TOWN OF Herndon VIRGINIA

Town Council Work Session
Agenda Item 2.a.

Agenda Item: **FY 2026 Proposed Budget – Follow-Up Discussion**

Meeting Date: April 15, 2025

Category: Discussion

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

Description:
Discussion on the FY 2026 proposed budget will continue with follow-ups and additional discussion on the General Fund, other Governmental Funds, Enterprise Funds, and Capital Improvement Program (CIP), as needed.

Background:
In accordance with the requirements outlined in the Code of Virginia § 15.2-2503, 15.2-2506, and 58.1-3321, the Interim Town Manager has submitted the proposed budget for FY 2026 to the Town Council by April 1 and properly advertised the public hearings on the proposed budget. During the meetings on March 11, March 18, and April 1, the Governmental Funds; Enterprise Funds; and CIP were presented. Additionally, the first budget public hearing was held on Tuesday, April 8, with the public hearings remaining open to the April 22, 2025, regular meeting.

Timing Impact:
The second budget public hearing is scheduled for April 22, 2025, during which the Council will consider the budget items for adoption. The Town's adopted rates will need to be communicated to Fairfax County by May 1, 2025, to facilitate the tax billing and collection process.

The adopted FY 2026 operating budgets and the FY 2026-2031 CIP become effective on July 1, 2025.

FY 2026 Proposed Budget (link)
FY 2026–2031 Capital Improvement Program (link)

Related Strategic Plan Goals:
The Proposed FY 2026 Budget relates to all areas of the Strategic Plan, specifically to the following related goals highlighted below:

Strong Fiscal Stewardship
Goal 1: Maintain strong financial health to ensure advantageous borrowing opportunities as needed.

Goal 2: Conduct forward-looking and multi-year planning and analysis.
Goal 3: Utilize best practices as they relate to fiscal controls and risk management.

Secure and Interconnected Community
Goal 1: Provide safe and secure community interactions through professional, respectful, and equitable responsiveness.
Goal 2: Provide a convenient and safe interconnected multimodal network.
Goal 3: Actively collaborate with regional jurisdictions and state and federal agencies to leverage resources.

Environmental and Economic Sustainability
Goal 1: Implement policies, practices, and regulations that encourage or incentivize energy efficiency and the use of renewable energy in public and private investments.
Goal 4: Improve and streamline town processes required of new and existing businesses.
Goal 5: Foster and expand policies and partnerships with Fairfax County to ensure diversification of housing stock.
Goal 6: Implement policies, practices, and regulations that protect and enhance the town's natural resources and preserve the environment.

Good Governance
Goal 1: Maintain and enhance public facilities to effectively support municipal operations and services.
Goal 2: Actively engage community input that informs the Town's policies, programs, and services.
Goal 3: Foster a positive town organizational culture that prioritizes employee development, professional growth, and wellness; and sets the standard in high performance leadership.

Thriving Community
Goal 1: Prioritize accessible government services, programs, and infrastructure.
Goal 2: Encourage an engaged and informed community.
Goal 3: Honor the diversity of the town.
Goal 4: Ensure a variety of green and open spaces with recreation options accessible to all.

Strategic Focus Area:



Strong Fiscal Stewardship
Secure and Interconnected Community
Environmental and Economic Sustainability
Good Governance
Thriving Community

Fiscal Impact:
The Town of Herndon has proposed a Fiscal Year (FY) 2026 Budget of $95,628,447, a 28.1 percent increase from the adopted FY 2025 Budget.

The Proposed FY 2026 Budget accounts for increasingly high costs associated with hiring and maintaining top-quality employees; continued supply chain pressures; the assumption of capital costs as the American Rescue Plan Act (ARPA) funding ends; and funds associated with initiatives included in the town's Strategic Plan. Included in the proposed budget is a real estate tax rate increase, from $0.2600 per $100 of assessed value to $0.2700 per $100 of assessed value. The Proposed FY 2026 Budget also includes an increase in the meals tax, from 3.75 percent to four percent, and rate adjustments in business licensing, solid waste and development fees.

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. The Town Council is required to hold public hearings and adopt the budget before July 1, 2025. All legal requirements have been met thus far. Budget adoption is scheduled for April 22, 2025.

Staff Recommendation/Next Steps:
The Interim Town Manager and staff recommend approval and adoption of the Proposed FY 2026 operating budgets and FY 2026-2031 CIP with any adjustments the Town Council deems appropriate. Town staff stand ready to support the Town Council in its discussions and deliberations.

Attachments:
None