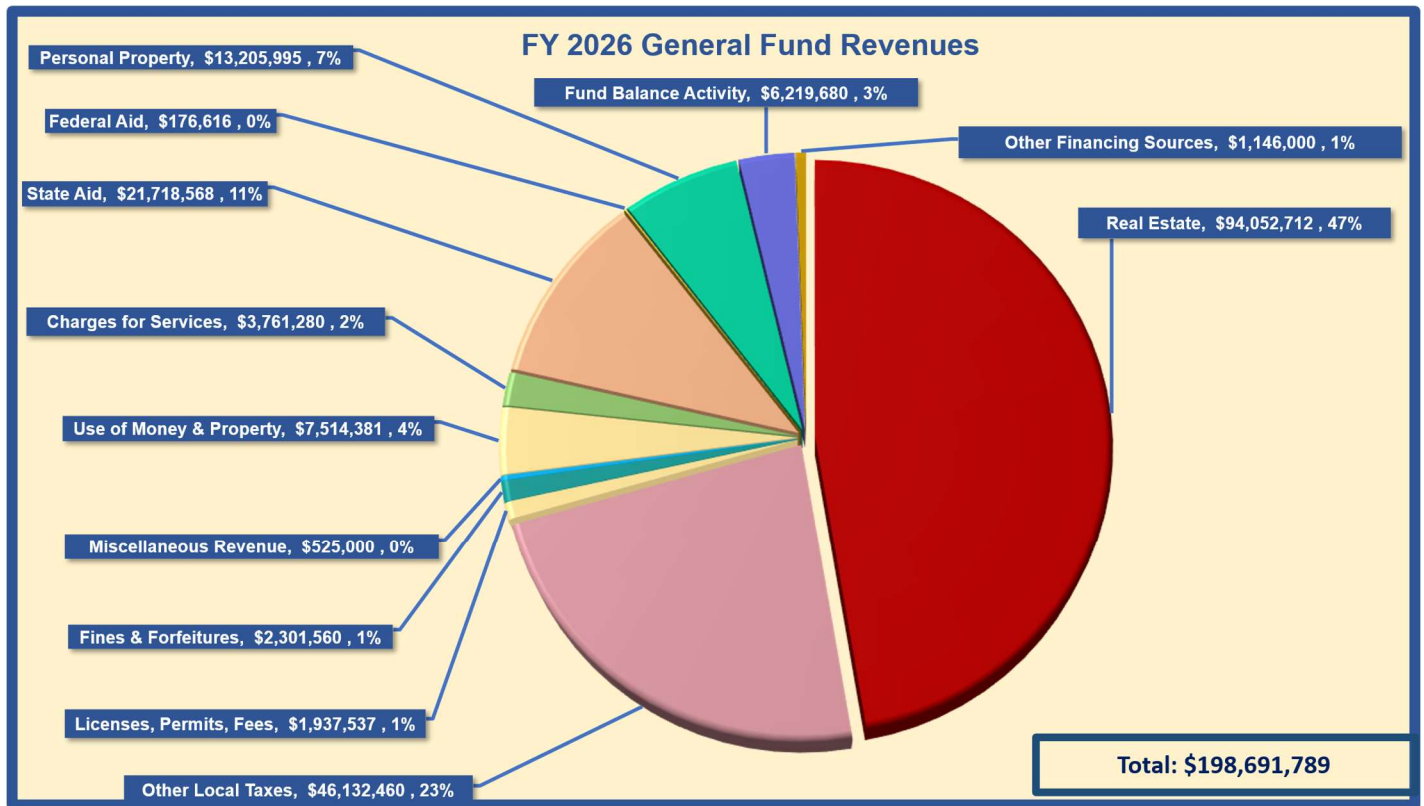
General Fund - Fund Balance		
Fiscal Year	Amount	% of Revenue
2026*	\$ 31,560,134	16.1%
2025*	31,560,134	17.1%
2024	32,343,469	18.0%
2023	28,275,162	16.8%
2022	31,453,451	21.0%
2021	28,817,189	19.9%
2020	17,917,998	12.9%
2019	17,841,004	12.9%
2018	18,087,673	13.4%
2017	16,931,385	12.8%
2016	15,244,854	11.8%
2015	13,429,441	10.7%

* Estimate

General Fund Revenues

Overview – General Fund

General fund revenues equate to \$198,691,789 for FY 2026, which represents an increase of 9.9% (\$17,928,241) from FY 2025. The following chart provides a summary overview of revenues by category for FY 2026.

