TOWN OF Herndon VIRGINIA

TOWN COUNCIL
REGULAR MEETING AGENDA

Town Council Chambers
765 Lynn Street, Herndon, VA 20170

Tuesday, March 11, 2025 | 7:00 PM

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1. **Call to Order**

2. **Pledge of Allegiance to the Flag of the United States of America**

3. **Presentations/Reports/Comments**

   a. Proclamation to recognize Women's History and Gender Equality Month

   b. Town Manager Report

   c. Councilmember Comments

4. **Comments from the Audience**
   Members of the public may, for one 3-minute period, provide public comments, requests, consent or general item comments, and comments on matters not included on the agenda.

5. **Consent**

   a. Resolution 25-G-20 to award Contract IFB 25-03 Air Supported Structure Services – Tennis Bubble

   b. Resolution 25-G-21 to award Contract RFP 25-03 Fireworks Display

   c. October 15, 2024, Town Council Work Session Minutes

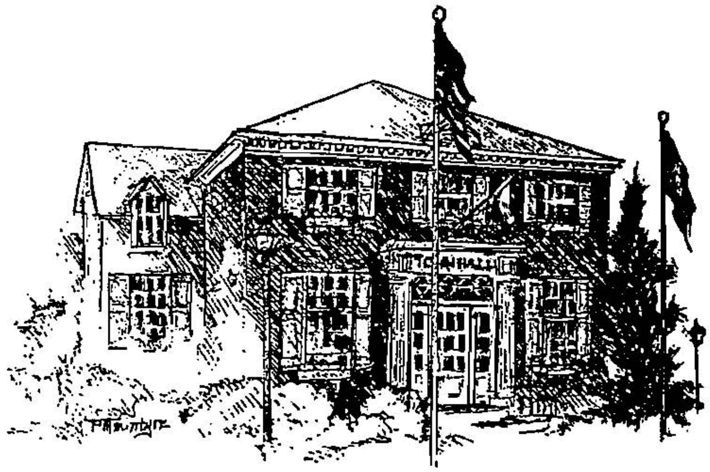
   d. November 6, 2024, Town Council Work Session Minutes

6. **Work Session**
   The Town Council will hold a work session in the Hoover Conference Room on the FY 2026 Proposed Budget following the conclusion of the Regular Meeting. The work session will be recorded and live-streamed. The public is welcome to attend this work session; however, there is no public comment during work sessions.

a. FY 2026 Proposed Budget

7. **Adjournment**

Interpretación en Español está disponible en esta sesión.



TOWN OF HERNDON, VIRGINIA
PROCLAMATION
WOMEN’S HISTORY AND
GENDER EQUALITY MONTH
MARCH 2025

The Town of Herndon recognizes and honors the invaluable contributions of women in shaping our history, culture, and society, paving the way for progress and innovation. Women have played crucial roles in every aspect of life, including leadership in government, business, science, education, healthcare, the arts, and community service, advancing the prosperity and well-being of our nation. Beginning as a proclamation issued by President Carter for “Women’s History Week” in 1980; “Women’s History Month” was formally designated by the United States Congress in 1987.

As we celebrate **Women’s History and Gender Equality Month** in Herndon, we recognize that despite significant progress, women continue to face disparities in economic opportunities, leadership representation, and access to resources, highlighting the importance of ongoing efforts to promote gender equality. Gender equality benefits everyone by fostering inclusive communities, strengthening economic growth, and ensuring that all individuals, regardless of gender, have equal opportunities to succeed and thrive.

Therefore, the Mayor of the Town of Herndon, together with the Herndon Town Council, hereby proclaims the month of March 2025 as **Women's History and Gender Equality Month** in the Town of Herndon, together with this year’s theme, “Moving Forward Together! Women Educating & Inspiring Generations,” and urges all citizens to celebrate the accomplishments of women, advocate for gender equity, and continue striving for a more just and inclusive society.

Town Council
Regular Meeting
Agenda Item 5.a.

Agenda Item: **Resolution 25-G-20 to award Contract IFB 25-03 Air Supported Structure Services – Tennis Bubble**

Meeting Date: March 11, 2025

Category: Consent

Prepared by: Bob Williams, Parks and Recreation Director

Description:
The IFB 25-03 is to establish a term contract for the services of a licensed and qualified contractor with experience in the installation, assembly, inflation, deflation, disassembly, removal and storage of an Air Supported Structure (Tennis Bubble) over three ProBounce surface tennis courts at Bready Park.

Background:
The Tennis Bubble at Bready Park has been a resource for the community for over 20 years, providing opportunities for tennis instruction, tennis camps, tennis leagues, and drop-in play during the non-summer months when outdoor courts would not be accessible otherwise. This space has one of the highest participant use of the many program spaces that parks and recreation offers, and is revenue generating, generally producing at or near 100% cost recovery. The tennis bubble provides an outdoor recreational opportunity, opening up this life-long sport on a year-round basis to the community.

This is a multi-year contract commencing upon the execution of the contract for approximately the first sixteen-months (ending June 30, 2026) with four (4) twelve-month renewal options. Due to the timing of this award, the first cycle in the contract will include two deflation cycles and one inflation cycle. Subsequent annual contract cycles will include a single inflation and a single deflation cycle.

Timing Impact:
The contract requires action at this time to allow for the inflation and deflation of the tennis bubble at the commencement and ending of each indoor tennis season. The first Deflation/Storage will begin no earlier than April 21, 2025, and must be completed no later than May 4, 2025. Installation/Inflation will begin on or after September 13, 2025, and must be completed no later than September 28, 2025.

Related Strategic Plan Goals:
Thriving Community Goal 4: Ensure a variety of green and open spaces with recreation options accessible to all.

Strategic Focus Area:

Thriving Community

Fiscal Impact:
The first cycle of the IFB 25-03 is sixteen months, and will include two deflation and one inflation cycles. The cost for this first contract period will be $105,410.

Renewal year contracts will be for a twelve-month period, and will include one deflation and one inflation cycle. The cost for these contract periods will be $73,940.

This program is revenue generating, and covers most or all of the expenses that it creates.

Legal Impact:
Renewal year contracts will be for a twelve-month period. The Town follows state and town procurement policies in soliciting and awarding contracts.

Staff Recommendation/Next Steps:
Recommend approval to award IFB 25-03 Air Supported Structure Services – Tennis Bubble to Bishop's Tennis, Inc, for one initial cycle of $105,410.

Attachments:
1. Resolution (Proposed)

TOWN OF HERNDON, VIRGINIA
TOWN COUNCIL

RESOLUTION

MARCH 11, 2025

Resolution- to award Contract IFB 25-03 Air Supported Structure Services – Tennis Bubble

The town has solicited by posting the Invitation to Bid (IFB) for a qualified contractor to provide Air Supported Structure Services (Tennis Bubble). The IFB was advertised on January 14, 2025, and one responsive bid was received from Bishop's Tennis, Inc.

THEREFORE, BE IT RESOLVED by the Town Council of the Town of Herndon, Virginia that:

1. Contract IFB 25-03, Air Supported Structure Services – Tennis Bubble, is to be awarded to Bishop's Tennis, Inc.; and

2. The Town Manager or their designee is authorized to approve contract modifications that modify project scope, costs, and length of contract time in accordance with procurement policy and regulations.

25-G-20

Town Council
Regular Meeting
Agenda Item 5.b.

Agenda Item: **Resolution 25-G-21 to award Contract RFP 25-03 Fireworks Display**

Meeting Date: March 11, 2025

Category: Consent

Prepared by: Bob Williams, Parks and Recreation Director

Description:
The Fireworks RFP 25-03 is for the annual Fourth of July fireworks display. This is a single-year contract, with renewals for four, one-year agreements. The fireworks show is a 20-22-minute display held on July 4, 2025.

Background:
The fireworks display has been a long-standing program in the Town of Herndon, and one of the few in the region that is held on the Fourth of July. It is attended by thousands of town and local residents who share this tradition with friends, family, and neighbors. The fireworks display is operated in conjunction with a music program, family activities, and food trucks to set the festive atmosphere. The annual Fireworks display and family activities focus on local cultural impacts, neighbor connections, and building community.

The RFP for the Fireworks Display was advertised on January 15, 2025, and one bid was received from Digital Lightning, LLC.

Timing Impact:
The contract requires action at this time to allow time for Digital Lightning, LLC to prepare for the annual fireworks display on July 4, 2025.

Related Strategic Plan Goal:
Thriving Community Goal 3: Honor the diversity of the town.

Strategic Focus Area:

Thriving Community

Fiscal Impact:
The FY 2025 budget for the first year's fireworks display is $30,000, for a 20-22-minute show. This includes all the preparations, show display, and clean-up.

If the Town elects to exercise the option to extend the contract for an additional one-year period, the contract price for the additional one year shall not exceed the contract price of the original contract by more than the percentage annual increase/decrease of the labor category of the Consumer Price Index - All Urban Consumers other goods and services section (CUURS35ASAG) of the United States Bureau of Labor Statistics for the last twelve months for that statistics are available.

Legal Impact:
Upon successful completion of the show, the contract may be renewed up to four, one-year agreements. The Town follows state and town procurement policies in soliciting and awarding contracts.

All requirements by the Fairfax County Fire Marshall's office must be met.

Staff Recommendation/Next Steps:
Recommend approval to award RFP 25-03 Fireworks Display to Digital Lightning, LLC. for $30,000.

Attachments:
1. Resolution (Proposed)

TOWN OF HERNDON, VIRGINIA
TOWN COUNCIL

RESOLUTION

MARCH 11, 2025

Resolution- to award Contract RFP 25-03 Fireworks Display.

The town has solicited by posting the Request for Proposal (RFP) for a qualified contractor to provide a Fireworks Display on July 4, 2025. The RFP was advertised on January 15, 2025, and one bid was received from Digital Lightning, LLC.

THEREFORE, BE IT RESOLVED by the Town Council of the Town of Herndon, Virginia that:

1. Contract RFP 25-03, Fireworks Display, is awarded to Digital Lightning, LLC.;

2. Upon successful completion of the show, the contract may be renewed for up to four, one-year agreements; and

3. The Town Manager or their designee is authorized to approve contract modifications that modify project scope, costs, and length of contract time in accordance with procurement policy and regulations.

25-G-21

Town Council Regular Meeting
Agenda Item 5.c.

Agenda Item: **October 15, 2024, Town Council Work Session Minutes**

Meeting Date: March 11, 2025

Category: Consent

Prepared by: Amanda Kertz, Acting Town Clerk

Description:
This is a request to approve the October 15, 2024, Work Session Minutes.

Background:
N/A

Timing Impact:
Town Council minutes are typically presented for approval in chronological order. Action on the minutes is an important function of the Town Council.

Strategic Focus Area:

Good Governance

Fiscal Impact:
N/A

Legal Impact:
N/A

Staff Recommendation/Next Steps:
Recommend approval as presented.

Attachments:
1. October 15, 2024, Draft Work Session Minutes

HERNDON TOWN COUNCIL
Work Session Minutes
Tuesday, October 15, 2024

HERNDON TOWN COUNCIL
Work Session Minutes
Tuesday, October 15, 2024

1. Call to Order

Mayor Olem called the October 15, 2024, Town Council work session to order at 7:00 p.m. in the Herndon Council Chambers Building, 765 Lynn Street, Herndon, Virginia. In attendance were: Mayor Sheila Olem; Vice Mayor Clark Hedrick; and Councilmembers Cesar del Aguila, Pradip Dhakal, Keven LeBlanc, and Donielle M. Scherff.

Councilmember Naila Alam was absent.

Staff present during the meeting: Christopher Martino, Interim Town Manager; Kirstyn Barr Jovanovich and Scott Robinson, Acting Deputy Town Managers; Lauri Sigler, Deputy Town Attorney; Chief Maggie DeBoard, Herndon Police Department; Marjorie Sloan, Director of Finance; John Irish, Acting Director of Public Works; Bryce Perry, Deputy Director of Community Development; David Stromberg, Zoning Administrator; and Margie Tacci, Acting Chief Deputy Town Clerk.

Determination of a Quorum

Mayor Olem determined there was a quorum of six Councilmembers present. Councilmember Alam was absent. Mayor Olem reminded the Council of the meeting decorum.

Mayor Announcements

Mayor Olem provided information on upcoming events, including: (1) "Herndon Children's Book Festival" on Saturday, October 19,11:00 a.m. to 4:00 p.m., at Arts Herndon, 750 Center Street; Friends of Runnymede Park would also be at the event; and (2) the next Town Council work session is on Wednesday, November 6, which was moved due to Election Day. She encouraged everyone to vote on Tuesday, November 5, at their designated polling place, or to use the early voting resources found on Fairfax County's Office of Elections website.

2. Discussion

a. Leases at 750 Center Street

Mayor Olem recognized Christopher Martino, Interim Town Manager, to begin the discussion about the leases at 750 Center Street.

Mr. Martino stated that evening's item was to provide additional information on the leases at 750 Center Street, as a follow-up from last week's regular meeting. He highlighted the following from his staff report, which included: (1) final agreement with Comstock for downtown redevelopment is expected on December 10, with construction initiating on April 30, 2025, requiring the space to be vacated; (2) the Town prepared a temporary location for Arts Herndon at 397 Herndon Parkway; where NextStop Theatre leases a small space; and (3) both leases with Arts Herndon and NextStop Theatre expired in June. Mr. Martino stated staff's recommendation was to provide 90 days' notice for expiration, starting at the downtown redevelopment agreement date, which is expected to be December 10, 2024. This would put the expiration date on March 1, 2025.

There was discussion among the Council and staff on this item, including: (1) possible terms with the arts groups; (2) activities and events at Arts Herndon; (3) future arts center following redevelopment; (4) importance of open communication with the arts groups; (5) Town-provided funding for the arts groups; (6) cost to outfit the temporary space at 397 Herndon Parkway, and process to move the arts groups; and (7) providing written notice to NextStop Theatre to remove their items from 750 Center Street;

Councilmember LeBlanc stated that he wanted to provide Arts Herndon notice as to the timeline with Comstock and provide them with the farthest out deadline that is possible, which he thought would be around April 1, 2025.

Councilmember Scherff asked the Economic Development staff to work with the store, A Thousand Stories, which is located at Arts Herndon, to find another storefront.

Following queries from Mayor Olem, Mr. Martino stated that staff can follow up with NextStop separately regarding the items potentially abandoned at 750 Center Street.

Following further discussion about potential agreements, Mr. Martino stated that staff can draft an agreement to address the lease end date and provide it to the Council for review and action, to put it on public record.

b. American Rescue Plan Act (ARPA) Update

Mayor Olem recognized Marjorie Sloan, Director of Finance, to begin the discussion on this item. Ms. Sloan reviewed the recent, ongoing, and yet to be awarded contracts related to the American Rescue Plan Act (ARPA) funds, stating that the Town is on point for all mandated deadlines. She discussed: (1) amount of funding provided to the Town of $25.5 million; (2) allocated ARPA funds and updated spending amounts; (3) remaining amount to encumber, which is less than $3.6 million, (4) recent contract awards; (5) contracting in process, highlighting: (a) Bready Park ballfield restoration, (b) updates to the Herndon Municipal Center; (c)

Town Hall and Town Square renovation, (d) cemetery office repairs, and (e) Lynn Street structure security; and (6) actual and planned spending under ARPA, grouped together by project type.

There was discussion among the Council and staff on this item, including: (1) requirements and process for how ARPA funds can be used; and (2) potential for using ARPA money toward a relief fund for residents to assist with water and sewer costs.

Responding to Councilmember del Aguila, Ms. Sloan stated she did not know at that time if the Council could have established a fund to help residents with their water and bills. She stated that since the encumbrance deadline for ARPA funds is December 31, 2024, it would be difficult to research and establish such a fund at this point.

Councilmember del Aguila asked Ms. Sloan to look into whether it was possible to establish relief fund for water and sewer charges for residents. He indicated while he would assume it could not be used for this instance, he thought it would be meaningful to look at the options.

Following discussion, Ms. Sloan indicated that staff would proceed with the project listed in the ARPA fund update.

c. Affordable Housing - Process Outline Discussion

Mayor Olem recognized David Stromberg, Zoning Administrator, to begin the discussion of this item. Mr. Stromberg reviewed several options for an affordable dwelling unit program, which Tom Fleetwood, Fairfax County Housing Authority, previously spoke about at the Council's special work session on September 19. In his comments, Mr. Stromberg focused on the following options: (1) Affordable Dwelling Units (ADUs) through proffer conditions; (2) using Town-owned land; and (3) Zoning Text Amendment for "Set Aside Incentive Zoning." He highlighted the processes and potential outcomes, benefits, and limitations for each of the options.

