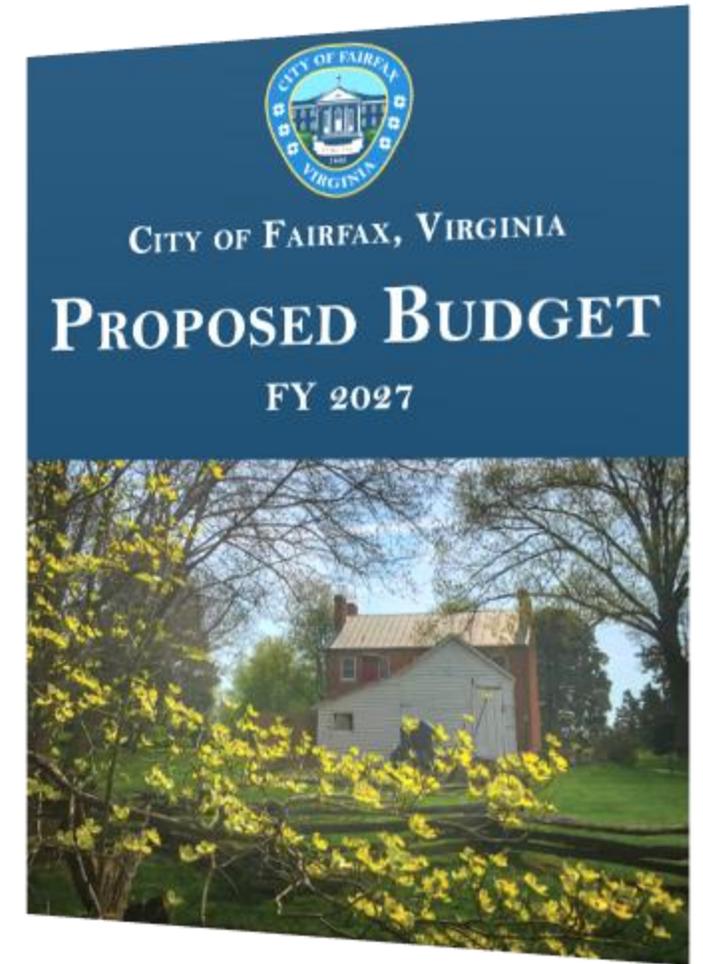




City Manager's FY 2027 Proposed Budget

City of Fairfax, Virginia
City Council Regular Meeting
February 24, 2026



Building a Budget that Reflects Our Community



- **Plan and Policy Tool:** A fiscal year (July 1–June 30) financial plan estimating revenues and expenditures, guiding how resources are allocated and services delivered.
- **Reflects Community Priorities:** A strategic plan—not a spending mandate—that directs limited resources toward the programs and services that matter most.
- **Balanced and Required by Law:** Revenues equal expenditures, as required by the Code of Virginia, ensuring a responsible, deficit-free budget.



Goals Guided Budget Framework

1. ECONOMIC DEVELOPMENT

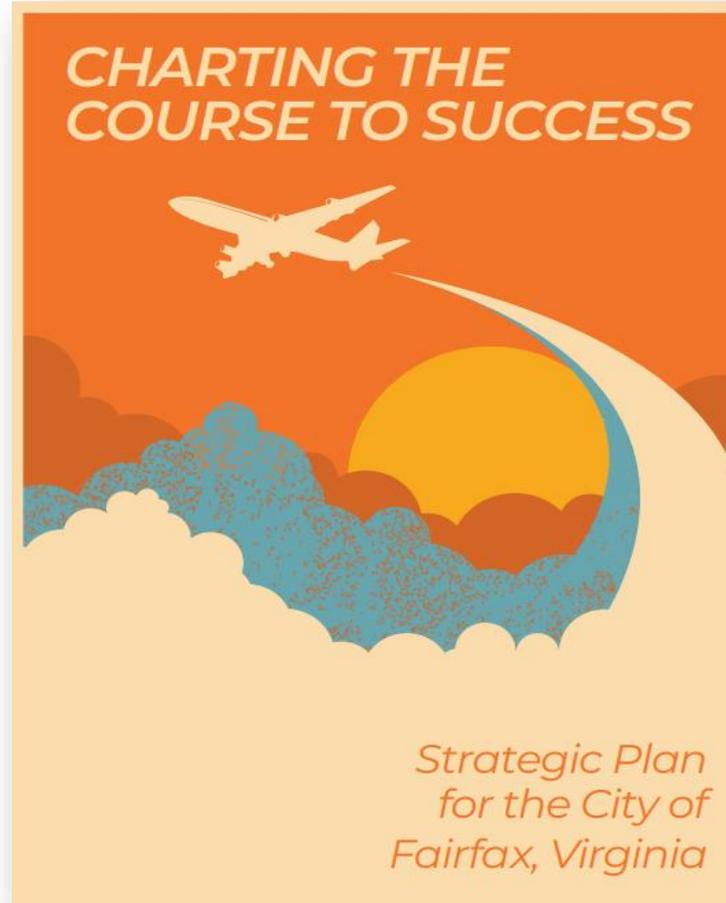
OUTCOME

Support programs and initiatives that establish Fairfax City as the premier location in the region to start and grow businesses that strengthen our social and community fabric and quality of life.

2. ENVIRONMENTAL SUSTAINABILITY AND STEWARDSHIP

OUTCOME

Develop ways to foster a sustainable future and improve the social, economic, and environmental well-being of the organization and community through programmatic enhancements, sustainable practices, community partnerships, and by embedding sustainability into how we operate as an organization.



5. GOVERNANCE

OUTCOME

Develop and retain an responsive, agile, healthy, and highly professional workforce by engaging in process modernization to sustain Fairfax City as a high-performing organization that provides its citizens top-level transparency and accessibility.

3. COMMUNITY

OUTCOME

Reduce barriers to engagement to increase opportunities for all community members to participate in city-sponsored special events, activities, and educational forums; actively engage with city boards, commissions, and other civic activities; and have equitable and timely access to human services safety net programs and supports while providing the community excellent life safety and emergency services.

4. TRANSPORTATION

OUTCOME

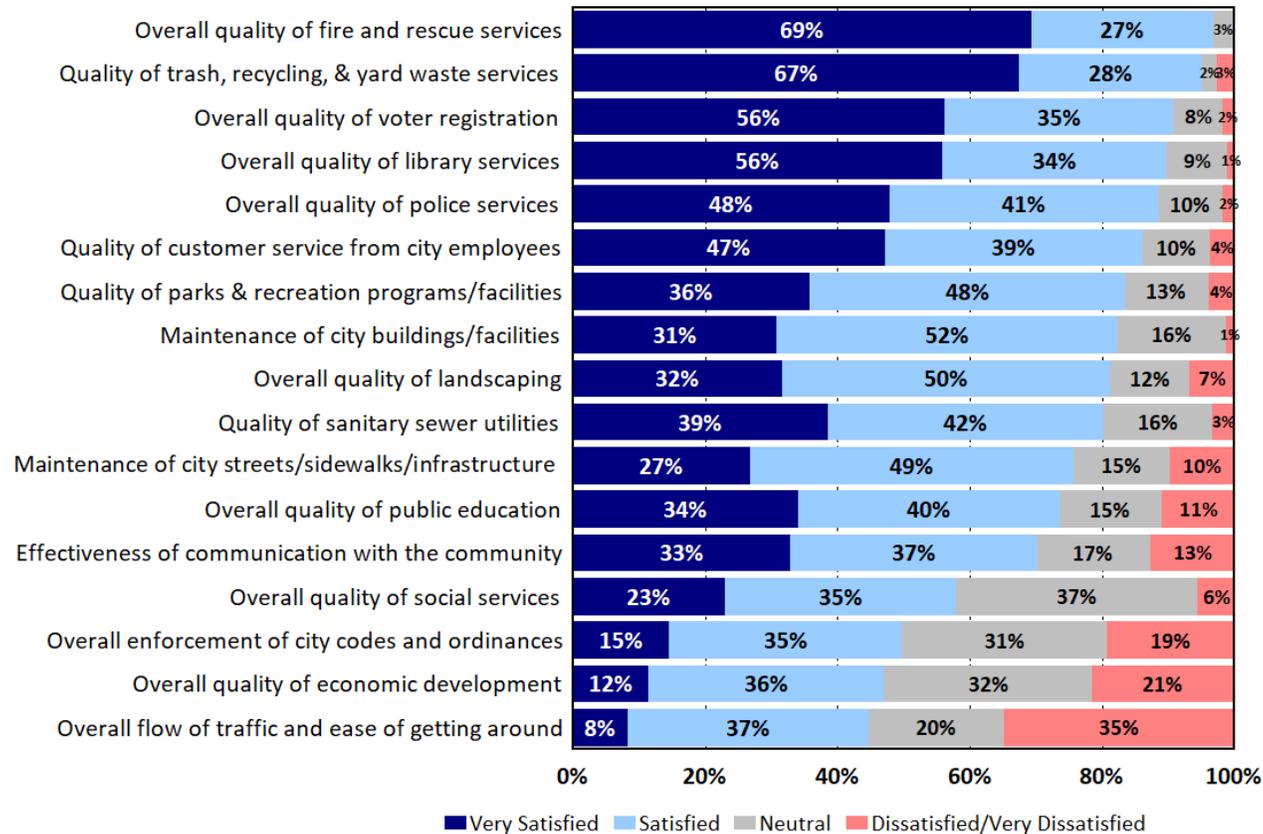
Create a framework that supports expanding the street grid, increases access between activity centers and through neighborhoods, and creates efficient public connections for walking, cycling, and other transportation options.



Community Feedback

Q1. Overall Satisfaction with City Services

by percentage of respondents (excluding "don't know")



Community Survey Revealed:

- **Over 90%** of Respondents Rated the City as Excellent or Good Place to Live and to Raise and Educate Children
- Fairfax Rated above the U.S. Average in **46 of 47 Areas**
- Satisfaction with the Overall Quality of City Services Rates **37% Above the U.S. Average**
- Satisfaction with Customer Service Provided by City Employees Rated **47% Above the U.S. Average**



FY27 Budget Policies – Secure, Sustain, Succeed

- **Balanced Budgets:** Revenues \geq expenditures; one-time funds for one-time needs
- **Capital & Utilities:** Multi-year planning; self-supporting utility funds
- **Strong Reserves:** General Fund Unassigned Fund Balance $\geq 15\%$; Budget Stabilization Fund (BSF) up to 3%
- **Prudent Debt Management:** Debt service $\leq 14\%$; Outstanding Debt $\leq 4\%$ of assess valuation
- **Diverse & Strategic Revenue:** Minimize rate pressures; preserve principal; promote economic development
- **Transparent & Accountable:** Independent audits; GFOA recognition; maintain Double AAA credit rating



FY27 Budget Guidelines – Secure, Sustain, Succeed

- **Strategic Revenue Use:** Pursue available grants; cost recovery modeling
- **Operations Efficiency:** Evaluate programs, staffing, and technology for best service delivery
- **Targeted Staffing & Compensation:** Market-based adjustments and parity with other local governments; fund Annual Required Contribution (ARC) to pension plans; prioritize reallocation before new positions
- **Capital Investment Focus:** Maintain CIP transfers; protect infrastructure; use pay-as-you-go funding when practical
- **Flexible Budgeting:** Reallocate resources to priorities; hold reserves for economic uncertainty
- **Financial Oversight:** Follow rating agencies and advisors; maintain fiscal discipline and top credit rating



