



July 1, 2013

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

Dear Mayor Seeman and Members of the Town Council:

As required by Section 5.1 of the Town Charter, I present the adopted Town of Vienna Fiscal Year 2013-2014 Operating Budget that becomes effective on July 1, 2013. This document includes the Town's four operating funds: General Fund, Water and Sewer Fund, Stormwater Fund and Debt Service Fund.

As shown in the following chart, the adopted budgets of the Town's four funds total \$31,720,828, a decrease of \$54,763 or 0.2% percent below the current fiscal year.

**Summary by Fund**

	Adopted FY 2012-13 Budget	Adopted FY 2013-14 Budget	Net Change	Percentage Increase (Decrease)
General Fund	\$ 22,029,785	\$ 21,810,170	\$ (219,615)	-1.0%
Debt Service Fund	\$ 2,248,594	\$ 2,296,658	\$ 48,064	2.1%
Water & Sewer Fund	\$ 7,497,212	\$ 7,388,000	\$ (109,212)	-1.5%
Stormwater Fund	n/a	\$ 226,000	n/a	n/a
<b>Total</b>	<b>\$ 31,775,591</b>	<b>\$ 31,720,828</b>	<b>\$ (54,763)</b>	<b>-0.2%</b>

Adopted Budget Message

July 1, 2013

Page 2 of 8

**GENERAL FUND**

The General Fund adopted budget decrease of one percent includes several changes in staffing, and an employee anniversary worth of a market adjustment for Town employee salaries and wages. As indicated in more detail later in this document, this has been accomplished by decreasing the current Property Tax rate of 24.21 cents to 22.88 cents per one hundred dollars. The rate does not constitute an “effective tax rate increase” as defined by State Code.

The following chart summarizes adopted General Fund expenditures for the next fiscal year by department, followed by the budget highlights of the various departments and functions.

**Summary by Department**

Department	Adopted FY 2012-13 Budget	Adopted FY 2013-14 Budget	Net Change	Percent Increase (Decrease)
Legislative	\$ 767,507	\$ 728,359	\$ (39,148)	-5.1%
Administration	\$ 1,975,917	\$ 2,181,091	\$ 205,174	10.4%
Finance	\$ 1,350,890	\$ 1,415,930	\$ 65,040	4.8%
Police	\$ 6,175,340	\$ 6,261,199	\$ 85,859	1.4%
Public Works	\$ 6,807,707	\$ 6,846,578	\$ 38,871	0.6%
Tax Relief	\$ 269,959	\$ 258,700	\$ (11,259)	-4.2%
Parks & Recreation	\$ 2,737,739	\$ 2,798,910	\$ 61,171	2.2%
Planning & Zoning	\$ 896,599	\$ 847,339	\$ (49,260)	-5.5%
Transfers & Reserves	\$ 546,670	\$ (14,819)	\$ (561,489)	-102.7%
Computer Replacement Reserve	\$ 50,000	\$ -	\$ (50,000)	-100.0%
Vehicle Replacement Debt Service	\$ 451,457	\$ 486,883	\$ 35,426	7.8%
<b>Total</b>	<b>\$ 22,029,785</b>	<b>\$ 21,810,170</b>	<b>\$ (219,615)</b>	<b>-1.0%</b>

### **Legislative**

The Legislative budget (Town Council, Boards and Commissions, Town Clerk, Legal Services, Volunteer Fire Department contribution and Donations and Contributions) has decreased by \$39,148 or 5.1 percent. The most significant change in this budget is the one time funding for a document management system, which is listed in the Town Clerk's budget, that was purchased in FY13 and is therefore recognized as a \$40,000 decrease for FY14. The duties and salary of the Mayor's part-time secretary were transferred to the Town Clerk.

### **Administration**

The Administration budget (Town Manager, Administrative Services, Risk Management, Public Information, and Information Technology) has increased by \$205,174 or 10 percent. Administrative Services increased by \$50,000 for a town-wide classification and compensation study. A savings was realized in Risk Management due to reduction in annual insurance rates. Information Technology's budget increased by \$135,956 due to centralization of technology purchases as well as additional software and hardware needs. A part-time Communications Specialist was added to the Public Information division increasing the budget by \$56,479.

Health insurance rates paid by the Town and by employees increased by 10 percent compared to the rates for the last fiscal year. The effects are seen within each department and division separately.

### **Finance**

The department took on the responsibility of Fiscal Agent for the Northern Virginia Regional Gang Task Force (NVGTF or GTF). The new position added to the department is funded largely by the NVGTF with a remaining \$10,000 to be funded by the department. The department gains approximately 300 hours toward other grant management.