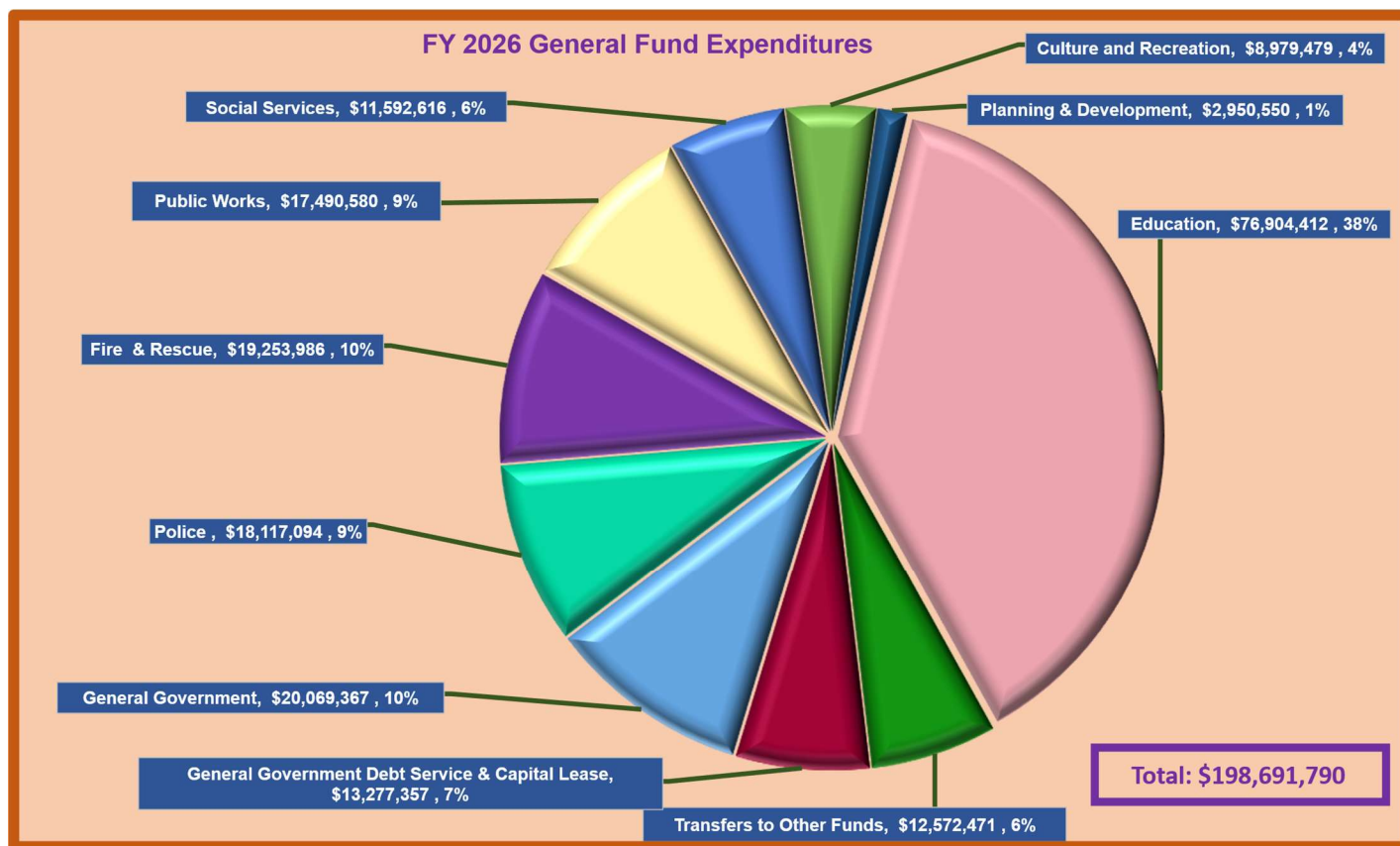


The Use of Assigned Fund Balance in the amount of \$6,219,680 is funded by the estimated FY 2025 Budget Stabilization Fund balance specifically created to allow funding for unexpected increases in the school tuition payment to Fairfax County Public Schools as well anticipated assigned real estate revenues from FY 2025. The estimated ending FY 2026 Unassigned General Fund Balance is equal to approximately 16.1% (\$31.6M) of adopted General Fund revenues.

