TOWN OF Herndon VIRGINIA

FY 2026 Proposed Budget:

General Fund, Stormwater Management Fund, ARPA, and Capital Projects Fund

Town Council Meeting
March 11, 2025

Finance Department

Agenda

- FY 2026 Proposed Budget Process
  - Strategic Focus Areas
  - Impacts & Challenges
- General Fund
  - Summary
  - FY 2026 Proposed Expenditures
    - Strategic plan activities included in the proposed budget
    - Personnel
    - Operations and Maintenance
    - Capital Outlay
  - FY 2026 Revenue Projections
  - Unfunded Requests Impacting Strategic Goals
- American Rescue Plan Act (ARPA) Fund
- Stormwater Management Fund
- Capital Projects Fund

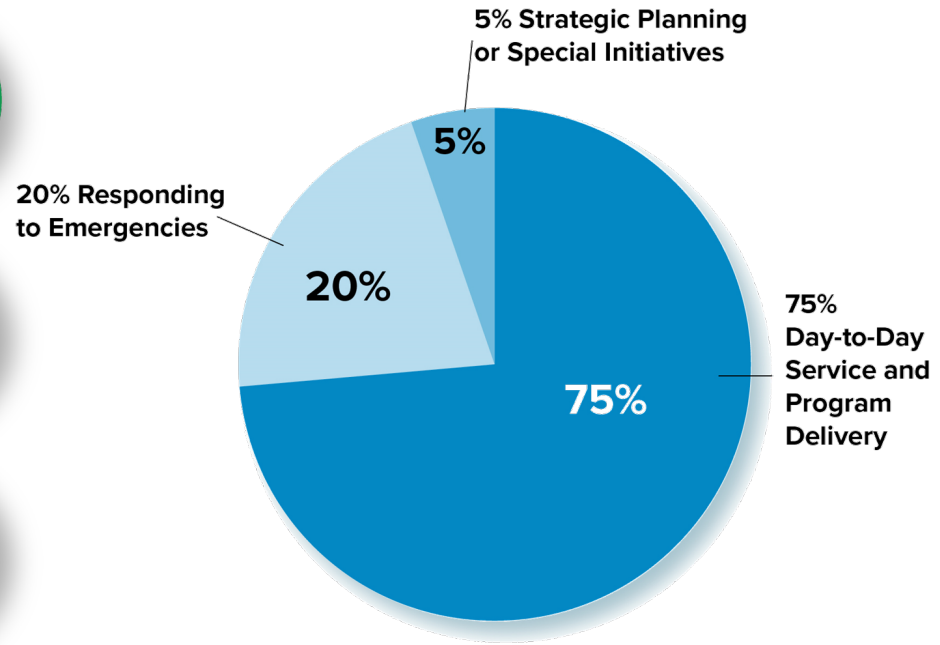
FY 2026 Budget Process: Strategic Focus Areas

- **Strong Fiscal Stewardship**
  Herndon is a fiscally responsible community.
- **Secure and Interconnected Community**
  Herndon is a secure and interconnected community.
- **Environmental and Economic Sustainability**
  Herndon is a sustainable environmental and economic regional leader.
- **Good Governance**
  Herndon is a well governed community.
- **Thriving Community**
  Herndon cultivates and celebrates the diversity and vitality of our community.



Vision Statement

Herndon is an integrated, sustainable, safe, and equitable town built on accessible development and an engaged community.



FY 2026 Budget Process: Impacts & Challenges

- Inflationary pressures continue across products and services used by the town to deliver programs and services
- Imposed costs (costs we have no control over) have also increased or are on the horizon (e.g. increases in healthcare costs)
- Grant funding uncertain; unknown impact of federal policies on region
- Salary pressures for high demand talent
- Adjustment to post-ARPA budgeting
- Aging infrastructure/facilities vs. new development projects
- Limited Revenue Growth

FY 2026 Proposed Budget – General Fund Summary

In Thousands

General Fund	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted Budget	FY 2026 Proposed Budget
Revenue & Resources:				
General Property Taxes	$ 13,806	$ 13,931	$ 14,206	$ 15,294
Other Local Taxes	17,468	18,692	17,181	19,257
Program Revenues	3,582	3,722	3,441	3,933
Use of Money/Property	1,706	2,332	1,821	2,048
Intergovernmental	4,681	5,105	5,272	5,445
Other Resources	708	417	2,749	4,351
Total	**41,950**	**44,200**	**44,669**	**50,328**
Expenditures:				
Operating Expenditures	37,109	39,939	41,953	46,110
Capital Expenditures	1,262	951	2,249	2,895
Other Uses	2,396	250	467	1,323
Total	**40,767**	**41,140**	**44,669**	**50,328**
Net Change in Fund Bal	**$ 1,183**	**$ 3,060**	**$ -**	**$ -**

