Historic Old Town Hall

City Manager's

Budget Message

FY 2021 Budget

Highlights of FY 2021 Proposed Budget

1. Expenditures for all funds total $184,967,107, an increase of 8.4% from FY 2020 (General, Stormwater, Capital Projects, Old Town Service District, Transportation Tax, Cable, Wastewater and Transit).

2. General Fund revenues and expenditures equal $153,573,791, an increase of 5.7% over FY 2020.

3. Capital Fund expenditures for General Fund supported projects of $12,916,892 ($7,535,360 General Fund transfer) representing 8.4% of General Fund expenditures, and an increase of 60.7% over the FY 2020 amount of $8,038,362

The $4,878,530 increase in General Fund investment for capital programming and infrastructure support is as follows:

	FY2020	FY2021	Change $	Change %
Technology	$ 315,581	$ 1,125,538	$ 809,957	256.7%
Vehicles & Equipment	819,500	1,660,000	840,500	102.6%
School Projects	389,000	1,530,000	1,141,000	293.3%
General Government	6,514,281	8,601,354	2,087,073	32.0%
Total General Funding	$ 8,038,362	$ 12,916,892	$ 4,878,530	60.7%

4. The proposed real estate tax rate increases from the current real estate tax rate of $1.075 to $1.1075 per $100 of assessed value; of this, 3.25¢ is dedicated to the Stormwater Fund; average residential tax bill to increase 5.15% based on a real estate tax rate increase of 3.25¢ (3.0 ¢ General Fund and .25¢ Stormwater Fund) and a 2.06% increase in assessed values. For CY 2020 the average City residence (assessed value of $522,243) annual real estate tax bill would increase $283 to $5,784.

5. 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 $1.0533 per $100 of assessed value.

6. No increase in the Commercial and Industrial real estate tax rate of 12.5¢ per $100 of assessed value.

7. One cent on the real property tax rate is equivalent to $656,387.

8. Excluding new construction, real estate residential assessments increased an average of 2.06% for CY 2020; commercial assessments increase an average of 1.61% for CY 2020; combined assessments increase an average of 1.90% for CY 2020.

9. Based on increase in value (excluding new construction), CY 2020 assessed value of all real property equals $6,322,913,200, an increase of $118,171,200 or 1.90%. The assessed value due to estimated new construction is $126,845,900 or 1.97%. Assessed value of all real property equals $6,449,759,100, an increase of $245,017,100 or 3.95%.

Highlights of FY 2021 Proposed Budget (cont.)

10. The FY 2021 budget recommends a 3.5% merit raise for eligible employees at a cost of $538.1k (General Fund). No cost of living adjustment (COLA) is provided in FY 2021; however, a 2.5% market rate adjustment was applied to employee pay scales to retain parity within the region.

11. Additional full-time and part-time employee positions for FY 2021 are being proposed:
    a. 0.25 Administrative Assistant (Fleet Maintenance) converts a part-time position to full-time.
    b. 1.0 Assistant Fire Marshal (Fire Code Administration)
    c. 1.0 Environmental Program Specialist (Refuse)
    d. 0.25 Special Events Coordinator (Parks Special Events) converts a part-time position to full-time.
    e. 1.0 Business Application Manager (City Manager's office)
    f. 0.6 Historic Resources Specialist I (Historic Resources)
    g. 1.0 Business Development Manager (Economic Development)
    h. 0.5 Economic Development Specialist (Economic Development)
    i. 1.0 Urban Forester (Stormwater Fund)
    J. <1.0> Emergency Management Specialist (Fire Code Administration - reduction)

12. Wastewater utility rate increase of 8.0% to support the City's share of capital project costs required for the Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility).

13. Use of $398,051 Unassigned General Fund Balance.

14. Unassigned General Fund Balance is 12.0% of General Fund revenues in conformance with the Council's Financial Policy.

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 rather 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 November.
- 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 and services 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.
- By law, local government budgets must be balanced; i.e., expenditures may not exceed revenues.

City Council Review and Adoption: March – June

- City departments provide department budget presentations.
- 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, is enacted by City Council as the proposed budget.
- The budget can only be amended by the City Council after proper notice and a public hearing.
- The Proposed Operating Budget takes effect on July 1, the beginning of the fiscal year.
- City Council adopts the real estate tax rate, all other rates and levies, and the 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 in a joint work session 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 operating funding requests and available resources. A capital budget (the first year of the CIP) is included in the operating budget—together they become the proposed budget. The CIP document contains all detailed project and budgetary information for the full five-year period.

BUDGET REVIEW SCHEDULE

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

FY 2021 Budget Calendar*

Date	Action Item
November 5, 2019	FY 2021 CIP Joint Work Session with Planning Commission; CIP Presentation
November 12, 2019	Discussion of the FY 2019 Financial Results, FY 2020 Budget Update, Projections for FY 2021, and suggested FY 2021 Budget Guidelines.
December 10, 2019	FY 2021 Budget Guidelines – Public Hearing and Adoption
February 11, 2020	City Council Work Session
February 25, 2020	FY 2021 Proposed Budget Presentation
March 3, 2020	FY 2021 Budget Staff Presentations to Council and Community Outreach, OTSD discussion
March 10, 2020	FY 2021 Introduction of ordinance to establish boundaries and maximum tax rate for OTSD
March 24, 2020	FY 2021 Public Hearing and City Council Budget Discussion Work Session; Consideration of Real Estate Tax Rate to be Advertised**; Public Hearing OTSD
April 7, 2020	FY 2021 City Council Budget Discussion Work Session
April 14, 2020	FY 2021 Introduction of C&I and Wastewater rates
April 28, 2020	FY 2021 Public hearings for RE Tax Rate; City Council Budget Discussion Work Session
May 6, 2020	FY 2021 Special Council Meeting - Public Hearings: Budget, Rates & Levies, C&I and Wastewater; Budget Adoption (Please Note: WEDNESDAY replacing Tuesday's regular Work Session)

* All meetings listed are scheduled to begin at 7 pm on the designated date. Please check the City of Fairfax Community Calendar found on the City's website for updates as the meeting date approaches.

** Required 30 days advance notice prior to public hearing on real estate tax rate if assessments increased greater than 1%.

ORGANIZATION OF THE BUDGET

The City's financial operations are budgeted and accounted for in a number of 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 of the following funds are approved (through appropriation resolutions) and can be found in proposed 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, the majority 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 Fund (continued) – General government services and expenditures are organized into the following functions: Legislative, Judicial Administration, Electoral Board, General and Financial, Public Safety, Public Works, Social 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, 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 included as part of the annual budget.

Stormwater Fund — This fund was established to account for major stormwater projects. 3.25¢ on the real estate tax rate has been proposed for project funding. This is a separate Capital Fund.

Cable Grant Fund — This fund receives its revenue from cable television fees, which can only be used for cable television equipment. This is a separate Capital Fund.

Old Town Service District Fund (OTSD)– This fund was established to fund services and capital projects in the Old Town District. The City levies an additional 6.0¢ per $100 of assessed value on all properties in this district. The tax levy for this fund will sunset June 30, 2020. The FY 2021 proposed budget assumes the OTSD will be reinstated in FY 2021 and remain in force for an additional 20 year period.

Utility Fund — Wastewater services are accounted for in the Utility Fund, which 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 NVTA and the Northern Virginia Transportation Commission (NVTC).

Transportation Tax Fund – This fund levies a proposed 12.5¢ per $100 of assessed value on all commercial and industrial properties. This fund also accounts for "30%" monies received from the NVTA pursuant to HB2331. The revenue collected is used exclusively for qualified and approved transportation projects and transit costs.

BUDGETARY BASIS

The budgets of the General and Capital funds (including Stormwater, 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 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, which are excluded for budgeting purposes, are included in the City's Comprehensive Annual Financial Report (CAFR).

Council Goals*

1. ***Economic Development:***

   Capture opportunities for economic development and advance the economic health of the City through active marketing and balanced business recruitment, retention, expansion, incubation and placement to progress a business environment that supports the quality of life to which our residential and business communities have become accustomed.

2. ***Governance:***

   Maintain a high-performing, transparent, efficient, and effective governing system through open, multimodal communication with our residential and business communities; active participation from our diverse citizenry; and a professional, capable City administration collectively creating a model of successful municipal governance to sustain the City as a vibrant, thriving community.