General Fund Expenditures

Overview- General Fund

The City's adopted General Fund expenditures are budgeted at \$198,691,790 for FY 2026. 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; not displayed is an offset of -\$1.5 million which is made up of vacancy savings, regional agency payments and contingency.

General Fund Revenue and Expenditure Changes – FY 2025 to FY 2026

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

FY 2026 General Fund Revenue Changes	
Increase / (Decrease) in Revenues	\$ Change
Real Estate Taxes (Increased Assessed Value, 2.5 cents Tax Rate Increase)	\$ 8,001,143
State School Aid	1,967,202
Interest on Investments	730,000
Bank Franchise Tax	700,000
Personal Property Tax	500,000
Meals Tax	100,000
Rental - Schools	47,357
All Other Changes	447,859
Use of Fund Balance (Assigned)	6,219,680
Use of Fund Balance (Unassigned)	(785,000)
Total Increase / (Decrease) in Revenues	\$ 17,928,241

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

FY 2026 General Fund Expenditure Changes	
Increase / (Decrease) in Expenditures	\$ Change
Changes in Personnel Costs:	
Salaries - Full Time/Part Time (Merit & Step)	\$ 384,467
Fringe (Increase in City Retirement %, Health Insurance)	320,157
Salary & Fringe for Pay Study Implementation	624,019
Reduction of Temp Support	(398,000)
Contracted Tuition Costs	12,611,770
General Debt Payments	6,283,602
Update to Wastewater & Transit Allocation	535,756
Non-Educational Fairfax County Contracts	260,542
Transfers to OTSD and Transportation	9,546
Eliminate funding for Renaissance Housing	(392,000)
Reduction to Travel & Training for the Fiscal Year	(400,000)
Reduction of Cash Transfer to CIP Fund	(2,271,525)
All Other Changes (i.e. Inflation)	359,908
Total Increase / (Decrease) in Expenditures	\$ 17,928,241