FY 2026 Proposed Budget – Supports Strategic Plan Activities

- **Strong Fiscal Stewardship**
  - Investment in Fleet: $1.6M included in the budget for vehicle and equipment replacement



  - Focus on Fiscal Controls: $18K annual maintenance cost for successful implementation of procurement technology; modernization of payments processing saved $72K in annual maintenance for legacy software

FY 2026 Proposed Budget – Supports Strategic Plan Activities



- **Secure and Interconnected Community**
  - Public Safety Enhancement
    - Creation of Special Enforcement and Engagement Team (SEET) (2FTEs) (~$200K);
    - Flock Safety cameras ongoing maintenance ($38K)
  - Safe and connected Multi-modal Network:
    - Begin a multi-year safety plan (partially grant-funded); supports development of multi-year Safe Streets Plan ($200K)
    - Investment in multi-modal transportation and town-wide security ($1.4M)
  - Leverage Resources: utilize grant and other intergovernmental revenue across the Governmental funds ($8M)

FY 2026 Proposed Budget – Supports Strategic Plan Activities



- **Environmental and Economic Sustainability**
  - Energy Efficiency Investment: capital investment on energy project to upgrade and replace critical facility equipment and infrastructure ($3.0M)
  - Small Business Support: continued collaboration with George Mason University on the Mason Enterprise Center ($77K)
  - Process Improvements: investment in town-wide CityWorks ERP to improve internal/external processes and access ($145K)
  - Natural Resources Investment: increased investment in urban forestry program ($292K)
  - Stormwater Management: includes continued work on stream restoration and other projects equipment ($3.7M)

FY 2026 Proposed Budget – Supports Strategic Plan Activities

- **Good Governance**
  - Investment in Personnel: include training, education and leadership development ($327K)



  - Investment in Public Facilities: capital outlay includes design costs related to major building maintenance ($400K)

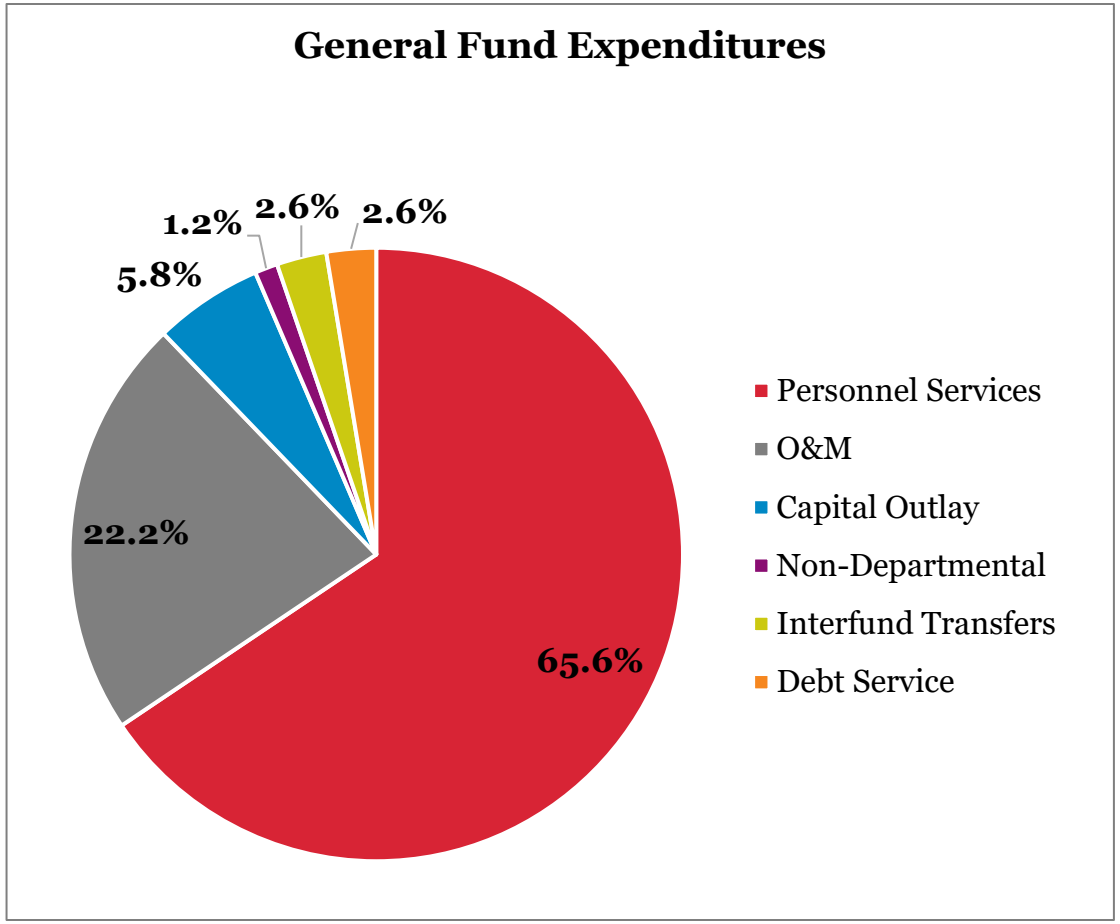
FY 2026 Proposed Budget – Supports Strategic Plan Activities