3. ***Neighborhoods:***

   Build strong, safe, secure, and sustainable neighborhoods and improve quality of life through active community participation, improved physical and virtual connectivity, provision of a diverse mix of housing options, a culture of shared investment and accountability, and robust City services.

4. ***Transportation:***

   Provide for the safe, efficient, and effective movement of pedestrians, cyclists, motorists, mass transit and commercial vehicles within and across the City and region through an improved multimodal transportation system and by promoting a culture that embraces alternatives modes of transportation that supports a sustainable and healthy community.

5. ***Redevelopment:***

   Preserve our sense of place, support our changing demographics, prioritize housing affordability, and enable commercial and retail success to grow the local economy through appropriate, targeted, sustainable, and transportation-oriented redevelopment.

***These goals were adopted by the City Council on October 23, 2018.**

Strategic Priorities & Goals

1 Economic Development

Capture opportunities for economic development and advance the economic health of the City.

Culture & Rec

Enhance the cultural and leisure time activities for the Fairfax community.

Community Development

Develop and support coordinated land use and development strategies and policies consistent with the City's Comprehensive Plan.

General and Financial Admin

Provide the citizens the City with a strong, diverse economy that provides a wide range of goods and services for the community and an economy that provides a high rate of taxable revenue to the City.

2 Governance

Maintain a high-performing, efficient and effective government system.

Legislative

Set goals and formulate policy for providing a variety of needed or required municipal services to City residents.

Judicial Administration

Ensure fair, effective Court services for City residents.

Electoral Board

Promote our representative form of government by ensuring the integrity of the voter registration process and conducting free and fair elections.

General and Financial Admin

Ensure that resources funded by the City Council are well managed and available to provide municipal services to City residents.

Strategic Priorities & Goals

3 Neighborhoods

Build strong, safe neighborhoods and improve residential quality of life.

Public Safety
Increase sense of safety and protection of life and property.

Public Works
Provide City residents with refuse collection, stormwater and street Maintenance.

Culture & Rec
Enhance the quality of life by planning, administering and operating leisure-time activities for City residents.

Schools
Provide the best possible educational opportunities for the citizens of Fairfax.

Social Services
Provide real estate tax relief to qualified elderly or disabled residents.

Community Development
Improve and preserve the aesthetics throughout The City.

General and Financial Admin
Foster better communication between the City and neighborhoods. .

4 Transportation

Provide for the safe, efficient and effective movement of all traffic through the City.

Public Works
Improve pedestrian infrastructure, bicycle and automobile transportation.

Community Development
Improve and facilitate safe bicycle, pedestrian and vehicle mobility throughout the City.

5 Development and Redevelopment

Enable appropriate and targeted mixed use development and redevelopment within the City.

Culture & Rec
Enhance the cultural and leisure time activities for the Fairfax community.

Public Works
Maintain City infrastructure to aid in attracting new economic activity to the City.

General and Financial Admin
Assist in finalizing and implementing current redevelopment and transportation projects

Social Services
Assure access of human services programs to all City residents.

Community Development
Facilitate well-conceived development and redevelopment projects and land use that enhance the quality of life for City residents.

Council Strategic Goals Linked by Function

The five strategic goals generated by the City Council provide the framework to align our top strategic priorities through City Departments in creating goals and objectives that support the City Council's vision and achieve operational and sustainable accountibility.

The relationship between departments and related council strategic goals are identified in the chart below:

Strategic Priority					
Function*	**#1** ***Economic Development***	**#2** ***Governance***	**#3** ***Neighborhoods***	**#4** ***Transportation***	**#5** ***Redevelopment***
Legislative		✸			
Judicial Administration		✸			
Electoral Board		✸			
General and Financial Administration	✸	✸	✸		✸
Public Safety			✸		
Public Works			✸	✸	✸
Social Services			✸		✸
Culture and Recreation	✸		✸		✸
Community Development and Planning	✸		✸	✸	✸
School Board/Education			✸		

*** - See "General Fund Overview" (following) for department detail and page references.**

General Fund Overview

The General Fund is the principal operating fund of the City. The majority 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 (page D-2)**
  - Mayor and City Council; City Clerk
- **Judicial Administration (page D-9)**
  - General District Court; Joint Court Service; Juvenile and Domestic Court; Court Service and Custody
- **Electoral Board (page D-17)**
- **General & Financial Administration (page D-23)**
  - 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 (**page D-71**)
  - Fire (**page D-83**)
- **Public Works (page D-95)**
  - Asphalt Maintenance; Concrete Maintenance; Snow and Ice Control; Storm Drainage; Signs, Signals, and Lighting; Refuse Collection; Facilities Maintenance; Streets and Rights of Way; Administration and Engineering
- **Social Services (page D-123)**
  - Health Department; Commission for Women; Community Services Board; Senior Citizen Tax Relief; Human Services Director; Social Services
- **Culture and Recreation (page D-137)**
  - Parks and Recreation Administration; Special Events; Facilities Maintenance; Park and Ball Field Maintenance; Library; Historic Resources
- **Community Development & Planning (page D-163)**
  - Planning and Design Review; Current Planning
- **School Board/Education (page D-173)**
  - School Board; Contracted Instruction Costs; Capital Outlay; Debt Service; Capital Leases
- **Non-departmental (page D-181)**
  - General Debt Service; Employee Fringe Benefits; Salary Vacancy; Reserve for Contingency; Contributions to Regional Agencies; Fund Transfers; Capital Leases

Wastewater

Fiscal and Operating Policies

ESTABLISHMENT OF RATES

1. Wastewater rates and fees shall be established by City Council in a transparent manner consistent with all similar City activities. To that end, customers and residents (the rate payers) shall be given notice of all meetings of the City Council when such discussions and rate settings occur. In the establishment of annual Wastewater rates, the City shall adequately disclose future growth plans and their expected impact on future rates.
2. The City shall annually prepare and include in the proposed budget a three-year future estimated rate schedule. The City is currently performing a rate study analysis which is scheduled for completion later this calendar year (2020).
3. All ratepayers shall be charged uniform rates within their rate class. The determination of rates for the enterprise funds shall conform to standard municipal utility practices.
4. Rates for the enterprise funds, including the timing of rate adjustments, shall be designed to recover fixed and variable costs in such a manner as to ensure cost recovery and rate stability.
5. Rates of the enterprise funds shall be established to 1) ensure efficient and effective operation of the utilities, 2) fully recover actual operating and maintenance expenses incurred during the fiscal year, 3) repay annual debt payments for capital expenses of the enterprise fund, and 4) ensure surplus revenues are reserved to facilitate rate stability for ratepayers.

APPLICATION OF THE MANAGEMENT FEE

1. The Wastewater utility shall reimburse services received from other City departments, including but not limited to, personnel, administrative expenses, equipment and facilities. These services shall be prorated to reflect actual costs and designated as the “management fee”. The Wastewater enterprise fund shall reimburse the City for materials and services purchased during the fiscal year when consumed.
2. The procedures used to allocate each fund’s share of the management fee shall be reviewed by the City’s auditor not less frequently than every five years. The results of such a review shall be included as part of the documentation for subsequent rate proceedings. Unless otherwise justified by the auditor’s review, the total amount included in the Wastewater enterprise fund for payment to the City, or other entities, for management fee expenses may each be increased at a rate no greater than the growth rate of the City’s total budget.

RECOVERY OF CAPITAL INVESTMENT

1. Utility physical plant investments in excess of normal and customary repair and replacement will be capitalized and amortized for rate setting over their useful lives, either through depreciation/amortization or sinking fund amortization of borrowings. Normal and customary repair and replacement will be expensed when incurred during the fiscal year. Depreciation and amortization shall conform to standard municipal utility practices.

UNDESIGNATED FUNDS

1. Surplus revenues, also known as Undesignated Funds, will be used in lieu of customer revenues, if possible, when those surplus funds reach a level equal to 100% of the prior year's fund expenses, unless such funds are to be held for pay-as-you-go capital expenses.
2. Surplus revenues shall be invested through the City and the interest earned shall be credited to the Wastewater Fund. Surplus revenues shall not be transferred from the Wastewater account to be used for non-utility purposes.

Noman M. Cole Wastewater Treatment Plant
(Fairfax County facility where the City's wastewater is treated)

Council Proposed 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 March 13, 2018.

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 takes into account projected operating revenues and expenditures as well 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 that does not rely on recurring financial support from the City's General Fund.