Education

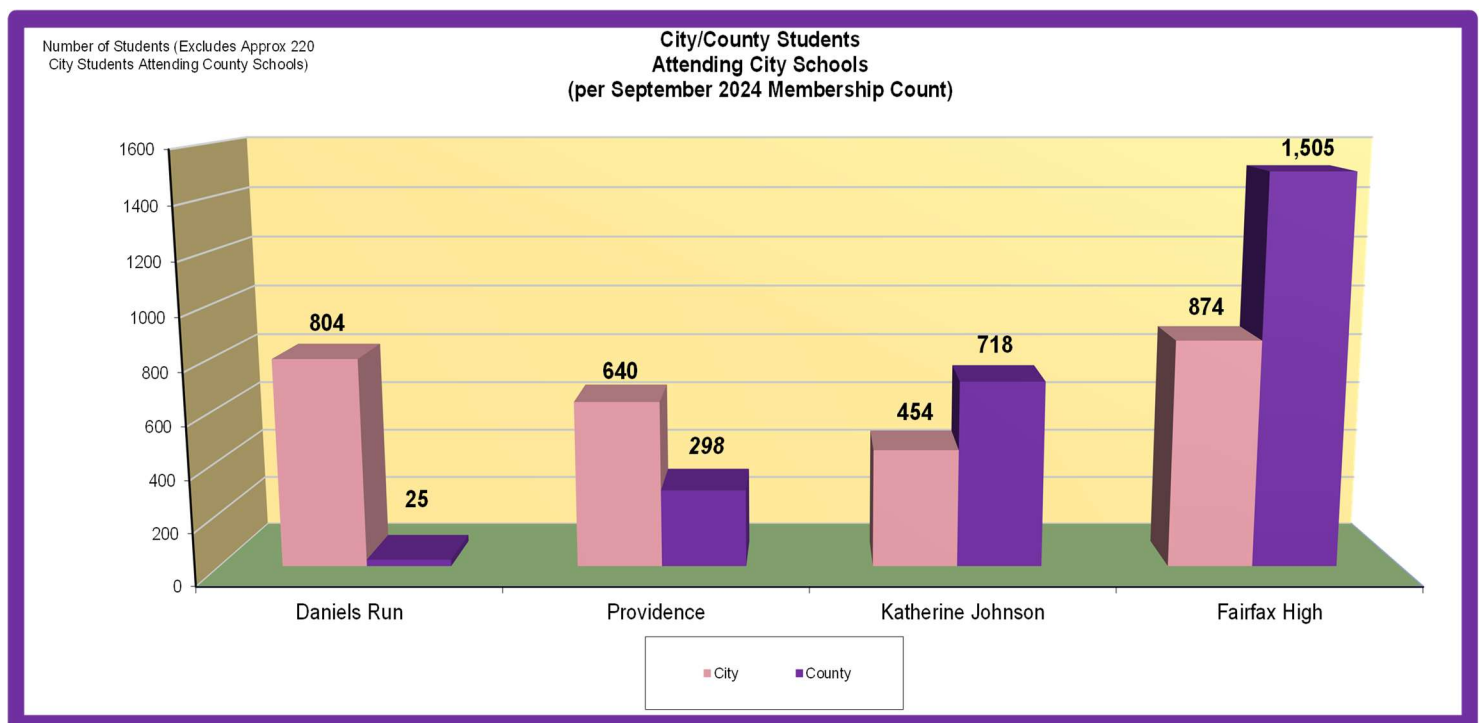
The total budget for the schools is \$76.9 million, an increase of 19.8% (\$12.7 million). Administrative costs account for \$1.1 million, and combined debt/lease payments equate to \$4.3 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at \$71.4 million, an increase of 21.4% (\$12.6 million). In November 2024, the residents of the City of Fairfax voted in favor for a \$220 million school construction bond referendum. In FY 2026 the City will begin to set aside funds for the renovation of the two elementary schools and to replace the high school roof. The following chart highlights the historical costs associated with the school tuition contract.

Fiscal Year	Final Tuition Bill (excludes Classroom Rental Fee)	ADM *
2026**	\$71,427,547	3,074
2025*	65,983,877	3,006
2024	60,955,083	2,913
2023	55,267,673	2,835
2022	51,163,080	2,857
2021	49,796,169	2,840
2020	50,662,894	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