Budget Engagement: Public & Council Sessions

- **Budget Open House – October 2025**

Residents and business owners engaged with staff

- **Budget Retreat – November 2025**

Reviewed economic conditions, projected revenues and expenditures, debt capacity, workforce investment, initial focus items

- **Upcoming Budget Work Sessions and Public Hearings**

6 – Work Sessions
4 – Public Hearings

- **Digital Engagement**

[Budget Webpage](#) - information

[Engage Fairfax](#) - interaction



Primary Drivers of FY27 Proposed Budget

- **\$5.0 Million Schools Tuition Contract** increase between the FY26 Adopted Budget vs the FY27 Projected Budget projected
- **\$3.3 Million Planned Debt Issuance** in support of School Renovations and the Willard-Sherwood Health and Community Center
- **\$1.3 Million Workforce Investment** (salary increases and fringe)
- **\$0.5 Million One-Time Expenses associated studies**
- **-\$1.3 Million Net Operating and Maintenance reductions** based on available project balances

Translates to a potential increase in the real estate tax rate of **9.6-cents***

*Assuming no changes in tax rates or revenue, and no increase in nonmandated expenses



City Schools Tuition Contract

City of Fairfax Tuition History

Fiscal Year	Tuition*	ADM	Cost Per Student
FY 2026	\$68,845,710 (estimated)	3,077 (est.)	\$22,374
FY 2025	\$66,214,950	2,968	\$22,310
FY 2024	\$58,575,531	2,913	\$20,108
FY 2023	\$52,911,698	2,835	\$18,664
FY 2022	\$48,924,163	2,857	\$17,124
FY 2021	\$47,656,514	2,840	\$16,780
FY 2020	\$48,697,135	3,001	\$16,226
FY 2019	\$47,158,189	3,004	\$15,698
FY 2018	\$45,806,580	3,079	\$14,877
FY 2017	\$44,478,575	3,081	\$14,436

*Inclusive of Tuition, Classroom Rental Credit, and Year End True-Up
Source: FCPS Tuition Summary-September 2025; FY 2025 Tuition Bill

History of Average Daily Membership

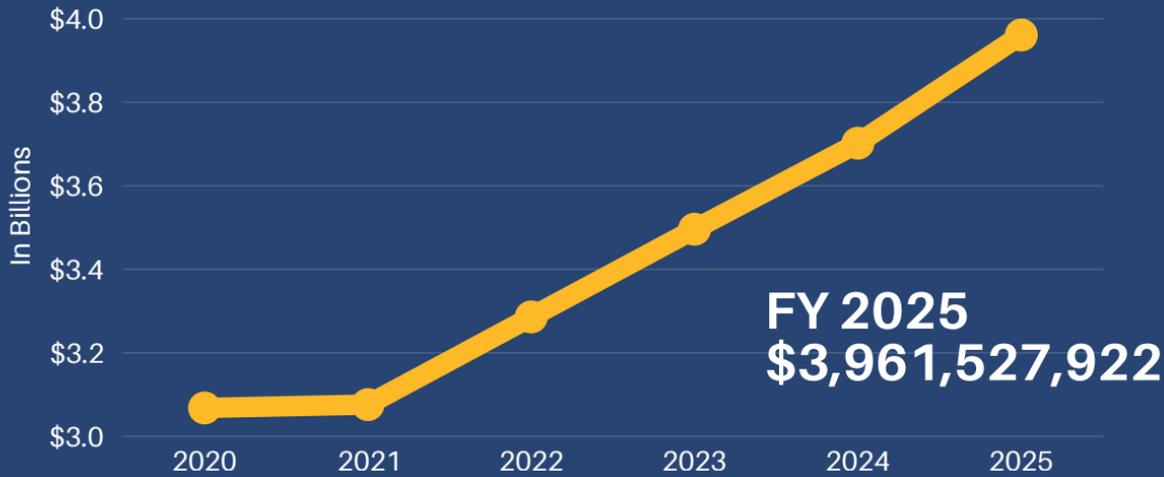


*September 2025 Membership was 2942.
Source: FCPS Tuition Summary-September 2025



City Schools Tuition Contract

History of FCPS Operating Costs

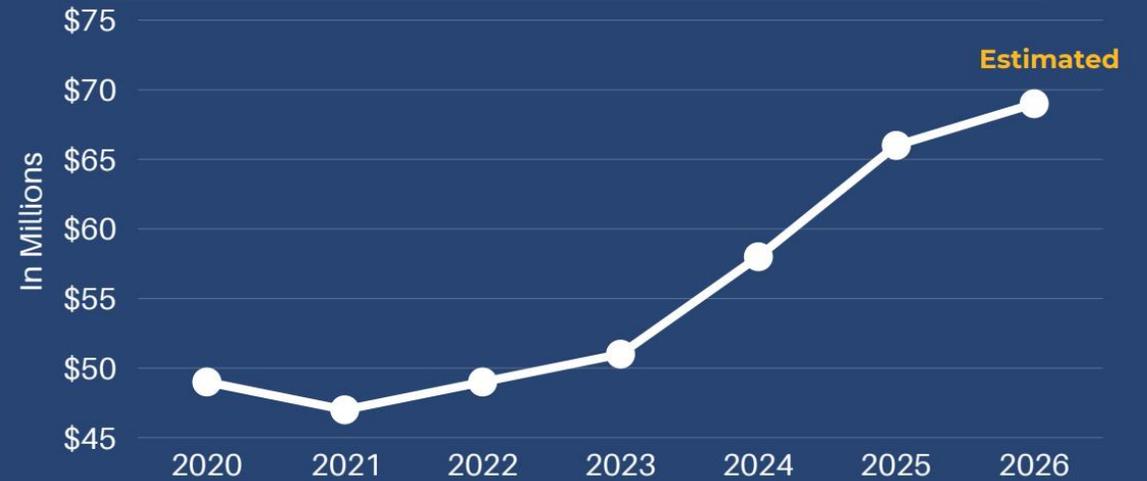


FY 2025
\$3,961,527,922

Source: FCPS Tuition Summary - September 2025

12

City of Fairfax Tuition History



*Inclusive of Tuition, Classroom Rental Credit, and Year End True Up
Source: FCPS Tuition Summary, September 2025

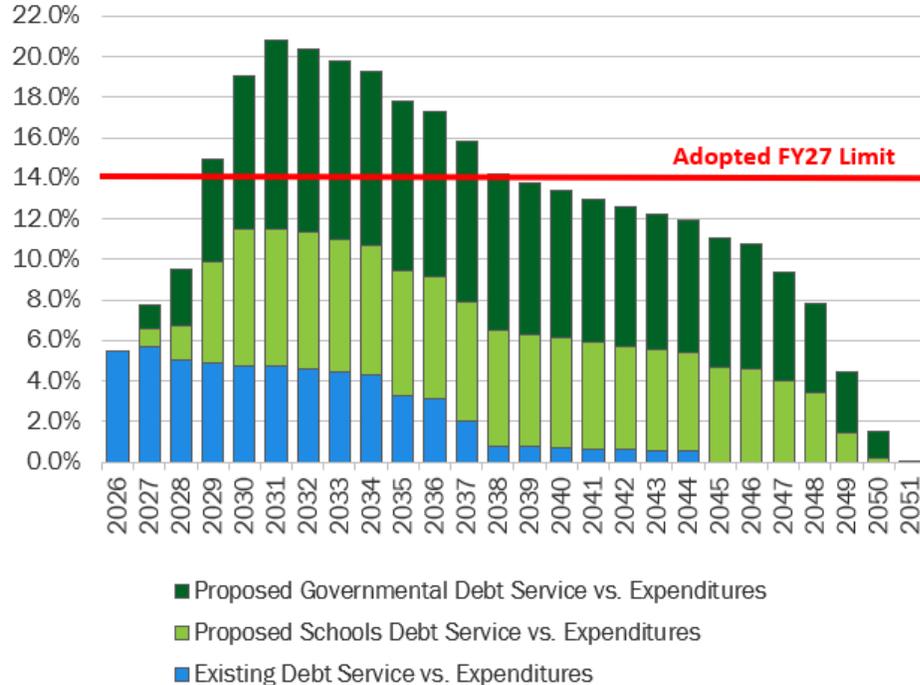
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Slides from the City of Fairfax Schools Superintendent's Proposed 2027 Budget Presentation, February 9, 2026

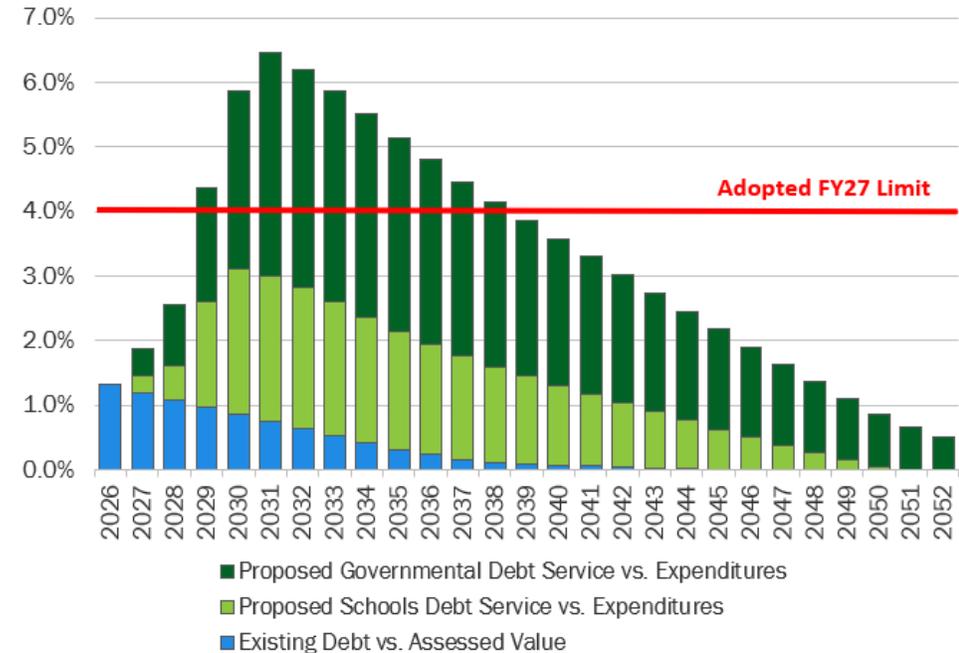


Planned Debt Issuance

Debt Service vs. Expenditures



Debt vs. Assessed Value



Planned Debt Issuance for FY27:

\$22,070,000 – School Renovations (\$1.7M/annual payments)

\$21,560,000 – CIP – Willard-Sherwood Project (\$1.6M/annual payments)



Maintaining the Highest Credit Quality



- ✓ **Aaa Credit Ratings**
 - ✓ Highest Ratings Available
 - ✓ Sustained Excellence Since 2010