Mr. Stromberg stated that staff believes that the "Set-Aside Affordable Dwelling Units" model is the most practical option for affordable housing for the Town. He stated that an incentive zoning ordinance standard would have to be established through the zoning ordinance, which includes codifying the density radio and ADU ratio in the zoning ordinance. This approach will require data analysis to consider the zoning districts where this would be most impactful, and to look at the incentives for developers to provide ADUs. He indicated that at least one Comprehensive Plan Amendment may be required and stated that the ordinance must comply with the rates established in the Code of Virginia. Using examples of Fairfax County and Fairfax City's set aside programs, Mr. Stromberg outlined what a potential program of this type could look like in the Town. He stressed that the

Town needs to partner in the Fairfax County Housing Authority, as staff does not have the resources of expertise required to implement this type of program. Mr. Stromberg reviewed the next steps for affordable housing in the Town and stated that in the early part of next year, the Town plans to hire a consultant to undertake an affordable housing study. He thought that it could take 18 months to two years to gather the data and bring it back to the Council for review.

There was discussion among the Council and staff about the options for affordable housing in the Town, focused on the following areas: (1) importance of partnering with Fairfax County and the County's Housing Authority; (2) affordable housing study to be undertaken by the Town's consultant; (3) affordable housing requirements; (4) Comprehensive Plan Amendments related to affordable housing; and (5) potential costs for the affordable housing program options

Responding to queries from Vice Mayor Hedrick and Councilmember del Aguila, Mr. Stromberg confirmed that in the affordable housing study, the consultant is going to look at several options, including Town-owned property and the set aside program as potential options for affordable housing in the Town.

Following discussion and with the concurrence of Council, staff was asked to bring the item before the Council to authorize funding for an affordable housing study in the Town. Christopher Martino, Interim Town Manager, stated that the consultant-led study authorization would likely involve appropriation of funds and indicated that more information would be provided as was available.

3. Roundtable

Councilmember Scherff: discussed several events they recently attended or are upcoming, including: (1) Committee for Dulles event with Mayor Olem and Councilmember Alam; and (2) Pumpkin Plunge at the Herndon Community Center, which is coming up on the weekend.

Councilmember Scherff asked Christopher Martino, Interim Town Manager, if he heard back from Comstock about the sign that is in front of the property in the downtown.

Mr. Martino stated that he had a productive meeting with Comstock and the sign has come down. The new fence wrapping will be put up in the next week or ten days.

Councilmember Scherff stated that at last week's regular meeting, an individual spoke about Arts Herndon and the cost of doing business. She stated that she knew Arts Herndon has a lot of building issues, like plumbing, which need to be addressed. She would like to see a list of the properties that the Town offers to non-profit and community partners at below market rates, to include an analysis of the market impact. She also asked for a summary of the conditions of Town-owned buildings.

Councilmember del Aguila: thanked Councilmembers Dhakal and LeBlanc for attending a meeting at the Parkridge Apartments about difficulties between the tenants and the apartment complex over billing and utility charges. He provided an update on how the apartment is handling fees for items and utilities, stating that the complex plans to provide copies of bills in Spanish to those that need them, itemize the monthly bills, and will bill for the month using historical projections.

Councilmember del Aguila thanked his colleagues for moving forward with affordable housing in the Town.

Councilmember Dhakal: asked Mr. Martino about the status of the Herndon Elementary School renovation project. It was his understanding that the project had been delayed, and he is seeking more information about the site plan process. He asked if there was a possibility to expedite the project.

Mr. Martino stated that the easements have to be in place before the site plan is approved and moves forward. He stated that the Town has not held this up and there have been other complications with the project. Staff is trying to move this process along as fast as possible.

Councilmember Dhakal asked the Interim Town Manager for more information about the process to share with the community, who had the impression that the Town had delayed the project.

Mr. Martino agreed that staff would provide more information about the process.

Councilmember Le Blanc: stated that the issues that the residents were seeing at Parkridge Apartments happen all over the country, and could be happening elsewhere in the community. He stated that recently, he met with several staff members representing local legislators and he asked them what could be done to better protect residents. Senator Boysko's staff indicated that they are aware of these types of issues, and they tried to put forward legislation last year, which was vetoed. Sentaor Boysko's office intends to support similar legislative items this year.

Vice Mayor Hedrick: talked about the Worldgate Shopping Center, stating that he ate at a restaurant, "Charred," where he talked with the owner. He was glad to hear that the owner was pleased to do business with the Town. The owner stated that they were concerned about security at the shopping center, especially after the security incidents that happened over the past few weeks.

Mayor Olem: stated that she attended the Annual Virginia Municipal League (VML) Mayor’s Institute and Conference from last Sunday through earlier today. She enjoyed meeting elected officials from around the state and discussing issues that are shared. She stated that artificial intelligence (AI) was a pertinent topic.

Mayor Olem stated that recently, she had spoken to several residents about the project at Herndon Elementary School. She stated that the Fairfax County School Board and Fairfax County Board of Supervisors were also briefed on the project.

Chris Martino, Interim Town Manager: no comments.

4. Adjournment

There being no further business, Mayor Olem adjourned the October 15, 2024 Town Council Work Session at 9:11 p.m.

Amanda E.M. Kertz
Acting Town Clerk

Minutes approved by Town Council : ___________

Town Council
Regular Meeting
Agenda Item 5.d.

Agenda Item: **November 6, 2024, Town Council Work Session Minutes**

Meeting Date: March 11, 2025

Category: Consent

Prepared by: Amanda Kertz, Acting Town Clerk

Description:
This is a request to approve the November 6, 2024, Work Session Minutes.

Background:
N/A

Timing Impact:
Town Council minutes are typically presented for approval in chronological order. Action on the minutes is an important function of the Town Council.

Strategic Focus Area:

Good Governance

Fiscal Impact:
N/A

Legal Impact:
N/A

Staff Recommendation/Next Steps:
Recommend approval as presented.

Attachments:
1. November 6, 2024, Draft Work Session Minutes

HERNDON TOWN COUNCIL
Work Session Minutes
Wednesday, November 6, 2024

1. Call to Order

Mayor Olem called the November 6, 2024, Town Council work session meeting to order at 7:00 p.m. in the Herndon Council Chambers Building, 765 Lynn Street, Herndon, Virginia. In attendance were: Mayor Sheila Olem; Vice Mayor Clark Hedrick; and Councilmembers Cesar del Aguila, Pradip Dhakal, Keven LeBlanc, and Donielle M. Scherff.

Councilmember Naila Alam was absent.

Determination of a Quorum

Mayor Olem determined there was a quorum of six Councilmembers present, with Councilmember Alam absent. Mayor Olem reminded those present of the meeting decorum.

2. Closed Meeting

a. A closed meeting pursuant to the Code of Virginia Section 2.2-3711(A)(8), consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel, relating to real estate in the downtown

Mayor Olem stated that the Council had a need to go into a closed meeting and that the appropriate meeting notices were provided in accordance with state law. The closed meeting was held in the Hoover Conference Room in the Herndon Council Chambers Building, 765 Lynn Street, Herndon, Virginia.

Vice Mayor Hedrick moved that the Council convene in a closed meeting to discuss the following as permitted by Code of Virginia Section 2.2-3711(A)(8), consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel, relating to real estate in the downtown. Councilmember Dhakal seconded the motion, which carried by a 6-0 roll call vote. The vote was: Councilmembers del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting “Aye.” Councilmember Alam was absent.

The Council went into closed meeting at 7:01 p.m.

At 7:01 p.m. Mayor Olem called a brief recess, and at 7:06 p.m., the closed meeting resumed in the Hoover Conference Room, six members present, with Mayor Olem presiding.

Councilmember Scherff moved to come out of the closed meeting. Motion seconded by Councilmember LeBlanc and carried by a 6-0 roll call vote. The vote was: Councilmembers del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting “Aye.” Councilmember Alam was absent.

The Council came out of closed meeting at 7:54 p.m.

Councilmember Dhakal moved to certify that, to the best of each member's knowledge, in the closed meeting just concluded, nothing was discussed except the matter or matters (1) specifically identified in the motion to convene in closed meeting and (2) lawfully permitted to be discussed in a closed meeting under the provisions of the Virginia Freedom of Information Act as cited in that motion. Motion seconded by Vice Mayor Hedrick, which carried by a 6-0 roll call vote. The vote was: Councilmembers del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting “Aye.” Councilmember Alam was absent.

Aye: 6
Nay: 0
Absent: 1

Recess

At 7:55 p.m. Mayor Olem called a brief recess, and at 8:00 p.m. the Town Council work session meeting reconvened in the Herndon Council Chambers, with six Councilmembers present, and Mayor Olem presiding.

<u>Work Session</u>

Staff present during the meeting: Christopher Martino, Interim Town Manager; Lesa Yeatts, Town Attorney; Kirstyn Barr Jovanovich, Acting Deputy Town Manager; Chief Maggie DeBoard, Herndon Police Department; Lisa Gilleran, Director of Community Development; Tammy Chastain, Acting Director of Public Works, Dave Stromberg, Zoning Administrator; Mike Farr, Utility Manager; Charles Bednarek, Project Engineer, Public Works; and Amanda Kertz, Acting Town Clerk.

Mayor Announcements

Mayor Olem stated that Council met in a closed meeting, with all members present, pursuant to State Code requirements and that no action was taken.

Mayor Olem provided information on upcoming events, including: (1) Thursday, November 7, is the last day of the 2024 Herndon Farmers Market; (2) Saturday, November 9, is the Herndon High School Homecoming; road closures will begin at 6:30 a.m. and last through 1:00 p.m.; (3) Monday, November 11 is Veterans Day; Town offices are closed, and the American Legion Post 184 is sponsoring the observance on the Town Green at 11:00 am. Mayor Olem stated that additional details on these and other events are listed on the town's website.

3. <u>Discussion</u>

a. Water and Wastewater System Overview

Mayor Olem recognized Tammy Chastain, Acting Director of Public Works, to begin the discussion item. She provided an overview of the water lines and water systems, including: (1) town, county, and state initiatives; and state and federal regulations; (2) utility master plan, which is usually revisited every few years; (3) upcoming, completed, and ongoing water projects; (4) Environmental Protection Agency (EPA) required lead and copper survey; and (5) impacts of anticipated population growth on the water system.

Ms. Chastain paused the presentation for Council questions about the Town's water systems. There was discussion between the Council and staff about the water system and ongoing and upcoming projects, including: (1) status of the water lines and water treatment; and (2) testing and flushing of the water lines.

Ms. Chastain continued her presentation and provided an overview of the wastewater lines and systems, and highlighted: (1) planned wastewater system improvements; (2) the impacts of anticipated population growth and needed improvements to aging infrastructure; (3) wastewater operations and maintenance programs; and (4) wastewater system projects; including work with Fairfax County to ensure that the systems are aligned. Ms. Chastain stated that the projects outlined that evening had been included in the utility master plan, however, an expected sewer capacity purchase had not yet been added to that plan.

There was discussion among the Council and staff about the wastewater system and ongoing and upcoming projects, including how to obtain information about upcoming projects on the Town's website.

Responding to Councilmember LeBlanc, Ms. Chastain stated that the Town does not have a gray water policy at this time. Councilmember LeBlanc suggested the Town consider implementing such a policy.

b. Affordable Housing - Councilmember Scherff

Mayor Olem recognized Councilmember Scherff to begin the discussion item. Councilmember Scherff reviewed the previous discussions the Council had about affordable housing, including the special work session with Tom Fleetwood of the Fairfax County Housing Authority and Fairfax County Dranesville District

Supervisor Jimmy Bierman on September 19, and the work session on October 15. She thought there was a disconnect between the information provided at the two meetings related to proffers and affordable housing. Councilmember Scherff stated that she wanted to support the Town and the County in working together toward providing affordable housing in Herndon.

There was discussion among the Council and staff about affordable housing, including: (1) collaboration with Fairfax County; (2) Council's direction to move forward with a consultant to research possible avenues for affordable housing; (3) request to have the Council review the requirements included in the request for proposals (RFP); (4) using Fairfax City's process as a model for the Town's RFP; (5) potential obstacles presented by pursuing proffers; and (6) paths forward in pursuing affordable housing options.

Christopher Martino, Interim Town Manager, stated that staff are working to hire a consultant as recommended by Fairfax City and the Fairfax County Housing Authority and will be bringing forward a budget request for this item soon. Staff will continue to work with both Fairfax County and Fairfax City to move this process forward.

Lisa Gilleran, Director of Community Development, stated that staff is looking to see if there are any existing contracts the Town can ride related to affordable housing and, if not, staff will go forward with an Invitation for Bid (IFB) or RFP. She will confirm the appropriate format for purchasing the type of services being requested and discussed the options that may be available to the Town.

c. Town-owned property leased or given for below market value - Councilmember Scherff

Mayor Olem recognized Councilmember Scherff for the discussion. She reviewed recent discussions related to Arts Herndon and the need for the organization to move from their current building at 750 Center Street, highlighting Town funds used for the following: (1) relocation of Arts Herndon to the Town's space at 397 Herndon Parkway; (2) community donations provided to Arts Herndon and NextStop Theatre; and (3) the difference between the value of real estate and the leases of Town-owned space being provided to nonprofits at $1.00.

Councilmember Scherff also emphasized that the building at 750 Center Street was left in disrepair. She suggested that the Council look at ways to include other nonprofit groups in the conversation and establish criteria to help determine which groups receive funding and/or access to leasing Town-owned spaces.

There was discussion between the Council and staff about the following: (1) historical funding provided to arts groups from the Town; (2) nonprofit groups that have received funding or access to leasing Town space for $1.00; (3) ways to involve other nonprofit groups that are interested in receiving Town funding; and

(4) working with nonprofit groups as related to the goals outlined in the strategic plan.

4. Roundtable

Councilmember Scherff: stated that she was looking forward to the Herndon High School Homecoming Parade that Saturday.

Councilmember del Aguila: conveyed a concern from a resident who saw someone smoking a substance near 7-11 located on Crestview Drive. He wanted to express concerns residents have shared with him regarding safety and security.

Councilmember del Aguila stated that he received a complaint that there are greens on the Golf Course that are not level.

Councilmember LeBlanc stated that the tee boxes on the Golf Course are being evaluated to be fixed once the weather permits.

Councilmember Dhakal: echoed Councilmember Scherff's comments about the Herndon Homecoming Parade.

Councilmember Dhakal also stated that he received a complaint about the Golf Course, to whom he advised that the tee boxes will be renovated.

Councilmember Le Blanc: asked the Interim Town Manager about holiday decorations downtown this year, specifically the wreaths.

Christopher Martino, Interim Town Manager, stated that staff would follow up with the Council regarding wreath placement for the holiday season. He was aware that the wreaths cannot be attached to utility poles due to safety concerns for the staff who are putting the wreaths in place.

Mayor Olem recalled that staff was not certified to be putting decorations on utility poles.

Lesa Yeatts, Town Attorney, stated that there was a contract under review with a contractor to place holiday decorations. She stated staff could research this and answer Councilmember's LeBlanc's questions.

Councilmembers Dhakal and LeBlanc recalled that the decorations could not be installed last year, due to safety concerns, and that they had been advised the decorations would be put up this year.

Vice Mayor Hedrick: thanked staff for striping the no-parking spaces on Ferndale Avenue, and for beginning to implement the safety changes that the Council has discussed on this street.

Vice Mayor Hedrick stated that he heard there were safety concerns related to street parking and sight distance on Jeff Ryan Drive and Cavalier Drive. He asked if staff could follow a similar process as they did for Ferndale Avenue to address safety concerns on these roads.

Mayor Olem: congratulated Mayor-Elect LeBlanc, Councilmember del Aguila and Vice Mayor Hedrick, on their reelection to the Town Council. She thanked all those that ran in the Town Council election and stated that she looked forward to the next few meetings of this Council before their terms expire.

Christopher Martino, Interim Town Manager: stated that October 28 was National First Responder's Day. He stated that while police, fire, and rescue may be what come to mind - public works crews are also first responders. He stated that these individuals back up the police and fire departments and are critical in operations, especially during times of disaster and emergency.

5. Closed Meeting

a. A closed meeting pursuant to the Code of Virginia Section 2.2-3711(A)(1), for discussion of prospective candidates relative to appointments to boards and commissions

Mayor Olem stated that the Council had a need to go into a second closed meeting that evening, and that the appropriate meeting notices were provided in accordance with state law. The closed meeting was held in the Hoover Conference Room in the Herndon Council Chambers Building, 765 Lynn Street, Herndon, Virginia.