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

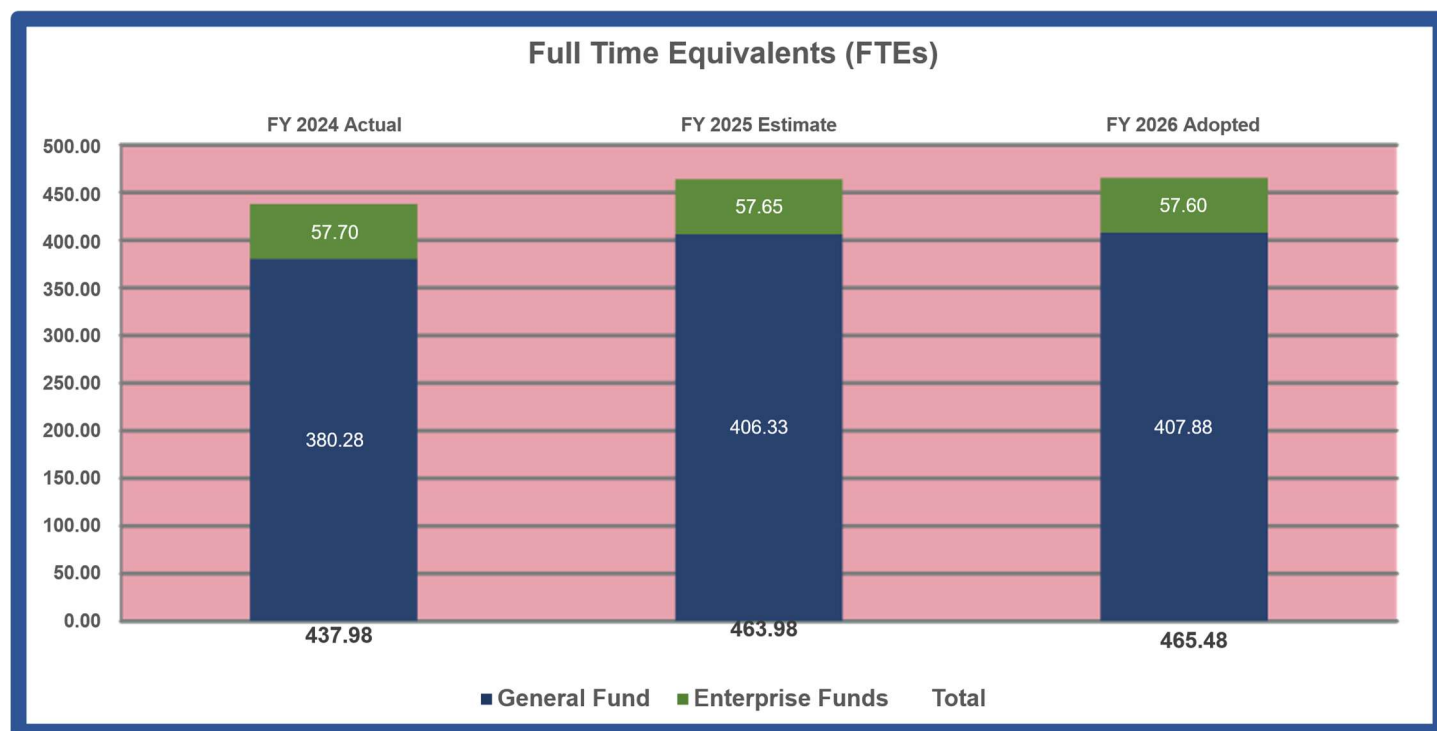
**Per FY 2026 Estimate

City students comprise most of the total population at both Daniels Run and Providence Elementary schools at 97.0% and 68.2%, respectively. Katherine Johnson Middle School at 38.7% and Fairfax High School statistics note that City students represent 36.7% of their schools' populations.



Employees, Salaries and Fringe Benefits

The adopted FY 2026 budget includes a January 1, 2026, 2.0% merit increase for eligible general pay scale employees. City-wide, fringe expenses increased \$0.7 million or 3.5%. The increase is primarily due to higher rates for City retirement plans and additional funds for workers compensation. The employer contribution rate for all employees participating in the Virginia retirement system (VRS) remains constant at 14.96%; with the City Retirement Plan increasing to: 13.48% for General employees and 31.95% for Public Safety employees.



The FY26 Budget approved a net increase of 1.50 full-time equivalent position, funded through the General Fund. 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 additional 0.50 FTE will elevate the Assistant to the School Superintendent position to a full 1.0 FTE, ensuring adequate staffing to support the upcoming responsibilities associated with the school bond initiative. Currently, the Assistant Superintendent only works half-time. This change is budget neutral as the funds were found within the school expense budget to cover the additional salary and fringe costs.