### **Police**

The Police Department budget for FY 2013-2014 has increased by \$85,859 or 1.4 percent over the approved FY 2012-2013 budget. Small increases have been made in various operational accounts to better reflect prior year actual amounts, for example fuel and tires. A \$25,000 NVGTF Administrative fee has been added to Administration Division. Salaries and benefits were increased in Communications and Investigations to better reflect actuals.

## Adopted Budget Message

July 1, 2013

Page 4 of 8

### **Public Works**

The Public Works Department budget for FY 2013-14 has decreased by \$38,871 or 0.6 percent. The Administrative and Streets divisions have transferred \$40,000 of stormwater management expense to the Stormwater Fund. Equipment operators have been combined to equivalent positions to streamline career path progression. The training budget has been restored. Small tools and brick sidewalk repair were decreased in prior year but restored in current year.

Overtime was increased in the Sanitation and Leaf Collection budgets to reflect actual usage due to prior year change in trash, recycling and special pickup programs as well as number of pickups in the Leaf Collection program.

### **Tax Relief Programs**

The Tax Relief budget for elderly and handicapped residents includes relief from Property Taxes and Vehicle License fees. The \$11,259 budget reduction is due primarily to fewer exemptions authorized this year by the County, down to 262 exemptions from the previous year's 271, a decline of about 8 percent. The Revitalization Tax Relief budget is up slightly due to an additional exemption. This program has now sunsetted and in the future the expenditures will decline each year.

### **Parks and Recreation**

The Parks and Recreation Department budget totals \$2,798,910; an increase of \$61,171 or 2.2 percent from FY 2012-2013 levels.

The Parks division had an additional \$40,000 in overtime, part-time and salaries to cover increased projects, special events and trash collections within the parks. Two additional part-time Teen Center staff positions were added. The Teen Center will also have updated flooring for \$2,500. As a one-time expense, a refrigerator and bar stools for the Teen Center have been added to the capital budget.

The Community Center budget remained relatively constant with a year-to-year increase of \$995 or \$483,317 annual budget. The Historic Preservation operating budget has remained the same at \$29,600. Some building improvements have been added to the capital budget.

### **Planning and Zoning**

The Planning and Zoning budget for FY 2013-2014 is \$847,339, a decrease of \$49,260 or 5.5 percent. The significant changes in this budget include the conclusion of the Maple Avenue Vision Planning Project.

### **Transfers and Reserves**

The Inter-Fund Transfer budget is not needed this year but has been left to show a zero need.

The Contingency reserve division holds not only the contingency but an estimated attrition savings netted against the contingency. The Contingency reserve budget is a net negative of \$54,819. The detail consists of a contingency of \$10,000 and the attrition savings of \$65,000. The attrition savings includes the ordinary savings realized when a tenured staff member retires and is replaced with a smaller salaried staff member. The Town is offering a \$15,000 one-time ICMA/RHSA payment for employees qualified with VRS retirement and 25 years of service to the Town. Although additional savings are likely to be recognized, a conservative approach was utilized and attrition is budgeted at \$65,000 or \$2,000 decrease from the previous year.

PEG (Public, Educational, and Government) Fund reserves were included for the first time in the adopted FY 12-13 budget. Council approved transfers from this account to project accounts within the same division to pay for projects that qualified for PEG funding. Although prior year PEG projects totaled \$455,135 and used some PEG reserve funds, this year only the current incoming PEG funds of \$40,000 are budgeted for expenditures.

### **Computer Replacement Reserve**

The purpose of this budget is to fund the purchase of new office computers when replacement is needed. The adopted budget shows no capacity. However, the capital budget has \$50,000 for computer replacement along with other information technology equipment for the upcoming year.

### **Debt Service and Vehicle Replacement Financing**

These budgets fund repayment of capital leases that finance the Town's Vehicle and Equipment Replacement Program referenced in the previous Public Works section. Using four-year capital leases to finance replacement of the Town's vehicles and equipment helps to buffer the budgetary and tax rate impact of major equipment replacement costs.

### **General Fund Revenues**

Based on collection trends through the first six months of the current fiscal year, the adopted General Fund revenue budget is \$216,615 or 1 percent lower than that of FY 2012-13. The decrease is due mainly in part to the \$270,000 decrease in budgeted Use of Prior Year Surplus. The other revenues while some are budgeted for small increases budgeted Use of Prior Year Surplus decreases; thereby, netting revenues similar to previous year. The revenues projected to increase are Business License Tax, Sales & Use Tax, Occupancy Permit Fees, Youth Program Fees and Grant Revenue.