Councilmember Scherff moved that the Council convene in a closed meeting to discuss the following as permitted by Code of Virginia Section 2.2-3711(A)(1), for discussion of prospective candidates relative to appointments to boards and commissions. Vice Mayor Hedrick seconded the motion, which carried by a 6-0 roll call vote. The vote was: Councilmembers del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting “Aye.” Councilmember Alam was absent.

At 9:32 p.m., Mayor Olem called a brief recess, and at 9:36 p.m., the closed meeting reconvened in the Hoover Conference Room, six members present, with Mayor Olem presiding. Councilmember Alam was absent.

Councilmember LeBlanc moved to come out of the closed meeting. Motion seconded by Councilmember Dhakal and carried by a 6-0 roll call vote. The vote was: Councilmembers del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting "Aye." Councilmember Alam was absent.

The Council came out of closed meeting at 9:48 p.m.

Councilmember LeBlanc moved to certify that, to the best of each member's knowledge, in the closed meeting just concluded, nothing was discussed except the matter or matters (1) specifically identified in the motion to convene in closed meeting and (2) lawfully permitted to be discussed in a closed meeting under the provisions of the Virginia Freedom of Information Act as cited in that motion. Motion seconded by Councilmember Dhakal and carried by a 6-0 roll call vote. The vote was: Councilmembers Alam, del Aguila, Dhakal, LeBlanc, and Scherff, Vice Mayor Hedrick and Mayor Olem voting "Aye."

Aye: 6
Nay: 0
Absent: 1

6. Adjournment

There being no further business, Mayor Olem adjourned the November 6, 2024, Town Council work session at 9:49 p.m.

Amanda E.M. Kertz
Acting Town Clerk

Minutes approved by Town Council : ___________

TOWN OF **Herndon** VIRGINIA

Town Council Regular Meeting
Agenda Item 6.a.

Agenda Item: **FY 2026 Proposed Budget**

Meeting Date: March 11, 2025

Category: Work Session

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

Description:
This item is the presentation of the Interim Town Manager's proposed FY 2026 governmental fund budgets for Town Council consideration. The governmental funds include the General Fund, Stormwater Management Fund, American Rescue Plan Act (ARPA) Fund and Capital Projects Fund.

Background:
In accordance with Section 4.2 of the Town Code, the Interim Town Manager has submitted a proposed FY 2026 Budget. The Summary Budget Book has been distributed to members of the Town Council and posted to the town's website. The proposed budget for all funds totals $95,628,447. Below is a breakdown of the proposed budget by fund:

General Fund	$50,328,225
Stormwater Management Fund	$4,261,811
ARPA Fund	$0
Capital Projects Fund	$5,940,627
Water and Sewer Fund	$27,681,005
Golf Course Fund	$5,112,528
Chestnut Grove Cemetery Fund	$2,304,252

On March 11, the Interim Town Manager will present for discussion, further detail on the proposed budget of the governmental funds. Several key highlights include:

- The proposed budget reflects the impacts and challenges from environmental factors including inflation, imposed costs, uncertain federal policies, and salary pressures for key talent. In addition, it is important to recognize that the town has aging infrastructure and facilities, balancing those with demands for new development and limited revenue growth.

- The proposed budget includes service delivery that supports the town's Strategic Plan activities.

- Proposed General Fund Operating Expenditures total $46.1M, a 9.9% increase over the FY 2025 Adopted Budget. In order to meet the required expenditures, the Proposed FY 2026 Budget includes several key tax rate increases:

  - A Real Estate Tax increase from $0.260 per $100 of assessed value to $0.270 per $100 assessed value.
  - A Meals Tax increase from 3.75% to 4.0%.
  - Business Professional and Occupational License (BPOL) rate increases for two categories (Retail Sales and Repair Services).
  - A Recycling Fee increase from $16 to $21 per quarter.

- General Fund Capital Outlay of $2.9M is planned to be funded via the General Fund Capital Reserve.

- The discussion will highlight a "Needs Not Met" list of expenditures excluded from the Proposed Budget.

- Capital projects for FY 2026 total $5.9M as reflected in the Capital Improvement Program (full presentation scheduled for March 18, 2025).

- There are no additional proposed projects for the ARPA Fund.

Timing Impact:
The proposed FY 2026 Budgets are being presented at this time to meet statutory requirements and to allow the Town Council sufficient time to consider and discuss the proposed budgets prior to adoption.

The March 11 Work Session is the first discussion on the Proposed FY 26 Governmental Fund Budgets. The proposed FY 2026 Enterprise Fund Budget will be presented at the Town Council's meeting on March 18, 2025. The public hearings are scheduled to begin April 8, 2025, with the anticipated adoption of the FY 2026 Budget on April 22, 2025.

Strategic Focus Area:

Good Governance
Strong Fiscal Stewardship

Fiscal Impact:
There is no immediate fiscal impact of the discussion materials presented on March 11, 2025. Impact will occur after adoption by the Town Council, in FY 2026, which begins on July 1, 2025.

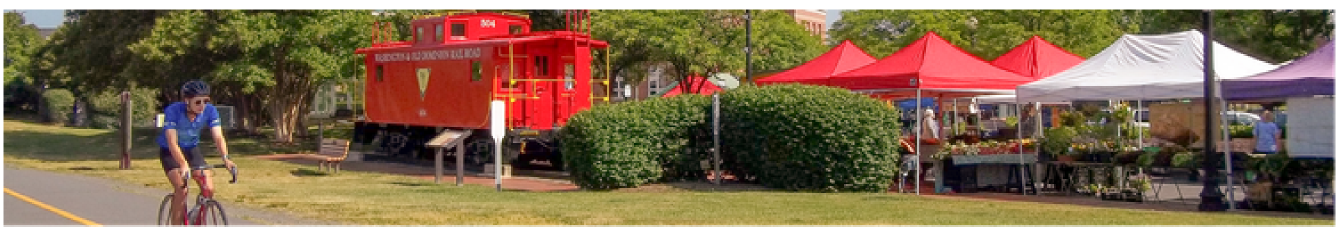
Legal Impact:
Per Town Code Section 4.2 and State Code Section 15.2-2503, the Town Manager is required to prepare and submit an annual budget to the Town Council on or before the first day of April each year.

Staff Recommendation/Next Steps:
No recommendation is proposed for this discussion item.

Attachments:
1. FY2026 Proposed Budget Book

Town of Herndon

Proposed FY 2026 Budget



Proposed Version

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PREFACE

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Town of Herndon
Virginia

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morrill

Executive Director

TOWN OF Herndon

Proposed FY 2026 Budget

Town Council
Keven J. LeBlanc, Jr. Mayor
Clark A. Hedrick, Vice Mayor
Naila Alam
Cesar del Aguila
Kelvin Garcia
Michael T. Lloyd
Alex Reyes

Interim Town Manager
Christopher E. Martino

Information about the proposed budget is online at
www.herndon-va.gov/budget

Proposed Budget

FY 2026

Keven LeBlanc
Mayor

Town Council

Clark A. Hedrick
Vice Mayor
Naila Alam
Cesar del Aguila
Kelvin Garcia
Michael T. Lloyd
Alex Reyes

Christopher E. Martino
Interim Town Manager

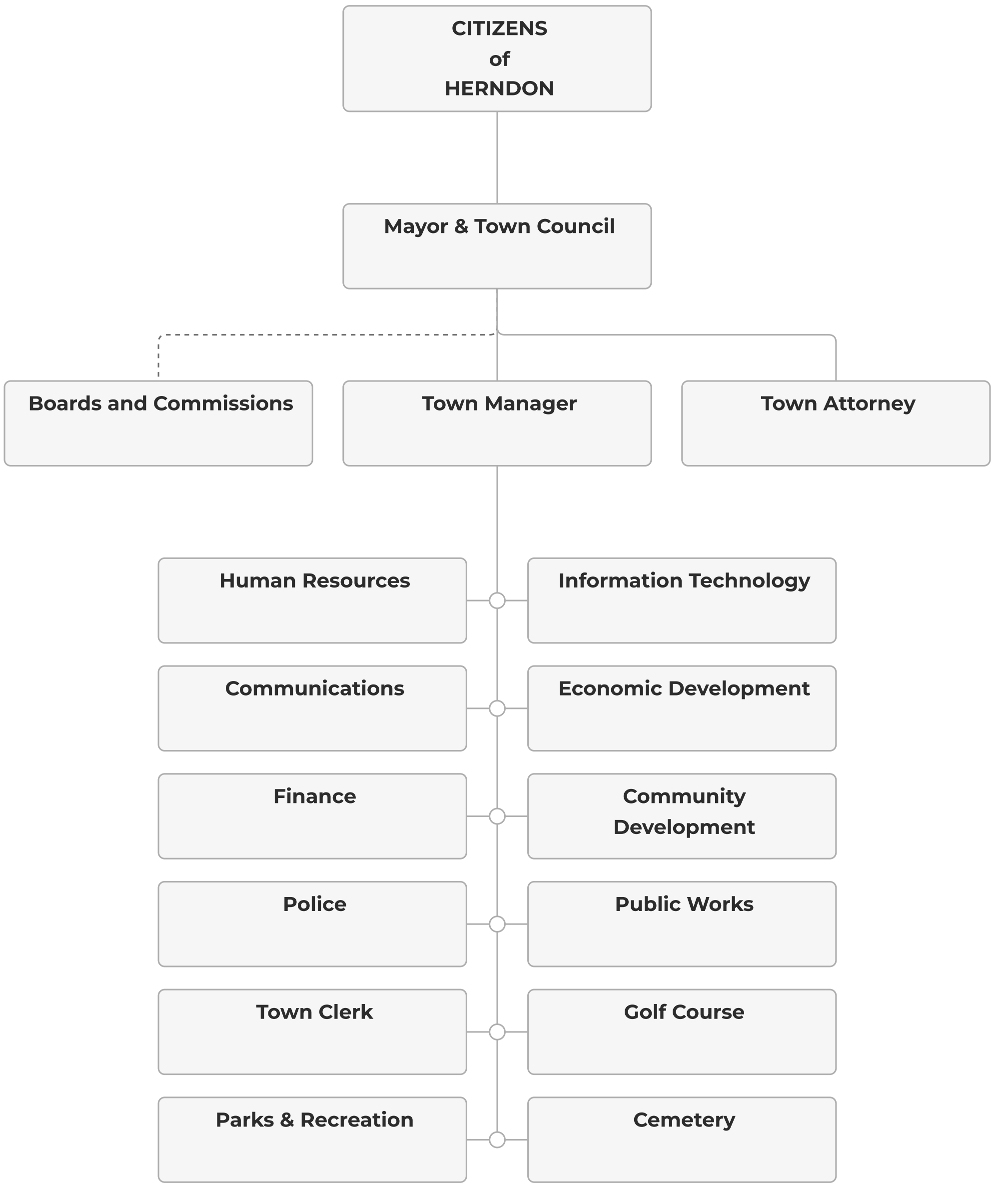
Lesa J. Yeatts
Town Attorney

- - -

Kirstyn Jovanovich - *Acting Deputy Town Manager*
Scott Robinson - *Acting Deputy Town Manager*
Tammy Chastain - *Acting Director of Public Works – Operations*
Elizabeth M. Gilleran - *Director of Community Development*
John Irish - *Acting Director of Public Works – Engineering*
Page Kalapasev - *Director of Information Technology*
Tanya Kendrick - *Director of Human Resources*
Amanda Kertz - *Acting Town Clerk*
Michael Mueller - *General Manager of Golf*
Anne Papa - *Chief Communications Officer*
Steven Pihonak - *Acting Chief of Police*
Marjorie Sloan - *Director of Finance*
Bob Williams - *Director of Parks and Recreation*

Maria Lee - *Budget Manager*

Town of Herndon Organizational Chart



Reader's Guide

This reader's guide is intended to help guide you in understanding the structure and contents of the town's annual budget document. This document outlines the important projects, programs and services the town will be pursuing in the upcoming year. Should a reader desire to review materials in greater depth, various areas within the budget should provide the necessary information. The basic structure of the budget document is as follows:

- **Preface**

  The budget Preface begins on the first page and contains information such as the appropriate budget year (known as a fiscal year) along with the names of the town's elected officials and leadership team. It also contains the town-wide organizational structure. The document's table of contents can be found before the preface.

  The *Table of Contents* is a good place to start whether there is something specific that you are looking for or you just want to obtain a quick overview of the document.

  The Glossary, located at the end of the book, in the Appendix section, provides definitions for terms used throughout the budget.

- **Introduction**

  The Introduction contains the *Town Manager's Transmittal Letter, Long-Term Strategic Planning, Economic Outlook, the Community Profile, Town Demographics, Financial Fund Structure, Financial Policies and Financial Structure, and Budget process and Timeline.*

  The *Transmittal Letter* is the town manager's way of officially presenting the town's annual operating budget to the Town Council. The letter will contain a brief overview of projects, programs, and services that are planned for the upcoming budget cycle.

  The *Town's Strategic Plan* as adopted by the Town Council conveys to staff the overall values that exemplify what they and town residents feel are important. It serves as a guide to staff to ensure that their daily work is in keeping with the community's values.

  The *Community Profile* is designed to provide a comprehensive cross-sectional overview of the town. It contains a variety of information including town history, geography, demographic and economic data, a brief description of town services, and a list of some of the larger employers located in the town.

  The town's *Financial Policies, Financial Structure, and Budget Process/Schedule* provide guidelines for key financial indicators to ensure that the town employs sound fiscal planning. There are often no absolutes when it comes to determining guidelines of this nature, although there are legal constraints in some cases, and there are often widely accepted parameters that can be used as a guide. From time to time, the town revisits these guidelines and updates them as needed. *Fund Structure and Basis of Budgeting* also contain information regarding the town's financial structure, method of accounting, and a timeline identifying key points for the budget process. As was the case with the financial policies, there are some legal requirements, such as the date by which a proposed budget must be submitted to the Town Council (on or before April 1st).

- **Budget Summary**

  The *Budget Summary* is designed to be an overview of the total town budget. The purpose is to give the reader a high-level understanding of what the town plans to accomplish in the upcoming budget.

  It begins with an overview regarding major components of the overall town budget that includes the following expenditure categories: personnel, operations and maintenance, capital, inter-fund transfers, nondepartmental, and debt service. These categories represent the major expenditure categories that the town uses to track how, and in what proportion, monies are to be expended. Also provided is a year-over-year comparison of these categories, as well as trend information to give the reader a longer-term overview of how the town's budgets have been changing over the past five years.

  A comprehensive revenue and expenditure summary is provided next, regarding all funds the town uses to track its activities, organized by expenditure categories, and the supporting revenues. It is presented in this manner because local governments are required to use "fund accounting." A fund is a self-balancing set of accounts in which revenues equal expenditures. The law requires that local government budgets are balanced, which is very different, for example, from the federal budgeting process.

Next, a summary of the personnel budget is provided (with major focus on the General Fund) including any changes in FTE (Full Time Equivalent), for the FY 2026 Budget. The next sections highlight Debt Service and Fund Balances.

- **Fund Summaries**

  This section provides the information presented in the *Budget Summary*, but in greater detail. It is organized by fund, with each fund's organizational chart, a revenue summary, and expenditure information. Depending on the fund, the level of expenditure detail can vary among the various major operating funds (General Fund, Stormwater Fund, Water & Sewer Fund, Cemetery Fund, and Golf Course Fund.)

  The General Fund, which is usually the largest fund for any municipality, begins by providing comprehensive revenue for the entire fund.

- **Departments**

  Fund Summaries are then followed by detailed expenditure information organized by department. This section provides detailed information for Town Clerk, Town Administration (Town Manager, Communications, Economic Development, Human Resources, and Information Technology), Parks & Recreation, Finance, Community Development, Police, Public Works, and Town Attorney, as well as the Golf Course, Cemetery, and the Water and Sewer divisions.

  Each of these departments organize their expenditure information by operations and maintenance, and capital. This information is provided by division with some departments, such as Town Attorney, having only one division, and others, such as Public Works, having several. Each division within a department is generally associated with a particular service.

- **Capital Improvements**

  The last part of the book addresses the town's Capital Improvement Program (CIP)**.** The CIP is a multi-year budget that is used to plan major capital projects over the next five years. Included in this section is a comprehensive list of projects by fund, specific project sheets that provide descriptions for each project, the expected timeline for project completion, and the project's identified funding sources.

- **Appendices**

  The appendices section includes items that are considered reference materials or supporting the content of the budget document.

  Glossary & Acronyms – The *Glossary* contains definitions of terms that are specific to governmental finance and budgeting (like fiscal year). Acronyms (abbreviations) are often used as a shorthand for things such as governmental organizations, various programs (such as grants) or items that are used often enough that a shorthand becomes the preferred format for conveying information.