Unfunded FTE Priorities FY26-30

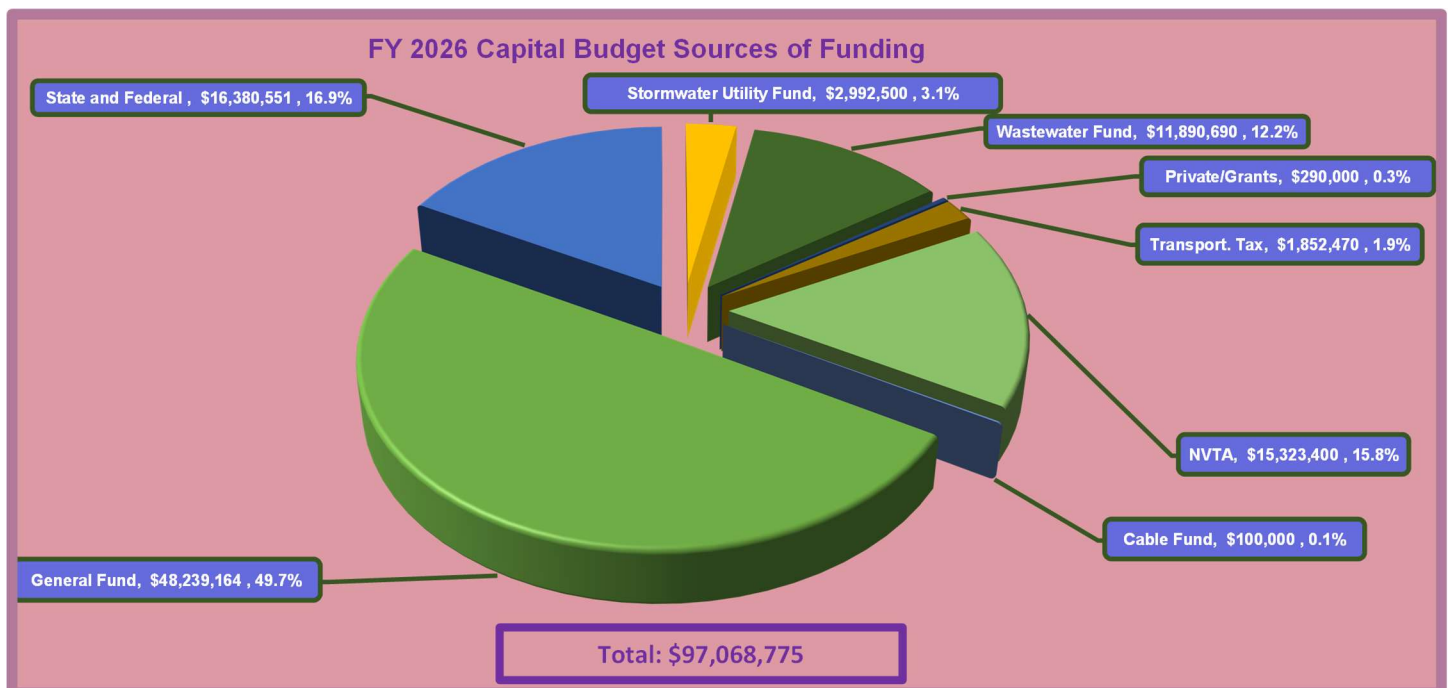
Unfunded Priorities		FTEs
City Manager	Performance and Research Analysis Program Manager	1
City Manager	Customer Service Program Manager	1
City Manager	Capital Program Manager	1
Communications - Cable	Part-time Employee Budget (3 @ .25 FTE each)	0.75
CDP	Planner I	1
EDO	Real Estate and Retail Assistant Director	1
EDO	Part-time to Full-time tourism employee	0.25
Finance	Budget Management Analyst II	1
Finance	Contract Specialist II (underfill) - .25 FTE	0.25
Fire	Captain-EMS Supervisors (pilot program)	3
Fire	Community Risk Reduction (CRR) Specialist/Fire Inspector	1
Human Resources	Training & Development Manager	1
Human Resources	Recruitment & Compensation Specialist	1
Human Services	Human Services Specialist	1
Human Services	Community Intervention Clinician	0.5
IT	Infrastructure Security Engineer	1
IT	GIS Specialist	1
IT	Application Support Specialist	1
Parks	PT, Seasonal, & OT Staffing	9
Parks	Grants, Sponsorships, and Volunteer Manager	1
Parks	Parks & Rec Deputy Director	1
Parks	Senior Programs Assistant Manager FT Conversion	0.25
Parks	Cultural Arts Assistant Manager FT Conversion	0.25
Police	Property and Evidence Technician	1
Police	3 sworn positions and 2 civilian positions	5
PW - Admin/Transportation	Senior Inspector	1
PW - Admin/Transportation	Public Works Capital Maintenance Project Manager	1
PW - Environmental	Climate and Energy Manager	0.75
PW - Environmental	Urban Forest Manager	0.5
PW - Environmental	Urban Forester I (50% PW-Environmental, 50% SWU)	0.5
PW - Fleet	Fleet Services Coordinator FTE	1
PW - Fleet	Lead Technician	1
PW - Fleet	Fleet Technician II	1
PW - Operations/Facilities	Utility Worker I	1
PW - Operations/Facilities	Utility Worker II	1
PW - Refuse	Sanitation Driver	1
PW - Refuse	Sanitation Worker I	2
PW - Sign & Signal	Admin assistant/sign fabricator assistant	1

Capital Fund

The adopted Capital Improvement Program for FY 2026 totals \$97,068,775. The chart below summarizes the City's adopted FY 2026 Capital Improvement Program compared to the adopted FY 2025 program.