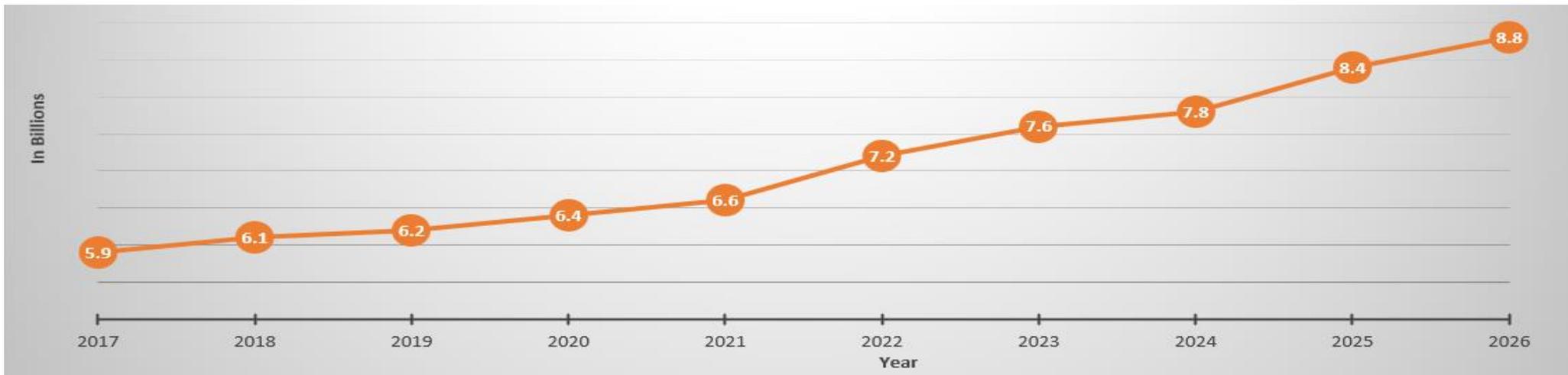
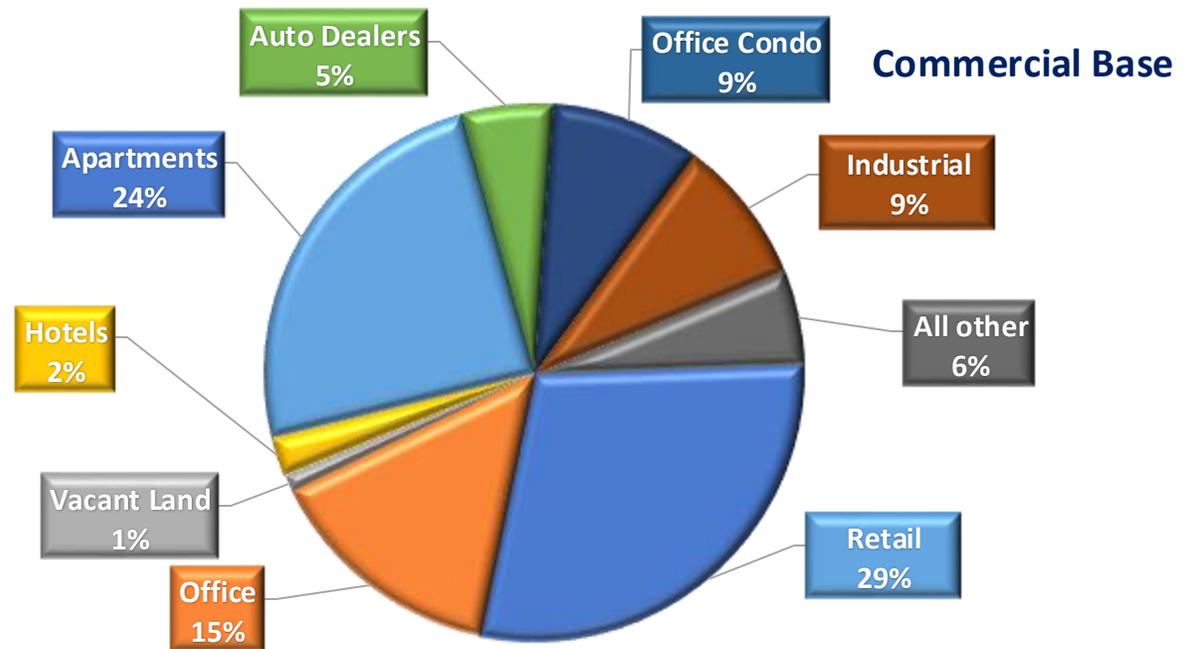
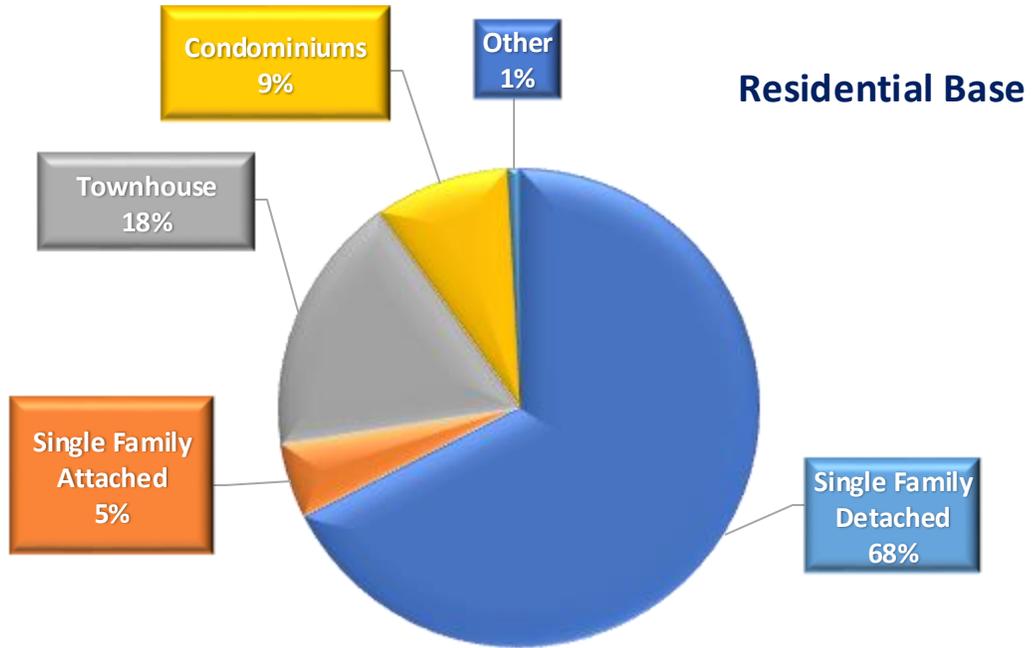
- ✓ **AAA Credit Ratings**
 - ✓ Highest Ratings Available
 - ✓ Sustained Excellence Since 2009

What this means for Taxpayers: Lower Borrowing Costs

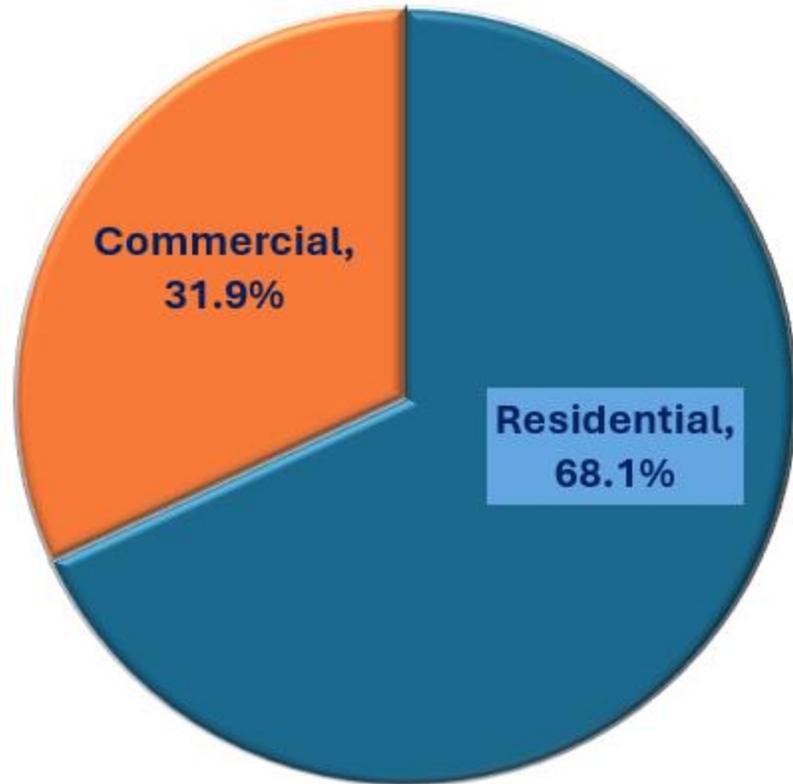
Estimated **\$8-\$11 million in interest savings** on the upcoming \$220M school bond issuance compared to the next rating tier (Aa/AA)



Total Value of Real Estate Tax Base – 5.9% Increase



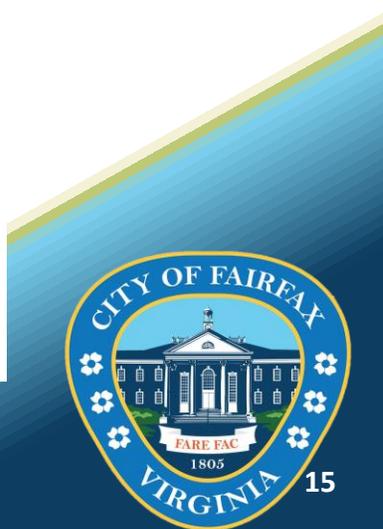
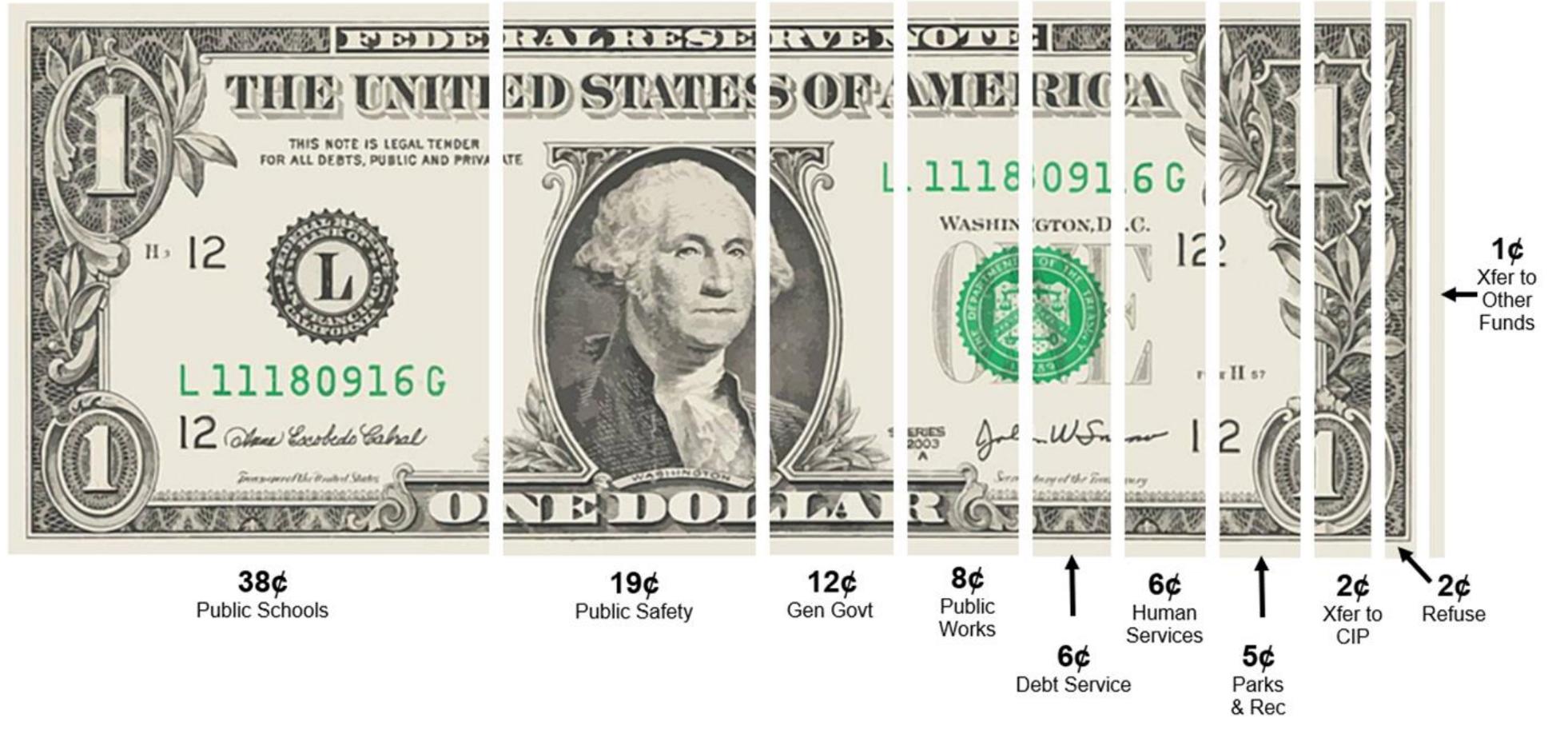
Trends in CY26 Real Estate Assessments



