



July 1, 2016

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 16-17 Operating Budget that becomes effective on July 1, 2016. This document includes the Town’s four operating funds: General Fund, Water and Sewer Fund, Storm Water Fund and Debt Service Fund.

As shown in the following chart, the adopted budgets of the Town’s four funds total \$33,827,770, an increase of \$656,580 or 2.0 percent above the prior fiscal year.

	Adopted FY 2015-2016 Budget	Adopted FY 2016-2017 Budget	Net Change	Percentage Increase (Decrease)
General Fund	\$ 23,130,060	\$ 22,614,320	\$ (515,740)	-2.2%
Debt Service Fund	\$ 2,641,000	\$ 3,605,530	\$ 964,530	36.5%
Water & Sewer Fund	\$ 7,018,000 *	\$ 7,237,170	\$ 219,170	3.1%
Stormwater Fund	\$ 382,130	\$ 370,750	\$ (11,380)	-3.0%
Total	<u>\$ 33,171,190</u>	<u>\$ 33,827,770</u>	<u>\$ 656,580</u>	<u>2.0%</u>

*Revenue \$7,018,000 and Expenses \$6,990,510

Adopted Budget Message

July 1, 2016

Page 2 of 6

GENERAL FUND

The General Fund adopted budget decreased 2.3 percent from the adopted FY 15-16 budget. Excluding the decrease in inter-fund transfers from moving Capital Lease payments to the Debt Service Fund, the main driver of the decrease is a decrease in Parks and Recreation revenue and expenses while the Community Center operations are downscaled during renovation and construction. This is partially offset by minor increases in salaries and insurance costs across the board due to a merit and COLA increases for most employees, and a 14% increase in health insurance premiums. Personnel changes are minimal, and consist of increases for upgrading a position to deputy in the Information Technology department, a position upgrade from part-time to full-time in Parks and Recreation to support the Community Center once the renovation is complete and a decrease for changing a funded position in Finance to a reimbursed position.

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 2015-2016 Budget	Adopted FY 2016-2017 Budget	Net Change	Percent Increase (Decrease)
Legislative	\$ 432,650	\$ 425,900	\$ (6,750)	-1.6%
Administration	\$ 2,709,360	\$ 2,763,740	\$ 54,380	2.0%
Finance	\$ 1,639,760	\$ 1,583,350	\$ (56,410)	-3.4%
Police	\$ 6,366,680	\$ 6,476,930	\$ 110,250	1.7%
Fire and Rescue	\$ 62,400	\$ 59,710	\$ (2,690)	-4.3%
Public Works	\$ 6,908,210	\$ 6,963,620	\$ 55,410	0.8%
Tax Relief	\$ 237,300	\$ 242,600	\$ 5,300	2.2%
Parks & Recreation	\$ 3,013,560	\$ 3,094,380	\$ 80,820	2.7%
Planning & Zoning	\$ 824,170	\$ 847,050	\$ 22,880	2.8%
Transfers & Reserves	\$ 79,380	\$ 107,040	\$ 27,660	34.8%
Computer Replacement Reserve	\$ 50,000	\$ 50,000	\$ -	0.0%
PEG Fund	\$ 150,000	\$ -	\$ (150,000)	-100.0%
Vehicle Replacement/ Debt Service (1)	\$ 656,590	\$ -	\$ (656,590)	-100.0%
Total	\$ 23,130,060	\$ 22,614,320	\$ (515,740)	-2.2%

(1) Transfer of Vehicle Replacement Debt Service to the Debt Service Fund.

Adopted Budget Message

July 1, 2016

Page 3 of 6

Legislative

The Legislative budget (Town Council, Boards and Commissions, Town Clerk, Vienna Public Art Commission and Donations and Contributions) has decreased by \$6,750 or 1.6 percent. The decrease is due to a minor decrease in donations and minor adjustments to benefits budgeted, offset by COLA and merit increases for employees.

Administration

The Administration budget (Town Manager, Legal Services, Human Resources, Risk Management, Public Information, and Information Technology) has increased by \$54,380 or 2.0 percent. A position was upgraded to Deputy Director in the Information Technology department, and funds were added for a Classification and Compensation study to be performed on selected positions in FY 16-17.

Finance

The Finance Department budget has decreased \$56,410 or 3.4%. This is mainly due to replacing a funded revenue auditor position with a reimbursed position, partially offset by merit and COLA increases.

Police

The Police Department budget for FY 16-17 has increased \$110,250 or 1.7 percent over the approved FY 15-16 budget. The increase is due to changes in salary and benefits relating to the merit and COLA increases as well as changes in career progression.

Fire and Rescue

This department was separated from Legislative for the FY 16-17 Budget. The budget has decreased by \$2,690 or 4.3%. In FY 15-16 the Town raised its donation to compensate the Fire Department for increased Town use of their parking lot during Community Center construction. This donation decreased back to the standard level in FY 16-17.

Public Works

The Public Works Department budget for FY 16-17 has increased by \$55,410 or 0.8 percent. Addition funds have been added to the Public Works budget for additional road striping and the purchase of salt brine spreading equipment and a Bobcat plow. All three of these items will positively impact snow removal efforts. These increases were slightly offset by employee attrition which lowers total salary cost for the department.

