
BUDGET MESSAGE

The budget message details the priorities and issues for the fiscal year. It identifies the most significant changes, choices and modifications to the budget and articulates the rationale for these changes.



July 1, 2014

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

Dear Mayor DiRocco 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 2014-2015 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 \$32,659,620, an increase of \$938,792 or 3.0 percent below the current fiscal year.

	Adopted FY 2013-2014 Budget	Adopted FY 2014-2015 Budget	Net Change	Percentage Increase (Decrease)
General Fund	\$ 21,810,170	\$ 22,590,440	\$ 780,270	3.6%
Debt Service Fund	\$ 2,296,658	\$ 2,702,640	\$ 405,982	17.7%
Water & Sewer Fund	\$ 7,388,000	\$ 7,121,000 *	\$ (267,000)	-3.6%
Stormwater Fund	\$ 226,000	\$ 245,540	\$ 19,540	8.6%
Total	<u>\$ 31,720,828</u>	<u>\$ 32,659,620</u>	<u>\$ 938,792</u>	<u>3.0%</u>

*Revenue \$7,121,000 and Expenses \$6,821,000

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GENERAL FUND

The General Fund adopted budget increase of 0.8 percent, from amended FY 13-14 budget, includes 1% cut from all departments with some restored cuts during the budget process and implementation of a Class & Compensation study to bring employees up to minimum accounting for grade and longevity in position. As well as adoption of increases of 14.4% in healthcare insurance and \$77,000 increase in local pension.

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.

Department	Adopted FY 2013-2014 Budget	Adopted FY 2014-2015 Budget	Net Change	Percent Increase (Decrease)
Legislative	\$ 728,359	\$ 727,810	\$ (549)	-0.1%
Administration	\$ 2,181,091	\$ 2,348,000	\$ 166,909	7.7%
Finance	\$ 1,415,930	\$ 1,600,510	\$ 184,580	13.0%
Police	\$ 6,261,199	\$ 6,337,190	\$ 75,991	1.2%
Public Works	\$ 6,846,578	\$ 6,884,330	\$ 37,752	0.6%
Tax Relief	\$ 258,700	\$ 243,200	\$ (15,500)	-6.0%
Parks & Recreation	\$ 2,798,910	\$ 2,870,610	\$ 71,700	2.6%
Planning & Zoning	\$ 847,339	\$ 865,440	\$ 18,101	2.1%
Transfers & Reserves	\$ (54,819)	\$ 31,140	\$ 85,959	-156.8%
Computer Replacement Reserve	\$ -	\$ 50,000	\$ 50,000	n/a
PEG Fund	\$ 40,000	\$ -	\$ (40,000)	-100.0%
Vehicle Replacement/ Debt Service	\$ 486,883	\$ 632,210	\$ 145,327	29.8%
Total	\$ 21,810,170	\$ 22,590,440	\$ 780,270	3.6%

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Legislative

The Legislative budget (Town Council, Boards and Commissions, Town Clerk, Legal Services, Volunteer Fire Department contribution and Donations and Contributions) has decreased by \$549 or 0.1 percent. The budget has some supplies decreased for a flat change.

Administration

The Administration budget (Town Manager, Administrative Services, Risk Management, Public Information, and Information Technology) has increased by \$166,909 or 7.7 percent. A savings was realized in Risk Management due to reduction in annual insurance rates. Information Technology's budget increased by \$152,957 due to the transfer of a headcount from Police as well as consolidation of technology from the Police department.

Health insurance rates paid by the Town and by employees increased by 14 percent compared to the rates for the last fiscal year. The effects are seen within each department and division separately.

Finance

The Finance Department has an increase of \$184,580. This is due to the increase of a temporary Revenue Auditor including salary and benefits and increases associated with the Class and Compensation study.

Police

The Police Department budget for FY 2014-2015 has increased by \$75,991 or 1.2 percent over the approved FY 2013-2014 budget. Information technology previously associated in Police department has been moved to Administration. Salaries and benefits increased due to the Class and Compensation study.

Public Works

The Public Works Department budget for FY 2014-15 has decreased by \$37,752 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 \$15,500 budget reduction is due primarily to fewer exemptions authorized this year by the County, down to 244 exemptions from the previous year's 262, a decline of about 7 percent. The Revitalization Tax Relief budget is down as the program has now sunsetted. Future expenditures will decline each year.

Parks and Recreation

The Parks and Recreation Department budget totals \$2,870,610; an increase of \$71,700 or 2.6 percent from FY 2013-2014 levels.

The Parks division had an additional \$36,894 in salaries and benefits due primarily to the Class and Compensation study and the increase in health insurance. The administration budget increased \$55,557 due majorly to the Class and Compensation salaries and benefits and \$6,500 for additional credit card fees.

The Community Center budget has decreased by \$6,207 in anticipation of some closure time due to the Community Center construction. The Historic Preservation operating budget has increased by \$3,900 to \$33,500. Some building improvements have been added to the Historic Preservation budget.