## Adopted Budget Message

July 1, 2013

Page 6 of 8

Total taxable assessed values grew by 5 percent over that of last year. Total residential assessed values grew by 7 percent while those of non-residential declined by 2.8 percent. As mentioned above, the adopted Property Tax rate of 22.88 cents per hundred dollars of assessed value, does not represent an effective tax rate increase as defined by State Code. Total existing values grew by 3.4 percent overall, with residential existing values growing by 5 percent. As a result, next year's "average" tax bill on an existing property assessed value will be about \$6 more than that of this year's tax bill; however, most actual tax bills on existing value properties will, of course, vary from the "average."

There is a slight shift of 2 percent toward the residential share of total taxable assessed values, but in general, residential assessments continue to account for about 80 percent of the Town's taxable values.

### **DEBT SERVICE FUND**

A reduction in debt service cost combined with an increase in Meals and Lodging Tax revenue adds approximately \$40,000 to the Town's debt service reserves during FY 2013-2014. During the year, the 1999 bonds will be fully retired, making it the fifth debt issue to be retired with the Town's Meals and Lodging Taxes. The Town's outstanding general obligation debt at the end of FY 2013-2014 will be \$13,905,002, the equivalent of about three and half tenths of one percent of the Town's total taxable values. The Town's general obligation debt includes that of the Water and Sewer Fund, that portion of the debt being supported by transfers from the latter.

### **WATER AND SEWER FUND**

The total Water and Sewer budget for the coming fiscal year totals \$7,388,000, a decrease of \$109,212. The 1.5 percent decrease is due primarily to a concerted effort to reduce system-wide costs. Additionally, a goal of \$169,153 is included to replenish the unrestricted Net Asset deficit of FY 11-12. The deficit resulted from significant upswing in water and sewer treatment and debt service costs from the 2010 bond.

Remaining the same, the adopted water rate is \$4.75 per 1,000 gallons and the sewer rate is \$6.66 cents per 1,000 gallons total. The combined rate for residential customers is \$11.41 per 1,000 gallons. For the "average" residential customer using 19,000 gallons of water quarterly, the rate maintains the annual cost of water and sewer services to \$899.25.

The combined impact of adopted tax and utility rates is shown in the following chart:

**Impact on Average Resident**

	FY 2012-13 Actual	FY 2013-14 Adopted	Net Change
Average Residential No Growth Assessment	\$ 601,193	\$ 638,591	\$ 37,398
Proposed Tax Rate	24.21 Cents	22.88 Cents	(1.33) Cents
Average No Growth Residential Tax Bill	\$ 1,455	\$ 1,461	\$ 6
Annual Water and Sewer Charges At Proposed Rates	<u>\$ 899</u>	<u>\$ 899</u>	<u>\$ -</u>
<b>Total Tax &amp; Utility Bill</b>	<b><u>\$ 2,354</u></b>	<b><u>\$ 2,360</u></b>	<b><u>\$ 6</u></b>

\*Calculated as Total Existing Residential Assessment divided by number of residential properties in that category. "Existing Assessment" is assessment on properties that have not increased in assessed value because of improvements. Source: Fairfax County's 2012 Town of Vienna Assessment Reports.

**SUMMARY**

We are seeing stability and modest growth in the Town's property values due to robust building activity. Meals and Lodging Tax revenues and Business License Tax receipts indicate an upswing in our local economy. Several revenues from the state such as State Sales Tax as well as Communication Sales and Use Taxes are indicating stability or slight increases. The challenge in developing the FY 2013-2014 budget has been to make various changes requiring additional funds within the constraint of conservative revenue estimates while reducing the current Property Tax rate.

Thanks to many years of conservative fiscal policies and practices by Town Council and management, the adopted budget starts from a sound financial base that has earned the Town AAA bond ratings, although with a negative outlook like the other highly rated governments in our area. Town departments submitted conservative requests that in many cases were less than current year budgets. The Budget Committee, with the help of several sub-committees, provided valuable insight and ideas concerning areas where budgetary and operational changes

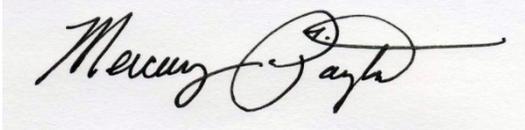
Adopted Budget Message

July 1, 2013

Page 8 of 8

can be made without jeopardizing the quality of Town services. All of these in combination have been instrumental in our ability to present an adopted budget that we believe will successfully continue quality services to Town residents and businesses while maintaining the Town's healthy finances and excellent credit ratings.

Respectfully submitted,

A handwritten signature in black ink, reading "Mercury T. Payton". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Mercury T. Payton  
Town Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Town of Vienna  
Virginia**

For the Fiscal Year Beginning

**July 1, 2012**

*Christopher P. Morrell*

President

*Jeffrey R. Egan*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the Town of Vienna for its annual budget for the fiscal year beginning July 1, 2012.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to the program requirements, and we are submitting it to GFOA to determine its eligibility for another award.