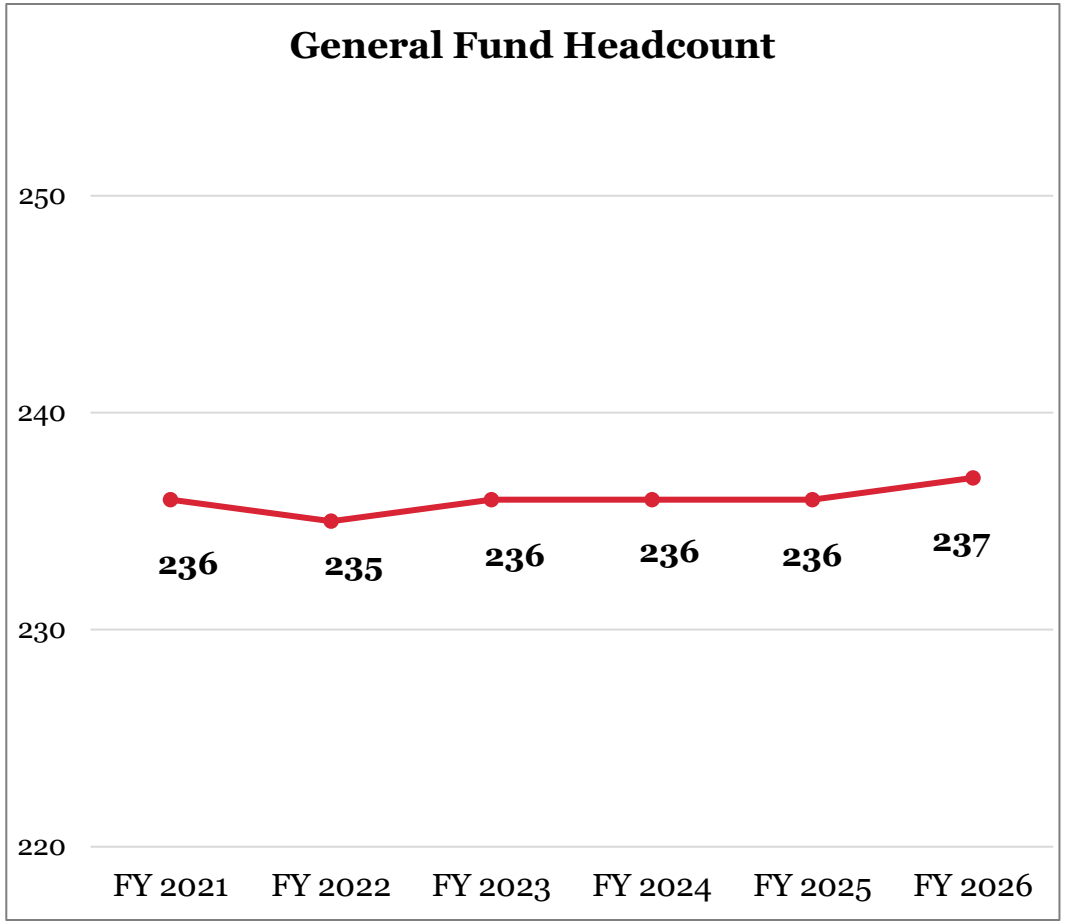
- **Thriving Community**
  - Encourage an Engaged and Informed Community:
    - Investment in beginning efforts to market revitalized brand ($75K)
    - Continued investment in translation and interpreter services ($20K)