INTRODUCTION

Transmittal Letter

Office of the Town Manager
T (703) 787-7368
town.manager@herndon-va.gov

March 7, 2025

The Honorable Mayor and Town Council
Town of Herndon
777 Lynn Street
Herndon, Virginia 20170-4602

Dear Mayor LeBlanc and Town Councilmembers:

It is my privilege to submit for your review and consideration the Proposed Fiscal Year (FY) 2026 Budget and Capital Improvement Program (CIP). This proposal meets state and local statutory requirements to prepare a balanced budget for your consideration, while remaining consistent with the town's policies of sound financial management and strong fiscal stewardship.

In March 2024, the Town Council adopted a five-year Strategic Plan, outlining the Council's priorities over the next several years in achieving its Vision where *Herndon is an integrated, sustainable, safe, and equitable town built on accessible development and an engaged community.* While the Strategic Plan served as a foundational guiding document in developing this proposed budget, staff worked to balance new strategic initiatives and activities with the need to continue to provide core municipal services and programs that benefit the community, all while prioritizing fiscal responsibility and sound financial management.

My role throughout this process is to facilitate discussion, provide guidance, and identify solutions that accomplish the Council's established goals and priorities.

Economic Environment – Opportunities and Challenges

A significant challenge in crafting the FY 2026 Proposed Budget was the uncertain economic future we are currently facing. Since the pandemic, expenses related to the delivery of core municipal services have continued to rise due to increases in the cost of materials, supplies, equipment, and contracted services, among others. In addition, the extent of potential economic impacts the town and region may face from actions at the federal level and how they will affect the town's revenue projections is uncertain.

As a result of these pressures and uncertainties, the proposed budget includes updated revenue projections to reflect recent actuals, while also reducing operating and maintenance expenses by repurposing existing positions and maintaining, and in some cases reducing, existing service and program levels. The proposed revenue in the General Fund includes a proposed increase in the real estate tax rate of one cent ($0.01), a quarter percent (.25%) increase in the meals tax rate, and rate adjustments in business licensing, solid waste, and development fees.

Budget Guidance: Strategic Plan

The Town Council's 2024-2029 Strategic Plan, as well as the activities that were prioritized by Town Council for the next two years during their retreat in January 2025, were used as guidance in providing direction to staff in the development of the FY 2026 Proposed Budget and CIP. In addition, staff met with members of the Council-elect individually in December to obtain initial guidance and comments as the budget development process fully launched.

Strong Fiscal Stewardship

Guidance: Herndon is a reliable and responsible steward of public funds, committed to ensuring financial sustainability through sound long term planning and budget practices, and maintaining a strong capital reserve. The town maintains and promotes high standards as well as a strong, well-managed financial position.

- The proposed budgets are balanced pursuant to the State Code and are consistent with the Government Finance Officers Association (GFOA) best practices and town financial policies.

- The proposed budgets adhere to the town's adopted financial policies which are critical to the town maintaining its strong and stable financial position as reflected in the town's AAA credit rating by all three major credit rating agencies. Consistent with financial policies, accumulated capital reserves are proposed to be reinvested in new capital assets and infrastructure.

- The proposed General Fund budget addresses the rising costs associated with maintaining a competitive workforce, while limiting increases in staff head count by repurposing existing positions to realign with core-program and service delivery.

- The proposed Enterprise Fund budgets continue to operate with adequate fee structures and net positions. In February, the town's financial advisors provided an updated presentation on the Water and Sewer Fund, which included a multi-year plan to adjust rates to prepare the Fund to absorb increases in commodity costs, added regulation, and increased need to replace existing infrastructure. The proposed Water and Sewer Fund budget includes rate increases intended to ensure that the Water and Sewer Fund remains fiscally healthy and in position to provide water and sewer services to our community well into the future.

Secure and Interconnected Community

Guidance: Residents, businesses, and visitors feel safe at all hours, and if they require help, the response from well-trained staff is timely, courteous, and professional. People feel included, welcomed, and safe. Herndon boasts a well-maintained, secure, and interconnected, multi-modal transportation network connecting the town to the region through the use of innovative technology and initiatives. Town government takes a proactive and regional view of planning for safety, and emergency response and recovery.

- Included in the proposed General Fund budget is the addition of a Special Enforcement and Engagement Team (SEET), created by adding a Police Sergeant and repurposing a vacant parking enforcement official position to an additional police officer position for SEET.

- Recently, the Herndon Police Department became a certified KultureCity department, focusing on training efforts to promote inclusivity and accessibility for community members with sensory needs. This budget continues to fund training and development programs for town staff.

- In December 2024, the Town Council appropriated additional funds to purchase equipment supporting a real-time crime center, which included the purchase of eight more Flock safety cameras with license plate readers to be strategically placed within the town. The ongoing maintenance costs associated with these, as well as other public safety technological equipment and tools are incorporated into the General Fund as ongoing operating costs.

- The Town Council prioritized a multi-year project to develop a Safety Action Plan that will aid in improving safety for pedestrians, bicyclists, and motorists on the town's transportation network. Ultimately, this plan will be used to support the development of a future multi-year Safe Streets Plan, developing a holistic, well-defined strategy to create safer routes for all. This project is partially grant funded.

- The town is continuing to leverage grant and intergovernmental revenue in supporting various programs and services across all governmental funds. This proposed budget includes approximately $8M in grants and shared revenues.

Environmental and Economic Sustainability

Guidance: Herndon is a business destination that promotes a balanced, integrated, and sustainable environmental and economic ecosystem that embraces and encourages entrepreneurship, innovation, and growth with a commitment to climate management and responsiveness. Herndon's business community is diverse, inclusive, and robust. There is a sustainable and vigorous mix of residential and commercial uses strategically located within the community. Small businesses are supported and flourish, and the distinctive character of the historic district and the historic downtown distinguish Herndon from surrounding communities and attract visitors that contribute to the tax base.

- This budget includes a focus on investing in town facilities while enhancing energy efficiency through the use of Energy Savings Performance Contracts. While capital investment will be required to upgrade and replace critical infrastructure, maintenance costs will reduce over the life of the equipment and a reduction in energy and water consumption will be realized. In addition, this project includes an analysis of installing electric vehicle stations on certain public property within the town.

- In support of small businesses and entrepreneurs, the proposed budget includes continued support and collaboration with George Mason University and Office Evolution on the Mason Enterprise Center - Herndon.

- The Town Council prioritized a business process reengineering project focused on the town's new business development processes. It is anticipated that the results of this project will result in increased technology investments to streamline the town's processes and improve customer service.

- The town continues to invest in our natural resources. These proposed budgets includes incremental increases in funding related to tree removals, maintenance, and plantings, in support of the town's urban forestry program. In addition, the town continues to prioritize stormwater management, and this budget includes continued stream restoration work and other proactive stormwater management activities. As prioritized by the Town Council, in FY 2026, the town will analyze the feasibility of establishing a stormwater utility in preparation for the FY 2027 budget.

Good Governance

Guidance: Herndon's government provides effective and efficient community-centered services and programs that are focused on improving quality of life and are responsive to community and environmental evolution. Major policy decisions are considered by Town Council and are reflective of community engagement and informed by kinetically engaged information gathering. The community trusts that their government responsibly manages resources, is responsive to their needs, provides exceptional services, and equitably represents them.

- The town continues to invest in its workforce. More than 65 % of the town's General Fund budget is related to personnel. The town delivers high quality programs and services to the Herndon community by investing in hiring, developing, and maintaining a competitive workforce. Costs associated with attracting and maintaining personnel remain high in an extremely competitive labor market. The budget continues to fund activities that demonstrate a commitment to, and investment in, the town's employees, to include mental health and personal counselling support, educational reimbursement, supporting certification opportunities, and training. Additionally, it continues to fund employee skills development and education, with an emphasis on leadership development and succession planning. The FY 2026 proposed budget also absorbs increases in pension costs and a significant increase in health insurance costs.

- In FY 2023 through FY 2026, the town leveraged funds awarded under the American Rescue Plan Act (ARPA) to address the backlog of capital and major maintenance items that were deferred during the pandemic. The proposed budgets fund capital expenditures and projects from capital reserves in FY 2026, while staff develop more sustainable asset management and long-term capital investment programs.

Thriving Community

Guidance: Herndon is a town that celebrates and promotes the diversity of our community and active engagement of all. Inclusivity is at the forefront, where town services and programs are accessible by all, and thoughtful and meaningful engagement is welcomed across the community. The arts and cultural expression are promoted, and programs enriching the lives of our community are supported. Herndon is a resilient community that embraces its diverse fabric woven by many colors and textures of threads, each having the opportunity for its voice to be heard and embraced.

- The town is finalizing its brand revitalization project, which will result in a marketing program that the town can begin executing this summer. The FY 2026 proposed budget includes the initial funding for the revitalized brand marketing plan.

- Over the last several years, the town has invested in interpreter and translation services to communicate with and engage all parts of our community more effectively. This proposed budget continues to invest in ensuring interpretation and translation tools are available in support of the town's communication program.

- The proposed budget includes increased investment year over year in park maintenance activities.

Budget Summary

The FY 2026 Proposed Budget includes $95,628,447 in expenditures to meet the needs of the General Fund, Stormwater Management Fund, all enterprise funds (Water and Sewer, Cemetery, Golf Course), and the FY 2026 portion of the Capital Improvement Program (CIP), a 28.1% increase from the FY 2025 Adopted Budget.

FY 2026 Budget Summary - Expenditures - All Funds				
In Thousands				
All Funds	**FY 2025 Adopted Budget**	**FY 2026 Proposed Budget**	**.+/- Adopted FY25 to FY26**	**% Change Adopted FY25 to FY26**
General Fund	44,669	50,328	5,659	12.7%
Water And Sewer Fund	21,680	27,681	6,001	27.7%
Cemetery Fund	1,050	2,304	1,254	119.4%
Golf Course Fund	3,384	5,113	1,729	51.1%
Capital Projects Fund	2,500	5,941	3,441	137.6%
Stormwater Fund	1,349	4,262	2,913	216.0%
Grand Total	**74,632**	**95,628**	**20,996**	**28.1%**

General Fund

Of the total proposed budget, the proposed General Fund expenditures are $50,328,225, an increase of 12.7% from the FY 2025 Adopted Budget. This increase is primarily driven by an 8.7% increase in personnel-related costs and a 28.7% increase in capital costs as the town transitions from utilizing ARPA grant funding to General Fund and other funding sources for capital asset acquisitions and capital projects.

FY 2026 Budget Summary - Expenditures - General Fund				
In Thousands				
General Fund	**FY 2025 Adopted Budget**	**FY 2026 Proposed Budget**	**.+/- Adopted FY25 to FY26**	**% Change Adopted FY25 to FY26**
Personnel	30,380	33,008	2,628	8.7%
O & M	9,490	11,180	1,690	17.8%
Capital	2,249	2,895	646	28.7%
Subtotal	**42,119**	**47,083**	**4,964**	**11.8%**
Non-Departmental	688	607	(81)	-11.8%
Interfund Transfer	467	1,324	856	183.2%
Debt Service	1,395	1,315	(80)	-5.8%
Grand Total	**44,669**	**50,328**	**5,659**	**12.7%**

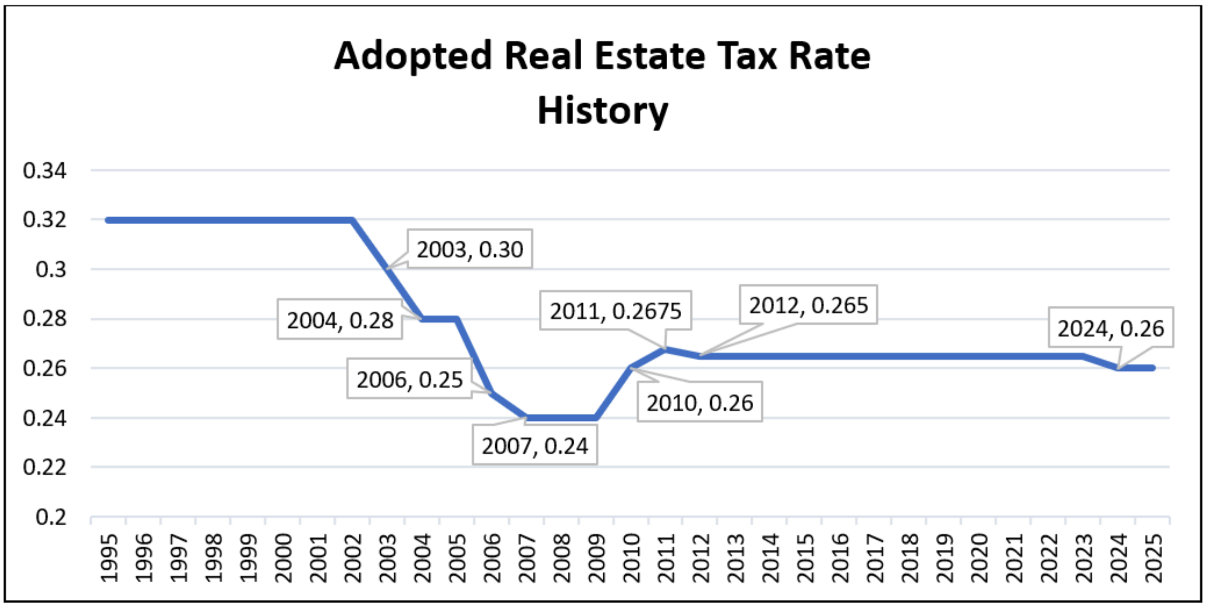
FY 2026 Budget Summary - Revenue - General Fund				
In Thousands				
General Fund	**FY 2025 Adopted Budget**	**FY 2026 Proposed Budget**	**.+/- Adopted FY25 to FY26**	**% Change Adopted FY25 to FY26**
General Property Tax	14,206	15,294	1,089	7.7%
Other Local Taxes	17,181	19,257	2,076	12.1%
Permits & Privileges	663	759	95	14.4%
Fines & Forfeitures	360	406	46	12.7%
Use of Money & Property	1,821	2,048	227	12.5%
Charges for Services	2,363	2,691	328	13.9%
Miscellaneous	54	78	24	44.4%
Intergovernmental	5,272	5,445	174	3.3%
Other Financing Sources	125	225	100	80.0%
Use of Unassign.Fund Bal.	2,624	4,126	1,502	57.2%
Grand Total	**44,669**	**50,328**	**5,659**	**12.7%**

Budget Drivers
The town's main funding sources used to support the General Fund and provide critical municipal programs and services to the Herndon community are real estate taxes, meals taxes, transient occupancy taxes, and business, professional, and occupational licenses (BPOL).

Tax Rates and Fees
Revenue from real estate taxes collected by the town makes up approximately 30.2% of the town's General Fund revenue, supporting the core services and programs delivered by the town.

In FY 2026, residential and commercial real estate assessments are estimated to increase by 6.63% and 0.62% respectively, resulting in a combined increase in real estate assessments of 4.38%. While this results in an estimated increase in revenue by$613,446 or 4.38% from current year, due to rising personnel and operational costs, and planning for further capital investments, the overall cost to provide the base level of services and programs to the community has risen further than what town revenues can support at current rates. As a result, this proposed budget includes a proposed real estate tax rate of $0.270 per $100 of assessed value, a $0.01 increase over current year. This equates to an average annual impact on the average household of an additional $133 and contributes an additional $562,089 towards balancing the proposed budget.

The following chart shows Herndon's history of tax rates over the past thirty years, during which time there have been a number of recessions and other economic shocks.



Meals Tax
The Proposed Budget also includes a 0.25% increase in the meals tax rate from 3.75% to 4.0%, which will produce an estimated $300,000 in additional revenue.

Business and Professional and Occupational Licenses
The Business, Professional, and Occupational Licenses (BPOL) revenue estimate is an increase of 14.3% over the FY 2025 Adopted Budget. This estimate is based on recent trends of actual BPOL revenues and an increase in the rates for two categories of business, raising them to the same rates as the current Fairfax County schedule.

Other Fees
The Proposed Budget includes increases in building and development fees based on a revised fee schedule for development and land use activities. This continues the adjustment process initiated in 2024 to update the town's fee structure to cover more of the actual cost of providing services and is comparable to the rates of other jurisdictions.

The Proposed Budget also includes changing the town's recycling fee to a solid waste fee, and increasing from $16 per quarter, an increase of $20 per year, per household.   In preparation for FY 2027, staff will conduct an analysis of the program to further refine the fee structure and program levels to support a use-based program.

