TOWN OF Herndon VIRGINIA

Town Council Work Session
Agenda Item 2.a.

Agenda Item: **FY 2027 Proposed Budget**

Meeting Date: March 3, 2026

Category: Discussion

Prepared by: Dan Hoffman, Town Manager, Marjorie Sloan, Finance Director

Description:
This item is the presentation of the Town Manager's proposed Fiscal Year (FY) 2027 governmental fund budgets for Town Council consideration. The governmental funds include the General Fund, Stormwater Management Fund, American Rescue Plan Act (ARPA) Fund and Capital Projects Fund.

Background/Timing Impact:
In accordance with Section 4.2 of the Town Code, the Town Manager has prepared a proposed FY 2027 Budget. The Summary Budget Book will be distributed to members of the Town Council and posted to the Town's website prior to the March 3, 2026, work session. The proposed budget for all funds totals $97.6 million. Below is a breakdown of the proposed budget by fund:

General Fund	$48.6M
Stormwater Management Fund	$3.0M
ARPA Fund	$0
Capital Projects Fund	$11.6M
Water and Sewer Fund	$29.6M
Golf Course Fund	$3.6M
Chestnut Grove Cemetery Fund	$1.1M

On March 3, the Town Manager will present for discussion further details on the proposed budget of the governmental funds. Several key highlights include:

- The proposed budget reflects the impacts and challenges from environmental factors including inflation and imposed costs. In addition, it is important to recognize that the town has aging infrastructure and facilities, which are balanced with demands for new development and limited revenue growth.

- The proposed budget includes service delivery that supports the town's Strategic Plan activities.

- Proposed General Fund Operating Expenditures total $47.0M, a 1.7% increase

over the FY 2026 Adopted Budget. In order to meet the required expenditures, the Proposed FY 2027 Budget includes:
    - Resident Solid Waste Fee was increased from $21 to $27 per quarter.
    - Multi-family Solid Waste Fee was established of $46 per quarter.

- The discussion will highlight a "Needs Not Met" list of expenditures excluded from the Proposed Budget.

- Capital projects for FY 2027 total $11.6M as reflected in the Capital Improvement Program. The FY 2027 proposed budget includes incremental debt service associated with an expected bond issuance.

- There are no additional proposed projects for the ARPA Fund. The fund is expected to be closed in FY 2027.

Timing Impact:
The proposed FY 2027 budget is being presented at this time to meet statutory requirements and to allow the Town Council sufficient time to consider and discuss the proposed budget prior to adoption.

The March 3 Work Session is the first discussion on the Proposed FY 27 Governmental Fund Budgets. The proposed FY 2027 Enterprise Fund Budget will be presented at the Town Council's meeting on March 10, 2026. The public hearings are scheduled to begin April 14, 2026, with the anticipated adoption of the FY 2027 Budget on April 28, 2026.

Strategic Focus Area:
Strong Fiscal Stewardship
Good Governance

Fiscal Impact:
There is no immediate fiscal impact of the discussion materials presented on March 3, 2026. Impact will occur after adoption by the Town Council, in FY 2027, which begins on July 1, 2026.

Legal Impact:
Per Town Code Section 4.2 and State Code Section 15.2-2503, the Town Manager is required to prepare and submit an annual budget to the Town Council on or before the first day of April each year.

Staff Recommendation/Next Steps:
No recommendation is proposed for this discussion item.

Attachments:
None