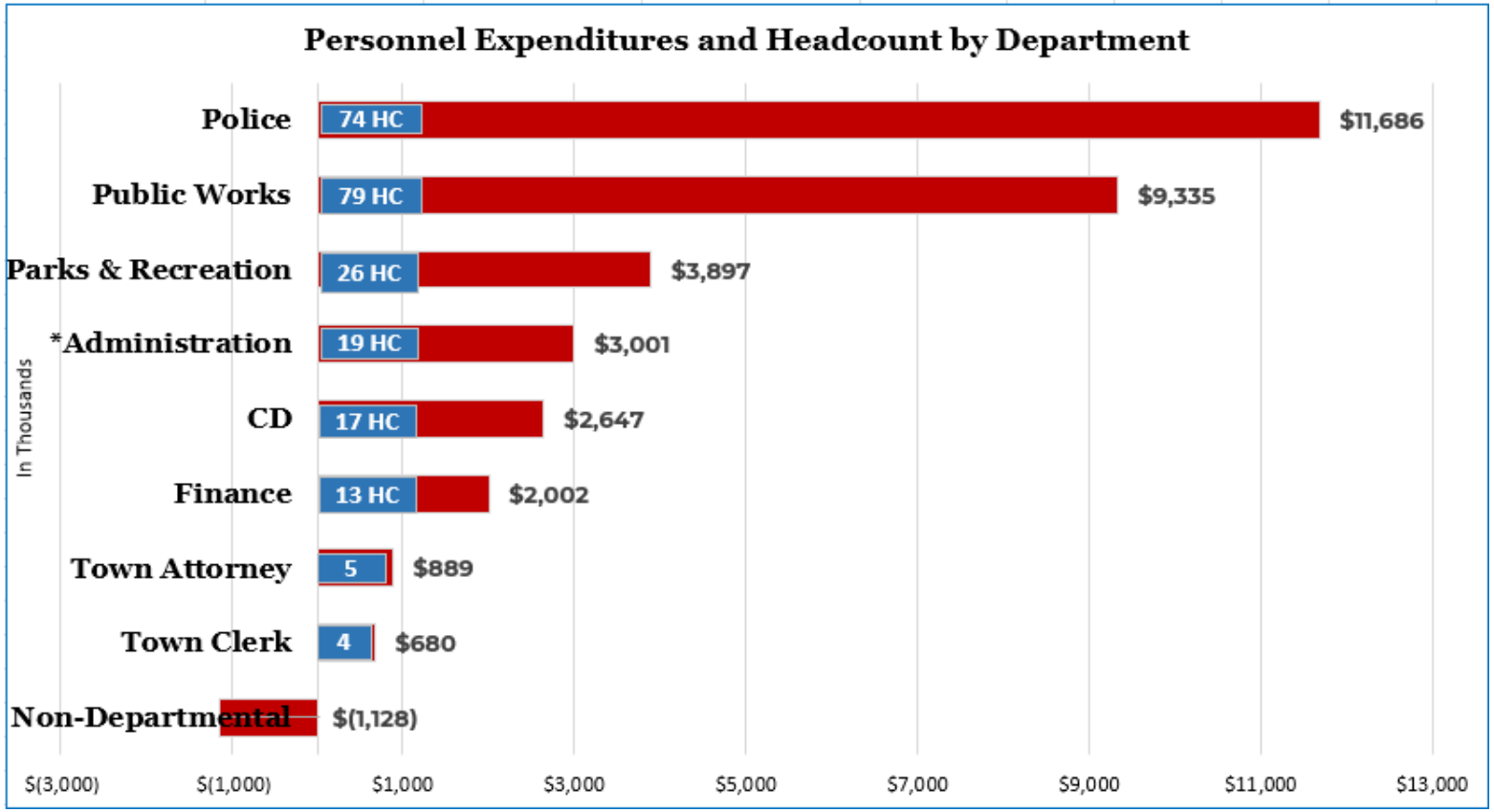
  - Park Safety and Enhancement: increased investment on park maintenance, safety and development ($170K increase year-over-year)

FY 2026 Proposed General Fund Expenditures and Headcount





FY 2026 Proposed Expenditures – General Fund Personnel



*Administration includes 5 divisions: Communications, Economic Development, Town Management, Human Resources, Information Technology
Total GF Personnel Cost is $33M for 237 headcount.

FY 2026 Proposed Expenditures – General Fund Personnel

Employee Compensation	Assumption	$impact
Total Compensation	237 HC	$33.0M
▪ Market Rate Adjustments	2.5%	$523K
▪ Pay for Performance	Avg 2.0%	$321K
▪ Healthcare Costs $3.0M	YOY increase 12.0%	Inc of $108K
▪ Virginia Retirement System	8.45%	$2.39M
▪ Police Supplemental Retirement Plan	4.0%	$248K
▪ Training & Education	-	$327K

FY 2026 Proposed Budget: Personnel Updates

In FY 2026, 283 regular status positions are budgeted; a net increase of one position from FY 2025 in the General Fund.