Reserve Policies:

1. The General Fund Unassigned Fund Balance should be grown to a minimum of 12% of total General Fund revenues (as defined below) by the end of fiscal year 2021. The Unassigned Fund Balance will be measured for policy compliance at the end of each fiscal year. The City anticipates dedicating already earmarked transportation fund reserves, potential school tuition surpluses, and/or other annual surpluses to the Unassigned Fund Balance until the 12% target is met. If these previously listed sources of potential funding are insufficient to meet the target the City will pro-actively adjust its budget to meet the 12% target by the end of FY 2021.

2. Once the Unassigned Fund Balance policy is met, the City shall establish 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. 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 shortfalls in the City's portion of WMATA funding;
   b. unforeseen school tuition contract increases;
   c. a declared fiscal emergency;
   d. a financial opportunity(s) to enhance the well-being of the City; or,
   e. other such global purpose as to protect the long-term fiscal security of the City.

If the BSF reaches the maximum 3% level, the portion of any surplus normally allocated to the BSF will be allowed to fall to Unassigned Fund Balance, which may be appropriated by City Council for any one-time expenditure.

3. If the Unassigned General Fund Balance falls below its minimum threshold of 12% 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 CAFR with the following adjustments:

a. Exclude Old Town Special Tax District Revenues reported in the General Fund;

b. Exclude Stormwater Tax Revenues reported in the General Fund;

c. Exclude Commercial and Industrial Tax Revenues reported in the General Fund;

d. Include revenues reported in the School Operating Fund other than the local transfer from the General Fund.

Debt Policies:

1. Debt Service Targets

e. Annual debt service expenditures shall be less than nine percent of annual expenditures.

f. 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 comprehensive annual 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 Proposed Budget Guidelines

FY 2021 Budget Guidelines were approved by the City Council December 10, 2019.

Revenue:

• Projected revenues must equal or exceed proposed 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.

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.

• Evaluate human resources needed to provide the appropriate level of City services and 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.

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 Unencumbered General Fund Balance in conformance with the City Council adopted financial policies.

Financial:

Follow the rating agencies and financial advisor directives, in order 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 (Proposed FY 2021)	415.78

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 (2019 CAFR)

Zeta Associates
Fairfax Nursing Center
Ted Britt Ford Sales
Sunrise
Home Depot
Fairfax Volkswagen, Honda
Van Metre Management
Lowe's

Largest Public Employers (Nov 2018)

City of Fairfax
Dominion Virginia Power
U.S. Postal Service
Department of Rehabilitation Services
U.S. Department of the Treasury

Taxes:

Real Estate Tax Rate

FY 2020: $1.075 per $100 assessed value
FY 2021: $1.1075 per $100 assessed value (proposed)

Personal Property Tax Rate

FY 2020: $4.13 per $100 assessed value
FY 2021: $4.13 per $100 assessed value (proposed)

City Finances – Bond Ratings

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

Population

2018 UVA Weldon Cooper Ctr. Estimate	24,552
2018 U.S. Census Estimate	24,574
2010 U.S. Census	22,565
2000 U.S. Census	21,498
1990 U.S. Census	19,622

Households

2014-18 American Community Survey Estimate	8,553
2010 U.S. Census	8,347
2000 U.S. Census	8,035
1990 U.S. Census	7,362

Average Household Size

2014-18 American Community Survey	2.72 persons
2010 U.S. Census	2.64 persons
2000 U.S. Census	2.61 persons

Age (2018 Census Estimate)

(1-19)	26.9%
(20-34)	20.4%
(35-64)	38.5%
(65 +)	14.3%

Race and Ethnicity (2018 Census Estimate)

White	54.9%
Asian	18.8%
Hispanic	17.4%
Black	5.7%
Other/Multiracial	3.2%

Note: White, Asian and Black categories include non-Hispanics only.
Source: U.S. Census Bureau

Unemployment

	CY 2018	*CY 2019*
City of Fairfax	2.3%	2.1%
Virginia	3.0%	2.8%
United States	3.9%	3.7%

Vacancy Rates

	FY 2018	*FY 2019*
Office Space	11.9 %	10.1 %
Retail Space	4.8 %	5.5 %

City of Fairfax Employment by Industry

The largest major industry sector was Health Care and Social Assistance with 17.5% of the employment followed by Retail Trade with 17.2%, Professional, Scientific and Technical Services with 14.9%, and Accommodation and Food Services with 12.9 %. The following is a listing of major industries and the number employed in those sectors for 2019 in the City of Fairfax.

Industry Group	Employees
Health Care and Social Assistance	3,507
Retail Trade	3,435
Professional, Scientific & Technical Services	2,972
Accommodation and Food Services	2,575
Administrative and Waste Services	1,478
Public Administration	1,125
Other Services (except Public Administration)	1,078
Finance and Insurance	900
Arts, Entertainment and Recreation	662
Construction	561
Education Services	436
Information	290
Transportation and Warehousing	269
Real Estate, Rental and Leasing	163
Wholesale Trade	158
Manufacturing	145
Management of Companies and Enterprises	113
Unclassified	90

Source: Virginia Employment Commission,
Quarterly Census of Employment and Wages, Second Quarter 2019

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 area'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 direct access to Metrorail (rapid transit) at the Vienna/Fairfax/GMU station, less than three miles from the center of the City.

Local Economy

Economic growth remains stable in the City. Private sector employment within the City increased year over year. As of June 2019, there were 19,957 jobs within the City of Fairfax (as reported by the Bureau of Labor Statistics). The City's 2019 unemployment rate of 2.1% was well below state (2.8%) and national (3.7%) averages.

Three key revenue sources are bellwethers for the local economy – general property taxes, local sales and use tax, and Business Professional and Occupational License (BPOL) taxes. General property assessments increased 3.95% from CY 2019 to CY 2020. BPOL tax revenues increased by $0.60 million or 6.8%, while local sales and use tax revenue increased $0.11 million or 1.0%

Economic Development Program

The Economic Development Office (EDO) seeks to foster an inclusive business community that is diverse and robust with a strong commercial tax base to enhance the standard of living for all Fairfax City residents through development, redevelopment, and programming. The office also serves as a resource for developers and consultants with specific commercial, office, and industrial development projects providing assistance with locating sites within the City to understanding local regulations. In addition to these services, the EDO works with the Economic Development Authority (EDA) 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.

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 the EDO leverages its resources and access to talent to maintain and enhance the City's business community while pursuing economic growth.

The 2020-2021 Proposed Budget continues to invest in the core services of the EDO, which is to support entrepreneurship, build vibrant and healthy activity centers, leverage publically owned assets, and strengthen our business community. To accomplish this, the EDO develops and administers programming and services that:

- attracts residents, visitors, and new businesses to the City
- invests in the retention and growth of existing businesses
- increases business visibility to the region and beyond
- supports and provides technical assist to local business associations, chambers, and regional alliances
- provides access to capital to support commercial tenant improvements and relocation

For FY21 the EDO and EDA will continue to expand our programming and work with partners to ensure maximum impact. This includes developing capacity building into our Fairfax City Restaurant Week program to assist our restaurant community with capitalizing on marketing components of the program to assist with identifying marketing needs and direction. As well as incorporating neighborhood restaurants (fast casual) into the program for greater business participation and access to unique dining experiences. The EDO will also continue to build on newly created programs such as the Old Town Fairfax Crawl and Park(ing) Day to promote a walkable City and re-envision urban landscapes while promoting our City business community. Additionally, the office will evaluate existing programs to determine their impact as

well as optimize resources and develop new programs that engage businesses throughout the City as well as professional and tech industries.

The EDO and EDA will also expand its small business support by continuing its façade improvement program, researching small business programs, and creating startup resources. Researching and implementing both small business programs and startup resources will allow the City to address challenges and disparities effecting small businesses, preserve neighborhoods, and support strong and resilient communities.

The EDO and EDA will work with GMU to strengthen our partnership in creating a strong City/university relationship by identifying needs/programs that could relocate into the City to respond to the University Fairfax campus needs while creating a sense of community within the City. The EDO and EDA will also continue its oversight of the Mason Enterprise Center – Fairfax (MEC) to not only advance the relationship with GMU but also encourage the graduation and relocation of businesses such as FedWriters and Blue Ridge Dynamics into the City with the Fairfax City Connected Grant while at the same time working to identify the next iteration of the MEC through the use of retained consultants. In addition to programmatic and strategic planning, the EDO with continue to build upon City/university business engagement and marketing through partnerships such as GMU Homecoming and media content such as the "Patriots in the City" video series to connect with students, alumni, faculty, and staff.