Workforce Investment

We are in the people business – over 65% of the town's budget is related to personnel. The town delivers high quality programs and services to the Herndon community by investing in hiring, developing, and maintaining a competitive workforce. Based on the town's Total Compensation Philosophy, in FY 2026, the town will continue its efforts in maintaining a competitive employment position in the local market, to include:

- Appropriate market-based changes to the salary structure.
- Continued emphasis on the pay-for-performance program.
- Continuation of required and competitive employee benefit programs.
- Continued investment in employee training, development, and well-being.

The proposed FY 2026 budget includes a 2.5 % market rate adjustment and an average pay-for-performance increase of 2.0%, for an average overall increase of 4.5% for employees. The proposed budget includes one net new position, and incorporates several reclassifications aimed at increasing efficiencies and prioritizing safety and service improvements to the community. Additionally, the town's health insurance benefit costs will rise 12% this year, further contributing to the increase in cost over FY 2025.

Capital Investment

As we begin to transition away from the use of American Rescue Plan Act (ARPA) funds for one-time capital costs, this proposed budget includes significant investment in capital assets and projects funded from the town's capital reserves. Future budgets will need to consider steps to fully transition capital expenditures into the General Fund. Specifically, life cycle maintenance and replacement schedules for such items as vehicles and equipment, information technology, and building and facilities.

Water and Sewer Fund

Significant increases in costs are continuing to drive increases in the town's water and sewer rates. In February, the Town Council received an update on the status of the Fund and an overview of the multi-year rate plan. Without changes to water and sewer rates, the town will be forced to use retained earnings to balance the Fund's budget, which is an imprudent long-term strategy. These factors serve as the primary drivers compelling the need to increase water and sewer rates for FY 2026 and in future years.

The proposed budget includes a 20.6% increase in water rates and 9.8% in sewer rates, for a combined quarterly rate of $210.45 The average quarterly impact per average household over FY 2025 is $25.23. These proposed rate increases are part of a well-developed multi-year plan to prepare the Water and Sewer Fund to absorb increases in commodity costs, added regulation, and an increased need to replace existing infrastructure. This allows the town to proactively address infrastructure needs and capital investments in the town's system.

The development of this proposed budget was a comprehensive, collaborative effort amongst the staff who worked diligently to craft a financial plan that is both responsible and responsive to the evolving needs of our town. We recognize that financial decisions impact every member of our community and as we move forward, we remain committed to transparency, responsible spending, and delivering high-quality services.

I look forward to collaborating with the Council, staff, and community over the coming weeks as we discuss and review the proposed budget detail during work sessions and public hearings. Your guidance and feedback will be invaluable in finalizing a budget that best serves the interests of our community.

Thank you for the opportunity to serve as your Interim Town Manager during this time of organizational transition and I stand ready to provide any further information you may require in your consideration of the FY 2026 Proposed Budget.

Respectfully submitted,

Christopher E. Martino
Interim Town Manager

Enclosure

Long-Term Strategic Planning

Comprehensive Plan

Herndon's Comprehensive Plan is a long-range planning document that establishes the direction and framework of the town's future public and private development and investment. The vision and policies of the Comprehensive Plan guide the decisions of the Town Council and its advisory body, the town's Planning Commission. The Comprehensive Plan establishes policies regarding the natural and built environment, including the town's future transportation plan, public and private land use plan, stormwater and Chesapeake Bay Preservation actions, parks and other town facilities and services. The Comprehensive Plan is the basis for the activities, policies, initiatives, and decisions of the town, including its six-year Capital Improvement Program. The Town of Herndon is in the preliminary stages of launching the Herndon 2050 Plan, which will replace the existing 2030 Plan. This is a multi-year process that will include significant public participation.

The town has periodically updated the 2030 Comprehensive Plan with the addition of small area plans that provide detailed planning policies for critical areas within the town that face redevelopment pressure or to encourage redevelopment in aging or underdeveloped commercial areas. The most recent small area plan, which was adopted in late FY 2024, provides planning and development policies for 94 acres, known as the Transit Related Growth Area (TRG), located in proximity to the Herndon Metro Station. In conjunction with the previously adopted Herndon Transit-Oriented Core Area Plan (HTOC) for properties immediately adjacent to the Metro station, the two small area plans address the redevelopment of privately owned non-residential properties located near the Herndon Metro station. The connection by rail of the town to the entire metropolitan Washington region creates a vastly enhanced marketplace that will likely have broad appeal for business, residential, and service uses. The current Comprehensive Plan envisions a vibrant transit-oriented neighborhood developing near the station, with the potential for up to ten million square feet of mixed-use space including office, residential, retail, and hotel uses. To date, multifamily residential has lead redevelopment interest as the region continues to experience a housing shortage. Together, the HTOC Plan and TRG plans envision a vibrant neighborhood developing in the vicinity of the station, with approximately 6.9 million square feet of mixed-use space including office, residential, retail and hotel uses.

The town's close proximity to Washington Dulles International Airport also provides a major stimulus for commercial development. The airport itself has completed a multi-billion-dollar capital construction program resulting in a redesigned facility capable of accommodating significant increases in passenger traffic and airport operations. In fact, the entire Dulles Corridor, in which the town is centrally located, has entered an era of new growth. Over the next 20 years, the population in the Dulles Corridor is expected to increase by 45 percent and job growth by 63 percent.

This growth potential, along with steady increases in the number of new information system, technology and security-related businesses, will have a positive influence on the town and its economic vitality.

2024-2029 Strategic Plan

Vision

Herndon is an integrated, sustainable, safe and equitable town built on accessible development and an engaged community.

Town of Herndon utilizes the strategic planning process to study and endorse broad issues of organizational direction, and propose direct tasks that will be implemented in the town's pursuance of the strategic plan's goals. Through these ongoing strategic planning efforts, the Town of Herndon continually renews its vision and reformulates strategies for realizing the town's vision on a periodic basis.

The Herndon 2024-2029 Strategic Plan is a guide that directs the town's pursuance of its vision and desired goals. The Town of Herndon's Plan sets goals to maintain those aspects of our community it is most proud of, and strives to achieve the new goals expressed by residents and town leaders. Specifically, the plan provides guidance for budget decisions and a framework for action by elected officials, government administration, and our community partners.

The Plan is divided into five focus areas directly related to the Town Council's vision, and provide a framework for action by the town's governing body, administration and community partners:

1. Strong Fiscal Stewardship

Herndon is a reliable and responsible steward of public funds, committed to ensuring financial sustainability through sound long term planning and budget practices, and maintaining a strong capital reserve. The Town maintains and promotes high standards as well as a strong, well-managed financial position.

Goals:

1. Maintain strong financial health to ensure advantageous borrowing opportunities as needed.
2. Conduct forward-looking and multi-year planning and analysis.
3. Utilize best practices as they relate to fiscal controls and risk management.

2. Secure and Interconnected Community

Residents, businesses, and visitors feel safe at all hours, and if they require help, the response from well-trained staff is timely, courteous, and professional. People feel included, welcomed, and safe. Herndon boasts a well-maintained, secure, and interconnected, multi-modal transportation network connecting the Town to the region through the use of innovative technology and initiatives. Town government takes a proactive and regional view of planning for safety, and emergency response and recovery.

Goals:

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

3. Environmental and Economic Sustainability

Herndon is a business destination that promotes a balanced, integrated, and sustainable environmental and economic ecosystem that embraces and encourages entrepreneurship, innovation, and growth with a commitment to climate management and responsiveness. Herndon's business community is diverse, inclusive, and robust. There is a sustainable and vigorous mix of residential and commercial uses strategically located within the community. Small businesses are supported and flourish, and the distinctive character of the historic district and the historic downtown distinguish Herndon from surrounding communities and attract visitors that contribute to the tax base.

Goals:

1. Implement policies, practices, and regulations that encourage or incentivize energy efficiency and the use of renewable energy in public and private investments.
2. Implement policies and practices that encourage preservation of historic resources, while ensuring public spaces reflect the stories and culture of the current community.
3. Foster an environment in which businesses of all types grow and flourish, from entrepreneurially-owned to corporate high-tech to home-based and more, while establishing a commercial identity and reputation that is uniquely "Herndon."
4. Improve and streamline town processes required of new and existing businesses.
5. Foster and expand policies and partnerships with Fairfax County to ensure diversification of housing stock.
6. Implement policies, practices, and regulations that protect and enhance the town's natural resources and preserve the environment.

4. Good Governance

Herndon's government provides effective and efficient community-centered services and programs that are focused on improving quality of life and are responsive to community and environmental evolution. Major policy decisions are considered by Town Council and are reflective of community engagement and informed by kinetically engaged information gathering. The community trusts that their government responsibly manages resources, is responsive to their needs, provides exceptional services, and equitably represents them.

Goals:

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

5. Thriving Community

Herndon is a Town that celebrates and promotes the diversity of our community and active engagement of all. Inclusivity is at the forefront, where Town services and programs are accessible by all, and thoughtful and meaningful engagement is welcomed across the community. The arts and cultural expression are promoted, and programs enriching the lives of our community are supported. Herndon is a resilient community that embraces its diverse fabric woven by many colors and textures of threads, each having the opportunity for its voice to be heard and embraced.

Goals:

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

The Town of Herndon adopted its Strategic Plan in March 2024, after a year-long process that included facilitated discussions with the Town Council and town leadership, and community input. Once adopted, staff developed an Action Plan, which is discussed with Town Council on a quarterly basis. Most recently, the Town Council met in a retreat in January 2025, and focused on prioritizing strategic planning activities over the next two years.

Reports on the status of the Strategic Plan are available on the town's website at www.herndon-va.gov/government/mayor-town-council/strategic-plan (http://www.herndon-va.gov/government/mayor-town-council/strategic-plan).

Strategic Plan Priorities (2025-2026)

At their January 2025 retreat, the Town Council reviewed the Strategic Plan and outside of those activities either in-progress or considered as a standard function of government, prioritized the following activities for the next two years and may be dependent on resources and funding allocation.

- Stormwater – conduct feasibility study on forming a Stormwater Utility (FY 2027)
- Non-Profit Support – provide briefing regarding processes on leasing town-owned property (CY 2025)
- Solid Waste Fee – update Town Code to change recycling fee to solid waste fee (CY 2025); develop a solid waste fee structure (FY 2027)
- Employee compensation – include public safety compensation as part of FY 2026 budget process
- Business development and permitting – provide process improvement briefing to Town Council (CY 2025)
- Business Improvement District – explore potential development of BID; no staff action required at this time
- Safe Streets Plan – complete (CY 2027)

Economic Outlook

Local Economic Conditions, Outlook and Environment

Located in Fairfax County, the center of the Dulles Technology Corridor, Herndon enjoys a significant corporate presence that includes Amazon Web Services, Beacon Roofing Supply, Boeing, Hawkeye 360, Karsun Solutions, Northwest Federal Credit Union, Peraton, Serco, and a significant federal presence. Per U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates, the town's median household income is $141,418. As of May 2024, current unemployment rates are 3.9 percent nationally, 2.8 percent for the Commonwealth of Virginia and 2.0 percent for Fairfax County.

The Herndon business community is populated by a wide array of businesses, from home-based occupations to corporate headquarters, and from small family-owned grocery stores to firms specializing in computer software development and systems integration. There is also a strong presence in telecommunications, internet and internet-related services, financial services, and government contractors. A sizable proportion of these jobs are high value-added positions characterized as technical, professional, and scientific service occupations.

The town continues to attract interest in infill residential development and the redevelopment of older commercial properties. A Metrorail Silver Line station opened in Herndon in 2022. It has spurred strong redevelopment interest in the areas adjacent to the new station. Several properties are in various stages of design and redevelopment approval.

Additionally, the town is committed to fostering entrepreneurship. In February 2023, in partnership with George Mason University, the Mason Enterprise Center-Herndon, opened at Office Evolution in Herndon. The Center's semi-annual report (February 2024 – October 2024) stated the Center's ~20 advisors counseled and trained ~183 small businesses and conducted ~489 sessions with clients in and around the Town of Herndon. During this time, the reported economic impact resulted in five new businesses, 37 jobs, and $1.27 million in capital formation.

A long-range economic goal for the town is to continue to attract new businesses and encourage existing business expansion within the town. Located 23 miles west of Washington D.C., in what is often referred to as the "high-tech corridor," the Town of Herndon continues to benefit from its proximity to the city, which provides a strong impetus for continued growth.

The town's five-year (2024-2029) Strategic Plan includes an Environmental and Economic Sustainability strategic focus area, with initiatives focused on the establishment of an economic development strategic plan. As part of the comprehensive plan project, the town will conduct a market study to inform the development of an economic development strategic plan focused on identifying programs to enhance core commercial areas, providing strategies in attracting and retaining businesses, identifying targeted industries and job growth opportunities, providing strategies to decrease the town's commercial vacancy rate, and creating an action plan to successfully market and promote the Town of Herndon.

Community Profile

The Town of Herndon is the third largest town in the Commonwealth of Virginia. Amidst a 21st century Northern Virginia landscape of high-rise buildings, industrial complexes and transportation hubs, Herndon maintains a small-town charm that is evident in its downtown, its neighborhoods and its commercial areas.

History

To fully appreciate Herndon's unique charm, it is helpful to look back to the origins of its European settlement. In 1688, King Charles II of England granted five million acres to Thomas Culpeper, second Baron Culpeper of Thoresway. Approximately four square miles of this land would eventually become the Town of Herndon. By the early 19th century, a few homes were built, followed by a mill located near today's intersection of Elden and Locust streets.

The arrival of the railroad and construction of the depot in the late 1850s spurred development of a small village. To establish a post office, a name was needed. According to legend, during a meeting of village residents, a survivor of the wreck of the *S.S. Central America* recounted the heroism of the ship's commander, William Lewis Herndon, who had gone down with the ship. The impressed assembly decided to name the village in honor of Commander Herndon. At the outbreak of the Civil War, the Union Army secured the railroad as far west as Vienna, and posted pickets in the village of Herndon. The only known Civil War hostilities in Herndon was a raid conducted on March 17, 1863, by Confederate Colonel John S. Mosby's Rangers. During the surprise raid, the pickets and several visiting Union officers were captured, including Major William Wells. Major Wells would be paroled in time to return to the First Vermont Calvary and see action at Gettysburg, where he would earn the Medal of Honor. Mosby would later become Ulysses S. Grant's campaign manager in Virginia, and serve as United States Consul to Hong Kong from 1878 until 1885.

At the time of its incorporation in 1879, the town encompassed 4.25 square miles. The railroad defined the town, with dairy farms located around Herndon shipping milk daily to Washington for processing and distribution. The railroad also transported city dwellers looking for respite in the countryside, with several spacious summer houses appearing in the town. A devastating fire on March 22, 1917, destroyed much of Herndon's downtown, including 16 businesses and two homes. The downtown was quickly rebuilt with structures made of brick instead of wood. With the advent of cars, trucks, and better roads, the railroad became less of a necessity for Herndon farmers and residents. The last major task for the railway was hauling sand to be used in the concrete mix for the construction of the runways at Washington Dulles International Airport. The final train left the Herndon Depot in August 1968. Over the past 50 years, Herndon has transformed into a modern community with a broad range of housing types and commercial development. Corporate citizens include several national corporations, such as Amazon Web Services, Peraton, and Boeing, providing a live/work lifestyle for many of the town's residents.

Profile

Situated in the northwest quadrant of Fairfax County, Herndon has a land area of 4.25 square miles and is located approximately 23 miles west of Washington, D.C. and two miles east of Washington Dulles International Airport. Late 2022 saw the completion of the Metro Silver Line and the opening of its Herndon Station, bringing convenient rail connections to Dulles Airport, Tysons Corner and downtown Washington D.C. The 2023 population estimate for Herndon is 24,935. Between 2010 and 2020, the town saw a 5.90 percent increase in population, a similar increase compared to the population growth experienced by the Commonwealth of Virginia (7.90 percent) and Fairfax County (4.80 percent). Today, commercial development comprises 36% of the town's real estate tax assessment.

Government

The town is organized under the council-manager form of government. Originating in 1908 with Staunton, Virginia's provision by ordinance for the appointment of a general manager, the council-manager form of local government has become the most widely accepted system of local government in the United States. The council-manager form of local government combines the strong political leadership of elected officials with the strong professional experience of an appointed local government manager.

Every two years, Herndon residents elect the Mayor and six members of the Town Council at-large for two-year terms. Town Council, as the governing body, adopt legislation and set policy. The Town Council then hires a Town Manager with broad executive authority to carry out those policies and oversee the local government's day-to-day operations. The town employs 283 individuals on a regular full- or part-time basis. Additional seasonal personnel are hired as required.

