

# *The City of Fairfax*

*Office of the City Manager*



February 26, 2013

The Honorable R. Scott Silverthorne, Mayor, and Members of the City Council  
City of Fairfax  
Fairfax, Virginia 22030

Dear Mayor Silverthorne, Members of the City Council, and Residents of the City of Fairfax:

As required by the Charter of the City of Fairfax and on behalf of the City's management team, I am pleased to submit for your review the proposed fiscal year 2013-2014 budget

The proposed budget addresses and incorporates the budget guidelines presented to the staff during the fall of 2012. It is also important to note that the proposed budget adheres to the City's adopted fiscal policies.

The proposed budget increases total spending to \$175,942,607 or an increase of 8.6%. Spending for the General Fund, which provides for the majority of City services, increases to \$127,029,741, an increase of 5.3% over FY 13.

While we have been optimistic that the City's economic fortunes have been improving, revenues still have not kept pace with expenditure growth in a number of areas. As is the case every year, the management team of the City works diligently to thoroughly review all revenues and expenses in an effort to operate the City as efficiently as possible.

The following represent key factors in preparing the proposed budget:

1. The FY 14 budget provides for the maintenance of all essential service levels in the City.
2. The budget is balanced, albeit necessitating a recommended real estate tax increase.
3. The City has retained its workforce at current levels and recommends two additional positions to support public safety and trash collection services.

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4. The proposed budget recommends increasing capital spending from the General Fund to \$5,124,062, an increase of \$2,250,448 over FY 13 levels.
5. The City School Board recommends an increase of \$1.1M over FY 13 levels to meet the anticipated increase in the amount of the instructional contract with Fairfax County.
6. The largest single area of increase has been that of the City's retirement funds. Both VRS and the City's supplemental plan are requiring increases recommended by the plan's actuarial consultants.

Total increases for FY 14 over FY 13 are \$1,888,193. This breaks down to \$1,193,664 for the public safety retirement system and \$694,529 for the general employee retirement system.

7. The City will continue to experience rising costs with regard to stormwater needs. Contained in this recommended budget is a doubling of the City's current one cent on the real estate tax rate. The two cent transfer to the Stormwater Fund will provide \$1,069,957 in FY 14 in order to meet the requirements of new state and federal regulations and to provide a critically needed, dependable source of funds for a realistic annual program of maintenance of the stormwater system.
8. Included in the budget is a repayment to reserves of \$500,000 as partial repayment of \$1.6M paid in FY 13 for a real estate tax refund.
9. The City successfully refunded a portion of its debt in FY 13, allowing a reduction in principal and interest in FY 14 of \$455,000.
10. The City's widely respected CUE Bus system will require increased support from the General Fund of \$345,000. The ridership on the CUE system is stable and the funding requirements to balance the system expenditures depend heavily on fluctuating regional agency support.
11. Non education contracts with Fairfax County and other contractual services needed by the City will rise \$301,000.
12. Fuel for the City's fleet and utilities to heat and cool City owned properties will increase \$230,000 over FY 13 requirements.
13. The City will receive an estimated \$450,000 after the sale of the Eleven Oaks property expected to close in FY 14.
14. The City's real estate tax base has witnessed an overall increase of 2.9% for 2013 which will provide \$1,664,000 in additional General Fund revenue in FY 14 at the current rate of \$1.01 per hundred.

15. Given the dramatically increased costs of the retirement systems and other fiscal pressures being forecast for FY 14, there are no funds being set aside for additional employee compensation. As local economies continue to struggle to regain their strength following the recession, it is unfortunate we are unable to find the resources necessary to restore annual compensation increases to our most important resource, our employees.
16. Three substantial revenue sources (sales tax, personal property tax, state aid) are projected to decline by \$1.02M from FY 13 levels.
17. Non-tax sources of revenue such as permits, fees, charges for services and miscellaneous charges will increase over FY 13 levels by \$909,000.
18. BPOL revenue is expected to climb by approximately \$240,000 in FY 14.
19. After a careful examination of each line item in the City's proposed budget, and, after requiring reductions in many worthy recommended expenditures, the projected available revenues in the General Fund did not match the recommended expenses.

In order to maintain the services levels on which the City prides itself, I have recommended an increase in the real estate tax rate of eight cents, to a rate of \$1.09. One of the eight cents will be transferred to the Stormwater Fund.

20. In a budget largely devoid of initiatives, three items deserve attention:

- The senior tax relief program will be modified with a change in the amount of the disability exemption limit. This will cost the City approximately \$40,000.
- After several years of reduced support from the City, the Renaissance Housing Program will receive \$50,000 to enable it to resume funding low interest loans for residential renovations.
- Funding has been included in FY 14 for a Zoning Ordinance Revision (\$185,000). The existing zoning ordinance is viewed as outdated and is perceived to negatively impact the City's economic development efforts.

21. Non-General Fund Factors.

- As mentioned above, significantly enhanced funding for the CIP is sought in order to continue services at a level expected by the community.
- Water and wastewater rates are set at levels equal to the cost of providing the service. For FY 14, the water rate is recommended to increase by 9.5% and the wastewater rate is recommended to increase 10%.

- The commercial and industrial real estate tax for transportation is set at \$.055 per hundred and is not recommended for an increase. However, recent action by the General Assembly to revise statewide funding sources for transportation may require a reanalysis of the amount and uses of this tax during budget discussions.

In summary, the proposed FY 14 budget will enable the City to maintain its stable fiscal position while continuing a conservative budgeting approach that has allowed the City to continue to deliver its services during these fiscally tight times.

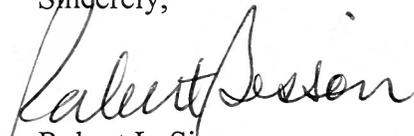
Our recommended spending plan reflects continued emphasis on the high standards of public service and the cost-conscious delivery of services while providing for significant investments in the City's facilities and infrastructure. Our tradition of transparent government and careful fiscal management of the City's resources has enabled the City to earn and preserve its AAA bond rating, reflecting the highest possible standard of civic stewardship.

The City's management team has worked hard to make the City's organization and services more efficient and reactive. This requires the constant effort of all of our employees whose dedication and hard work touches many residents daily. To each member of the management team, I am thankful for your professional skills and leadership and for your assistance in putting together this budget.

I also wish to recognize the extraordinary dedication of the budget team, Mr. David Hodgkins and Ms. Jennie Tripoli. Supporting them, Ms. Burrell, Ms. Steele, Ms. Petrie, and Mr. Havercamp; all have made significant contributions.

To the Honorable Mayor and Members of City Council, we, as City employees, are grateful for your dedication and commitment to public service and we look forward to our joint discussions of the contents of this recommended budget.

Sincerely,



Robert L. Sisson  
City Manager