Continuing the work that began in FY20, the EDO and EDA will again partner with the City's planning department, retained consultants, and various City stakeholders and members to further develop and review the small area plans (SAP) for Northfax and Old Town Fairfax. We will also look to build upon the knowledge gained to develop similar SAP's for the City's additional commercial activity centers to assist in guiding land use, transportation improvements, and opportunities for commercial revitalization.

Major Projects

Commercial/Transportation:

Scout on the Circle: Final plans to redevelop a 108,000 square feet former shopping center (dating to 1964) were approved in 2014. The mixed-use development will include 392 apartments and 88,000 square feet of retail space, including a 54,000 square foot grocery store. Giant Food signed as the anchor tenant. Construction on the project began in February 2018 and will begin opening in phases starting in the spring of 2020.

Northfax: The $43.4 million Northfax transportation and stormwater improvement project is nearing completion, creating new and significant opportunities for public and private investment on Fairfax Boulevard.

Fairfax Gateway: A 403-unit apartment building with approximately 21,200 square feet of commercial space is approved and site work is underway for a former industrial site in the Kamp Washington area.

Point 50: Project was approved by City Council in July 2017 to redevelop an aging shopping center. The redeveloped shopping center will include 48,000 square feet of commercial space. 30,000 square feet would be leased to a Whole Foods 365 grocery with the remainder leased to various retailers and restauranteurs. Construction commenced in June 2019 with the grocery store expected to open in the spring of 2020.

Paul VI: The approved redevelopment plan for the Paul VI Catholic High School site retains 24,000 square feet of existing school building as commercial/community space and redevelops the remainder of the property. The project includes an additional 20,000 square feet of commercial space and 266 dwelling units (144 condominiums, 115 townhomes, and 7 single family homes). Groundbreaking is expected in 2020 following the relocation of the existing high school operation.

Residential:

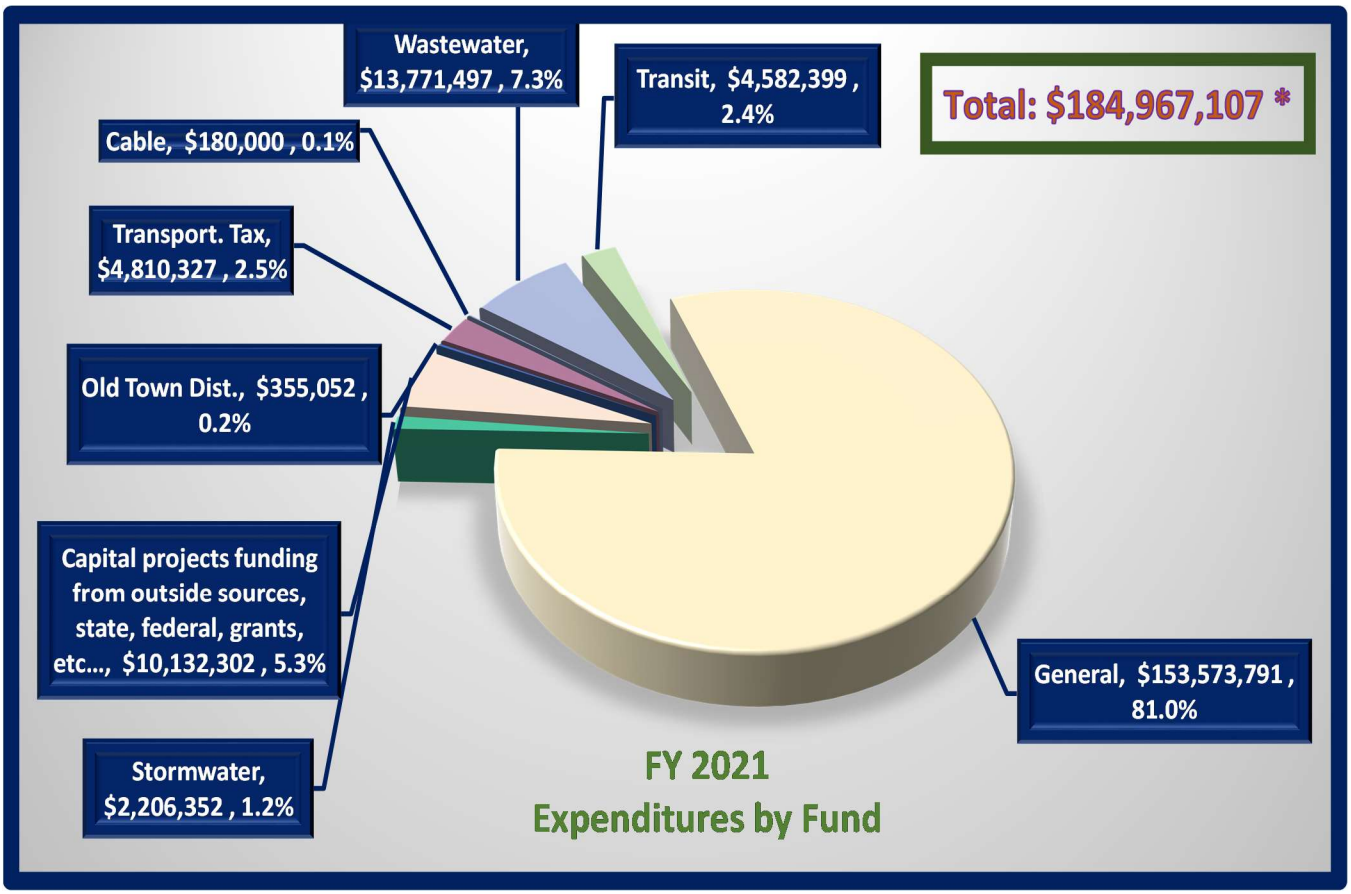
Fairfield at Gateway: This approved project will add 403 rental apartments and over 21,000 square feet of commercial space to the Kamp Washington area. The project will construct new streets to connect to a roadway system supporting redevelopment of other parcels in the area. Construction began in the summer of 2019.

Paul VI Site: The Diocese of Arlington announced that Paul VI High School will be relocating to Loudoun County. 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. Construction is expected to start after the school vacates the site in 2020.

Capstone Collegiate Communities: This project was approved by the City Council in December 2019 and includes two multifamily residential buildings containing 275 units with approximately 800 beds. This project will be marketed to college students at nearby George Mason University and is expected to provide an economic boost to businesses and companies located in the historic Old Town neighborhood of Fairfax. Occupancy is anticipated in the summer of 2022.

Overview – All Funds

Expenditures for all funds total **$189,611,720** less General Fund transfers ($4,644,613), result in net total expenditures of **$184,967,107**. This is an increase of 8.4% from the FY 2020 Budget. Further details follow in the accompanying sections of the budget book.



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

**Total expenditures by fund ($189,611,720) reduced by $4,644,613 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 12 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. The Proposed FY 2021 Budget results in a 12.0% General Fund balance at the end of the year.

