

April 1, 2009

**The Honorable Mayor and
Members of the Town Council
Town of Vienna
Vienna, Virginia 22180**

Dear Mayor and Council:

As required by Section 5.1 of the Town Charter, I herewith submit the proposed budget for the Town of Vienna for the fiscal year beginning July 1, 2009.

Our area, along with the entire country, has continued to experience a declining economy brought about by a meltdown of the largest financial institutions and the U.S. and global equity markets. The largest decline in Town revenues during the 2008-09 fiscal year has been in the category of interest earnings as yields have plummeted. The fallout from the subprime lending collapse contributed to only the third decrease in existing property assessments in the last 13 years. Prior to 2009 the Town had experienced only two assessment declines since 1998 and both of those were less than 1%.

On a positive note we have seen some movement on redevelopment of several of the now vacant commercial properties and the number of foreclosures in Town remains in the single digits. The Town's overall economy tends to stay fairly stable both during market surges and declines unlike the sharp swings found in some other area jurisdictions. The Town's history of conservative revenue projections and departmental expenditures are major reasons why we are not facing more significant problems. While the economy in Vienna is certainly not like that of four or five years ago it is not entirely gloomy either.

We knew we would be experiencing a reduction in our taxable assessment totals in 2009 so we set out to prepare for the 2009-10 fiscal year by proposing no new programs, projects or employees. Also, based on the current economy, we did not propose or budget for any type of market adjustment to the employee pay plan. Our employees did work during this fiscal year to keep costs down and we feel that we should continue our current pay grade/step system into the next fiscal year and the cost of doing so is included as a part of the proposed budget.

For 2009 the average residential assessment *decreased* by 7.61% over 2008 while the average existing commercial assessment *decreased* by 0.53%. Overall, existing

assessments, including new construction, *decreased* by 5.99% compared to an increase of 3.50% in 2008. We did have new construction of just over \$56 Million occur during 2008 which is a positive sign. Commercial property now accounts for over 24% of the Town's total taxable assessed value.

We have prepared the 2009/10 budget using modest revenue projections and all of our departments have submitted budgets that keep expenditure levels low. The FY 2009/10 budget is based on a real estate tax rate of 23.31 cents per \$100 of assessed valuation which represents an increase of 2.40 cents from the FY 2008/09 tax rate and .50 cents from the "no increase" rate as specified by Commonwealth law. Further discussion of the meaning of the "no increase" tax rate follows as well as the reasons for the increase in the rate. We are not proposing any other increases in fees or charges for services.

The Town of Vienna has received the Distinguished Budget Award from the Government Finance Officers Association of the United States and Canada (GFOA) as we continue to receive this prestigious award for every year that a submission has been made. GFOA states that those jurisdictions that receive the award have assembled and adopted a document that exhibits proficiency in policy, operations, financial planning and communications. Our FY 2009/10 budget will be submitted for the award and we expect to receive the award yet again.

The Fairfax County Office of Assessments has provided us with data showing that the total taxable assessed valuation on the tax rolls as of January 1, 2009 *decreased* by \$239,505,660 or 5.99% over 2008 levels. Existing property assessments *decreased* by 7.39% or \$295,745,730 and new construction accounted for the \$56,240,070 difference. The new construction and additions to existing properties were split 60/40 between residential and commercial properties with one larger commercial property accounting for a majority of the increase in that category. In the 2008/09 fiscal year 86% of the new construction was in the residential category. The new construction and additions to existing properties break down to 243 residential parcels and 5 commercial properties for an average of \$137,981 per residential and \$4,542,124 per commercial parcel.

Local governments in Virginia are permitted to increase the property tax on existing properties by one percent without this increase being considered a tax increase thereby establishing the "no increase" tax rate. Any real estate property tax rate above the "no increase" rate is then considered a tax rate increase and we are required to follow Commonwealth law and advertise this fact to our residents. The Town goes beyond statutory notice requirements by publishing any proposed rate increase in our monthly Town Newsletter and on our web site in addition to the notices printed in a newspaper. We attempt to make our budget process as transparent as possible and take the steps necessary to inform our residents of the facts relating to our proposed budget.