Department	Positions	Action	Purpose	$ Impact
Police	Police Sergeant Police Officer	New Position (+1 HC) Repurpose vacant position (No HC impact)	Support launch of Special Enforcement and Engagement Team (SEET)	$200K
Town Clerk	Deputy Town Clerk	Fund existing DTC position (No HC impact)	Boards and commissions clerk responsibilities moved from CD to TC	$51K
Community Development	Planning Operations Manager Zoning Services Specialist	Reclassification (No HC impact) Title change (No HC impact)	Create additional capacity in CD to support department activities; moving B&C clerk responsibilities to TC	$6K

FY 2026 Proposed Budget: Personnel Updates

Department	Positions	Action	Purpose	$ Impact
Parks and Recreation	Head Lifeguard	Repurpose and fund vacant position (No HC impact)	Utilizing existing department positions to more effectively address and fund service and program needs; reduction in reliance on part-time, seasonal support	$76K
	Recreation Services Supervisor I	Reclassification (No HC impact)		$5K
	Community Center Supervisor	Reclassify vacant position (No HC impact)		$24K
Information Technology	Systems Administrator	Move and fund vacant Systems Administrator position from Police to IT (No HC impact)	Realign IT responsibilities within the IT Department; increase capacity in PD and IT	$89K

FY 2026 Proposed Budget – Operations & Maintenance

FY 2026 Proposed - Operations and Maint. - By Department						
In Thousands						
Departments	**FY 2023 Actuals**	**FY 2024 Actuals**	**FY 2025 Adopted**	**FY 2026 Proposed**	**$ Change**	**% Change**
Legislative	132	127	200	100	(100)	-50.1%
Administration	1,047	1,167	1,585	2,044	459	29.0%
Parks & Recreation	1,143	912	1,161	1,419	258	22.3%
Finance	99	131	126	119	(7)	-5.8%
Community Development	535	342	466	620	154	33.0%
Police (and Grants)	780	1,024	867	1,206	339	39.1%
Public Works	4,873	4,600	4,707	5,142	435	9.2%
Town Attorney	117	455	168	353	185	110.5%
Commercial Leases	115	83	121	86	(35)	-29.1%
Non-Departmental	59	91	90	93	3	3.3%
O & M Total	**8,901**	**8,934**	**9,490**	**11,180**	**1,690**	**17.8%**

FY 2026 Proposed Budget – Capital Outlay

FY 2026 Proposed - Capital Outlay - By Department		
In Thousands		
Departments	**Description**	**FY2025 Proposed**
Administration	IT Investment	234
Parks & Recreation	Fitness, Aquatics and Facility equipment	53
Police	Patrol and Admin Vehicles and vehicle equipment, special equipment and	298
	Special Equipment and file safe	24
	Upgrade proxy readers on doors	107
	Taser replacements	69
Public Works	Vehicle replacements and locator equipment	1,620
	Replacement Components for signalized intersections	90
	Design/construction – roof, fire alarm, and office upgrades and replacements;	400
Capital Outlay Total		**$ 2,895**

FY 2026 Proposed Expenditures - Summary

FY 2026 Proposed Expenditures - By Category						
In Thousands						
General Fund	**FY 2023 Actuals**	**FY 2024 Actuals**	**FY 2025 Adopted**	**FY 2026 Proposed**	**+/- Adopted to Proposed**	**% Change**
Personnel Services	26,245	28,970	30,380	33,008	2,628	8.7%
Operations and Maint	8,901	8,934	9,490	11,180	1,690	17.8%
Non-Departmental	479	520	688	607	(81)	-11.8%
Debt Service	1,484	1,515	1,395	1,315	(80)	-5.8%
Subtotal	**37,109**	**39,939**	**41,953**	**46,110**	**4,157**	**9.9%**
Interfund Transfers	2,396	250	467	1,324	856	183.2%
Capital Outlay	1,262	951	2,249	2,895	646	28.7%
Expenditures Total	**40,767**	**41,140**	**44,669**	**50,328**	**5,659**	**12.7%**

FY 2026 General Fund Revenue Projections - Summary

- Real Estate combined 4.38% increase in assessed values; proposed rate increase with impact of $562K
- Favorable trends continue for BPOL, and Transient Occupancy; proposed increase to meals tax rate (3.75% to 4.0%) impact of $300K
- Reflects higher projected Recreation Programs and admission/rental fees for Park & Recreation
- Other Financing Sources revenue is primarily the offset for Capital Outlay being funded via Use of Fund Balance
- Intergovernmental Revenue driven by VDOT Maintenance, State Communications Tax, Police/Fire-related, and Safety Plan grant

FY 2026 Proposed Revenue - By Category				
In Thousands				
General Fund	**FY 2025 Adopted**	**FY 2026 Proposed**	**+/- Adopted to Proposed**	**% Change**
General Property Tax	14,206	15,294	1,089	7.7%
Other Local Taxes	17,181	19,257	2,076	12.1%
Permits, Priv Fees	663	759	95	14.4%
Fines & Forfeitures	360	406	46	12.7%
Use of MoneyProperty	1,821	2,048	227	12.5%
Charges for Services	2,363	2,691	328	13.9%
Miscellaneous Revenue	54	78	24	44.4%
Intergov Revenue	5,272	5,445	174	3.3%
Subtotal	**41,920**	**45,978**	**4,058**	**9.7%**
Other Finance Source	2,749	4,351	1,602	58.3%
Revenue Total	**44,669**	**50,328**	**5,659**	**12.7%**