Tax Relief Programs

The Tax Relief budget for elderly and handicapped residents includes relief from Property Taxes and Vehicle License fees. The \$5,300 budget increase is due primarily to more exemptions authorized this year by the County. Current exemptions total 227 compared to the

Adopted Budget Message

July 1, 2016

Page 4 of 6

previous year's 219, an increase of 3.6 percent. The Revitalization Tax Relief budget is down as the program has now ended. Future expenditures will decline each year.

Parks and Recreation

The Parks and Recreation Department budget totals \$3,094,380; an increase of \$80,820 or 2.7 percent from FY 15-16 levels. The increase of \$52,790 is due to merit and COLA increases and increasing a position from part-time to full time.

Planning and Zoning

The Planning and Zoning budget for FY 16-17 is \$847,050, an increase of \$22,880 or 2.5 percent. The changes are related to personnel cost increases due to the merit and COLA increases.

Transfers and Reserves

PEG (Public, Educational, and Government) Fund reserves decreased by \$150,000 as there is no planned spending from this account in FY 16-17. These expenditures can only be made for very specific purposes related to the Cable TV channel, and none are planned for FY 16-17.

The remainder of the decrease in this department is due to transferring the equipment reserve payments to the Debt Service Fund to provide a consistent presentation of debt payments.

General Fund Revenues

Budgeted General Fund Revenue for FY 16-17 was adjusted to move revenue to cover capital lease payments to the Debt Service Fund and to eliminate the use of PEG funds in FY 16-17. These two items reduced FY 16-17 budgeted General Fund Revenue by \$756,590 for accounting changes not related to operations. Exclusive of these two changes, budgeted General Fund Revenue increased \$240,850, or 1%. Holding the real estate tax rate constant at \$0.2250 per \$100 value combined with assessment increases of 5.1 percent resulted in real estate property taxes increasing by 468,000 or 5 percent.

As noted above, total taxable assessed values grew by 5.1 percent over that of last year. Total residential assessed values grew by 5.3 percent and non-residential assessed values increased by 4.5 percent due to improvements at some commercial properties in 2016. Approximately \$250,500 of the \$468,000 increase in real estate tax is due to net new construction.

Residential assessments continue to account for about 82 percent of the Town's taxable values.

DEBT SERVICE FUND

The Debt Service Fund is balanced with Meals and Lodging Tax revenue equivalent to debt service payments. The Town issued \$6.2 million of new debt in the middle of FY 15-16. The new Bond payment is partially offset by payments on older Bond funds that decrease each year. The Town’s outstanding general obligation debt at the beginning of FY 16-17 will be \$23,546,000, the equivalent of about half of one percent of the Town’s total taxable values. The Town’s general obligation debt includes that of the Water and Sewer Fund and the Storm Water Fund, those portions of the debt being supported by transfers from those funds.

WATER AND SEWER FUND

The total Water and Sewer budget for the coming fiscal year totals \$7,237,170, an increase of \$219,170 or 3.1 percent. This is mainly due to a biennial rate increase of 6.2 percent resulting in an annual increase of about \$26 for the average customer. This rate increase covers salary merit and COLA increases, and increases in the cost of wastewater treatment. Additionally, the unrestricted Net Asset deficit of FY 11-12 is now fully paid back due to conservative spending and targeted rate increases. The deficit resulted from significant upswing in water and sewer treatment and debt service costs from the 2010 bond.

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

	FY 2015-2016 Actual	FY 2016-2017 Adopted	Net Change
Average Residential No Growth Assessment*	\$ 681,026	\$ 695,021	\$ 13,995
Adopted Tax Rate	22.50 Cents	22.50 Cents	(00.00) Cents
Annual Water and Sewer Charges assumed at 16K gallons per quarter	\$ 742.24	\$ 768.48	\$ 26.24

*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 2015 Town of Vienna Assessment Reports.

CAPITAL IMPROVEMENT PROJECT FUND

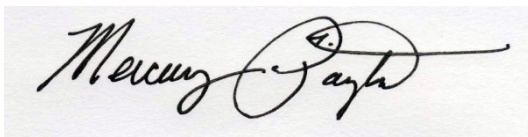
The Town has included in this budget its financial projections for the capital fund. Within the capital improvement fund the forecast is projected through 2034 for capital project expenditures including funding streams. The addition of an Unmet Needs report allows for thoughtful prioritization and planning.

SUMMARY

We are seeing stability and modest growth in the Town's property values due to continued residential building activity. The passage of the Maple Area Corridor (MAC) ordinance in FY 15-16 is attracting developers to commercial renovation projects along the Town's main business thoroughfare, adding to the real estate tax base. Meals and Lodging Tax revenues, Sales Tax receipts and Bank Franchise taxes have grown in the past year, indicating a continuing upswing in the local economy.

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 which were reaffirmed in 2016. Town departments met 0 percent increase budget 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 Operation's Unmet Needs list is in its third year of use and is proving to be a valuable tool for both internal management and Council oversight. The listing shows those departmental needs and Town needs which are unfunded. It is 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,

A handwritten signature in black ink, reading "Mercury T. Payton". The signature is written in a cursive style with a long, sweeping tail on the final letter.

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, 2015

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, 2015**. 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.