TOWN OF Herndon VIRGINIA

FY 2026 Proposed Budget: Enterprise Funds

Town Council Work Session

March 18, 2025

Finance Department

Agenda

- Centennial Golf Course Fund
- Chestnut Grove Cemetery Fund
- Water and Sewer Fund
  - Key take-aways from the Davenport presentation
  - FY26 Budget
  - FY26 Proposed Water and Sewer Rates
- Further discussion on FY26 Governmental Funds presented March 11, 2025

FY 2026 Budget Process: Impacts & Challenges

- Enterprise Funds: These are "business-type" funds with revenues consisting primarily of user fees charged for sales and services.
  - Inflationary pressures continue across products and services within these funds.
  - Imposed costs (costs we have no control over) are a factor in these funds (e.g. increases in healthcare costs, water and sewer commodity costs).
  - Adjustment to post-ARPA budgeting.
  - Aging infrastructure/facilities vs. new development projects.
  - Limited Revenue Growth.

Centennial Golf Course



Focus Area 1: Strong Fiscal Stewardship
Herndon is a fiscally responsible community.
Objective 2.2: Ensure enterprise funds are operating with adequate fee structures and net positions.



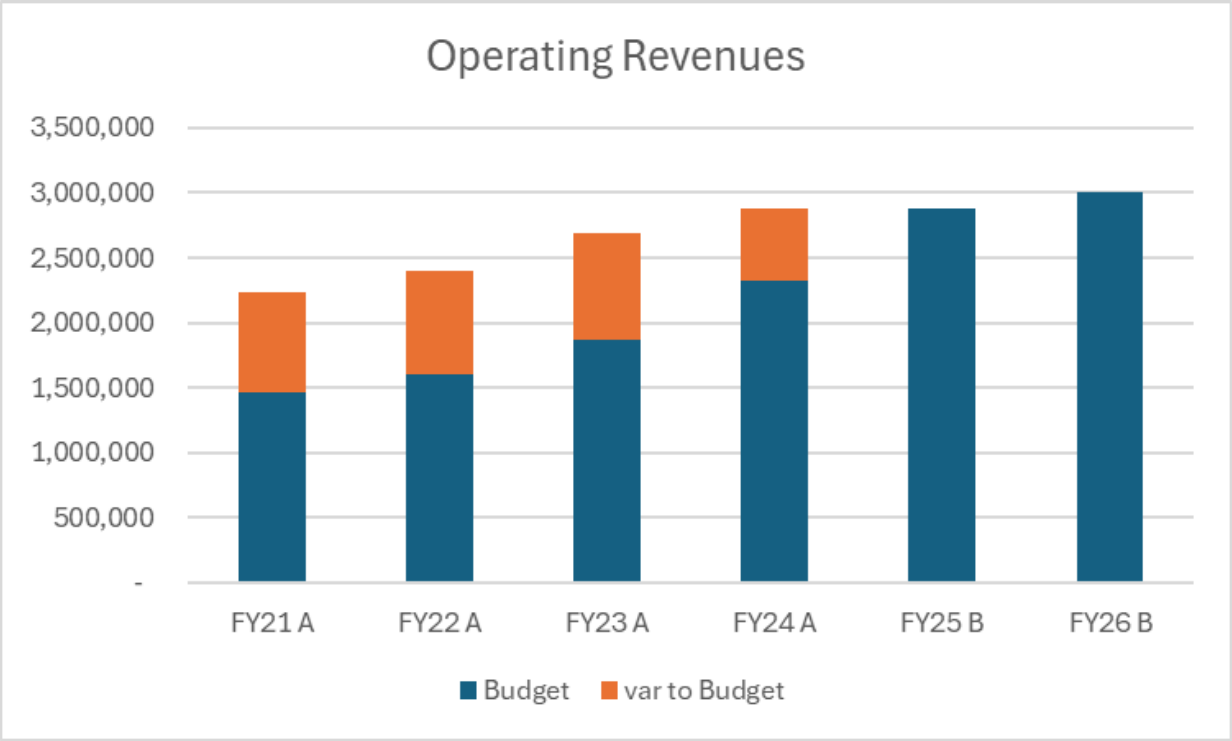
Focus Area 4: Good Governance
Herndon is a well governed community.
Objective 1.1 Establish, implement, and manage prioritized capital and operational investment plans for town facilities and equipment through deliberate and proactive evaluation of systems

FY 2026 Fund Performance- Summary

- *Golf Digest's* "Places to Play" for 18 consecutive years; "Best Area Courses for Women" by *Pros n Hackers Magazine*.
- Personnel: headcount of 11, no FY 2026 increase.
- Facilities, equipment, and services need to be maintained and improved to meet or exceed golfers' expectations while keeping up with competition.
- Large Capital Outlay anticipated to complete tee box/irrigation projects under contract and the cart barn replacement in design – affordable under current cash and fund balance.