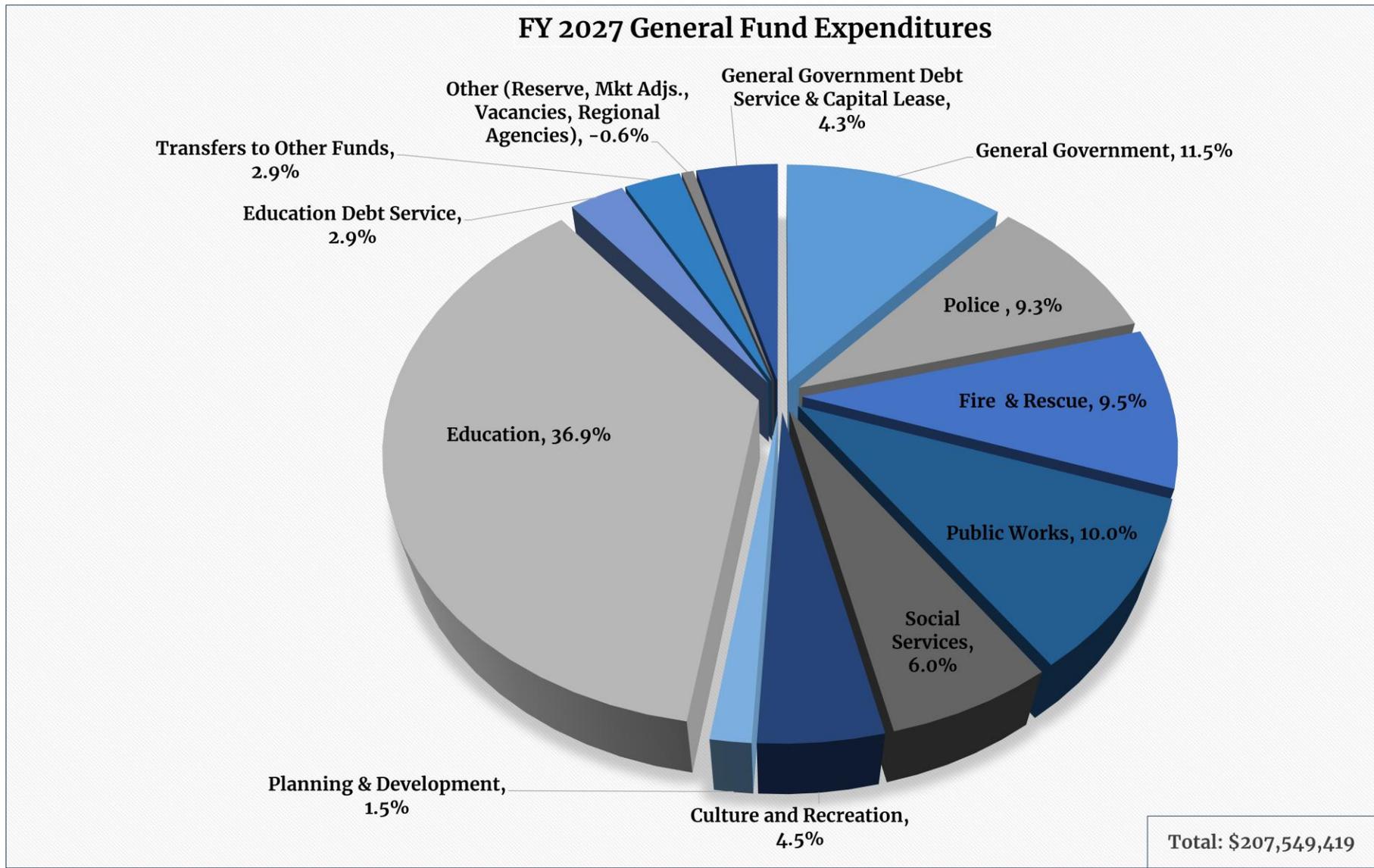
Real Estate Type	% Change from CY 2025
Existing Residential	+4.6 %
Existing Commercial	+0.5 %
New Construction	-45.0 %
Existing & New	+5.9 %

How Each Local Tax Dollar is Spent

FY 2027 Breakdown of a Tax Dollar



FY27 General Fund Expenditures - \$207,549,419



Supporting Drivers Included in the Proposed Budget

Service & Workforce Stability

- **Maintain All Existing Service Levels**
 - No reductions in current programs
- **No New Initiatives or Service Expansions**
 - Focus on core operations
- **3.0% General Salary Adjustment**
 - For general employees
- **Annual Step Increases**
 - For public safety personnel
- **1.0% Cost-of-Living Adjustment (COLA)**
 - For all employees
- **No New Positions (FTEs)**
 - Maintain current staffing levels



Supporting Drivers Included in the Proposed Budget

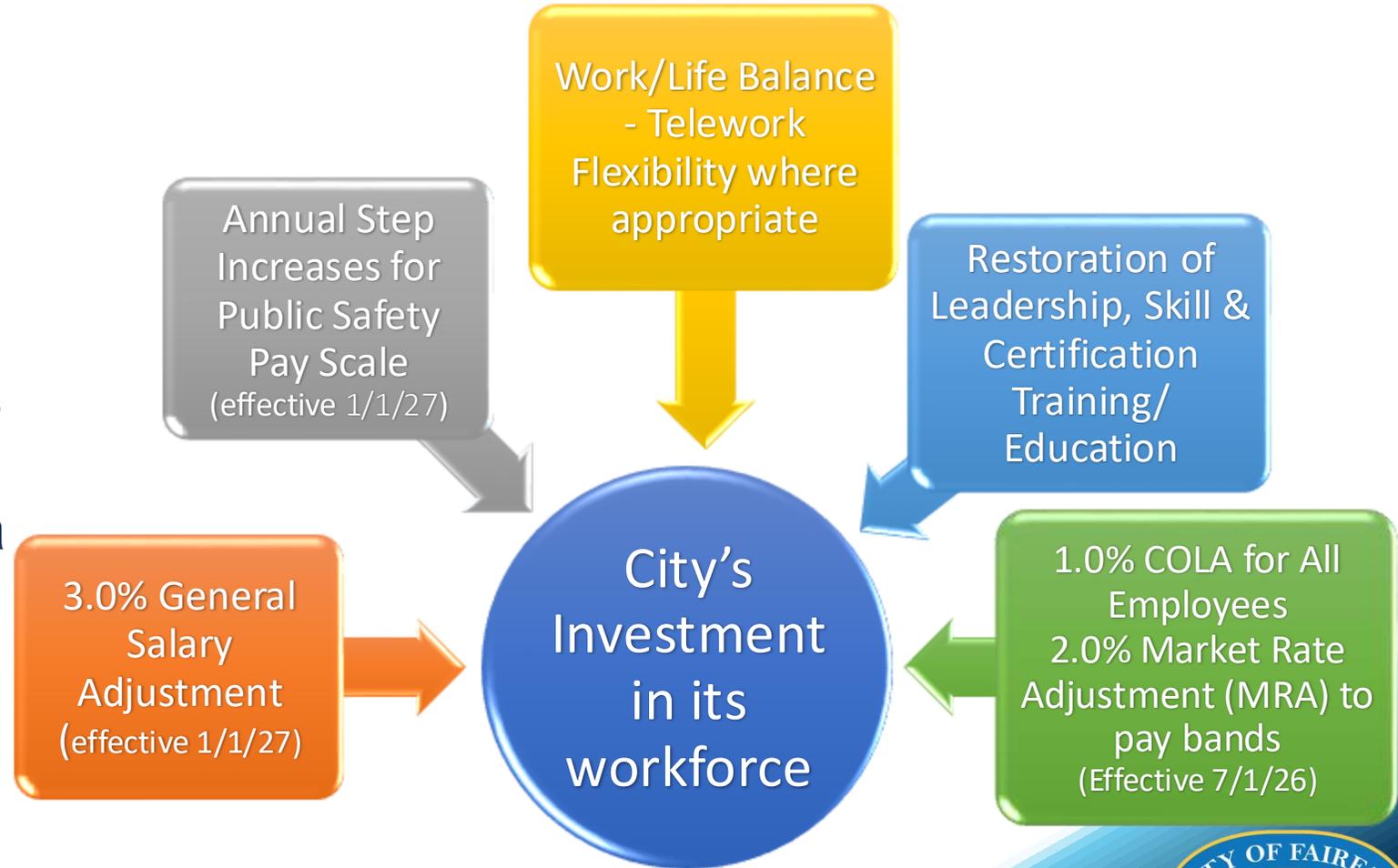
Education & Capital Commitments

- **Fully Fund School Tuition Contract**
\$76.4 million obligation
- **Planned Debt Issuance - \$3.3 Million**
School renovations & Willard-Sherwood project
- **Net O&M Reduction - \$1.3 Million**
Savings from available project balances



Workforce Investment

- Today's workforce seeks:
 - Culture of Collaboration
 - Adequate and Modern Workplace
 - Strong Mission and Value System to align professional career with a higher purpose.