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

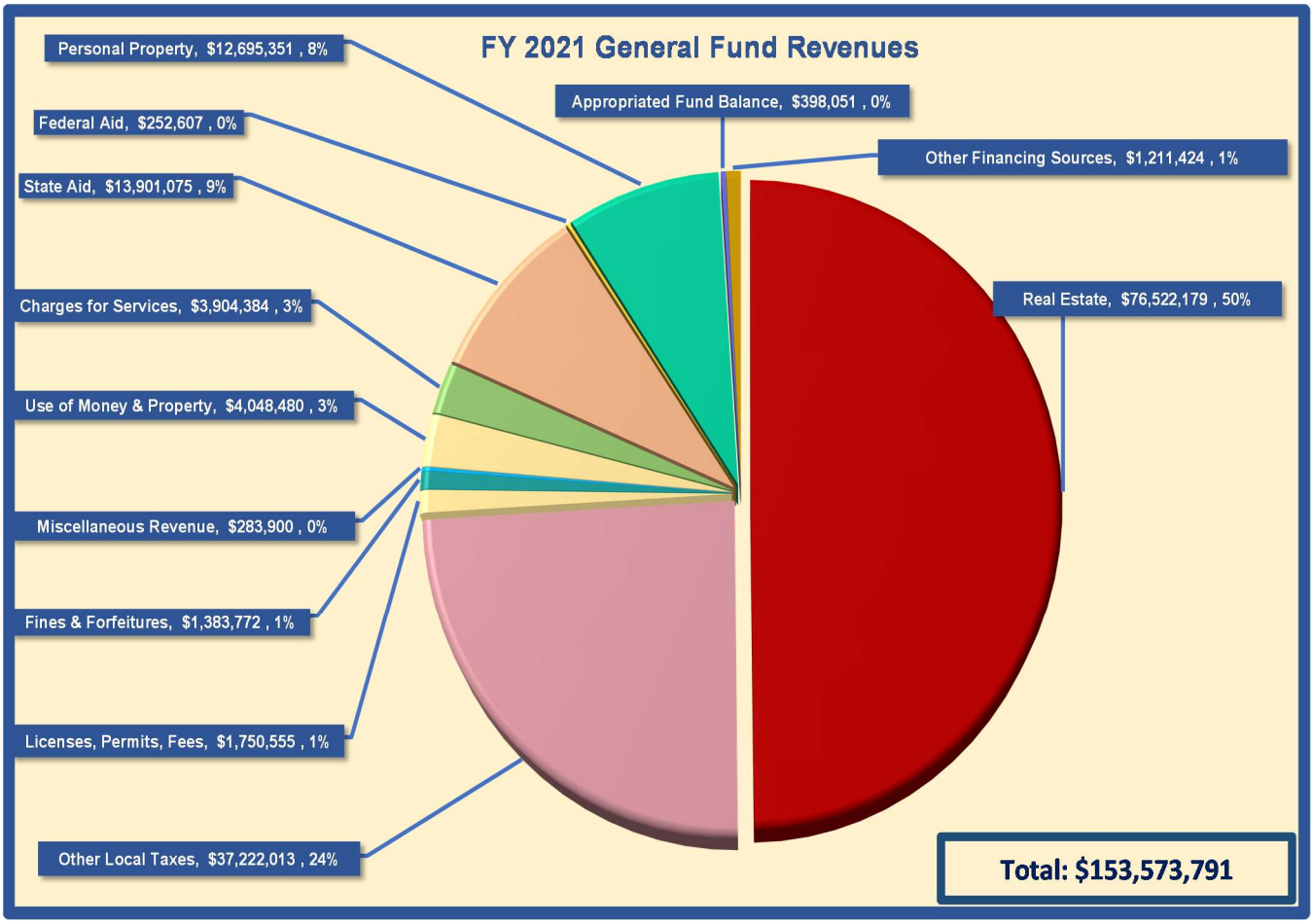
General Fund - Fund Balance		
Fiscal Year	Amount	% of Revenue
2021*	$ 17,811,736	12.0%
2020*	18,209,787	12.7%
2019	17,841,004	12.9%
2018	18,087,673	13.4%
2017	16,931,385	12.8%
2016	15,244,854	11.8%
2015	13,429,441	10.7%
2014	15,130,848	12.3%
2013	16,288,209	13.6%
2012	13,205,665	11.8%

*** Estimate**

General Fund Revenues

Overview – General Fund

General fund revenues equate to $153,573,791 for FY 2021, which represents an increase of 5.7% ($8,240,302) over FY 2020. The following chart provides a summary overview of revenues by category for FY 2021.



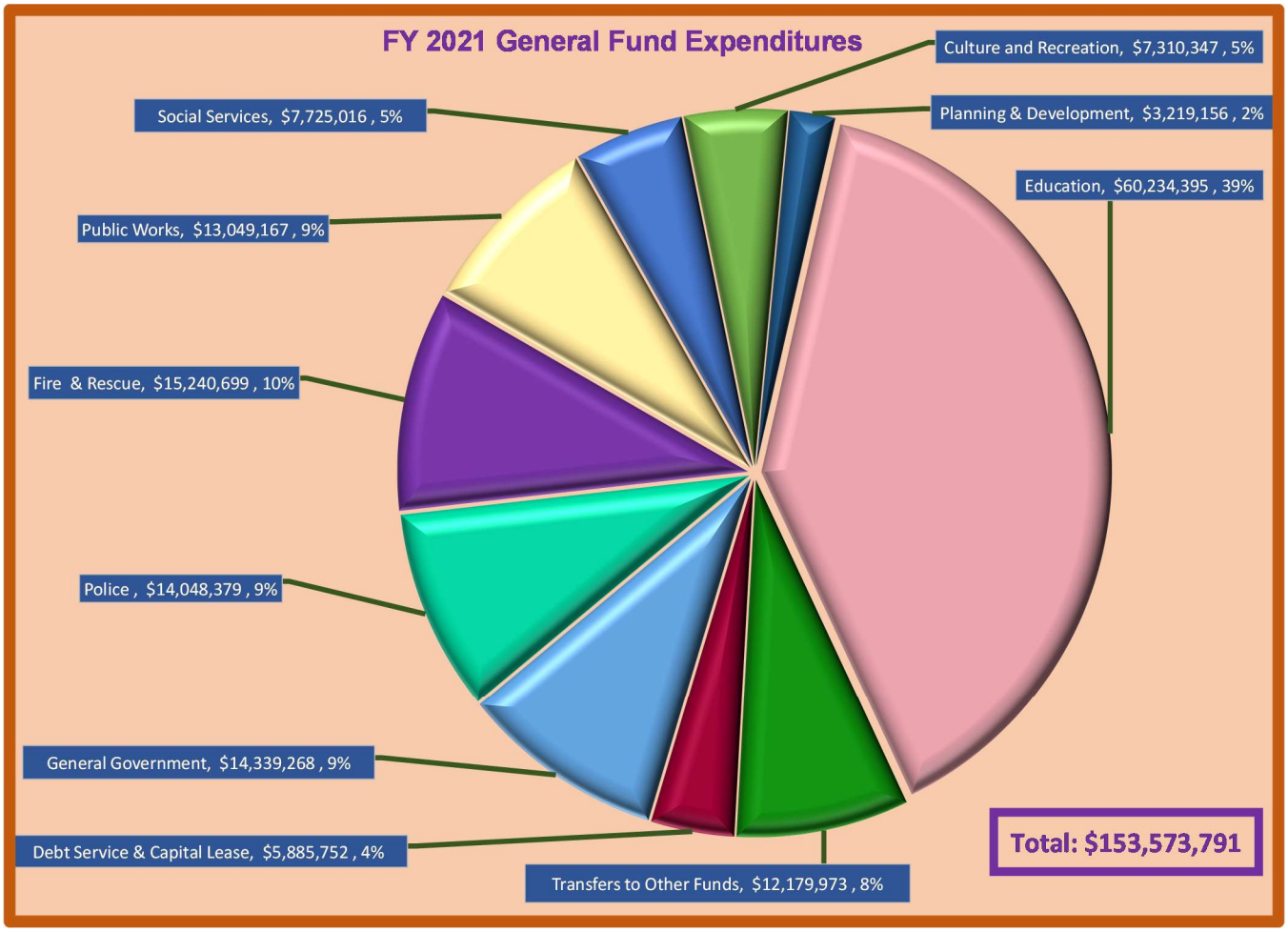
Note: Percentages may not total due to rounding; sums may differ immaterially due to rounding

The use of the Appropriated Fund Balance in the amount of $398,051 is from the FY 2020 estimated Unassigned General Fund balance in excess of the required 12% General Fund Balance minimum. The estimated ending Unassigned General Fund balance in FY 2021 is equal to 12.0 percent ($17.8 million) of General Fund revenues.

General Fund Expenditures

Overview- General Fund

The City's proposed General Fund expenditures are budgeted at $153,573,791 for FY 2021. The largest spending category remains Education, followed by the Fire Department, General Government, Police Department, and Public Works. The "Transfers to Other Funds" category notes the General Fund transfers to the Capital Budget, Old Town Fund, Stormwater Fund, and Transportation Tax Fund.