For the fiscal year 2009/10 the Town of Vienna effective “no increase” real estate property tax rate is 22.81 cents per \$100 of assessed valuation versus the 2008/09 levy of 20.91 cents, an increase of 1.90 cents. The fiscal year 2009/10 budget is based on a rate of 23.31 cents, an increase of .50 cents per \$100 of assessed valuation or 2.20%. Below is a summary, by fund, of the 2009/10 budget:

	FY 2008/09 Adopted Budget	FY 2009/10 Proposed Budget	Net Change	Percentage Increase (Decrease)
General Fund	\$20,491,125	\$20,939,244	\$448,119	2.19%
Debt Service	\$2,427,175	\$2,049,126	(\$378,049)	(15.57%)
Water & Sewer	\$6,549,065	\$6,617,235	\$68,170	1.04%
Total	\$29,467,365	\$29,605,605	\$138,240	.47%

Departmental expenditures will be discussed later in the budget message. Following is a chart that displays the effect of the proposed real estate tax rate and water and sewer service charges for fiscal year 2009/10.

	Actual Fiscal Year 2008/09	Proposed Fiscal Year 2009/10	Net Change
Estimated Assessed Value	\$548,618 ¹	\$506,868 ¹	(\$41,750)
Tax Rate	20.91 cents	23.31 cents	2.40 cents
Annual Property Tax Bill	\$1,147.16	\$1,181.51	\$34.35
Annual Water & Sewer Charges ²	\$697.76	\$697.76	n/c
Total Property Tax & Utility Charges	\$1,844.92	\$1,879.27	\$34.35

¹ Estimated Median Market Value from 2009 assessment data (residential decline of 7.61%)

² Based on quarterly usage of 19,000 gallons including the service charge

GENERAL FUND

The proposed General Fund budget for fiscal year 2009/10 totals \$20,939,244, an increase of \$448,119 or 2.19%. Personnel related expenditures account for \$425,592 or 95% of the increase. As mentioned earlier in this memorandum, we have included funding for normal step increases and added an equivalent step for those employees at the top of their range.

Expenditures in non-personnel related accounts have basically stayed the same when compared to fiscal year 2008/09 levels. Listed below are proposed expenditures for General Fund departments with a comparison to the 2008/09 budget. There are no employee changes proposed in the General Fund for fiscal year 2009/10 including part-time personnel.

Department	FY 2008/09 Adopted Budget	FY 2009/10 Proposed Budget	Net Change	% Increase (Decrease)
Legislative	\$664,676	\$678,016	\$13,340	2.01%
Administration	\$1,610,865	\$1,638,712	\$27,847	1.73%
Finance	\$1,335,572	\$1,375,541	\$39,969	2.99%
Police	\$5,590,613	\$5,758,809	\$168,196	3.01%
Public Works	\$6,718,034	\$6,831,433	\$113,399	1.69%
Tax Relief	\$290,521	\$290,521	0	n/c
Parks & Recreation	\$2,747,315	\$2,736,905	(\$10,410)	(0.38%)
Planning & Zoning	\$729,914	\$752,186	\$22,272	3.05%
Transfers & Reserves	\$238,717	\$298,750	\$60,033	25.15%

Computer Replacement Reserve	\$109,000	\$10,000	(\$99,000)	(90.83%)
Vehicle & Equipt. Replacement	\$455,898	\$568,371	\$112,473	24.67%
Total	\$20,491,125	\$20,939,244	\$448,119	2.19%

Following is a summary of significant changes in General Fund department expenditures compared to the FY 2008/09 budget:

Legislative

The Legislative budget (Town Council, Boards and Commissions, Town Clerk, Elections, Legal Services, Volunteer Fire Department allocation, and Donations and Contributions) has increased by \$13,340 or 2.01%. We have combined the Town Clerk and Elections budgets with election costs (election official salaries) listed under part-time employees. The Volunteer Fire Department amount has increased due to an expected increase in State Fire Program Funds. No change is proposed for the Town allocation to the Volunteer Fire Department. The Donations and Contributions budget remains unchanged from the 2008/09 level.