Planning and Zoning

The Planning and Zoning budget for FY 2014-2015 is \$865,440, a, increase of \$18,101 or 2.1 percent. The significant changes in this budget include the conclusion of the Maple Avenue Vision Planning Project and the Class and Compensation study increases.

Transfers and Reserves

The Contingency reserve budget is \$31,140. The entire amount is a contingency reserve.

PEG (Public, Educational, and Government) Fund reserves were included for the first time in the adopted FY 12-13 budget. Although prior year PEG projects used PEG reserve funds, this year the current incoming PEG funds of \$40,000 are not budgeted for expenditures and will be held in reserve for future projects.

Computer Replacement Reserve

The purpose of this budget is to fund the purchase of new office computers when replacement is needed. The adopted 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 and maintaining the same real estate tax rate as prior year, the adopted General Fund revenue budget is \$588,530 or 2.7 percent higher than that of FY 2013-14. The increase is due to the approximate \$600,000 increase from real estate property tax. License Enforcement revenue has been moved to Business License tax. Small increases to the revenues of Occupancy Permit Fees and Grant Revenues are projected to offset decreases projected for Communication Sales & Use Tax, Investment Earnings and Concessions & Rentals.

Total taxable assessed values grew by 5.8 percent over that of last year. Total residential assessed values grew by 7 percent while those of non-residential declined by 0.13 percent. As mentioned above, the adopted Property Tax rate of 22.88 cents per hundred dollars of assessed value, remains the same as prior fiscal year FY 2013-14. Total existing values grew by 4.17 percent overall, with residential existing values growing by 5.3 percent. Approximately \$148,000 of the \$600,000 increase in real estate tax is due to net new construction.

There is a slight shift of 1 percent toward the residential share of total taxable assessed values, but in general, residential assessments continue to account for about 81 percent of the Town's taxable values.

DEBT SERVICE FUND

The Debt Service Fund is balance with Meals and Lodging Tax revenue equivalent to debt service payments. During the year, the 1999 bonds will be fully retired, making it the sixth 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 2014-2015 will be \$17,986,000, the equivalent of about three and half tenths of one percent of the Town's total taxable values. The Town's general obligation

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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 \$7,121,000, a decrease of \$267,000. The 3.6 percent decrease is due primarily to a concerted effort to reduce system-wide costs. A refunding of two notes payable at a lower interest rate as well as a lowering of contract cost contributed to the decreased expenditures. Additionally, a goal of \$300,000 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.

In the interest of Council's conservation initiative and the savings noted above, a block-rate structure has been adopted effective July 1, 2014.

<u>Residential</u>	Block Structure (Quarterly Basis)
Water Consumption Charge	0 - 16,000 gallons \$4.66 per 1000 gallons
	16,001 - 32,000 gal \$5.10 per 1000 gallons
	32,001 plus gallons \$6.00 per 1000 gallons
Sewer Consumption Charge	0 - 16,000 gallons \$5.75 per 1000 gallons
	16,001 - 32,000 gal \$6.25 per 1000 gallons
	32,001 plus gallons \$7.30 per 1000 gallons
Residential Base Fee: \$15/quarter	
<u>Commercial</u>	Block Structure (Quarterly Basis)
Water Consumption Charge	0 - 90,000 gallons \$4.66 per 1000 gallons
	90,001 - 180,000 gal \$5.10 per 1000 gallons
	180,001 plus gallons \$5.95 per 1000 gallons
Sewer Consumption Charge	0 - 90,000 gallons \$5.75 per 1000 gallons
	90,001 - 180,000 gal \$6.25 per 1000 gallons
	180,001 plus gallons \$7.25 per 1000 gallons
Commercial Base Fee: up to 5/8" meter \$15.75/quarter	

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

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	FY 2013-2014	FY 2014-2015	
	Actual	Adopted	Net Change
Average Residential No Growth Assessment	\$ 600,574	\$ 645,763	\$ 45,189
Proposed Tax Rate	22.88 Cents	22.88 Cents	00.00 Cents
Annual Water and Sewer Charges assumed at 16K gallons per quarter	\$ 762.24	\$ 742.24	\$ (20.00)

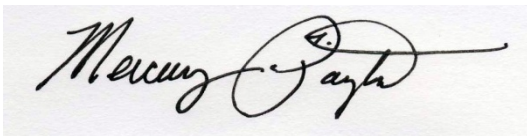
*Calculated as Total Existing Residential Assessment divided by number of residential properties in that category. "Existing Assessment" is assessment on properties that have not increased in assessed value because of improvements. Source: Fairfax County's 2014 Town of Vienna Assessment Reports.

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 Consumer Utility Tax are indicating stability or slight increases.

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 met 1 percent reduction requests. The Budget Committee, with the help of several sub-committees, provided valuable insight and ideas concerning areas where budgetary and operational changes can be made without jeopardizing the quality of Town services. The Unmet Needs tool has been added this year. The listing shows those departmental needs and Town needs which are unfunded. This will be utilized by Council and management for ease of focus and priority. 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,



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, 2013

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, Virginia** for its annual budget for the fiscal year beginning **July 1, 2013**. 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.