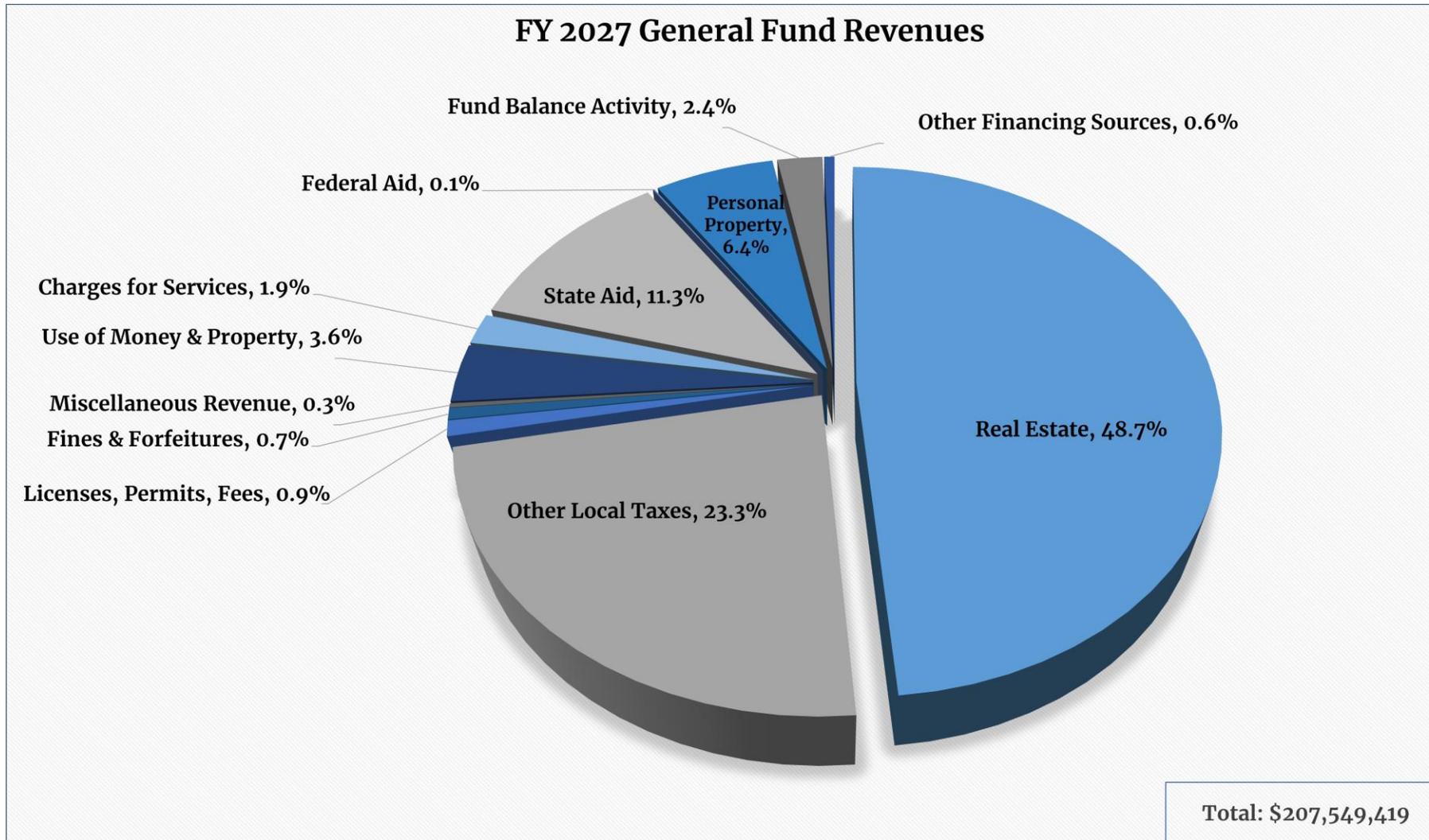


FY27 General Fund Expenditure Changes from Adopted FY26

FY 2027 General Fund Expenditure Changes	
Increase / (Decrease) in Expenditures	\$ Change
Changes in Personnel Costs:	
Salaries - Full Time/Part Time (COLA, Step & salary adjustments)	\$ 1,385,177
Fringe (Increase in Public Safety City Retirement, Health insurance)	1,748,158
Operating, Maintenance & Software funds moved from CIP	6,834,263
Contracted Tuition Costs	5,002,244
School Debt Payments	1,668,778
Non-Educational Fairfax County Contracts	1,606,366
Increase to Disabled Vet tax relief (33% increase in support)	619,350
Studies to support position analysis and solid waste	500,000
Reinstate Travel & Training for the Fiscal Year	445,000
Transfers to OTSD and Transportation	136,515
Update to Wastewater & Transit and Motorpool Allocations	(244,252)
General Debt Payments	(4,328,957)
Reduction of Cash Transfer to CIP Fund	(6,536,123)
All Other Changes (i.e. Inflation)	21,112
Total Increase / (Decrease) in Expenditures	\$ 8,857,631



FY27 General Fund Revenues - \$207,549,419



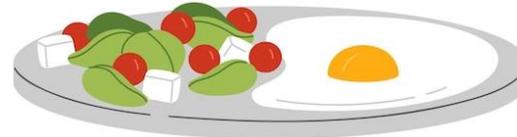
General Fund Revenue Changes for FY27

- \$6.9 million Real Estate Tax (\$4.7 million from year-over-year appreciation)
- \$2.1 million Meals Tax (\$1.3 million associated to the proposed 0.5% increase)
- \$5.0 million in utilization of prior year (FY26) Assigned Fund Balance
- \$1.7 million in State School Aid



**1-cent = \$883,929
on the Real Estate Rate**

**0.5% = \$1,252,599
on the Meals Tax**



FY27 General Fund Revenue Changes from Adopted FY26

FY 2027 General Fund Revenue Changes

Increase / (Decrease) in Revenues	\$ Change
Real Estate Taxes (Increased Assessed Value, 2.5 cents Tax Rate Increase)	\$ 6,930,976
Meals Tax (proposed rate increase to 4.5%)	2,134,499
State School Aid	1,680,042
Personal Property Tax	500,000
Ambulance transport fees	200,000
Rental - Schools	154,456
Photo red light and speed camera enforcement	(850,000)
Interest on Investments	(400,000)
All Other Changes	(291,290)
Use of Fund Balance (Assigned)	(1,201,052)
Total Increase / (Decrease) in Revenues	\$ 8,857,631



Recommended FY27 Tax Rate Changes

Current Real Estate Rate	\$1.055
	<u>+\$0.025</u>
Proposed Total Rate	\$1.080

- Proposed Meals Tax Rate 4.50%
- Equalization Rates
 - Residential - \$1.0088
 - Commercial - \$1.0500
 - Combined Residential & Commercial - \$1.0221

No Changes to the Following Taxes	
Old Town Service District (OTSD)	\$0.08
Commercial & Industrial (C&I) Tax Rate	\$0.125
Plastic Bag Tax Rate	\$0.05
Personal Property Tax Rate	\$4.13
Local Sales Tax Rate	1.00%
*Hotel Tax Rate (transient occupancy)	4.00%



Impact of Proposed Real Estate 2.5-cent Tax Rate Increase

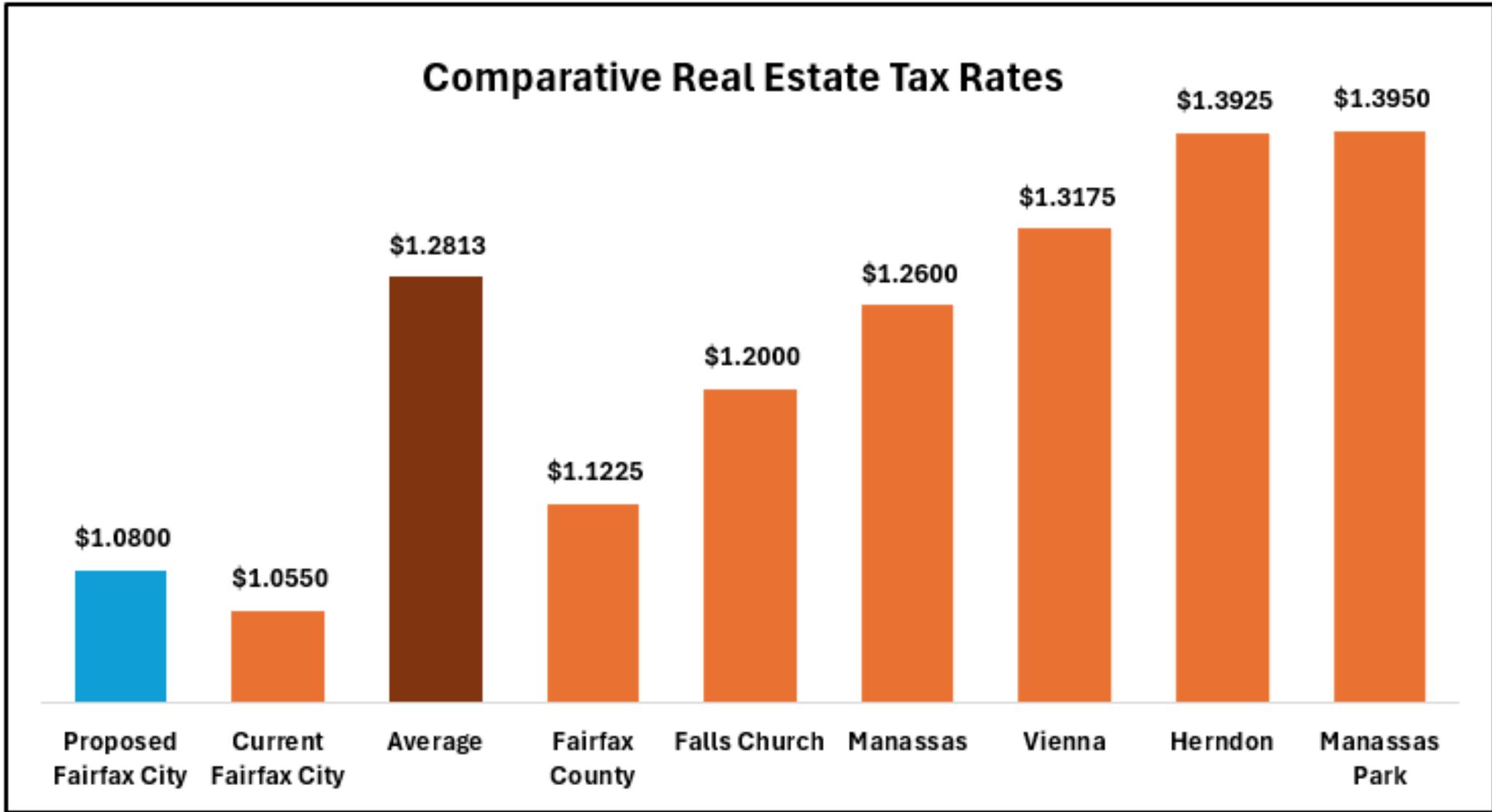
Average Residential Property

Avg Residential 2026 Assessed Value	\$726,287
2026 Taxes (\$1.055 tax rate)	\$7,662
2026 Taxes (\$1.080 tax rate)	\$7,844
Annual Increase	\$517
Monthly Increase	\$43