Administration

The Administration budget (Town Manager, Administrative Services, Risk Management, Public Information and Information Technology) has increased by \$27,847 or 1.73%. We have increased funding for postal services in the Public Information budget to reflect higher mailing costs for the Town Newsletter and annual calendar. There are no other significant changes proposed in the Administration budget.

Finance Department

The Finance Department budget is proposed to increase by \$39,969 or 2.99% over the fiscal year 2008/09 budget. We have included funds to replace the backup battery system for the two telephone switches and phone mail system for Town Hall. No other significant changes are proposed.

Police Department

The Police Department budget for fiscal year 2009/10 is proposed to increase by \$168,196 or 3.01% to \$5,758,809. There are no significant changes proposed in the Police Department budget. Funding for replacement of the reverse 911 telephone

system and the 911 voice recording system will come from a grant from the Federal government.

Public Works Department

The Public Works Department proposed budget for fiscal year 2009/10 is \$6,831,433 which represents an increase of \$113,399 or 1.69%. In the Street Maintenance division we plan to do more asphalt work in-house and have shifted funds from the contractual to the internal repair account. The Vehicle and Equipment Maintenance budget has increased due to increases in fuel and repair parts. In the Traffic Engineering budget we have included the purchase of one (1) additional pole mounted traffic speed indicator. No other significant increases are proposed in the Public Works budget.

Tax Relief Programs

Funding for tax relief programs (property taxes and revitalization exemption) is proposed at \$290,521, the same amount as budgeted in FY 2008/09.

Parks and Recreation Department

The Parks and Recreation Department budget is proposed at \$2,736,905 which represents a *decrease* of \$10,410 or .38% from 2008/09 levels. The only significant changes in the Parks and Recreation budget involve increased funding for tree work that is beyond the capabilities of our crews. We have also increased funding in the Community Center budget for repairs to the HVAC system in the building.

Planning and Zoning Department

The Planning and Zoning Department budget is proposed at \$752,186 which represents an increase of \$22,272 or 3.05%. There are no significant increases in funding proposed.

Transfers and Reserves

We plan to transfer \$126,700 into the sidewalk construction projects fund (\$29,700 more than the 2008/09 allocation) and as is customary, \$30,000 into the Vehicle and Equipment Replacement Fund. Funding for these transfers comes from telecommunications tax receipts. The General Fund Contingency account is budgeted at \$202,050 and these funds may only be used after formal approval by the Town Council. The PC Replacement Reserve has been reduced by \$99,000. It is not necessary in FY 2009/10 to budget for the Financial System Replacement (\$59,000) and the PC Replacement Program has been scaled back from a \$50,000 expenditure to \$10,000 for the coming year. We have examined our inventory of computers and feel that this reduction is appropriate for one year and will not have a significant negative effect.

Vehicle & Equipment Replacement

Funding for the Vehicle & Equipment Replacement Program will increase by \$112,473 over fiscal year 2008/09 levels. We continue to experience savings in our vehicle and equipment purchases. Estimated replacement costs have been updated and five (5) hybrid vehicles have been included in the plan for the next five (5) years. The hybrid vehicles have been included at the request of the Town Council and consist of three (3) sedans, one (1) SUV and one (1) full size crew cab. The average age of our fleet as of 2009 now stands at 4.89 years while total purchases in FY 2008/09 were \$14,000 over budget; savings from previous years have kept the program in a positive financial state.

General Fund Revenues

General Fund Revenues are projected to total \$20,939,244 representing an increase of \$448,119 or 2.19%. Revenue from real estate property taxes is budgeted at \$8,765,767 based on a tax rate of 23.31 cents. Property tax revenues are projected to increase by \$401,725 over FY 2008/09. Other revenue categories expected to have slight increases are tobacco taxes, telecommunications taxes, court fines and VDOT street maintenance payments. We have included the revenue stream for rental of space on our elevated water tanks and a one-time transfer of \$250,000 from the Equipment Replacement Reserve while reducing the use of prior years reserve by \$116,738.

