



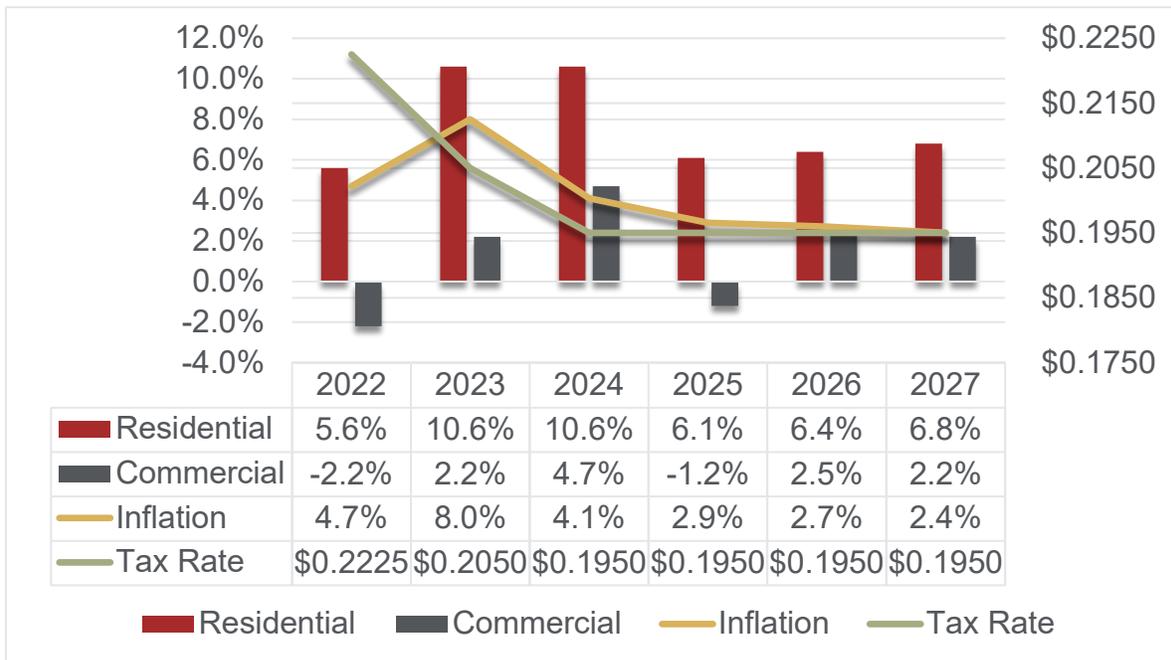
FY 2026-27 Proposed General Fund Budget – Key Assumptions

The FY 2026–27 Proposed General Fund budget maintains existing service levels, prioritizes employee compensation, and corrects historically under-budgeted areas.

The budget is structurally balanced through assessment growth, prudent debt management, operational corrections, and limited one-time fund balance use.

1. Real Estate Tax Rate

- No change to the real estate tax rate: \$0.195 per \$100 of assessed value
- Residential: 6.8%, Commercial: 2.2%, Combined assessment growth: 6.2%
- Estimated average homeowner impact: \$121 annual tax increase
- Equalized Tax Rate: \$0.186 per \$100 of assessed value
 - Equalized Rate would require \$729,000 in expenditure cuts or 8.1% of non-salaried budgets
 - Departments cut \$800,000 in FY26 mid-year adjustments to address shortfall, additional cuts would lead to significant service impacts
 - Tax rate reduced by \$0.0275 over last 5 years (\$2.2M in foregone revenue)



2. Employee Compensation

- Civilian employees: 2% COLA + 1% Merit
 - Sworn police officers: 2% COLA + 2.5% Step
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3. Health Insurance

- 12.5% premium increase
 - Estimated fiscal impact: \$245,000
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4. Staffing

- Net 0.5 FTE increase in the Town Council Division
 - New PT w/o Benefits Position – PT Graphic Designer (PIO)
 - Funded through existing sources (budget neutral)
 - Budget assumes a 4% vacancy rate across departments
 - Historical vacancy rate 6-8%, Industry Benchmark 5%
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5. Debt & Capital Strategy

To reduce near-term General Fund pressure:

- Deferred FY27 vehicle replacement borrowing
 - Approximate savings: \$300,000
 - Restructured existing vehicle debt over an additional 2.5 years at a lower interest rate
 - FY27 savings: \$600,000
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6. One-Time Fund Balance Use & Other Sources

- \$400,000 use of unassigned fund balance
 - Previously \$800k in prior year, plan to reduce to \$200k in FY28
 - \$80,000 of ARPA Interest for Town Green Holiday Market and Vienna 250
 - \$40,000 of CIP Funding for Church Street Tree Lighting
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7. Operational Right-Sizing

The budget corrects previously under-budgeted areas:

- Full overtime funding based on current special event and emergency response demand
 - +\$215,000
 - Annual leave payout obligations +\$235,000
 - Aquatics operations +\$100,000
 - Aquatics division as proposed has \$300,000 in operational funding
 - Plan to increase to \$600,000 in FY28
 - Other increases reflect contractual obligations or inflationary pressures
 - Total Unfunded Requests: \$1,893,800
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FY 2026-27 Proposed Water and Sewer Budget – Key Assumptions

The Water & Sewer Fund is a self-supporting enterprise fund fully funded through user rates. The proposed FY27 rate adjustments are designed to:

- Fully fund operations and capital improvements
- Address significant wholesale and regulatory cost increases
- Maintain long-term system sustainability
- Improve infrastructure replacement levels

All revenue projections, expense assumptions, capital requirements, and rate modeling were reviewed and recommended by the Town’s independent rate consultant, NewGen Strategies and Solutions LLC.

Proposed Rate Adjustments

- 4% increase to water and sewer usage rates
- Quarterly base charge increase from \$42 to \$45

Customer Impact

- Average residential increase: *\$15.00 per quarter, \$60.00 annually*
- *Town Council considering Residential and Commercial Accounts under same rate structure*
- Average commercial increase if changed: *\$28.00 per quarter, \$112.00 annually*

Key Cost Drivers

Wholesale & Treatment Costs

- 9% increase in wholesale water purchase costs from Fairfax Water
- 41% increase in sewer treatment costs from DC Water

These are pass-through cost drivers and represent the most significant pressure on the Fund.

Regulatory & Capital Pressures

- Anticipated \$4.7 million PFAS-related treatment costs, expected to be passed through from Fairfax Water
- Increase in water main replacement rate from 1 mile to 2 miles annually, improving long-term system reliability
- Employee compensation adjustments: 2% COLA + 1% Merit

Financial Position

- Rates fully fund operations, debt service, and capital improvements
- Structured to maintain long-term financial stability and infrastructure integrity

FY 2026-27 Proposed Debt Service – Key Assumptions

The Debt Service Fund supports repayment of the Town’s General Obligation bonds and capital obligations.

Key Assumptions

- Recent meals tax increase from 3% to 4% is anticipated to generate approximately \$1.5 million in additional annual revenue
- Receipts will be closely monitored and reported to Council during the upcoming CIP process
- No new debt issuance anticipated in FY27, as it is a CIP planning year
- The Fund fully supports all existing debt obligations, including the most recent issuance adopted for the FY2026 CIP project listing

Financial Strategy

- Maintain full funding of existing debt obligations
- Monitor meals tax performance to inform future capital planning
- Preserve debt capacity heading into the next CIP cycle