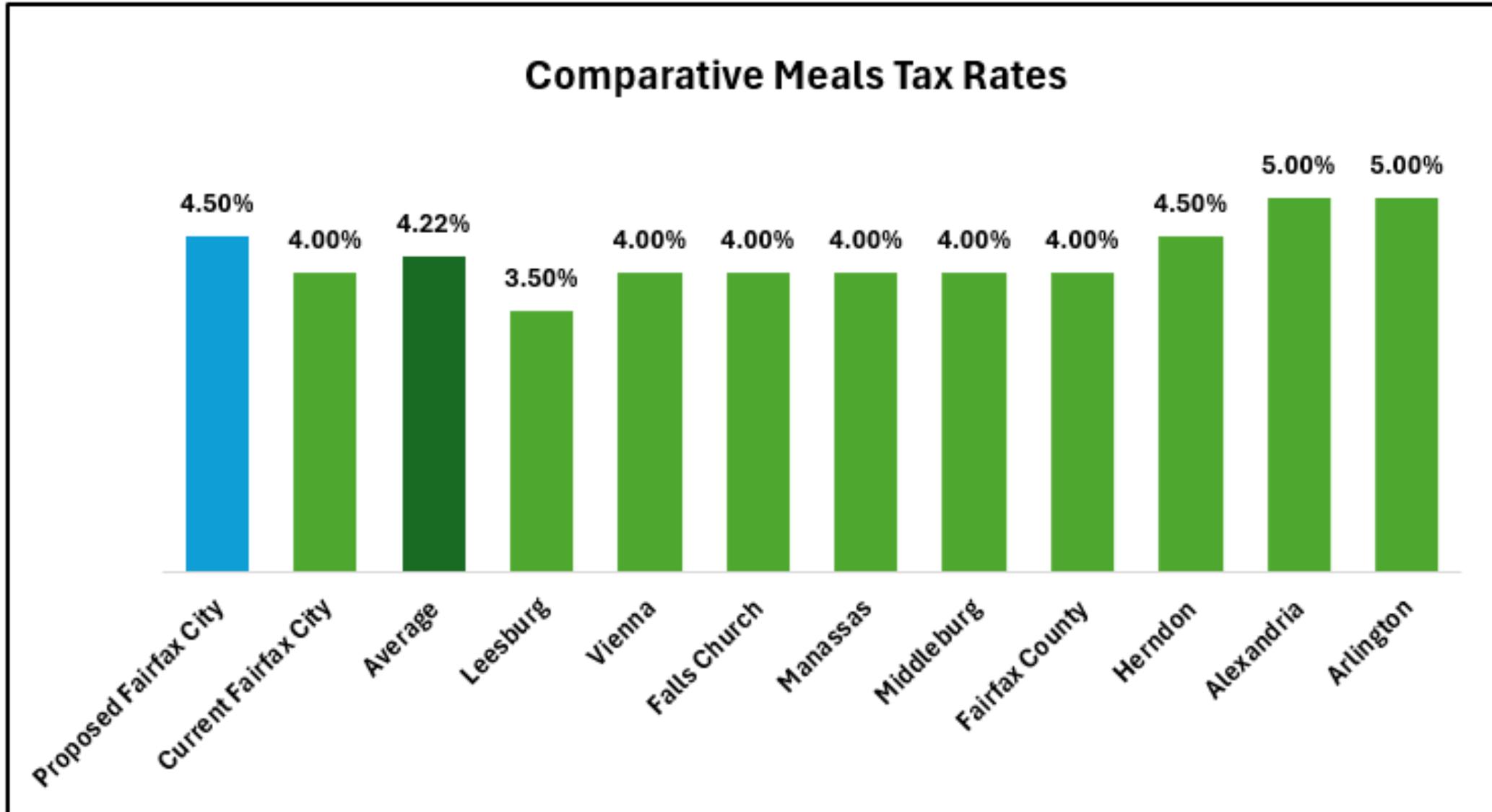
- \$335 due to natural growth in assessments (not a change in the tax rate)
- \$182 attributable to the tax rate increase



Comparative Real Estate Tax Rates



Comparative Meals Tax Rates



Highlights of Other Funds

Old Town Service District

Wastewater Utility Fund

Transit Fund – CUE Bus

Stormwater Utility Fund

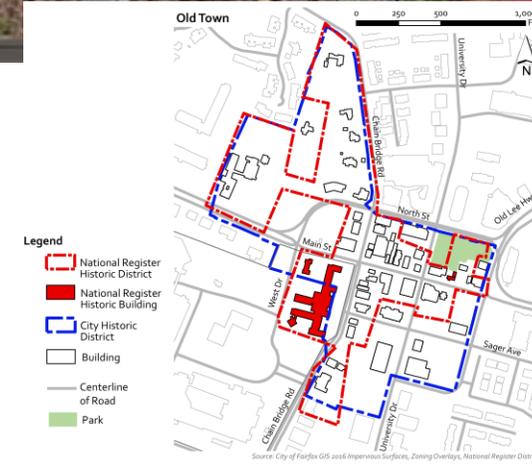


Old Town Service District (OTSD)

- **Tax Rate Maintained:** 8¢ per \$100 of assessed value
- **Annual Revenue Generated:** Approximately \$400,000

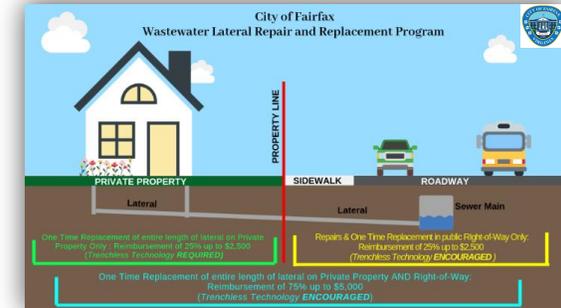
OTSD Continued Investments in Old Town

- **Parking & Area Enhancements:** \$65,000 annually
- **LED Streetlight Conversion Project:** <Dollar>
- **Contribution to Old Town Fairfax Business Association (OTFBA) via Economic Development Office (EDO):** \$150,000 Annually
 - Reinvested into ongoing economic development and revitalization efforts within the service district



Wastewater Utility Fund

- Provides for wastewater collection, treatment, administration
- Annual expenditures of \$19.9M
 - \$3.5M treatment of 1.2 billion gallons of wastewater
 - \$9.8M city share of FY27 cost for Noman Cole Wastewater Treatment Plant upgrades
 - \$6.6M in operational costs/debt payments/other capital costs
- Recommend rate increase of 6.0% (~\$44.65/yr. based on 56 tgal.)
- The need to continue to invest in wastewater capital projects is driven in large part by regulatory requirements.
- Fee-based Lateral Repair Program began March 2017
 - Residential customers are charged \$18 a year (\$4.50 per quarter).
 - Commercial customers are charged \$36 a year (3.00 per month).
 - Provides partial reimbursement of lateral repair/replacement costs.

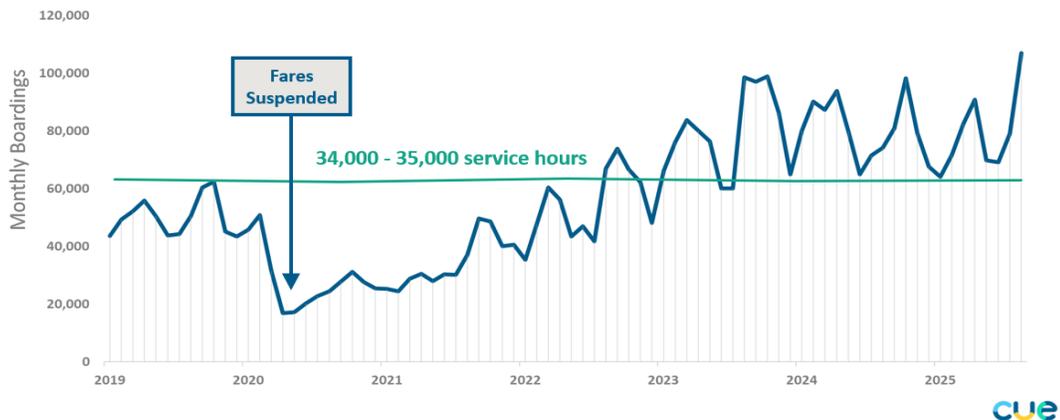


Transit Fund – CUE Bus

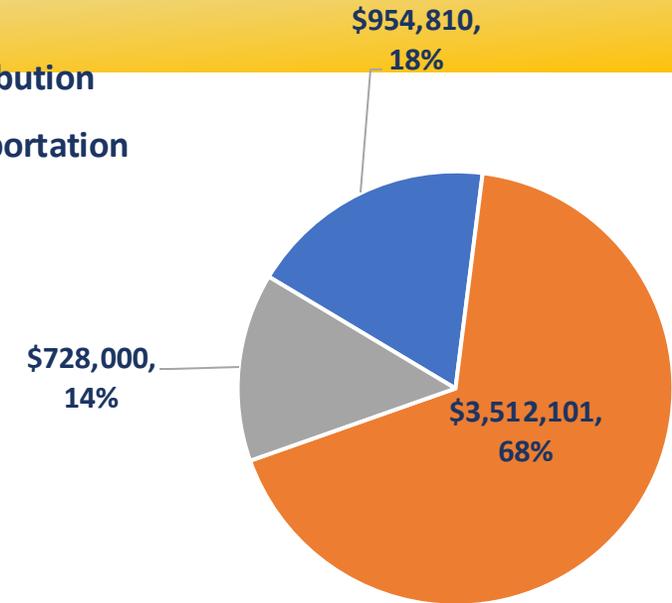
Zero Fare

- CUE suspended fares in March 2020 during COVID
- City Council formally adopted a four-year zero-fare pilot in January 2022 and received funding from the state to offset lost fare revenue (grant expires after FY 26)
- Bus ridership has increased 53% since 2019, largest ridership increase of transit providers in the region

CUE ridership has increased while service levels have remained constant.



- GMU Contribution
- Transportation Tax



Zero Fare Benefits

- Reduced barriers to using public transit
- Increased access to jobs, stores, school
- Improved operating efficiency
- Improved interactions between drivers and riders
- Improved access to state funding



Stormwater Utility Fund

- Utility adopted December 14, 2021
- Utility Fee charges began July 1, 2022
- Recommended FY 2027 Utility Fee by Billing Unit (BU)
 - One (1) Billing Unit = 500 sq. ft. of impervious surface area = \$36.02/yr.
(increase from the \$34.30/year in FY26)
 - 5% increase ~\$10.19/yr. based on 5 BUs
 - Average property = 2,500sq.ft. of impervious surface = \$180.10 at recommended rate
- Credit Program to reduce fee (\$68K in CY2025)
 - Structural Best Management Practices
 - Example – installing retention ponds, replacing impervious surface with pervious surfaces
 - Non-Structural Practices
 - Example – debris/litter cleanup, storm drain markers, planting or preserving trees

Storm Fund Major Projects & Programs for FY27

- Sager Ave Culvert Replacement
- Neighborhood Drainage Improvement Projects
- Storm Pipe and Culvert Lining
- Flood Mitigation Planning & Resiliency
- TMDL (Pollutant Reduction) Projects
- MS4 Permit Compliance



FY27 – FY31

Capital Improvement Program

5-year CIP Total: \$637,348,543

(School Renovations Portion: \$208,073,248)

