TOWN OF Herndon VIRGINIA

# Town Council Regular Meeting
## Agenda Item 6.a.

**Agenda Item:** **FY 2026 Proposed Budget**

**Meeting Date:** March 11, 2025

**Category:** Work Session

**Prepared by:** Christopher E. Martino, Interim Town Manager,
Marjorie Sloan, Finance Director

**Description:**
This item is the presentation of the Interim Town Manager's proposed FY 2026 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:**
In accordance with Section 4.2 of the Town Code, the Interim Town Manager has submitted a proposed FY 2026 Budget. The Summary Budget Book has been distributed to members of the Town Council and posted to the town's website. The proposed budget for all funds totals $95,628,447. Below is a breakdown of the proposed budget by fund:

| | |
|---|---|
| General Fund | $50,328,225 |
| Stormwater Management Fund | $4,261,811 |
| ARPA Fund | $0 |
| Capital Projects Fund | $5,940,627 |
| Water and Sewer Fund | $27,681,005 |
| Golf Course Fund | $5,112,528 |
| Chestnut Grove Cemetery Fund | $2,304,252 |

On March 11, the Interim Town Manager will present for discussion, further detail 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, imposed costs, uncertain federal policies, and salary pressures for key talent. In addition, it is important to recognize that the town has aging infrastructure and facilities, balancing those 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 $46.1M, a 9.9% increase over the FY 2025 Adopted Budget. In order to meet the required expenditures, the Proposed FY 2026 Budget includes several key tax rate increases:

  - A Real Estate Tax increase from $0.260 per $100 of assessed value to $0.270 per $100 assessed value.
  - A Meals Tax increase from 3.75% to 4.0%.
  - Business Professional and Occupational License (BPOL) rate increases for two categories (Retail Sales and Repair Services).
  - A Recycling Fee increase from $16 to $21 per quarter.

- General Fund Capital Outlay of $2.9M is planned to be funded via the General Fund Capital Reserve.

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

- Capital projects for FY 2026 total $5.9M as reflected in the Capital Improvement Program (full presentation scheduled for March 18, 2025).

- There are no additional proposed projects for the ARPA Fund.

**Timing Impact:**
The proposed FY 2026 Budgets are being presented at this time to meet statutory requirements and to allow the Town Council sufficient time to consider and discuss the proposed budgets prior to adoption.

The March 11 Work Session is the first discussion on the Proposed FY 26 Governmental Fund Budgets. The proposed FY 2026 Enterprise Fund Budget will be presented at the Town Council's meeting on March 18, 2025. The public hearings are scheduled to begin April 8, 2025, with the anticipated adoption of the FY 2026 Budget on April 22, 2025.

**Strategic Focus Area:**



Good Governance
Strong Fiscal Stewardship

**Fiscal Impact:**
There is no immediate fiscal impact of the discussion materials presented on March 11, 2025. Impact will occur after adoption by the Town Council, in FY 2026, which begins on July 1, 2025.

**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:**
1. FY2026 Proposed Budget Book