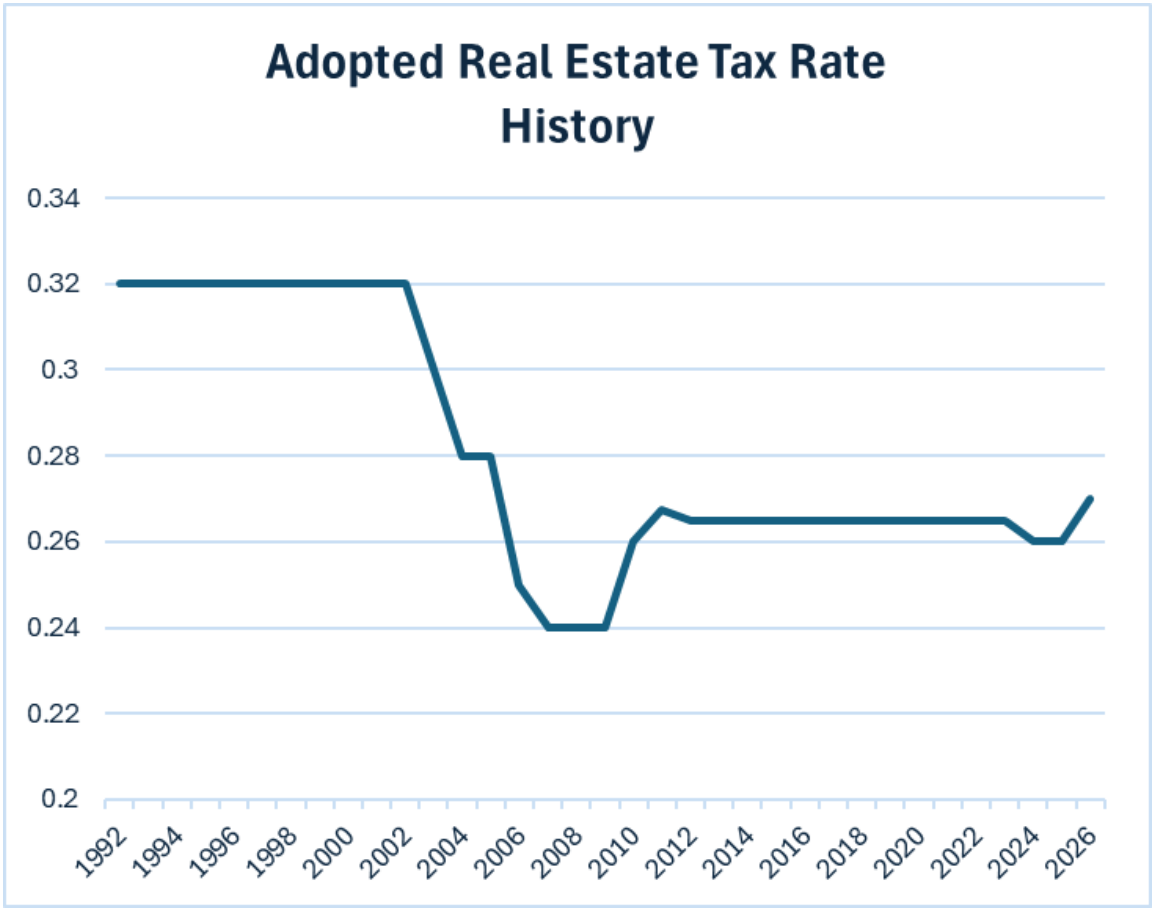
FY 2026 Revenue Projections – Real Estate Taxes

- Real Estate Tax current rate is $0.260 per $100 assessed value; **The proposed budget includes a rate of $0.270 per $100, generating $562K additional revenue.**
- Residential Values increased by 6.63%
- Commercial Values increased by 0.62%
- Residential/Commercial split: 64.0% / 36.0%
- Equalization rate ~ $0.2553 (The rate that will generate the same level of real property revenue that was generated in the prior tax year; excludes new construction)

Year	Total Taxable Value	% Change YOY	Total Town Levy	Average Value	Average Annual Bill	Tax Rate
Commercial						
2022	2,134,122,810	4.04%	5,655,425	3,345,020	8,864	0.265
2023	2,110,160,790	-1.12%	5,486,418	3,307,462	8,599	0.260
2024	2,012,217,580	-4.64%	5,231,766	3,149,010	8,187	0.260
2025	2,024,700,490	0.62%	5,466,691	3,173,512	8,568	0.270
Residential						
2022	3,040,609,020	10.85%	8,057,614	478,158	1,267	0.265
2023	3,222,879,610	5.99%	8,379,487	507,300	1,319	0.260
2024	3,372,724,630	4.65%	8,769,084	531,389	1,382	0.260
2025	3,596,182,790	6.63%	9,709,694	560,939	1,515	0.270

- With proposed tax rate, average residential owner impact of $133 annually ($11/mo.)