FY27: \$83,098,281

FY27 – FY31 Total Projects: 84

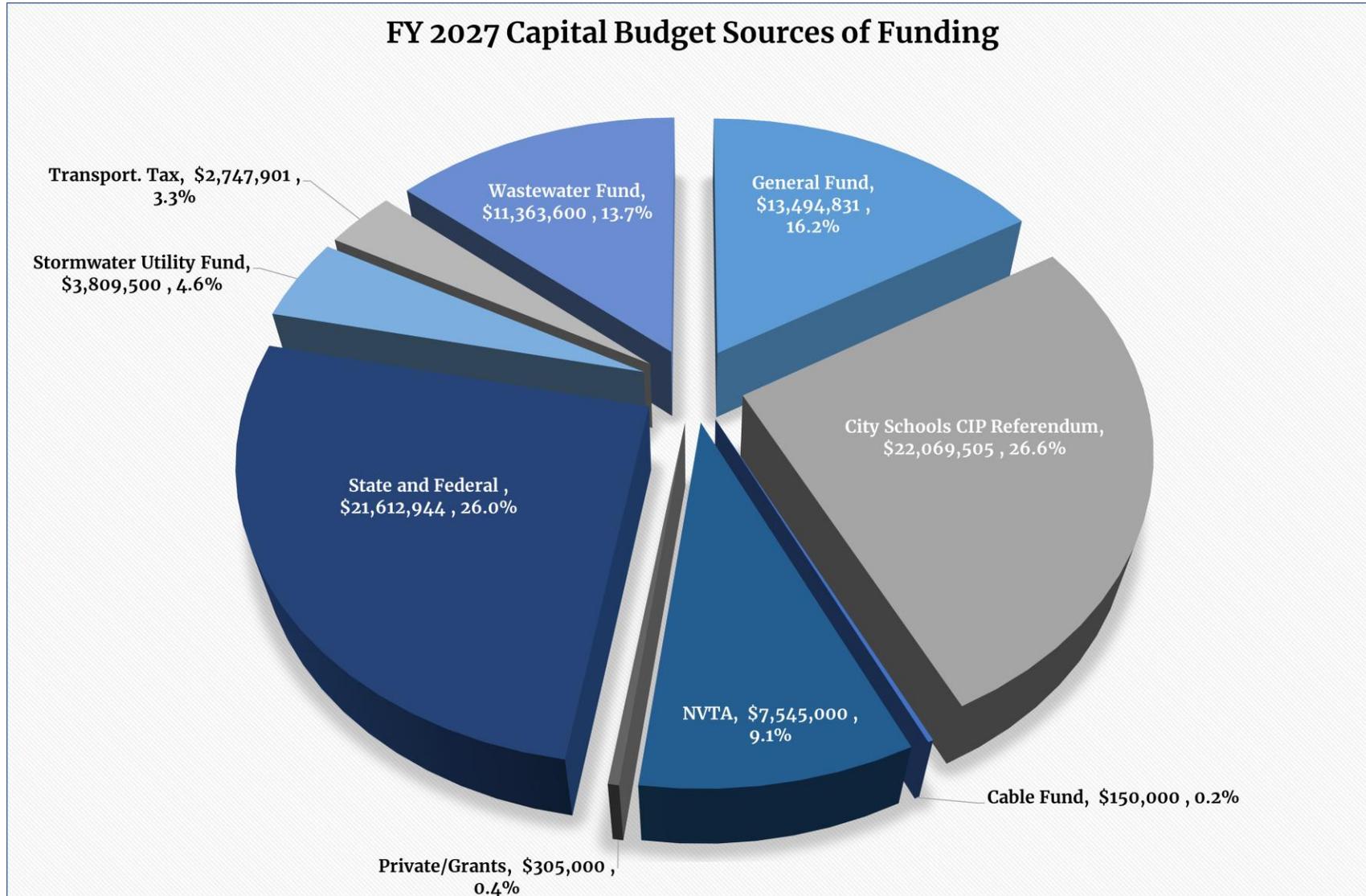


Summary of Proposed General Fund Supported CIP

Funding Summary	FY 2026 Adopted	Revised Budget	Act/Enc/Req From 7/2024	Available Budget	FY 2027 Proposed	FY 2028 Proposed	FY 2029 Proposed	FY 2030 Proposed	FY 2031 Proposed	FY 27 to 31 Total
General Fund										
Schools Capital Projects	\$ 120,000	\$ 4,459,876	\$ 3,282,788	\$ 1,177,088	\$ 840,000	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 3,340,000
General Government Capital Projects	23,991,200	58,000,857	14,598,831	43,402,026	9,573,956	13,294,500	29,419,500	74,732,000	66,000,000	193,019,956
Recreation / Community Appearance Capital Projects	9,606,438	55,869,830	1,899,820	53,970,010	794,000	11,200,000	10,200,000	5,200,000	-	27,394,000
Transportation Capital Projects	452,500	5,060,612	892,937	4,167,676	102,875	102,875	-	-	-	205,750
Infrastructure Repair & Maintenance	4,809,916	18,316,081	10,496,829	7,819,253	-	-	-	-	-	-
Technology Infrastructure Fund	3,266,110	7,325,970	4,962,277	2,363,692	260,000	150,000	550,000	-	-	960,000
Vehicles & Equipment Replacement Fund	5,993,000	14,312,551	9,950,532	4,362,019	1,924,000	5,358,000	3,683,000	2,481,000	2,430,000	15,876,000
Total General Fund	48,239,164	163,345,777	46,084,015	117,261,763	13,494,831	32,605,375	43,852,500	82,413,000	68,430,000	240,795,706
City Schools CIP Referendum	-	2,965,119	2,349,005	616,114	22,069,505	22,898,316	97,354,282	58,742,526	7,008,619	208,073,248



FY27 CIP Funding Sources



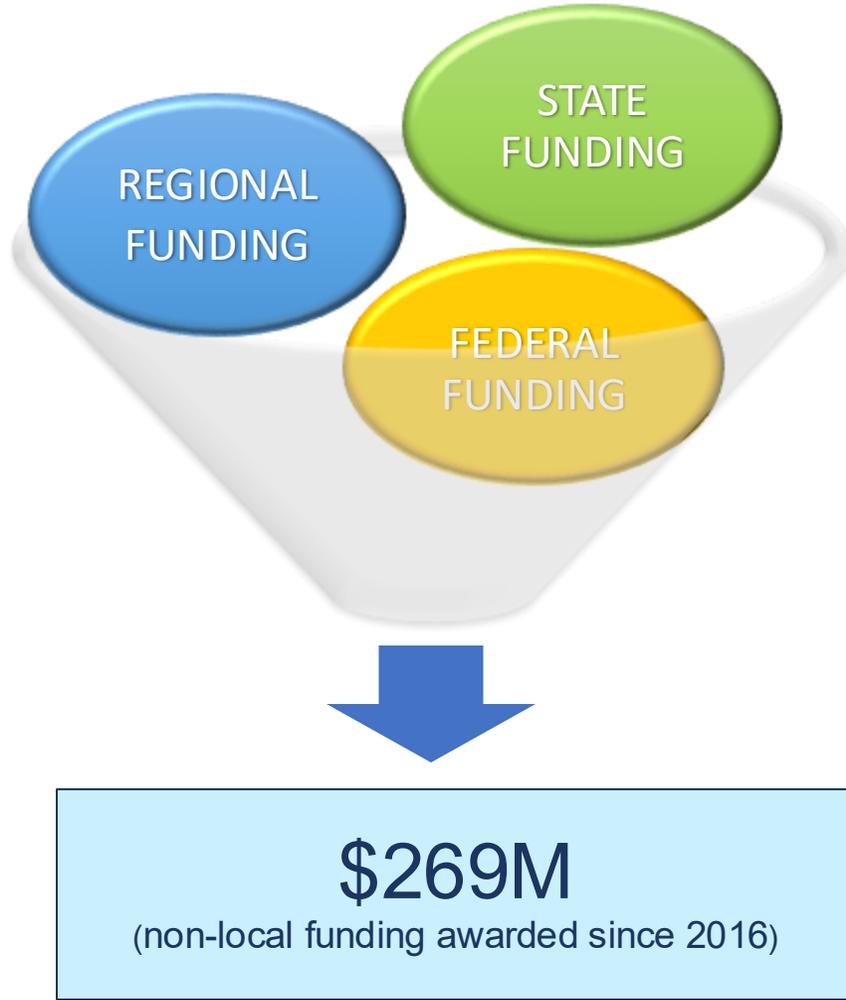
FY27 CIP Expenditures

Category	FY 2026 Adopted	FY 2027 Proposed	Change	
			\$	%
Schools Capital Projects	\$ 120,000	\$ 840,000	\$ 720,000	600.0%
City Schools CIP 2024 Referendum	-	22,069,505	22,069,505	0.0%
General Government Capital Projects	24,091,200	10,432,000	(13,659,200)	-56.7%
Recreation / Community Appearance Capital Projects	9,606,438	794,000	(8,812,438)	-91.7%
Environment Capital Projects	14,807,190	15,470,100	662,910	4.5%
Transportation Capital Projects	31,902,551	27,220,676	(4,681,875)	-14.7%
Infrastructure Repair & Maintenance	6,916,286	-	(6,916,286)	-100.0%
Technology Infrastructure Fund	3,266,110	260,000	(3,006,110)	-92.0%
Vehicles & Equipment Replacement Fund	6,359,000	6,012,000	(347,000)	-5.5%
Total Capital Improvement Program	\$ 97,068,775	\$ 83,098,281	\$ (13,970,494)	-14.4%

**In FY27, Infrastructure Repair & Maintenance has transitioned from the CIP to the operating budget, which reduces the total General Fund transfer, as these projects are now classified as operating expenses rather than capital improvements.



Transportation Revenues



23 Capital Projects Ongoing

- Blenheim Blvd Multimodal Project
- Jermantown Rd Corridor Improvements
 - South Street Extension
- Pedestrian Lighting & Crossing Improvements
 - Eaton Place/CBR Intersection

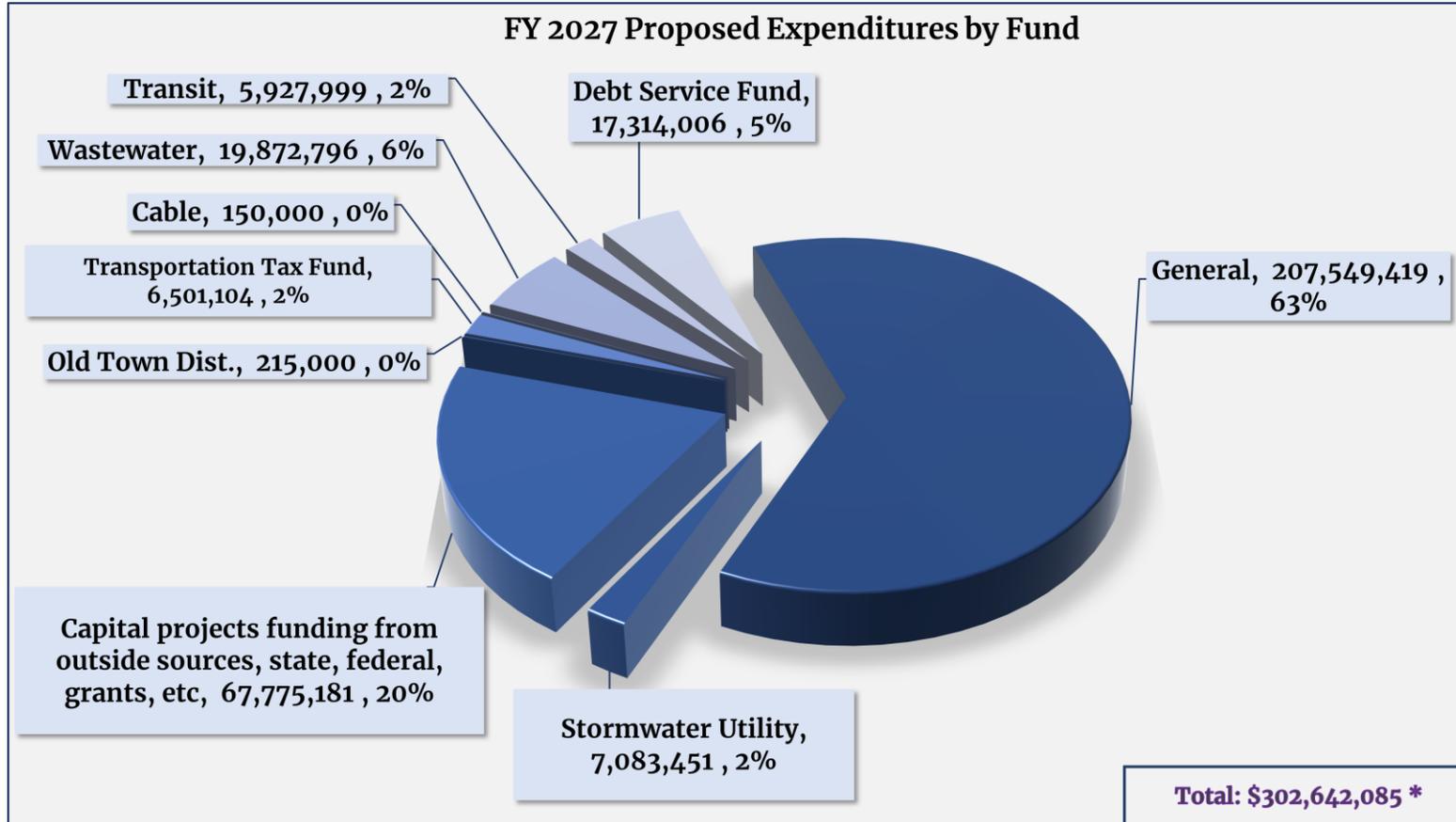


FY27 CIP Highlights

Schools - FHS Turf Replacement	\$ 750,000
Schools - Renovations	\$ 22,069,505
General Gov't - Fire Station 3	\$ 4,000,000
General Gov't - West Drive Property Yard	\$ 4,000,000
Recreation - Sherwood - HVAC/Floors	\$ 694,000
Stormwater - Sager Ave Culvert Replacement	\$ 1,760,000
Wastewater - Noman Cole Plant Upgrade	\$ 9,840,100
Transportation - Blenheim Blvd Multimodal Project	\$ 10,500,000