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

General Fund Revenue and Expenditure Changes - FY 2020 to FY 2021

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

FY 2021 General Fund Expenditure Changes	
Increase / (Decrease) in Expenditures	**$ Change**
Changes in Personnel Costs:	
Merit Increase for eligible employees (3.5%)	$ 538,088
Fringe ($565.8k increase in City Retirement Plan)	589,278
FTE Additions (4.6 net FTE's)	561,596
County Contracts - Non Education	178,662
Fund Transfers (Storm .25¢)	210,615
All Other Changes	(692,584)
CIP Transfer	1,826,998
School Tuition	5,027,650
Total Increase / (Decrease) in Expenditures	**$ 8,240,302**

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

FY 2021 General Fund Revenue Changes	
Increase / (Decrease) in Revenues	**$ Change**
Real Estate Taxes (3¢ RE tax rate increase)	$ 1,951,284
Real Estate Taxes (Increased assessed value)	3,266,580
Basic School Aid & State Sales Tax	1,084,098
Interest on Investments	480,480
MealsTax	396,521
Stormwater Tax (.25¢ increase)	253,996
BPOL	246,245
Personal Property Taxes	234,136
Vehicle Rental Tax	142,300
Classroom Rental Fee	86,000
Day Camps	75,000
All Other Changes	443,632
Use of Unassigned Fund Balance	(210,372)
FY 2016 SAFER Grant	(109,598)
Photo Red Light	(100,000)
Total Increase / (Decrease) in Revenues	**$ 8,240,302**

Education

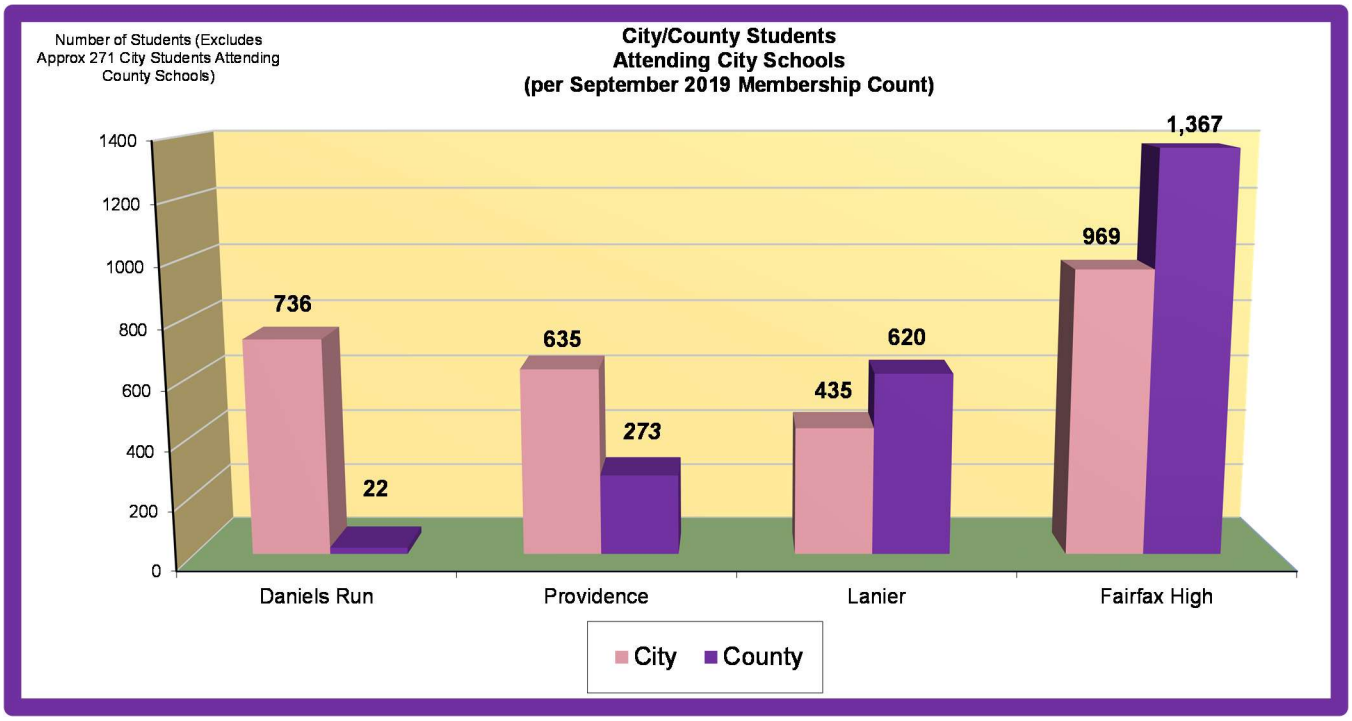
The total budget for the schools is $60.2 million, an increase of 8.7% ($4.8 million). Administrative costs account for $1.1 million, and combined debt/lease payments equate to $5.8 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at $53.3 million, an increase of 10.4% over the FY 2020 budget. The following chart highlights the historical costs associated with the school tuition contract.

Fiscal Year	Final Tuition Bill (excludes Classroom Rental Fee)	ADM
2021*	$53,314,927	3,020
2020**	49,987,309	3,040
2019	48,906,010	3,004
2018	47,500,899	3,079
2017	46,048,509	3,081
2016	45,300,452	3,106
2015	45,389,893	3,160
2014	44,029,716	3,078
2013	43,361,720	3,039
2012	40,392,677	3,046
2011	37,927,714	2,976
2010	37,380,696	2,905

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

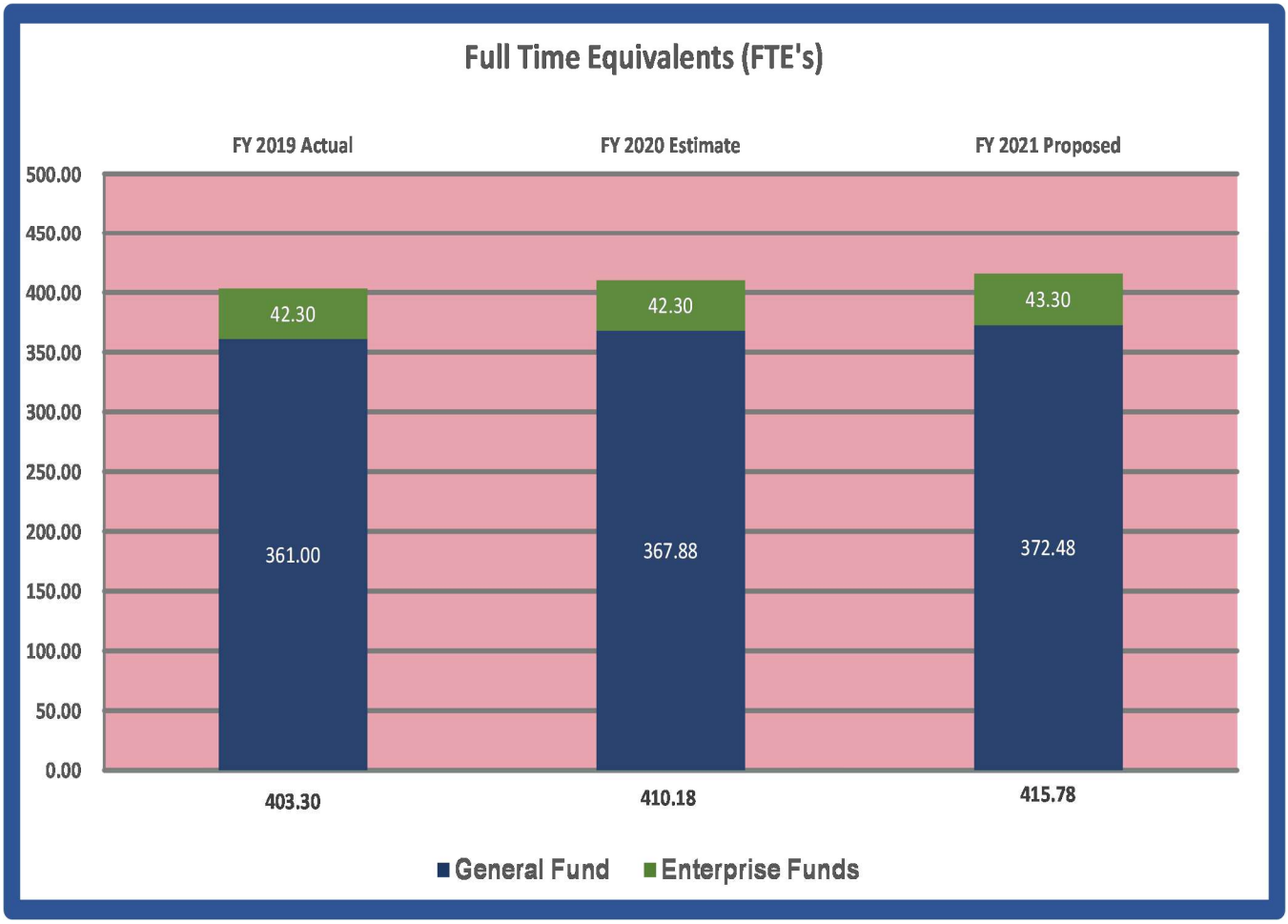
**Per FY 2020 Estimate

City students comprise a majority of the total population at both Daniels Run and Providence Elementary Schools at 97.1% and 69.9%, respectively. Lanier Middle School and Fairfax High School statistics note that City students represent 41.4% of their schools' populations.