Category	FY 2025 Adopted	FY 2026 Adopted	Change	
			\$	%
Schools Capital Projects	\$ 1,788,734	\$ 120,000	\$ (1,668,734)	-93.29%
General Government Capital Projects	17,045,000	24,091,200	7,046,200	41.34%
Recreation / Community Appearance Capital Projects	11,194,407	9,606,438	(1,587,969)	-14.19%
Environment Capital Projects	19,844,900	14,807,190	(5,037,710)	-25.39%
Transportation Capital Projects	19,115,000	31,902,551	12,787,551	66.90%
Infrastructure Repair & Maintenance	5,657,938	6,916,286	1,258,348	22.24%
Technology Infrastructure Fund	2,460,335	3,266,110	805,775	32.75%
Vehicles & Equipment Replacement Fund	5,277,000	6,359,000	1,082,000	20.50%
Total Capital Improvement Program	\$ 82,383,314	\$ 97,068,775	\$ 14,685,461	17.83%

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 2313, introduced in 2013), the Cable Fund, privately donated funds, the Stormwater Utility Fund, and the Transportation Tax Fund (includes NVTa 30% funds available under HB2313 and the Commercial and Industrial Tax). The following chart illustrates the sources of funding for the Adopted Capital Budget in FY 2026; detailed information can be found under the Capital Budget section of this document.



Wastewater Fund

	FY 2024 Actual*	FY 2025 Budget	FY 2025 Estimate	FY 2026 Adopted
Revenues	\$ 10,321,397	\$ 10,909,096	\$ 10,909,096	\$ 11,499,351
Expenditures	\$ 7,643,931	\$ 22,219,604	\$ 22,219,604	\$ 19,407,895
Rate Increase	6%	6%	6%	6%

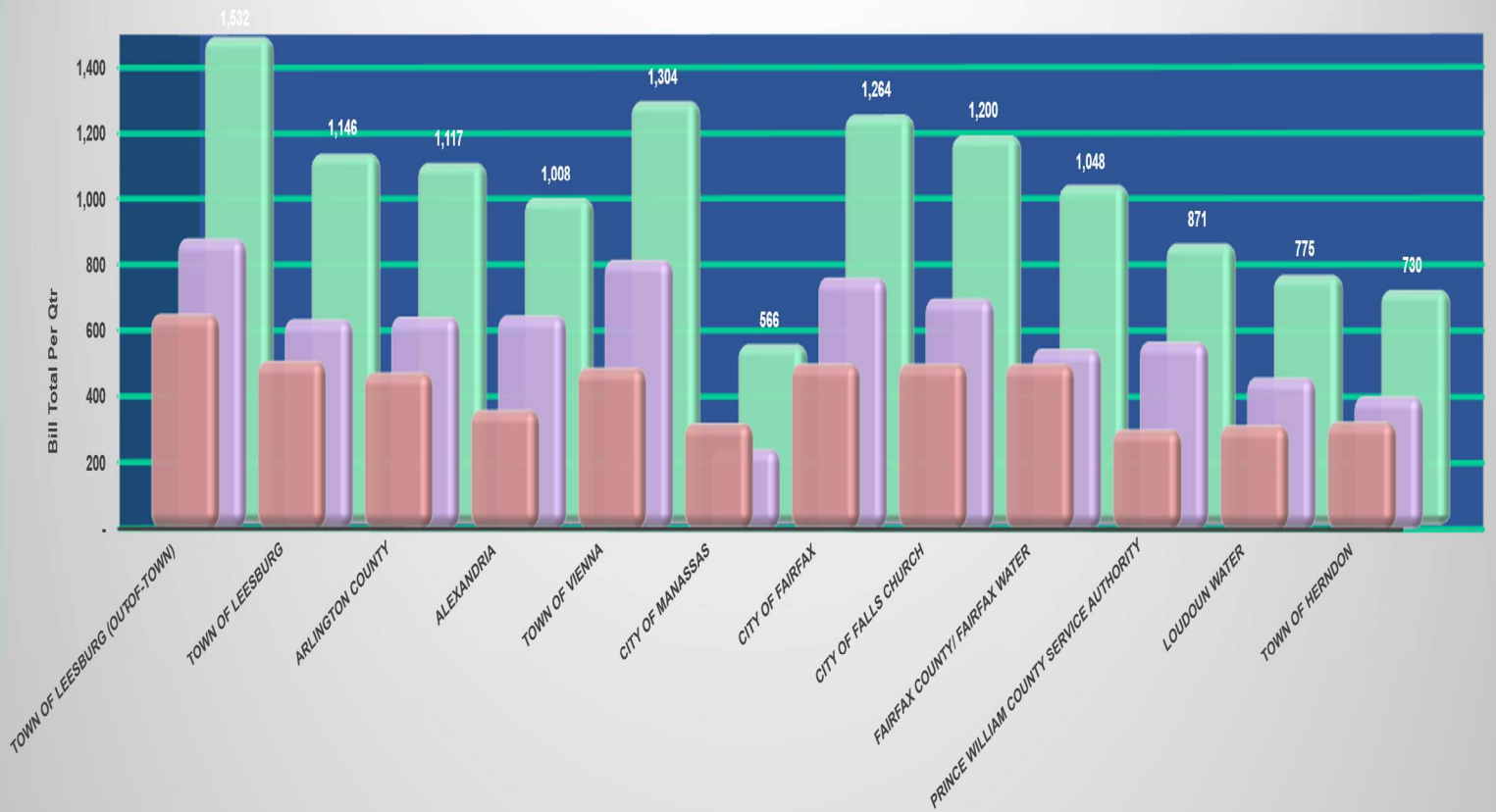
*Actuals, as reflected in the City's ACFR, are exclusive of financing activity.