Total Recommended FY27 Budget – All Funds



Proposed Rate Changes

Real Estate Tax Rate \$1.080

Meals Tax 4.50%

Utility Fee Increases

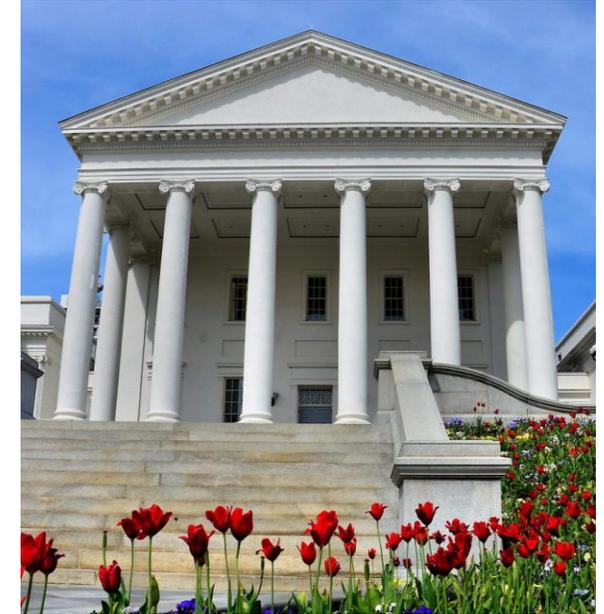
Wastewater 6%

Stormwater 5%



Emerging Policy Changes & Economic Pressures

- Pending 1% Local Sales Tax for School Construction
- Transient Occupancy Tax (TOT) Authority Expansion
- Collective Bargaining Implications
- National & Regional Economic Conditions
- Environmental, Social Services, & Transportation Funding



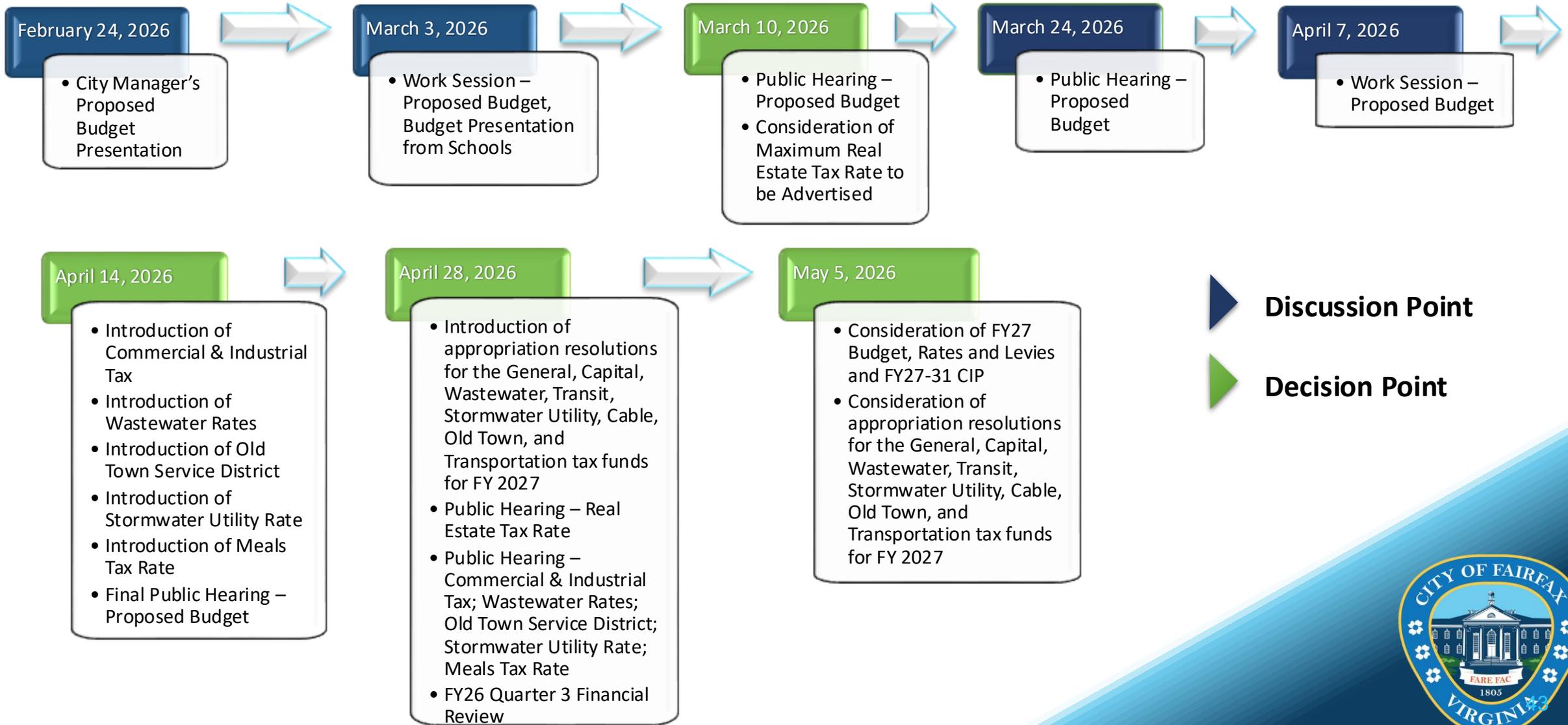
Secure, Sustain, Succeed



- **Modest, Competitive Revenue Adjustments**
2.5¢ real estate + 0.5% meals tax
- **Aligned with Surrounding Jurisdictions**
Mirrors regional tax rates
- **Funds Critical Capital Commitments**
School renovations & Willard-Sherwood project
- **Meets Planned Debt Service Obligations**
Supports long-term financial stability
- **Sustainable Employee Salary Increases**
Supports retention and competitiveness
- **No New FTEs Added**
Maintains staffing levels



Council Budget Timeline & Next Steps



Budget Work Session Topics

March 3

City Council / School Board Joint Meeting
General Fund Questions and Discussion
Discussion on Historical Real Estate Tax Rates for the City
Discussion on Setting the Max Real Estate Tax Rate (Action Item for March 10)

March 10

Discussion on Meals Tax
General Fund Questions and Discussion

March 24

Review of the Capital Improvement Program, Stormwater Utility Fund, and Wastewater Fund

April 7

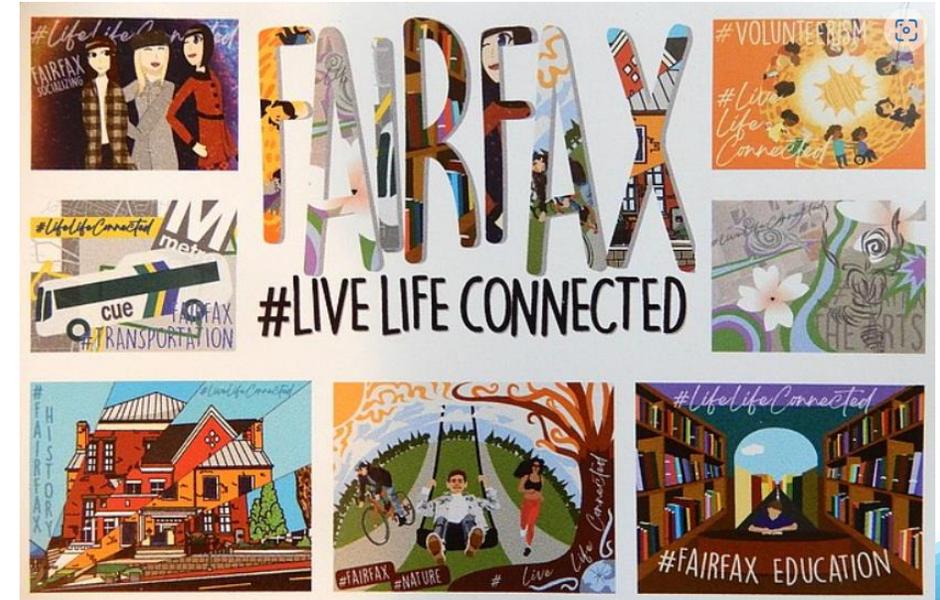
General Fund Questions and Discussion (if needed)

April 14

City Council Identified Topics

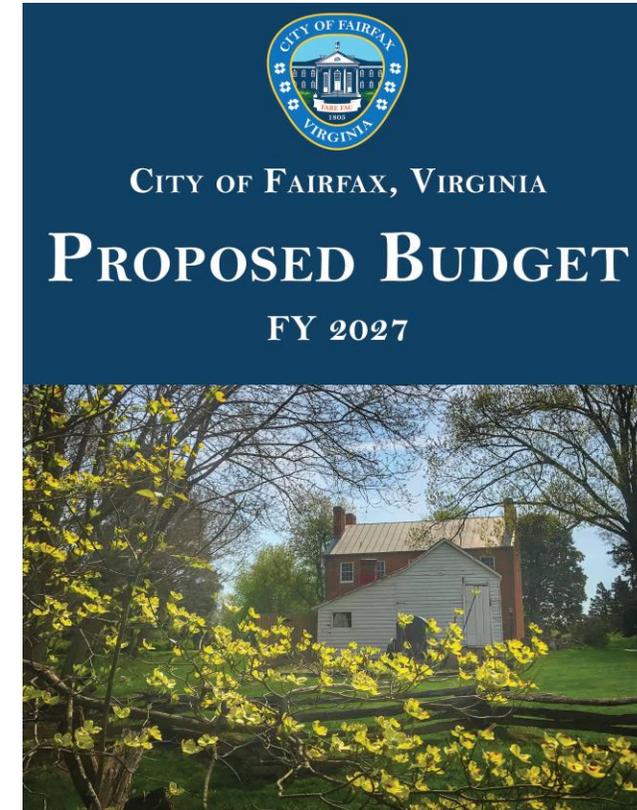
April 28

Final Work Session and Draft Changes Presented/Deliberated



Proposed Budget Online

- **Available Online via OpenBook (Euna Solutions)**
Interactive, searchable digital budget book
- **Easy Public Access**
Accessible anytime through the City website
- **Meets GFOA Budget Standards**
Structured to align with best practices
- **Link is:**
<http://www.fairfaxva.gov/budget>



THANK YOU!

Thank you to ALL who work hard everyday to make Fairfax City a livable connected community with exceptional services for all.

Special thanks to the following employees who played a vital role in the preparation of this budget:

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