Employees, Salaries and Fringe Benefits

The FY 2021 budget provides for a 3.5% merit increase for eligible employees. No market adjustment (COLA) has been budgeted for FY 2021. Employee benefits remain unchanged; however FY 2021 retirement costs are projected to increase due to an increase in the City's contribution to its supplemental retirement plan ($0.6 m).



For FY 2021, the City Manager proposes the following changes to staffing:

Department	Position	Full Time Equivalents (FTE's)
Fleet	Administrative Assistant	Convert from .75 to 1.0 FTE
Fire Code Administration	Assistant Fire Marshal	Add Full-time, 1.0 FTE
Public Works Refuse	Environmental Program Specialist	Add Full-time, 1.0 FTE
Parks & Recreation Special Events	Special Events Coordinator	Convert from .75 to 1.0 FTE
City Manager	Business Application Manager	Add Full-time, 1.0 FTE
Historic Resources	Historic Resources Specialist I	Add Part-time 0.6 FTE
Economic Development	Business Development Manager	Add Full-time, 1.0 FTE
Economic Development	Economic Development Specialist	Add Part-time 0.5 FTE
Stormwater Fund	Urban Forester	Add Full-time, 1.0 FTE

Contract Services

Expenses for county and regional service contracts make up 41.6 percent of the City's General Fund expenditures. The City contracts with Fairfax County for many services, the largest of which is the City's School Tuition Contract.

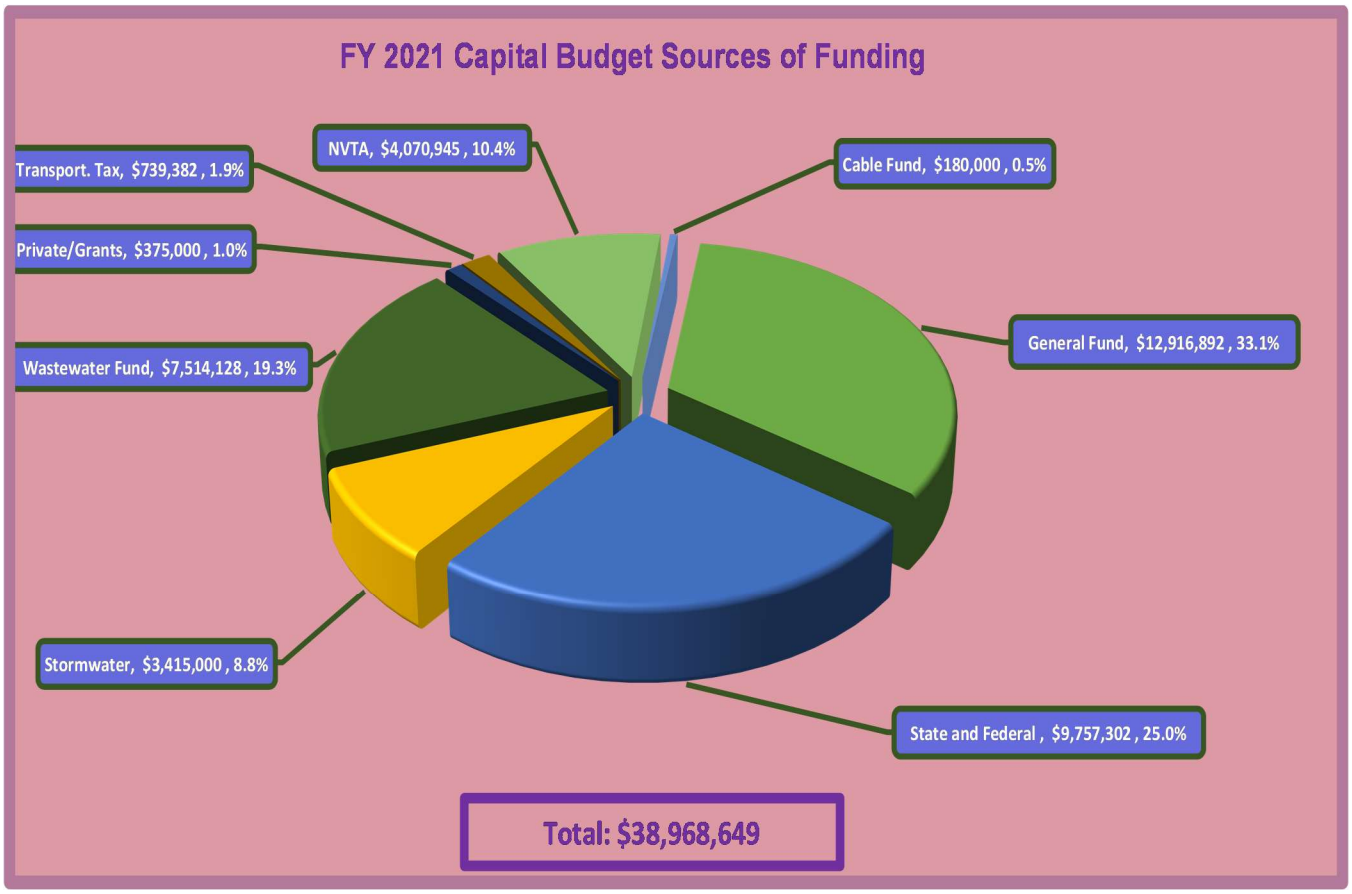
City-County and Regional Service Contracts				
	FY 2020 Budget	FY 2021 Proposed	Variance to Budget $	Variance to Budget %
City-County Contracts:				
School Tuition Contract	$ 48,287,277	$ 53,314,927	$ 5,027,650	10.41%
Library Services	897,376	971,424	74,048	8.25%
Joint Court Service	312,473	374,388	61,915	19.81%
Juvenile and Domestic Court	579,870	726,149	146,279	25.23%
Commonwealth Attorney	120,326	142,089	21,763	18.09%
Jail and Custody Service	2,011,611	1,336,196	(675,415)	-33.58%
Fire & Rescue – Operations	194,000	164,000	(30,000)	-15.46%
Refuse Disposal	384,400	384,400	-	0.00%
Extension - County Agent	35,000	40,662	5,662	16.18%
Social Services	2,415,098	2,443,468	28,370	1.17%
Health Department	1,406,648	1,641,131	234,483	16.67%
Community Services Board	1,888,443	2,200,000	311,557	16.50%
Subtotal City-County Contracts	**58,532,522**	**63,738,834**	**5,206,312**	**8.89%**
Regional Agencies:				
Council of Governments	27,478	39,127	11,649	42.39%
Health Systems Agency	2,350	2,350	-	0.00%
Area Agency on Aging	48,713	48,713	-	0.00%
Legal Services of NoVa	26,311	27,100	789	3.00%
NoVa Community College	2,391	2,441	50	2.09%
NoVa Regional Commission	19,572	20,008	436	2.23%
NoVa Regional Park Authority	46,025	47,919	1,894	4.12%
Volunteer Center	8,440	8,440	-	0.00%
Subtotal Regional Agencies	**181,280**	**196,098**	**14,818**	**8.17%**
Total Contract Services	**$ 58,713,802**	**$ 63,934,932**	**$ 5,221,130**	**8.89%**

Capital Fund

The proposed Capital Improvement Program for FY 2021 totals **$38,968,649**. The chart below summarizes the City's proposed FY 2021 capital improvement plan compared to the adopted FY 2020 program.

Category	FY 2020 Adopted	FY 2021 Proposed	Change	
			$	%
Schools Capital Projects	$ 45,000	$ 200,000	$ 155,000	344.44%
General Government Capital Projects	-	507,242	507,242	N/A
Recreation / Community Appearance Capital Projects	75,000	390,121	315,121	420.16%
Environment Capital Projects	9,681,600	10,929,128	1,247,528	12.89%
Transportation Capital Projects	13,355,173	14,942,629	1,587,456	11.89%
Infrastructure Repair & Maintenance	4,290,481	5,853,500	1,563,019	36.43%
Technology Infrastructure Fund	515,581	1,305,538	789,957	153.22%
Vehicles & Equipment Replacement Fund	3,149,500	4,840,491	1,690,991	53.69%
Total Capital Improvement Program	**$ 31,112,335**	**$ 38,968,649**	**$ 7,856,314**	**25.25%**

In addition to the General Fund, support for the Capital Fund comes from the Wastewater Fund, Federal and State funds (including NVTA 70% funds available under HB 2331), the Cable Fund, privately donated funds, the Stormwater Fund, and the Transportation Tax Fund (includes NVTA 30% funds available under HB2331 and the Commercial and Industrial Tax). The following chart illustrates the sources of funding for the proposed Capital Budget in FY 2021; detailed information can be found in Section G of this budget.



