TOWN OF Herndon VIRGINIA

Town Council Regular Meeting
Agenda Item 7.a.

Agenda Item: **Mid-Year Financial Update and Economic Outlook Discussion (rescheduled from January 27, 2026)**

Meeting Date: February 3, 2026

Category: Work Session

Prepared by: Marjorie Sloan, Finance Director

Description:
Presentation of the town financial results as of December 31, 2025, and economic outlook for the next 12 months.

Background/Timing Impact:
A mid-year financial update occurs annually in accordance with Section III.d of the town financial policies. Finance has prepared a presentation for the February 3 Town Council Work Session to provide a mid-year status on town revenues and expenditures and discuss the current conditions and economic outlook for the current and next fiscal year. In addition, the materials also provide key calendar dates for the FY 2027 Budget Process.

Key points of the presentation include:

- The presentation alludes to the impact of the budget amendment proposed for February 3, 2026.
- As of December 31, the General Fund revenues total $28.2M. This total is 49.6% of the current amended Fiscal 2026 Budget. BPOL revenues are due March 1, and are currently forecast at $6.5M based on the FY 2025 actual receipts. Occupancy and Meals taxes are trending in line with the budget.
- General Fund expenditures YTD total $21.2M. With encumbrance totals of $4.4M, the remaining FY 2026 budget is $31.3M. Costs categories are generally on budget.
- The emphasis in the Enterprise funds is on the timing of capital spending.
- The economic outlook for 2026 centers around a theme of uncertainty. While the rate of inflation is under 3%, the labor market has become sluggish. Additional interest rate cuts may continue, and an increase in for-sale housing inventory is anticipated as we move through the year.
- Public hearings to adopt the FY 2027 budget will be held in April 2026.

Timing Impact:

Upcoming key dates include the Water-Sewer presentation by Davenport at a February meeting, and the submission of the FY 2027 Budget to Council on/about March 1, 2026.

Strategic Focus Area:
Strong Fiscal Stewardship

Fiscal Impact:
N/A

Legal Impact:
N/A

Staff Recommendation/Next Steps:
No recommendation by staff at this time.

Attachments:
1. FY26_ Mid Year Update and Economic Outlook Presentation