For FY 2026, 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. 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.

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 2026 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	652	510	474	361	489	322	502	502	502	303	316	327
Wastewater	880	636	643	647	815	244	762	698	546	568	460	403
Combined	1,532	1,146	1,117	1,008	1,304	566	1,264	1,200	1,048	871	775	730

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 provided an offset to the revenue shortfall resulting from the implementation of the fare-free program. GMU contribution for FY 2026 is \$954,810, up 3.0% from FY 2025 adopted budget, 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 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Adopted
Revenues:				
Local	\$ 2,924	\$ -	\$ -	\$ -
GMU Contribution	900,000	927,000	927,000	954,810
NVTC	977,521	728,000	728,000	728,000
Other State Revenue	-	120,000	-	-
Transfer from Transportation Tax Fund	3,512,101	3,512,101	3,512,101	3,512,101
Transfer from General Fund	970,000	400,000	400,000	-
Total Revenues	\$ 6,362,546	\$ 5,687,101	\$ 5,567,101	\$ 5,194,911
Expenditures:				
Operating Expenditures	\$ 5,453,601	\$ 5,884,532	\$ 5,884,532	\$ 5,788,704
Total Expenditures	\$ 5,453,601	\$ 5,884,532	\$ 5,884,532	\$ 5,788,704

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 2026, 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 \$9.70/yr. based on five billable units (typical charge for residential property).

	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Adopted
Revenues:				
Revenue Bond Funds	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Annual Billing Units Revenue	2,900,548	3,054,657	3,054,657	3,237,936
Grants	15,160	-	-	-
State Stormwater Aid	-	-	-	-
Transfers from General Capital Fund	592,129	1,800,000	-	-
Transfers from ARPA Fund	592,129	-	1,500,000	1,400,000
Total Revenues	\$ 4,099,966	\$ 5,854,657	\$ 5,554,657	\$ 5,637,936
Expenditures:				
Operating Expenditures	\$ 5,726,623	\$ 7,372,438	\$ 6,722,438	\$ 5,722,971
Total Expenditures	\$ 5,726,623	\$ 7,372,438	\$ 6,722,438	\$ 5,722,971

Acknowledgements

The budget is the product of an intensive effort by staff in all City departments. Appreciation is expressed to Gwen Riddle, Budget Director, Jessica Imes, Budget Management Analyst I, 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 Melanie Zipp, David Summers, Jing Li, and Matthew Kaiser, 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 2026 Adopted Budget and FY 2026-2030 Capital Improvement Program (CIP) are available on the City's website:

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

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10455 Armstrong Street
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