The Town Attorney, also appointed by the Town Council, serves as the primary legal resource for both the Council and staff. All other employees of the town are the responsibility of the Town Manager.

Services Provided

The town provides general governmental services to its citizens, who are also residents of Fairfax County. As a result, Herndon residents benefit from receiving services from both Fairfax County and the Town of Herndon. The Town of Herndon provides a wide range of governmental services including public safety, water and sewer maintenance and service, parks and recreation services, street management, land use and zoning, sidewalk and trail management, refuse and recycling collection, snow removal, annual loose-leaf removal, urban forestry, special refuse collection program, events, and other administrative, financial, and support services provided by local government.

In addition to the services that Herndon provides, Fairfax County provides services to town residents including public schools, health services, libraries, fire and rescue, animal control, housing services, and neighborhood and community services, as well as additional parks and recreation services, and other services provided by County government.

The town has several community facilities that add to the quality of life in Herndon, including:

- Herndon Community Center, offering a wide array of instructional classes and programs, including indoor swimming pool, indoor tennis center, weight room and fitness facility, gymnasium, racquetball courts, and rental space for private functions;
- Eleven (11) neighborhood parks, one within a half mile of every resident or a ten-minute walk, boasting a variety of park amenities for all ages;
- Two (2) regional walking trails: (1) Sugarland Run Stream Valley Trail, part of the countywide trail system, runs from Sugarland Road to the Town of Herndon; and (2) the historic Washington and Old Dominion Trail, a 45-mile paved multi-use trail between Shirlington and Purcellville running through the heart of Herndon's historic downtown;
- Athletic fields and outdoor tennis and pickleball courts;
- Herndon Centennial Golf Course featuring a clubhouse and 18 beautifully landscaped holes, practice facilities, and golf instruction by PGA professionals;
- Historic Chestnut Grove Cemetery, active and full-service cemetery with a tranquil park area;
- Town Green, a beautiful open space located at the Herndon Municipal Center and along the W&OD trail in the historic downtown, serving as the site of community events and passive recreation;
- Town Hall Square, along the W&OD Trail and site of the historic Old Town Hall, hosting many outdoor seasonal community events and passive recreation; and
- Historic Herndon Depot and Caboose, located in the historic downtown.

In addition to the community facilities located throughout the town, the town is the site of many popular special events throughout the year that are open to the public and contribute to the town's sense of community.

Photos by Mike Madigan

Public Schools

Public school education is provided by Fairfax County. The Fairfax County public school system is the largest education system in the Commonwealth of Virginia and one of the nation's largest school systems. The system is directed by a 12-person School Board whose members are elected to serve four-year terms. One member represents each of the county's nine magisterial (election) districts, and three members serve at large. A student representative, recommended by a student convention, is appointed by the School Board as a non-voting member to serve a one-year term.Fairfax County funded 69% of the Fairfax County Public Schools FY 2025 Budget of $3.7 billion, while contributions from the Commonwealth of Virginia accounted for 26.6% and the remaining 4.4% from other sources. In 2024, 180,527 students were enrolled in the Fairfax County public school system. In 2025, 181,701 are projected to enroll, which is a 0.65% increase over 2024.

The town is served by six elementary schools, one middle, and one high school. The residents of the town support the school system through taxes paid to Fairfax County.

Source: Fairfax County Public Schools: FY-2025-Approved-Budget.pdf

Transportation

The town is serviced by Leesburg Pike (Route 7) to the north; Route 28 and the Greenway (western extension of Route 267) to the west; Fairfax County Parkway (Route 286) to the east; and the Dulles Airport Access Road (Route 267), Route 50, and Interstate 66 to the south. With close proximity to these major transportation routes, residents of the town enjoy convenient commuting access to locations throughout the Washington metropolitan area. Within the town, Herndon Parkway, a "mini-beltway," provides easy access to all parts of the town.

Washington Dulles International Airport provides daily world-wide service to the entire area. With the increased usage of the airport, the Herndon area has become a desirable location for corporate headquarters and regional offices. This desirability increased when the Metrorail Silver Line, opened the Herndon Station in 2022.

Regional Amenities

The Herndon Fortnightly Library, a branch of the Fairfax County Library System, is located in Herndon downtown. The Reston Regional Library, also a branch of the Fairfax County Library System, is located approximately one mile outside of the town and is available to all citizens.

Town residents are served by the Reston Hospital Center, as well as Inova Emergency Care Center, a 24-hour emergency care facility, both of which are located just outside the town.

Wolf Trap Foundation for the Performing Arts, an internationally renowned cultural facility noted for its ballet, symphony concerts, and operas, is operated by the National Park Service and the Wolf Trap Foundation and is located approximately eight miles from town.

With its proximity to the metropolitan Washington area, citizens of the town enjoy the various community facilities of the District of Columbia including the National Zoo, professional and collegiate sports, the Kennedy Center, various memorials and monuments, the Smithsonian Institution, and government office buildings. The Smithsonian National Air and Space Museum's popular Steven F. Udvar-Hazy Center is located nearby at Washington Dulles International Airport.

Business

The town boasts a unique synergy between its powerful sense of community and its stature as a 21st century business center at the hub of the region's high-tech corridor, resulting in a blending of the old and the new into a foundation that provides solid support for small, medium, and large businesses.

The town's 2030 Comprehensive Plan addresses the redevelopment of the areas surrounding the Herndon rail station at the southern edge of the town. The Metrorail Silver Line station opened in Herndon in 2022. The connection by rail of the town and its commercial districts to the entire metropolitan Washington region, creates a vastly enhanced marketplace that will likely have broad appeal to businesses. The Comprehensive Plan envisions a vibrant neighborhood developing in close proximity to the station with approximately 6.9 million square feet of mixed-use space including office, residential, retail, and hotel uses.

Principal Property Taxpayers (Unaudited) Assessment Year 2024, Fiscal Year 2025

Taxpayer	Assessed Value	% of Total Assessed Value
MREI V TOWNES LLC	$84,782,260	1.54%
USGBF 499 Grove Street LLC	$79,940,920	1.45%
Westerly at Worldgate Owner LLC	$76,722,790	1.39%
USGBF 399 Grove Street LLC	$62,298,790	1.13%
MIVPO LLC	$49,075,450	0.89%
Stuart Woods Project LLC	$45,271,720	0.82%
38 WP2D1 Owner LLC	$42,745,400	0.78%
Monument III Owner LLC	$42,360,920	0.77%
661 Dulles Park Ct Owner	$42,172,350	0.77%
VanMetre Dulles Apartments LLC	$40,732,210	0.74%
TOTAL	$566,102,810	10.28%

Source:Town of Herndon Assessment Records, FY 2024 Annual Comprehensive Financial Report (https://www.herndon-va.gov/home/showpublisheddocument/18000/638380510734230000)pg.101

Principal Employers, 2024 (Financial Statements Unaudited)

Employer	Employment Range
Everfox Holdings LLC	500-749
Serco	500-749
Northwest Federal Credit Union	250-499
Amazon Web Services	250-499
Karsun Solutions	250-499
Peraton	250-499
Boeing Corporation	250-499
NetImpact Strategies	250-499
Town of Herndon	100-249
Ntrepid LLC	100-249

Source:Town of Herndon Assessment Records, FY 2024 Annual Comprehensive Financial Report (https://www.herndon-va.gov/home/showpublisheddocument/18000/638380510734230000)pg.108

Economic Information

According to the U.S. Census Bureau, the Town of Herndon's median household income in 2023 was $141,418, a 6.01% increase over 2022 ($133,403). In comparison during the same time period, the median household income in Fairfax County was $141,353, a 2.63% decrease from 2022 ($145,164), and $96,490 in the Commonwealth of Virginia, a 13.29% increase from 2022 ($85,170).

Year	Commonwealth of Virginia Unemployment Rate (%)	Year	Fairfax County Unemployment Rate (%)
2019	2.8%	**2019**	2.3%
2020	5.0%	**2020**	5.8%
2021	2.9%	**2021**	3.5%
2022	3.1%	**2022**	3.1%
2023	3.0%	**2023**	2.6%

Source: Virginia Employment Commission 2012 - 2021, American Community Survey 2022, Fairfax County Department of Management and Budget, December 2023, Bureau of Labor Statistics US Department of Labor, 2019-2023

Demographic Information

Race & Ethnicity	Town of Herndon	Commonwealth of Virginia	Fairfax County	City of Fairfax	Town of Vienna
White	37.8%	68.3%	63.2%	56.3%	67.7%
Black or African American	8.0%	20.0%	11.1%	6.4%	4.9%
American Indian and Alaska Native	0.6%	0.6%	0.6%	0.2%	0.4%
Asian	15.1%	7.4%	20.8%	18.1%	13.3%
Native Hawaiian and Other Pacific Islander	0%	0.1%	0.1%	0.00%	0%
Two or More Races	20.4%	3.5%	4.2%	11.1%	10.0%
Hispanic	38.9%	11.2%	17.7%	18.3%	10.1%

Source: U.S. Census Bureau, American Community Survey (ACS) and Population Estimates Program (PEP)

Future Population Growth

The population of the town is expected to continue to increase due to higher-density transit-oriented residential growth in the area adjacent to the Herndon Metro station and to obsolete office building conversions. While the timing of expected redevelopment is never certain, based on current available data and pipeline residential projects, the town's population is expected to increase to approximately 31,000 by 2030.

Population Overview

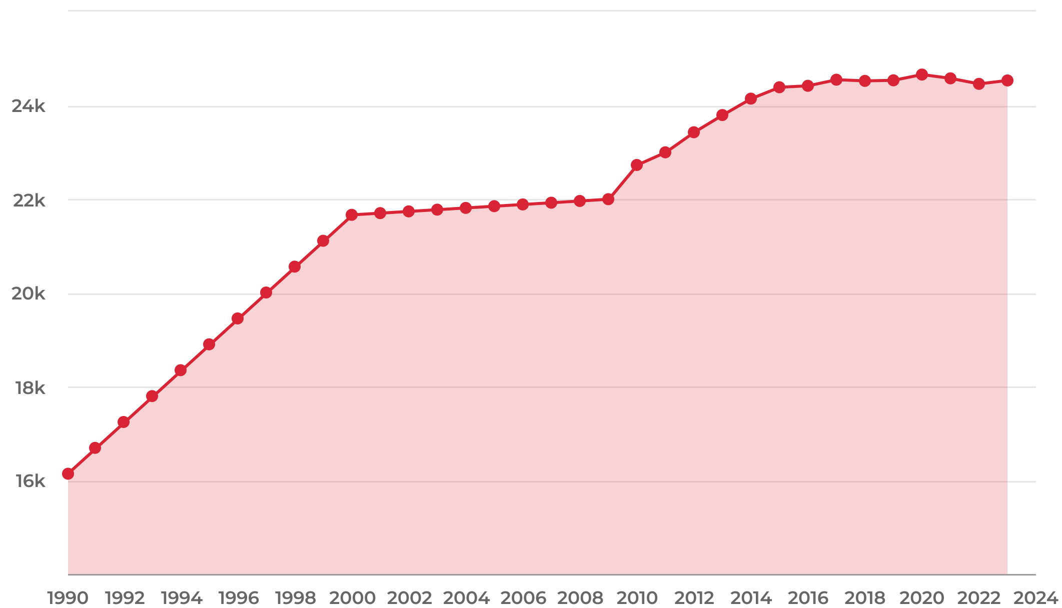
TOTAL POPULATION

24,529

▲ .3%
vs. 2022

GROWTH RANK

101 out of **229**
Municipalities in Virginia



** Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses*

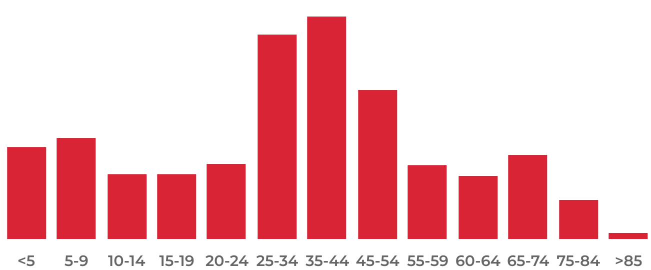
DAYTIME POPULATION

31,438

Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

** Data Source: American Community Survey 5-year estimates*

POPULATION BY AGE GROUP



Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

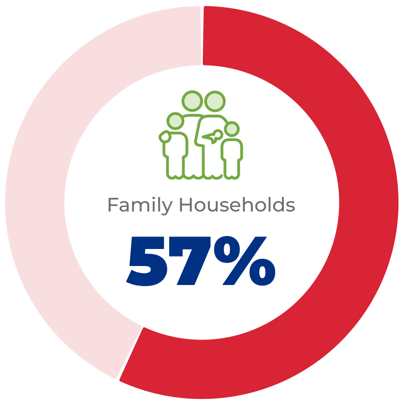
** Data Source: American Community Survey 5-year estimates*

Household Analysis

TOTAL HOUSEHOLDS

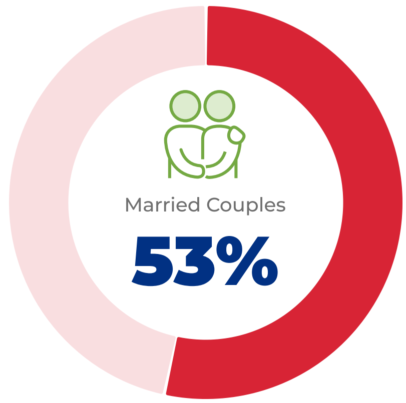
7,815

Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



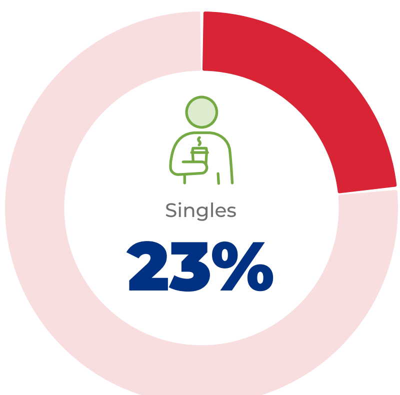
▲ 16%

higher than state average



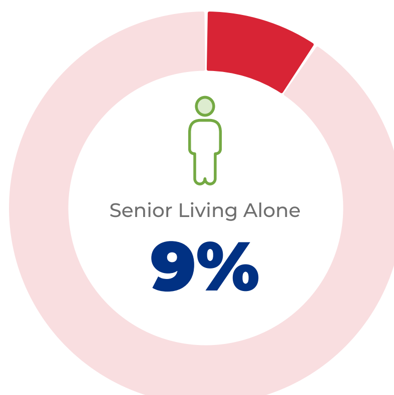
▲ 6%

higher than state average



▼ 14%

lower than state average



▼ 44%

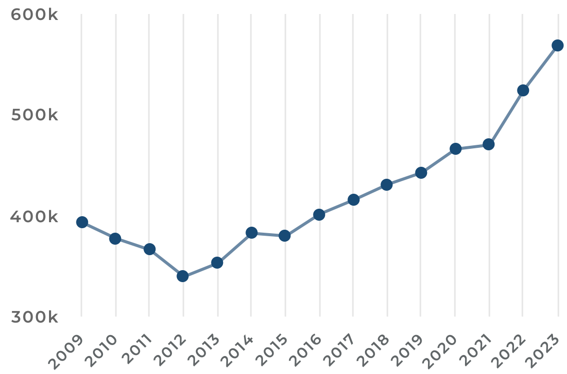
lower than state average

** Data Source: American Community Survey 5-year estimates*

Housing Overview

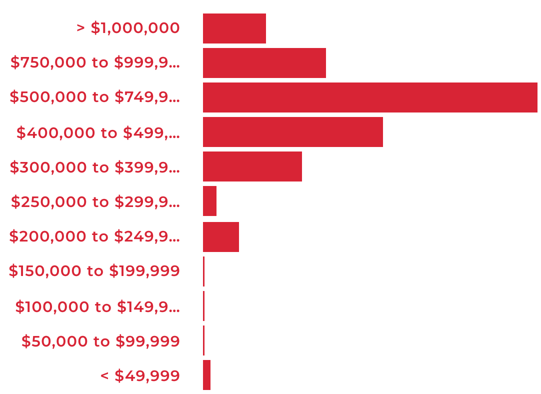
2023 MEDIAN HOME VALUE

$568,700



** Data Source: 2023 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

HOME VALUE DISTRIBUTION



** Data Source: 2023 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

HOME OWNERS VS RENTERS

** Data Source: 2023 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

Fund Structure

Financial Structure

The Town of Herndon employs a financial structure which includes a General Fund for the day-to-day operations of the town. The town utilizes four other governmental funds: a special revenue fund for Stormwater Management, a special revenue fund to account for the perpetual care resources of Chestnut Grove Cemetery, a special revenue fund related to the American Rescue Plan Act (ARPA) and a Capital Project Fund. The town's three proprietary funds include the Water and Sewer Fund, the Golf Course Fund, and the Chestnut Grove Cemetery Fund**.** Finally, the financial structure includes a fiduciary fund to account for the investments of the town's contribution to the Police Supplemental Retirement Fund.