Centennial Golf	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	YOY %
Operating Revenues				
Greens Fees	$ 2,136,567	$ 2,100,000	$ 2,204,210	5.0%
Golf/Pull Carts	377,838	455,500	456,456	0.2%
Driving Range	163,065	150,000	150,000	0.0%
Merchandise and other	204,217	179,526	189,063	5.3%
Other Revenues				
Interest Income and other gains	243,325	122,224	154,615	26.5%
Total Operating Revenues incl interest	**3,125,012**	**3,007,250**	**3,154,344**	4.9%
Operating Expenses				
Personnel	1,067,729	1,384,020	1,535,265	10.9%
Operations & Maintenance	826,564	853,778	777,884	-8.9%
Depreciation Expense	215,177	195,098	235,071	20.5%
Other	77,382	93,067	89,827	-3.5%
Other Expenses				
Interest on Debt	11,118	9,884	7,281	-26.3%
Total Expenses	2,197,969	2,535,848	2,645,328	4.3%
Capital Outlay	N/A	848,000	2,467,200	190.9%
Total Exp & Capital Outlay	**2,197,969**	**3,383,848**	**5,112,528**	
Source/(Use) of Net Position	**$ 927,043**	**$ (376,598)**	**$ (1,958,184)**	

Centennial Golf Fund - Revenues



- Operating revenues are obtained from greens fees, merchandise sales, use of the driving range, lessons, and rental income from golf carts, pull carts, golf clubs and concession operations.
- Operating Revenues favorable to budget for the last four years.
- Revenues are highly weather-dependent.
- Times are still uncertain; facilities will need the ability to adapt pricing to take advantage of the increase in play and adjust if market conditions become tougher.

Centennial Golf Fund – Maintenance and Capital Outlay

	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Adopted	FY2026 Proposed
Rounds Played	47,864	45,325	52,378	47,000	48,000
Maintenance Expenses	$ 810,842	$ 975,419	$ 1,230,819	$ 1,401,162	$ 1,521,366
Cost Per Round	$ 16.90	$ 21.50	$ 23.50	$ 29.81	$ 31.70

- One key performance indicator is **Maintenance Cost per Round**

Capital Outlay

- **Tee box renovation** completion expected Spring 2025: $1.35M
- **FY 2026 Budget includes the Cart Barn Replacement project: $2.2M**
  - Renovation of the golf cart storage facility, constructed in 1980
  - Preliminary concept plans and budgetary costs estimates to be completed FY 2025
- **FY 2026 Budget Equipment/vehicles: $182K**
- No additional financing anticipated

Chestnut Grove Cemetery



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Objective 2.2: Ensure enterprise funds are operating with adequate fee structures and net positions.



Focus Area 4: Good Governance
Herndon is a well governed community.
Goal 1: Maintain and enhance public facilities to effectively support municipal operations and services.

FY 2026 Fund Performance- Summary

- The Cemetery Fund remains self-supporting at this time.
- Diminishing inventory of burial sites continues and makes future projections challenging.
- Development project design costs ($169K) and office renovation ($151K) funded via ARPA; Office building project completion expected by August 2025.
- Capital Outlay for FY 2026– primarily the development project – affordable based on current cash and Net Position balances.
- Personnel: headcount of 5; no increases for FY 2026