Tax Rates


Adopted Real Estate Tax Rate History
0.34
0.32
0.3
0.28
0.26
0.24
0.22
0.2
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026

FY 2026 Revenue Projections – Other Local Taxes

In Thousands					
General Fund	**FY 2023 Actuals**	**FY 2024 Actuals**	**FY 2025 Adopted**	**FY 2026 Proposed**	**FY2026 Proposed Rates**
Business Licenses - BPOL	6,460	7,195	6,125	7,000	**Proposed to increase rates to match the** Fairfax county BPOL rates
Meals Tax	4,348	4,419	4,300	4,878	**Proposed at 4% compared to 3.75% in FY25**
Local Sales Tax	2,391	2,667	2,454	2,720	Revenue Sharing based on school population
Transient Occupancy Tax	1,920	2,059	2,031	2,243	6.00%
Consumer Utility Tax	808	806	775	810	No Change
Bank Stock Tax	606	599	525	600	$0.80 per $100 net capital
Vehicle License Fee	467	490	450	560	$25 / $35
Cigarette Tax	167	155	149	141	$0.75 per pack
Cable TV PEG Fees	137	122	145	120	8.00%
Rights of Way Use Fee	77	93	120	95	No Change
Utility Consumption Tax	87	87	108	90	No Change
Total Other Local Taxes	**17,468**	**18,692**	**17,181**	**19,257**	
Recycle Collection Fee	443	401	443	502	**Renamed to Solid Waste & increased fee**

FY 2026 also includes increased fees: Land development, Entitlement, Planning and Zoning; Parks & Recreation field/league fees.

Average Residential Tax Bill

Proposed FY 2026 Average Residential Tax Bill - $1,515
By Dollar Amount with Functional Area



FY 2026 Proposed Budget: Unfunded Requests Impacting Strategic Goals

Dept	Description	Impact	Amount
Comm Dev	Public Tree Forestry Program- viable program for replacement and gradual increase in canopy ($293K) • Includes planting, maintenance, watering, traffic control and removal	• Reduces overall investment in urban forestry program • Limited plantings and maintenance and removals	$125K
Parks & Rec	Park Operations-safety ($166K) • Playground Inspections, FIBAR playground surfacing • Bridge/Trail maintenance	• Inspections and turf testing delayed • Reactive repairs rather than proactive	$38K
Parks & Rec	Programming ($202K) • Holiday Decorations • Special Events programming • Advertising	• Decorations limited or reduced • Children's festival postponed • Decrease in marketing investment	$40K

FY 2026 Proposed Budget: Unfunded Requests Impacting Strategic Goals

Dept	Description	Impact	Amount
Public Works	Paving Program – to improve the condition of fair and poor roadway; ($500K - Same level of service as funded in previous years);	• Requested additional $900K to address more roads • Increase in cost replacement may occur due to delayed maintenance	$900K
Public Works	Concrete Program – stand alone and linked to paving projects ($300K – a $50K increase above FY 2025 levels) • Cost of repairs increase to meet new Public Right of Way Accessibility Guidelines (PROWAG) • Linked to proper drainage of stormwater	• Requested additional $300K over FY 2025 to address more concrete work • Increase in cost replacement due to delayed maintenance	$300K
Public Works	Building Maint. & Repairs • Continued maintenance of town facilities • ($358K) budgeted below recent actuals	• Condition of all facilities systems is aging and past useful life • Rising cost environment • Limits ability to respond to emergency repairs	$185K

FY 2026 Proposed Budget: Unfunded Requests Impacting Strategic Goals

Dept	Description	Impact	Amount
Public Works	Spring/Fall Bulk Cleanup – ($119K)	• Currently provide two clean up events annually; reduced to one annual event. • All other times, residents may call to schedule special pick ups at cost.	$119K
Administration	Brand Marketing ($75K)	• Condensed marketing program	$25K
Personnel	Additional FTE's ($0) • Parks Services Supervisor • Utility Inspector/marker • Additional SEET patrol (2) • Deputy Town Managers (2) • Business Development Manager • Management analyst position	• Reduced ability to provide higher level and enhanced services	$1.2M