The details of the General Fund, Stormwater Management Fund, Water & Sewer Fund, Chestnut Grove Cemetery Fund, Golf Course Fund, Capital Projects Fund, and the American Rescue Plan Fund budgets are contained within this budget document. The cost to the town for funding the Police Supplemental Retirement Fund is contained within the Police Department's budgetary line items for employee benefits. This funding is based on the town contributing four percent of the annual salary of each sworn police officer toward police supplemental retirement programs. A detailed description of each fund type is provided below.

General Fund

The General Fund is the primary operating fund of the town and receives most of the revenue derived by the town from local sources, including real estate taxes, other local taxes, licenses, permits, privilege fees, and charges for services such as fees for parks and recreation classes and programs. Other sources of revenue to the General Fund include reimbursement of town expenses shared by Fairfax County and the Commonwealth of Virginia. In addition, this fund may receive revenue from the federal government to pay a portion of the cost of town programs and services.

Major General Fund expenditures include the costs of general town government (administration, town clerk, finance, police, community development, public works, parks and recreation, and the town attorney) and transfers to other funds. Debt service payments on town general obligation bonds (excluding general obligation bonds and other debt instruments payable from the enterprise funds) are expenditures of the General Fund.

Other Governmental-Type Funds

The Capital Projects Fund accounts for the acquisition or construction of major governmental-type capital projects and information systems improvements. Revenues of the Capital Projects Fund include federal, state and local grants, bond proceeds, and capital transfers-in from the General Fund. The American Rescue Plan Act (ARPA) accounts for project spending designated under the Federal Government's American Rescue Plan Act of 2021. This legislation provided municipalities federal grant revenue to respond to the COVID pandemic and its economic effects. The special revenue Stormwater Management Fund captures the town's share of stormwater tax and grant revenues and account for related project spending, including the stream restoration projects.

The town has a special revenue fund entitled the Chestnut Grove Cemetery Perpetual Care Trust Fund. This fund accounts for the accumulation of resources to be used for the future perpetual maintenance and operation of Chestnut Grove Cemetery. Annual transfers are made from the Chestnut Grove Cemetery Fund, which are equal to ten percent of the cemetery site sales for the fiscal year.

For financial reporting purposes, the town's major funds are the General Fund, Stormwater Management Fund, Water and Sewer Fund, Chestnut Grove Cemetery Fund, Golf Course Fund, Capital Projects Fund, and the American Rescue Plan Act Fund. The town's non-major funds include the Chestnut Grove Cemetery Perpetual Care Trust Fund and the Police Supplemental Retirement Fund.

Proprietary Funds

The proprietary funds consist of three enterprise funds: The Water & Sewer Fund accounts for the operation, maintenance, and construction of the town's water and sanitary sewer systems; The Golf Course Fund accounts for the operation, maintenance and construction of the Herndon Centennial Golf Course; The Chestnut Grove Cemetery Fund, accounts for the operations, maintenance, and development of the Chestnut Grove Cemetery. These funds are referred to as business-type funds with revenues consisting primarily of user fees charged for sales and services.

In addition to a prorated share of debt service on town general obligation bonds, other major expenditures for these funds include personnel and operating costs, and payments to outside authorities for wholesale water purchases and sewer conveyance services. Also included as proprietary funds expenditures are equipment and major capital outlay, services provided by other funds, and the day-to-day materials and supplies required to maintain and operate the physical plants of each fund.

Fiduciary Fund Type

The town’s only fiduciary fund is the Police Supplemental Retirement Fund. This fund accounts for the accumulation of resources to be used for the payment of selected retirement pay out options for the town's sworn police officers. Resources are contributed by the town at a fixed percentage rate, as determined by the Town Council, of the annual salary of each sworn police officer. Administrative costs, as well as the contribution per officer, are recorded in the General Fund.

Transfer / Reallocation / Redistribution of Funds

The Town Council of the Town of Herndon, by adoption of the annual budget, approves the following procedures for the transfer, reallocation, or redistribution of approved expenditures.

Department Heads and Directors

Department heads and directors are authorized to transfer/reallocate/redistribute any amount, up to $100,000 of the approved operations, maintenance, and capital funding between approved expenditure accounts within their respective departments in the General Fund and Enterprise Funds only, except for salary and benefit accounts. Requested transfers from salary or benefits accounts of any amount must be submitted to the town manager for review and approval. Requirements in excess of $100,000 must be submitted to the town manager for review, and to the Town Council for approval.

Town Manager

The town manager is authorized to approve the transfer/reallocation/redistribution of governmental and enterprise fund monies within a department or between departments in the same fund. Actions may be within or between the personnel, operations and maintenance and capital outlays/projects accounts. The total amount of each approval shall not exceed $100,000 and multiple transfers to the same account cannot exceed a total of $100,000. Requirements in excess of $100,000 must be submitted by resolution to the Town Council for approval.

Town Council

The Town Council retains the responsibility and authority to approve by council action all transfers/reallocations/redistributions in excess of $100,000, and all budget amendments, including transfers between funds. In addition, only Town Council can authorize the reallocation of available reserve account funding when the reallocation is for a purpose other than the originally intended purpose of the reserve account.

Other Financial Structure Information

Internal Controls

Management of the town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that 1). The cost of a control should not exceed the benefits likely to be derived; and 2). The valuation of costs and benefits requires estimates and judgment by management.

Budgetary Controls

Budgetary control is maintained at the fund and department level with all departments having online, real-time access to line item account information. Additionally, department directors are provided monthly reports of comprehensive financial data for each activity center in the department. These reports display approved budget amounts, detailed item-by-item expenditure and encumbrance transactions, transfers, and remaining budget balances by line item. Prior to the release of a purchase order to a vendor, funds are properly encumbered. If the dollar amount of a purchase order request exceeds the allotment balance, the purchase order is not released until a proper transfer of funds has been approved and executed.

Accounting System

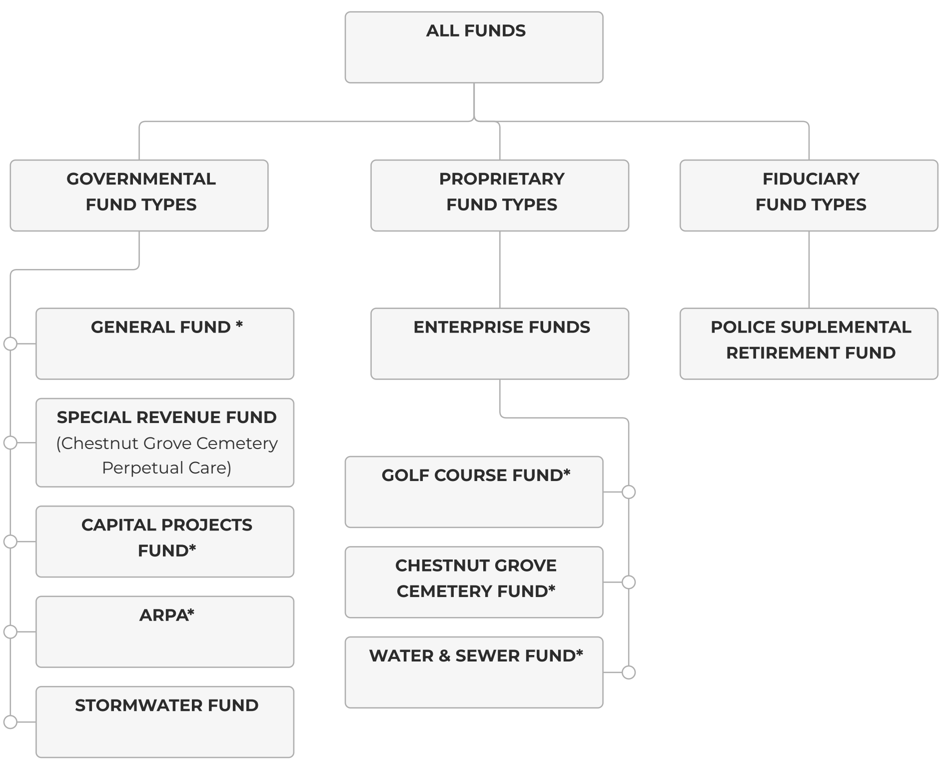
The town has an automated accounting system that maintains the accounting records for general governmental operations on a modified accrual basis. Accounting records for the town's proprietary funds (Water and Sewer Fund, Golf Course Fund, and Chestnut Grove Cemetery Fund) are maintained on a full accrual basis.

Fund Balance Information

There are various definitions of the term "fund balance." Generally, the term can be defined as "the cumulative difference of all revenues and expenditures from the government's creation." Fund balance is divided into five components: non-spendable, restricted, committed, assigned, and unassigned. The non-spendable component includes balances not in spendable form, such as inventories, and balances legally required to remain intact. Restricted funds are amounts that can be spent only for the specific purposes stipulated by external resource providers. Unrestricted fund balances may be subdivided into committed, assigned, and unassigned fund balances. If the Town Council anticipates that future actions will require financial resources, then a portion of the fund balance may be committed for those purposes through a formal action. Assigned fund balance reflects the intended use of resources established by the highest level of decision-making authority without formal action.

The unassigned portion of the fund balance is the financial resource that may be made available to meet unplanned or unforeseen contingencies and other working capital requirements. Additionally, the unassigned portion of the fund balance provides the town with the ability to maintain a stable tax rate and revenue structure, while providing consistent service delivery to all citizens, especially in times of economic uncertainty.

Town Of Herndon Fund Structure



Basis of Budgeting

Basis of Accounting and Budgeting

The budget must comply with the Code of Virginia and other regulatory agencies, as appropriate. According to the Code of Virginia, the town is required to have a balanced budget and undergo an annual financial audit by an independent certified public accountant. A balanced budget is one in which all expenditures and other financial uses are fully funded by projected revenues and other financing sources. Thus, the budget outlines the required information to serve legal and financial reporting purposes.

The Commonwealth of Virginia requires that the town budget be based on fund accounting, which is a system of accounting that matches the sources of revenue (such as taxes or service fees) with the uses (program costs) of that revenue. Therefore, the town budgets and accounts for its revenues and expenditures in various funds. The financial structure discussion following this section provides further detail on this topic.

Accounting Basis

Each fund is considered a separate accounting entity, with operations accounted for in a separate set of self-balancing accounts, which comprise assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

Governmental funds, which include the General Fund, Capital Projects Fund, special revenue funds are accounted for on the modified accrual basis of accounting. Revenue is considered available and recorded if it is collectible within the current period or within 45 days thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred or expended.

Proprietary and fiduciary funds use the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.
As promulgated by the Government Accounting Standards Board in Statement No. 34, the town's basic financial statements include separate fund-based presentations and two basic government-wide financial statements. These two government-wide statements are the Statement of Net Position and the Statement of Activities.

Budgetary Basis

Annual budgets spanning the fiscal year (July 1 – June 30) are prepared on a basis consistent with generally accepted accounting principles. Appropriations lapse on June 30 unless specifically encumbered or reserved. The accounting method used for budgeting does not materially differ from that used for financial reporting.
Capital Costs: The Budget treats capital costs as outflows (Capital Outlay) that reduce Net Fund Balance or Net Position. Actual results will reflect capitalization of capital costs as long term assets on the balance sheet that are subsequently depreciated over a useful life. For governmental funds, depreciation expense is not budgeted. For proprietary funds, the budget includes depreciation expense.
Debt: Governmental funds budget both principal and interest payments as outflows, while proprietary funds include interest payments only. Per accrual accounting, debt principal payments reduce total liabilities on the balance sheet and are not recorded as expenses.

Financial Policies

INTRODUCTION
To establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the Town of Herndon, Virginia (the "town"), the Town Council confirms the following Financial Policy Guidelines as part of the FY 2026 Budget.

Financial Policy Guidelines that are adopted, adhered to, and regularly reviewed are recognized as a cornerstone of sound financial management and:

- Contribute significantly to the town's ability to insulate itself from fiscal crisis;
- Enhance short term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible;
- Promote long-term financial stability by establishing clear and consistent guidelines;
- Direct attention to the total financial picture of the town rather than single issue areas;
- Promote the view of linking long-term financial planning with day-to-day operations; and
- Provide town staff, Town Council, and the town's citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

The town will review these Financial Policy Guidelines at least once every four years and either reaffirm them or adjust them to reflect evolving town priorities, developments in industry best practices, and/or changes to rating agency criteria.

SECTION I. Accounting, Auditing, and Financial Reporting

a. The town will establish and maintain the highest standards of accounting practices in conformance with uniform financial reporting in Virginia and generally accepted accounting principles for governmental entities as set forth by the Governmental Accounting Standards Board (GASB).
b. The town will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to generally accepted government auditing standards and will have these accountants publicly issue an opinion, which will be incorporated in an annual comprehensive financial report.
c. The town will annually seek the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

SECTION II. Asset Management

a. The town will capitalize all fixed assets with a value greater than $5,000 and an expected life of two years or more.
b. The operating budget will provide for minor and preventive maintenance.
c. The capital budget will provide for the acquisition of fixed assets and the construction, or total replacement of physical facilities to include additions to existing facilities, which increase the square footage or asset value of that facility or other asset. The town will protect its assets by maintaining adequate insurance coverage through either commercial insurance or risk pooling arrangements with other governmental entities.

SECTION III. Revenue Management

a. The town will maintain a diversified and stable revenue structure to protect it from short-run fluctuations in any one revenue source.
b. The town will estimate its annual revenues by an objective, analytical process.
c. The town maintains budgetary control at the fund and department level. At minimum, quarterly reports of comprehensive financial data for each of the town's activity centers will be generated; displaying such line item information as approved budget, expenditure and encumbrance amounts, any budget transfers, and remaining budget balance.
d. In addition, a condensed report is prepared for the Town Council at least semi-annually which compares actual to budgeted/projected revenues and expenditures for all funds of the town. The report notes any significant variances from expected results and recommends actions to bring the budget into balance, if necessary.
e. The town has three enterprise funds: The Water & Sewer Fund, Chestnut Grove Cemetery Fund, and Golf Course Fund. The town, where practicable, will institute user fees and charges for specialized programs and services. Rates will be established to recover operational as well as overhead or indirect costs and capital or debt service costs, and the town will periodically review user fee charges and related expenditures to determine if pre-established recovery goals are being met.
f. The town will follow an aggressive policy of collecting revenue.

SECTION IV. Budget Management

Operating Budget

a. The town must adopt a structurally balanced annual budget by July 1 of each fiscal year. A structurally balanced budget is defined as one in which total recurring revenues and other financing sources are equal to total anticipated recurring expenditures.
b. The budget is a plan for raising and allocating resources. The objective is to enable service delivery within available resources. Services must be delivered to residents and taxpayers at a level that will meet real needs as efficiently and effectively as possible.
c. The town will fund current expenditures with current revenues and use nonrecurring revenues for nonrecurring expenditures. Recurring revenues may be used for one-time expenditures if deemed appropriate by the town manager.
d. Revenues must be increased, or expenditures decreased, in the same fiscal year, if deficits appear.
e. The budget must be structured so that the Town Council and the general public can readily establish the relationship between revenues, expenditures, and the achievement of service objectives.

Capital Budget

f. The town will make all capital improvements in accordance with an adopted Capital Improvements Program (CIP).
g. The town will coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.
h. The town will annually update a multi-year financial forecast in concert with preparation of the operating and capital budget. The multi-year financial forecast will take into account projected operating revenues and expenditures as well as projected capital needs, both debt and non-debt funded. The multi-year financial forecast will also track projected compliance with the town's Financial Policy Guidelines.
i. The town will make use of non-debt capital financing through alternate sources, including proffers and pay-as-you-go cash funding from the Capital Reserve Fund. The Capital Reserve Fund will be described further herein.
j. The goal of the town is to finance 25 percent of the current portion of construction and acquisition costs of capital assets, improvements, and infrastructure (in excess of proffers) through the use of non-debt sources over the course of a five-year CIP program. The amount provided in current resources may be applied equally to all projects or only to specific projects.