Chestnut Grove Cemetery	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	YOY %
Operating Revenues				
Interment Services	$ 293,320	$ 287,930	$ 265,306	-7.9%
Memorial Sales	207,338	202,500	202,500	0.0%
Cemetery Sites	663,835	379,200	357,640	-5.7%
Miscellaneous	60,245	22,191	24,813	11.8%
Other Revenues				
Transfers and other	285,023	72,485	121,030	
Interest Income	142,808	86,000	55,000	
Total Operating &Other Revenues	**1,652,569**	**1,050,306**	**1,026,289**	-2.3%
Operating Expenses				
Personnel	412,037	478,264	506,090	5.8%
Operations & Maintenance	207,607	208,345	232,764	11.7%
Depreciation Expense	52,992	54,289	56,099	3.3%
Other	34,131	28,996	40,004	38.0%
Other Expenses				
Transfers and other	66,765	68,398	136,774	
Interest on Debt	7,636	7,443	6,444	
Total Expenses	781,168	845,735	978,176	15.7%
Capital Outlay	N/A	204,571	1,326,076	548.2%
Total Exp & Capital Outlay	**781,168**	**1,050,306**	**2,304,252**	119.4%
Source/(Use) of Net Position	**$ 871,401**	**$ -**	**(1,277,963)**	

Cemetery Development Project – status and next steps

- Description
  - Development of 3.5 acres of existing property.
  - Provides approximately 2,300 additional burial sites; Cemetery will continue to operate for an additional 15+ years.
- Cost
  - $2.5 million;
  - Funded by ARPA grant and Net Position
  - The original appropriation included use of ARPA.
  - With the project schedule delay, appropriation for the remaining costs now in the Cemetery Fund.

- Project Status and timeline
  - Master Plan approved by Council January 2024.
  - Scheduled completion – updated to April 2026.
  - Schedule shift due to
    - Additional storm water planning & design.
    - Extensive community outreach program underway to address issues; potential site plan updates anticipated.

Water and Sewer Fund



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Objective 1.1: Establish, implement, and manage prioritized capital and operational investment plans for town facilities and equipment through deliberate and proactive evaluation of systems.

Summary from Davenport February presentation

- Davenport, a financial advisory firm to the town, presented to Town Council February 18, 2025 regarding the Water and Sewer Fund and rates.
  - The Town's Water and Sewer System has historically been self-supporting and has not relied on support from the General Fund. This is an important "best practice". The Water and Sewer Fund has substantial aggregate cash reserves.
  - Quarterly bills for Herndon residents continues to be amongst the lowest in the region.
  - Two key financial metrics drive decision-making to ensure the fund remains in good standing: Days Cash on Hand and Debt Service Coverage.
  - The fund is currently in a strong financial position. Several key capital projects have been funded by the American Rescue Plan Act (ARPA) Fund. Davenport noted that the Sewer Capacity purchase is anticipated in 2027 – sooner than in last year's model.
- Davenport recommended rate increases for FY 2026 – in line with increases presented over the last two years.
  - Analysis on timing and amount of additional financing commence following adoption of the FY 2026 Budget & Capital Improvement Plan.

FY 2026 Fund Performance - Summary

- Operating revenues include sale of water, sewer services, and revenue from leases related to water towers.
- Availability Fees budgeted reflect timing of development projects in the pipeline.
- The proposed FY 2026 includes
  - Proposed rate increases for water-sewer services.
  - FTEs: 26; No additional FTE's added for FY 2026.
  - Lead and Copper consulting services included again.
- Due to anticipated capital projects, use of existing Net Position (or additional debt proceeds) will be needed for FY 2026.

Water-Sewer	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	YOY %
Operating Revenues				
Charges for Services	$ 8,668,357	$ 10,077,700	$ 10,933,600	8.5%
Rents and leases	389,394	405,923	321,324	-20.8%
Miscellaneous revenue	19,968	8,000	10,500	31.3%
Other Revenues				
Availablity Fees	1,237,668	1,672,140	6,545,340	291.4%
Interest Income	638,527	472,000	583,531	23.6%
Other	14,615	20,000	10,000	-50.0%
Total Operating and Other Revenues	**10,968,529**	**12,655,763**	**18,404,295**	45.4%
Operating Expenses				
Water-Sewer Services	3,924,388	5,670,000	5,721,000	0.9%
Personnel	1,789,679	2,629,623	2,757,345	4.9%
Depreciation Expense	1,380,854	1,063,375	1,079,069	1.5%
Operations & Maint.	534,178	1,221,302	1,235,457	1.2%
Indirect Services and other	678,032	641,603	835,146	30.2%
Other Expenses				
Interest on Debt and other	345,683	323,279	306,607	-5.2%
Total Expenses	8,652,814	11,549,183	11,934,624	
Capital Outlay	N/A	10,131,000	15,746,381	55.4%
Total Exp & Capital Outlay	**8,652,814**	**21,680,183**	**27,681,005**	
Source/(Use) of Net Position	**$ 2,315,715**	**$ (9,024,420)**	**$ (9,276,710)**	