General Fund Questions

American Rescue Plan Act (ARPA) Fund

FY 2026 Proposed Budget: ARPA

- The legislation stipulates that all funds must be obligated by December 31, 2024, and spending completed by December31, 2026.
- Through FY 2022, FY 2023, and FY 2024 Budget amendments, funds for the majority of the qualifying projects have been appropriated, enabling the town to complete previously deferred maintenance projects, vehicle purchases, and critical water-sewer infrastructure.
- Actual spending for FY 2024 totaled $10.5 million. There are currently 30 projects included in the fund.
- The town has approved via amendment to spend a portion of the ~$2M interest earned-to-date for additional enhancements pertaining to existing approved projects.
- All spending regulated by the grant proceeds is expected to be spent by December 31, 2026
- **No additional expenditures have been included in the proposed FY26 Budget.**

Stormwater Management Fund

FY 2026 Proposed Budget – Stormwater Management Fund

- Fund was created in FY 2025 as a Special Revenue Fund.
  - Designed to track expenditures assigned to revenues that have a restricted purpose, such as Stormwater Tax revenue shared to the Town
  - Segregates the operating and project activity from the General Fund and Capital Projects Fund to provide greater visibility on matching revenues with expenditures
  - Under consideration: Analysis to consider developing a storm water management utility by 2027

FY 2026 Proposed Budget – Stormwater Management Fund

- Two types of revenues in this Fund: Shared Stormwater Tax revenue and Stormwater Tax Grant revenue
- Capital Outlay includes facility repair project, vehicles, and the Stream restoration project (grant funded)
- Beginning Fund balance of $1.8M at July 1, 2025; General Fund transfers expected over time
- Operating costs include 4 FTEs

FY 2026 Proposed Budget			
In Thousands			
Stormwater Mgmt Fund	**FY 2025 Adopted**	**FY 2026 Proposed**	**% Change**
Revenue			
Stormwater Tax Revenue	425	435	2%
Intergov Revenue	620	2,516	306%
Other Finance Source	211	1,200	468%
Interfund Transfers	92	111	20%
Total Revenue	**1,349**	**4,262**	**216%**
Expenditures			
Personnel Services	413	366	-12%
Operations and Maint	195	180	-8%
Capital Outlay	740	3,716	402%
Total Expenditure	**1,349**	**4,262**	**216%**

Capital Projects Fund

FY 2026 Budget – Capital Projects Fund

- FY 2026 Budget includes $5,940,627, representing a 138% increase over prior year

- Proposed spending includes:
  - sidewalk/trail projects,
  - information technology investments,
  - Parks, sports fields, and town facilities improvements, and
  - transportation projects

- Typical revenue sources for the Capital Projects Funds include, federal, state, and local grants for select capital construction projects, use of developer contributions, or proffers, proceeds from debt/lease arrangements, and inter-fund transfers.

- Details on the current and future projects is available in the Capital Improvement Program (CIP) document.

FY26 Proposed Budget: Capital projects

Request Title	FY2026
Multi-modal Transportation and Enhancements	
South Elden St (Herndon Pkwy to Sterling Rd)	$ 400,000
Central Elden Walkability Improvements	$ 520,000
Sidewalks, Trails and Bicycle Facilities	$ 250,000
Monroe St - Park Ave Intersection Improvements	$ 222,627
Center Street Reconstruction	$ 400,000
Wayfinding & Identification Signage	$ 50,000
Total Multi-modal Transportation and Enhancements	**$ 1,842,627**
Government Facilities Infrastructure	
VMWare Infrastructure replacement	$ 249,000
Network end of life equipment replacement	$ 75,000
Energy Conservation	$ 3,000,000
Police Infrastructure Improvements	$ 219,000
Town Hall Square & Depot Improvements	$ 50,000
Police Secure Gate	$ 35,000
Town-wide Security Improvements	$ 50,000
Total Government Facilities Infrastructure	**$ 3,678,000**
Parks & Recreation	
Sports Field and Park Improvements	$ 70,000
Park Equipment Replacement Program	$ 350,000
Total Parks & Recreation	**$ 420,000**
Total General Government	**$ 5,940,627**

FY 2026 Budget Process – Upcoming Key Dates

Activity	Date
Draft Operating Budgets completed by Departments	Complete
TC Work Session – Davenport presentation on Water-Sewer	Feb 1 - Complete
Final 2025 Real Estate Assessment Data received	Feb 20 - Complete
Proposed FY26 Budget delivered to Council and available to residents	Mar 10
TC Work Sessions: Governmental Funds Enterprise Funds and Capital Improvement Program	March 11 March 18
Full Proposed Budget Book – review for adoption	Apr 1
Begin Public Hearings	Apr 8
Budget Adoption	Apr 22

Questions