Wastewater Fund

	FY 2019 Actual*	FY 2020 Budget	FY 2020 Estimate	FY 2021 Proposed
Revenues	$ 9,912,748	$ 16,922,683	$ 13,548,101	$ 15,077,953
Expenditures	$ 5,374,831	$ 14,435,813	$ 14,442,313	$ 13,771,777
Rate Increase	10%	10%	10%	8%

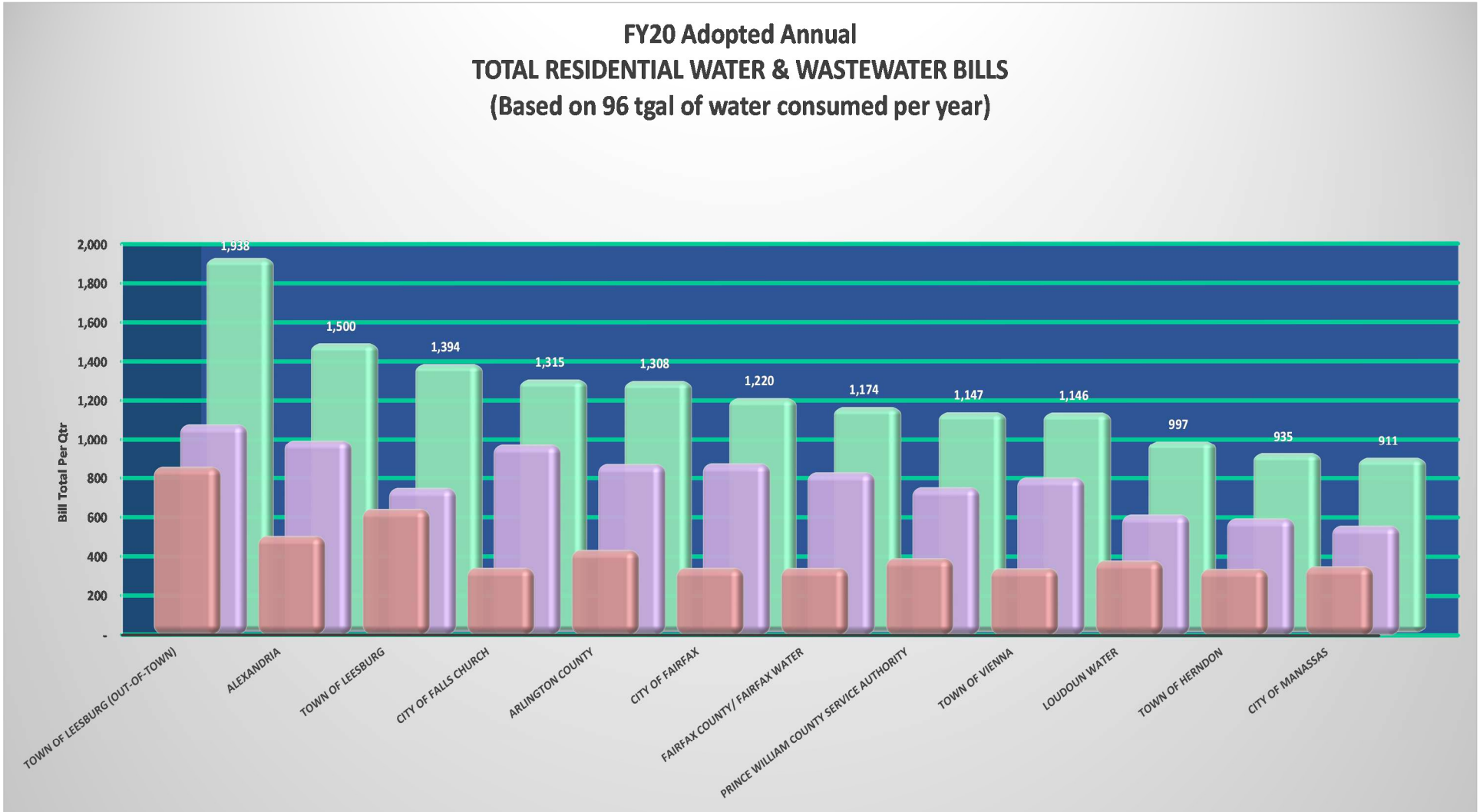
* Actuals, as reflected in the City's CAFR, are exclusive of financing activity.

For FY 2021, a rate increase of 8.0 % has been proposed for the Wastewater Fund in order 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 2010, the City was officially notified of planned cost increases related to the City's cost sharing agreement with Fairfax County for the treatment of the City's wastewater at the County's Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility). This plant is subject to continuing stringent environmental standards to protect the Chesapeake Bay; therefore, numerous process upgrades to reduce nitrogen and phosphorus are mandated. Additionally, there are general capital upgrade costs, unrelated to treatment techniques that must be addressed at this facility. The City's portion of these upgrades from FY 2021 through FY 2025 is projected to be approximately $27.8 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. The City is currently performing a rate study analysis which is scheduled for completion later this calendar year (2020).

Apart from the financial requirements of the wastewater treatment facility, in FY 2009 the City undertook an analysis of the Wastewater collection system. Numerous infrastructure recommendations were made by the City's consulting engineers and financial advisors, which resulted in the preparation of a multiyear Capital Improvement Plan. FY 2021 will require $2,032,000 for continued wastewater conveyance maintenance to include GIS modeling, system evaluation, pipe relining, manhole rehabilitation and various other capital projects detailed in section G.

The three-year forecast for wastewater fee increases continues at 8.0% per year. These increases are primarily driven by needed infrastructure improvements, particularly at the Noman M. Cole Jr., Pollution Control Plant (wastewater treatment facility).

The chart on the following page is a comparison of the average quarterly residential cost for wastewater treatment by local jurisdiction.



	Town of Leesburg (Out-of-Town)	Alexandria	Town of Leesburg	City of Falls Church	Arlington County	City of Fairfax	Fairfax County/ Fairfax Water	Prince William County Service Authority	Town of Vienna	Loudoun Water	Town of Herndon	City of Manassas
Water	859	506	644	344	435	344	344	393	342	381	339	352
Wastewater	1,079	995	751	972	873	876	831	754	804	616	596	559
Combined	1,938	1,500	1,394	1,315	1,308	1,220	1,174	1,147	1,146	997	935	911

Transit Fund

The City/University/Energysaver (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 proposed basic fare (cash or Smartrip) is $1.75, which matches the Washington Metropolitan Area Transit Authority (WMATA) rate. GMU currently contributes $750,000 annually to help offset the cost of student and faculty ridership. The chart above 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 2019 Actual	FY 2020 Budget	FY 2020 Estimate	FY 2021 Proposed
Revenues:				
Local	$ 387,573	$ 479,200	$ 364,200	$ 384,750
GMU Contribution	750,897	750,000	750,000	750,000
NVTC	628,000	628,000	628,000	728,000
Transfer from Transportation Tax Fund	2,483,667	2,148,275	2,148,275	2,459,250
Total Revenues	$ 4,250,137	$ 4,005,475	$ 3,890,475	$ 4,322,000
Expenditures:				
Operating Expenditures	$ 3,902,806	$ 4,020,784	$ 3,964,254	$ 4,582,399
Total Expenditures	$ 3,902,806	$ 4,020,784	$ 3,964,254	$ 4,582,399

Acknowledgements

The budget is the product of an intensive effort by staff in all City departments. Appreciation is expressed to David Hodgkins, Chief Financial Officer and Kerry Kidd, Budget Manager who have principal responsibility for the preparation of this document. Additional thanks go to Lyn Guzman, Sue Heath, Cathy Trang, Melanie Crowder, Julie Moran, Christine Johnston 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 Request

Copies of the FY 2021 Proposed Budget and FY 2021-2025 Capital Improvement Program (CIP) are available as follows:

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Fairfax, VA 22030
Phone: 703-385-7870
E-mail: romelyn.guzman@fairfaxva.gov

City website: http://www.fairfaxva.gov/government/finance/budget

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