Water and Sewer: FY 2026 proposed Capital Outlay

($millions)	6-Year Total FY26 - FY31	2024 Act	2025 Budget Amended 11/18	2025 Fcst	2026 Budget (proposed)
Water					
Water Util Master Plan projects	$ 26.5	$ 0.1	$ 3.1	$ 0.1	$ 5.8
General Maint & Replace projects	20.6	0.8	5.4	3.2	4.6
Equipment	1.6	-	-	-	0.7
Future	2.4	-	-	-	-
	$ 51.1	$ 1.0	$ 8.6	$ 3.3	$ 11.0
Sewer					
Pump Station	$ 13.0	$ -	$ -	$ -	$ -
Blue Plains (capital portion)	18.1	-	-	1.6	2.5
Equipment	0.9	0.2	-	-	-
Capacity purchase	25.0	-	-	-	-
Sewer Util Mast Plan projects	4.5	0.0	2.8	1.6	4.5
Sewer Relining and Manhole projects	4.5	0.4	0.6	0.1	1.0
Future	-	-	-	-	-
	$ 65.9	$ 0.7	$ 3.4	$ 3.2	$ 8.0

Water and Sewer Fund – Developing the proposed rates

- With several development projects expected to be completed in the five-year horizon, **availability fees were included** in the multi-year rate update.
- Similarly, a **sewer capacity purchase** is expected to be needed as soon as 2027.
- It is important to balance costs imposed on existing current accounts vs. anticipated future accounts. Davenport assumed a **74% Debt – 26% Equity** in the updated model.
- **Any ARPA** funding is excluded from the model.
- Costs associated with new regulations such as the **Lead & Copper** testing are included in the model.

Water – FY 2026 Proposed rates

Quarterly Service Charge

Meter Size (1)	Current FY 2025	Proposed FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY2030
5/8”	$16.34	$21.24	$27.61	$35.90	$46.67	$48.65
% Change YOY		**30%**	**30%**	**30%**	**30%**	**4.25%**

Quarterly Billing	
Meter (in.)	$
5/8	$21.24
3/4	$31.86
1	$53.06
1 1/2	$106.17
2	$169.84
3	$339.73
4	$530.83
6	$1,061.64

Volumetric Rates

Rate per 1,000 gal.	Current FY 2025	Proposed FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Base Rate	$4.08	$4.79	$5.63	$6.62	$7.78	$8.24
Peak Rate (2)	$6.94	$8.15	$9.58	$11.26	$13.23	$14.02
% Change YOY		**17.5%**	**17.5%**	**17.5%**	**17.5%**	**6%**

Fiscal Impact of proposed increase

Total	**$834,253**
Avg household/yr	**$53.68**

1) *Service charges for larger meter sizes are escalated at the same rate.*

2) *Peak Rate charged for usage in excess of the average consumption of the preceding two winter quarters. Charge is in addition to base water usage for bills issued June-Nov*

Sewer – FY 2026 Proposed rates

Quarterly Service Charge

Meter Size (1)	Current FY 2025	Proposed FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
5/8”	$12.76	$15.95	$19.94	$24.92	$31.15	$32.48
% Change YOY		**25%**	**25%**	**25%**	**25%**	**4.25%**

Quarterly Billing	
Meter (in.)	$
5/8	$15.95
3/4	$22.04
1	$34.20
1 1/2	$64.62
2	$101.12
3	$198.47
4	$307.99
6	$612.19

Volumetric Rates

Rate per 1,000 gal.	Current FY 2025	Proposed FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Base Rate	$8.93	$9.64	$10.42	$11.98	$13.78	$14.88
% Change YOY		**8%**	**8%**	**15%**	**15%**	**8%**

Fiscal Impact of proposed increase

Total	**$591,501**
Avg household/yr	**$46.84**

1) *Service charges for larger meter sizes are escalated at the same rate.*



Questions – Enterprise Funds

Questions and follow-ups from Governmental Funds (March 11)