DEBT SERVICE FUND

By June 30, 2009 the total outstanding general obligation debt of the Town, including that related to the Water & Sewer Fund, will be \$10,443,336. The total outstanding balance at year end represents 0.3 percent of the Town's tax year 2009 property tax values which we have kept consistently under limits prescribed by Commonwealth law.

For the fiscal year ending June 30, 2010, debt service payments, including interest on the 1996, 1998, 1999, 2002 and 2006 issues will be \$349,375, \$384,800, \$394,960, \$435,643 and \$483,648 respectively for a total of \$2,049,126. The principal retired during the fiscal year will bring the Town's outstanding general obligation debt to a balance of \$8,816,669 as of June 30, 2010 or about 0.2 percent of the Town's 2009 total taxable property value.

Because of the various pressures on the municipal bond market no funds have been included in the Debt Service Fund budget for debt service on a 2009 bond issue. The Finance Director and I feel that the Town should reconsider a spring 2009 bond issue and instead look towards the fall of 2009 when the markets will hopefully be more stable. If a bond issue is sold after July 1, 2009 the first debt service will not be due until the FY 2010/11 budget.

As in previous years the debt service expenses continue to be paid by receipts from the meals and lodging tax. Even with a decline in expected revenues in excess of ten percent there are still sufficient revenues in reserve to pay principal and interest payments on existing debt after July 1, 2009.

WATER & SEWER FUND

Expenditures for the Water & Sewer Fund total \$6,617,235, an increase of \$68,170 or 1.04%. No significant changes have been made to the budget with the majority of the increase attributable to personnel costs.

Based on current revenue projections it is not necessary to recommend an increase in either water or sewer rates for fiscal year 2009/10. Revenues will be tracked throughout the year and if we experience higher than normal rainfall during the summer an adjustment in rates may be necessary later in the year. We are continuing to work on a wholesale water agreement with the City of Falls Church. We also are examining the feasibility of an acquisition by Falls Church with the joint Town-City appointment of a firm to value the Town water and sewer systems.

SUMMARY

We were fully aware that FY 2008/09 would present some serious challenges to the Town in terms of maintaining our level of service delivery during a severe economic downturn. FY 2009/10 will be no different and we will yet again have to operate in a depressed economy with little or no help from the Commonwealth or the Federal government. Even though our taxable assessed valuation has declined, Vienna did not experience the severe drop in assessments commonplace in many other area jurisdictions. Of additional note, we have seen only a very small number of home foreclosures. Our housing base is strong and we will recover but the Town has to remain vigilant to insure that properties are not allowed to go into a state of disrepair. The Town Council and the department heads have followed the philosophy of conservative revenue projections and expenditures and that has proven to be valuable in dealing with the current recession.

The proposed 2009/10 budget recognizes that we need to operate as efficiently and economically as possible and mitigate any cost increases to the taxpayers. The budget also recognizes the fact that our employees are our greatest asset and continuing the existing compensation structure is an important part of our overall plan.

I believe Vienna will continue to be one of the most desirable places in which to live and development both residential and commercial will recover to pre-recession levels. I want to thank all of the department heads for their work in keeping our

expenses under control during the current fiscal year and proposing budgets for FY 2009/10 that meet the challenges facing us.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John H. Schoeberlein", with a long horizontal flourish extending to the right.

**John H. Schoeberlein
Town Manager**

/ntn



Town of Vienna, Virginia CORE VALUES

PREAMBLE - TRADITIONS

- Our most valuable asset is our reputation.
- We balance the need for change while preserving our history and small town character.

CORE VALUES

- Integrity: Our actions are guided by ethical and honest conduct.
- Customer: We are responsive and service-oriented to meet customer needs.
- Valuing Employees: Our employees are our most valuable resource.
- Organizational Excellence: We deliver value and exceed expectations.
- Communications: We create an environment that fosters dialogue.
- Accountability: In all levels of the organization, we as individuals hold ourselves accountable for our actions.

Prepared by the employees of the Town of Vienna
May 15, 2008

TOWN OF VIENNA, VIRGINIA Organizational Chart