SECTION V. Reserve Funds Management

a. The General Fund Unassigned Fund Balance should be maintained at a minimum of 20 percent of total General Fund Operating Expenditures as measured in the town's annual audited financial statements. Operating Expenditures do not include capital expenditures of a one-time, non-recurring nature.
b. General Fund Unassigned Fund Balance should be drawn upon only as absolutely necessary and, where applicable, after use of the Revenue Stabilization Balance and Contingency Balance. Any use of General Fund Unassigned Fund Balance should be limited to:
1. One-time capital needs;
2. Offsetting difficult economic times;
3. Non-recurring expenditures; and
4. Providing liquidity in emergency situations.

c. Should the town utilize Unassigned Fund Balance for one of the purposes noted above in such a way that will reduce the funds below the policy minimum level, the town will put in place a plan to restore the Unassigned Fund Balance to the policy minimum level. In such circumstances, the town will adopt a plan as part of the following year's budget process to restore the Unassigned Fund Balance to the policy minimum level within two years from the date of the budget's adoption.
d. The town will establish a Revenue Stabilization Balance within the assigned portion of the General Fund Balance. At the close of each audited fiscal year, after certifying that the Unassigned Fund Balance is in compliance with these policies, the Revenue Stabilization Balance shall receive a minimum of 25 percent of the prior year's surplus, if any, as calculated in the prior fiscal year audit. Balances in the Revenue Stabilization Balance will be allowed to accumulate until they reach an amount equal to 5.0 percent of General Fund Operating Revenues. Transfers for Revenue Stabilization may also be made as part of the adopted operating budget.
    1. Withdrawals from the Revenue Stabilization Balance can only be considered if there is an unexpected General Fund recurring revenue decline of at least three percent below the original budget projections for the current fiscal year.
    2. No more than half of the Revenue Stabilization Balance can be withdrawn in any one fiscal year except in the event that using no more than half of the balance would result in Unassigned Fund Balance falling below the 20 percent threshold noted herein. In such an instance, the withdrawal shall be the lesser of the amount

needed to maintain the 20 percent Unassigned Fund Balance policy level or the remaining balance for Revenue Stabilization.

e. The town will establish a Contingency Balance within the Assigned portion of the General Fund Balance. At the close of each audited fiscal year, after certifying that the Unassigned Fund Balance and Revenue Stabilization Balance are each in compliance with these financial policies, the Contingency Balance shall receive a minimum of 25 percent of the prior year's surplus, if any, as calculated in the prior fiscal year audit. Balances in the Contingency Balance will be allowed to accumulate until they reach an amount equal to 2.5 percent of General Fund Operating Expenditures. Transfers to the Contingency Balance may also be made as part of the adopted operating budget. Contingency Balance is available for:

1. Reserves against shortfalls in any given revenue source(s);
2. Reserves against unexpected increases in any given expenditure(s);
3. Providing liquidity in emergency situations;
4. A financial opportunity(s) to enhance the well-being of the town; and
5. Other such global purpose as to protect the long-term fiscal security of the town.

f. The town will establish a Capital Reserve Balance within the assigned portion of the General Fund Balance. At the close of each audited fiscal year, the Capital Reserve Balance shall receive a minimum of 25 percent of the prior year's surplus, if any, as calculated in the prior fiscal year audit. There will be no cap or limitation on the total allowed to accumulate in the Capital Reserve Balance. The Capital Reserve Balance is available for pay-as-you-go funding of capital projects and other non-recurring capital related expenditures including debt payoff/paydown.

SECTION VI. Debt and Cash Management

<u>Debt Management</u>

a. The town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial resources.

b. The town will, when financing capital improvements or other projects or equipment by issuing bonds or entering into capital leases, repay the debt within a period not to exceed the expected useful life of the project or equipment. Debt related to equipment ancillary to a construction project may be amortized over a period less than that of the primary project.

c. The town will annually calculate target debt ratios for direct, non-revenue-based debt that is dependent on the General Fund for the payment of debt service (i.e. "Tax Supported Debt"). The town's Debt Capacity shall be maintained within the following primary goals:

1. Tax Supported Debt Service expenditures as a percentage of annual General Fund expenditures should not exceed 12 percent.
2. The outstanding amount of Tax Supported Debt of the town shall not exceed 1.5 percent of the total assessed value of the taxable property in the town.
3. The 10-Year Payout Ratio of Tax Supported Debt (i.e. the amount of Tax Supported debt retired in 10 years as a proportion of total outstanding Tax Supported Debt) shall not be less than 55 percent.

d. The town may exclude Water & Sewer Enterprise Fund debt, and other self-supporting Enterprise Fund Debt (if any), from the calculation of Tax Supported debt ratios if the Water & Sewer Enterprise Fund, or other Enterprise Fund, is fully self-supporting from current revenue and not reliant on support from general tax revenues.

e. Before undertaking a new financing, the town will work with its Financial Advisor to determine the impact of the new financing on the town's Debt Capacity (i.e. impact to policy ratios) and Debt Affordability (i.e. impact to annual cash-flows).

f. The town will follow a policy of full disclosure in every annual financial report and financing official statement/offering document. As such, the Director of Finance will maintain a record of all of the lenders of outstanding town issued debt. This record will include any post issuance disclosure obligations of the town. So long as the town has debt outstanding in the public markets this record will also include the continuing disclosure requirements found in the Continuing Disclosure Agreement ("CDA") that is executed at the closing of publicly issued bonds.

g. It is the goal of the town to obtain a credit rating from at least two of the three major municipal bond credit rating services, namely Moody's Investors Service, Standard & Poor's, and Fitch Ratings. The town will strive to maintain and enhance its credit ratings once they have been obtained. The town understands that there is a correlation between a higher bond rating(s) and lower borrowing costs (all else being equal) whether the town is borrowing for a new project or to refinance existing debt for savings. As such, working with its Financial Advisor, the town will maintain good communications about its financial condition with bond and credit rating institutions.

h. The town understands that is has the unique ability to borrow on a tax-exempt basis for many of its General Government and Utility Enterprise projects. The town further understands that the provisions of the Internal

Revenue Code of 1986, as amended (the "IRC"), together with the regulations promulgated thereunder (the "Treasury Regulations" and collectively with the IRC, the "Tax Laws"), impose requirements that must be met in order for interest on the Bonds to continue to be exempt from federal income taxation or the Bonds be entitled to certain other tax benefits while the Bonds are outstanding. It shall be the policy of the town to work with a nationally recognized Bond Counsel and Financial Advisor, as necessary, (a) to comply with the Tax Laws and (b) to implement and carry out the procedures to ensure compliance with the Tax Laws and to preserve appropriate records to evidence such compliance.

<u>Cash Management</u>

i. The town will maintain an investment policy based on Government Finance Officers Association (GFOA) best practices and the Virginia Investment of Public Funds Act. The investment policies and procedures of the director of finance shall become a part of this policy.
j. The town will, where permitted by law, pool cash from its various funds for investment purposes and will invest revenue to maximize the rate of return while maintaining a low level of risk.

SECTION VII. Water and Sewer Enterprise Fund Policies

a. The town shall complete a cost of service rate study for the Water and Sewer Enterprise Fund and report the results to the Town Council as part of the development of the annual budget. The cost of service study shall include projected operational and capital costs over at least a five-year time period.
b. It is the intent of the Water and Sewer Enterprise Fund to have adequate cash reserves to provide for at least 250 days of operating expenses and debt service as measured at the end of a fiscal year. If the unrestricted cash and long-term investments balance fall below the target level as measured at the completion of the annual audit, the town will develop a plan to bring reserves back in line with the policy target within two budget cycles.
c. Net Revenues should be at least 1.70 times the annual debt service requirement of long-term Water and Sewer Enterprise Fund debt service with a goal of maintaining 2.0 times annual debt service requirements. Net Revenues shall be defined as operating revenues plus availability charges plus interest income less operating expenses net of depreciation. Excess revenues after debt service will be available to first build and maintain the Utility enterprise Cash and Cash Equivalents plus Long-Term Investments for policy compliance – if necessary – and secondly, to provide equity funding for future capital projects.
d. The town will annually update a five-year Capital Improvements Program for the Water and Sewer Enterprise Fund. The town will maintain a balance between debt funding and equity/cash funding, with at least 25 percent of capital projects funded from non-debt sources over a five-year horizon.
e. The Water and Sewer Enterprise Fund will amortize bond issues so that the cost of long-term assets is spread over the users that will benefit from them but not longer than the expected useful life of the asset.

Internal Policy

Interfund Borrowing:

1. Before lending between funds can be initiated, the amount of unrestricted, available cash to be retained at all times by the lending fund should be equivalent to at least six months (or one-half) of the lending fund's current annual operating and debt service budgets.
2. All borrowings will be repaid in their entirety to the lending fund by the borrowing fund unless specific action is taken by the Town Council to forgive the outstanding balance of the debt. In this case, the outstanding balance of the borrowing would be reclassified from an "interfund loan" to an "operating transfer."
3. The borrowing will be restricted to financing a specific capital outlay/project of the borrowing fund and be adequately described in and supported by the town's adopted Capital Improvement Program (CIP), budget or budget amendment.
4. The maximum lending period will generally be the lesser of 10 years or until the lending fund's need for its available cash becomes evident. However, if financially feasible by the lending fund, longer loan periods related to the acquisition and construction of longer-lived assets (e.g., buildings, roads, other infrastructure, etc.) can be considered.
5. The interest rate to be charged will be the prevailing interest rate the town could have secured at the time of the borrowing had the funds been invested in specific investment instruments as allowed under the town's adopted Investment and Portfolio Policy.
6. Should it become financially feasible and of general benefit to the town as a whole, the outstanding balance of the loan could be returned by the borrowing fund to the lending fund on an expedited basis. This can be accomplished by issuing general obligation bonds, undertaking some other financial arrangement, or by Town Council action.

Budget Process

The Budget Process and Timeline

A budget is a formal document that assists the Town of Herndon in planning for the future; measures the performance of town services; and aids town citizens and other interested persons in understanding where revenues come from and how they are spent. The town manager is required by the Code of Virginia to prepare and present to the Town Council a proposed budget no later than the first day of April of each year. The Town Council is also required to adopt a budget prior to July 1 and to fix a tax rate for the budget year at that time.

October/November 2024

Budget Kick-Off discussion with the leadership team

Capital Improvement Program (CIP) kick-off

Budget kick-off discussion with departments

Open access to ClearGov for departments

December 2024

Preliminary Meetings with departments

Preliminary Discussions, one-on-one with members of Town Council

Departmental FY 2026 budget requests submission

January 2025

Budget Committee discussion to determine process and priorities

Preliminary Revenue Projection review

Departmental Budget Presentations and internal review

ClearGov Digital Book FY 2026 access opens for Departmental narratives

Planning Commission public hearing for CIP presentation and recommendation

February 2025

The budget team develops the Proposed FY2026 Budget

March 2025

Town Manager's proposed Governmental Funds budget submitted to Town Council

Town Manager's proposed Enterprise Funds budget submitted to Town Council

Town Council meets in work sessions on proposed budget

Submission of Summary Budget Document

April 2025

Public hearings on the FY 2026 budget and FY 2026 portion of CIP

The Town Council adopts tax rates, budget and the CIP

Budget summary/highlights distributed to all town residents and businesses

Upon public release of the proposed budget, the town requests community engagement on the budget process and requests public input as the Town Council considers and amends the proposed budget in a series of work sessions. In addition, per Code of Virginia requirements, proper legal notice is given of one or more public hearings scheduled on the proposed budget. Public hearings provide the community with an opportunity to engage in the budget process and provide comment on the proposed budget. Upon approval, a brief synopsis of the adopted budget is developed and mailed to all town residences and businesses.

The expenditure portion of the Town of Herndon's budget is presented by the department and details the estimated funds necessary to accomplish the objectives and goals of the department. Most departments are subdivided into activity centers. Each activity center is detailed by line item of expenditure, with explanatory notes highlighting significant changes from the prior fiscal year's budget. The revenue portion of the budget is presented by categories of anticipated sources and includes explanatory notes.

Additionally, the budget numbers are presented in a format that allows comparisons with the budget of the current fiscal year and to the audited actual results of the prior fiscal year. Other information provided by the budget document includes departmental purpose statements, objectives, programs and activities for each activity center, as well as organization, descriptions, personnel allocations, graphic statistical presentations, and performance indicators.

BUDGET SUMMARY

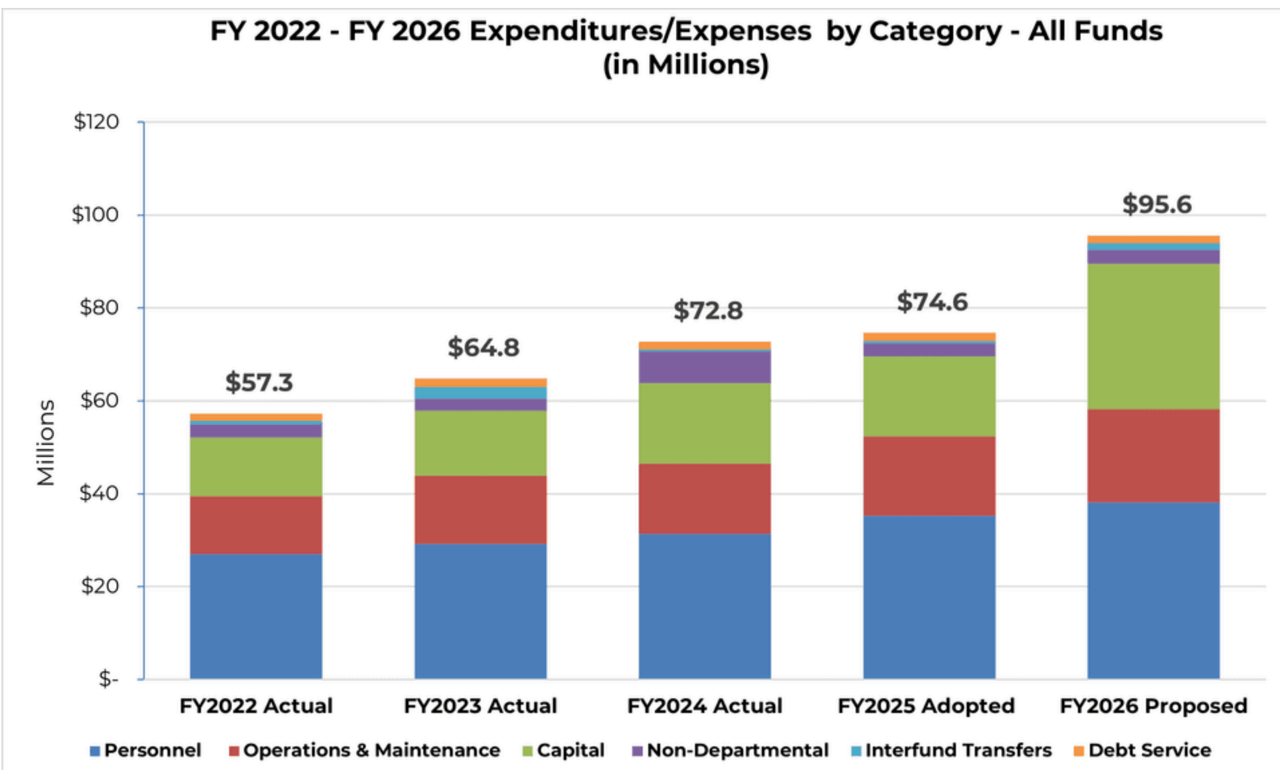
Executive Overview

The FY 2026 Total Proposed Budget includes the following funds: General Fund, Stormwater Fund, Water and Sewer Fund, Chestnut Grove Cemetery Fund, Herndon Centennial Golf Course Fund, the Capital Projects Fund, and the American Rescue Plan Act (ARPA) Fund. The total proposed budget of $95,628,447 for FY 2026 represents an increase of 28.1% or $20,996,264, as compared to the FY 2025 adopted budget. This increase is largely driven by significant investment in capital projects, with spending in that area increasing by 85.8%. In addition, increases in personnel costs have also contributed to the overall increase in budget. The following tables provide comparisons of major categories of expenditures and revenues by year.

FY2026 Budget Summary - Expenditures - By Category

In Thousands

All Funds	FY2024 Adopted Budget	FY2025 Adopted Budget	FY2026 Proposed Budget	% Change FY25 Adopted to FY24 Adopted	% Change FY26 Proposed to FY25 Adopted
41 - Personnel Services	31,566	35,287	38,131	11.8%	8.1%
44 - Operations and Maint	17,202	17,039	19,345	-1.0%	13.5%
48 - Capital Outlay	9,195	17,272	32,091	87.8%	85.8%
61 - Non-Departmental	2,632	2,763	2,966	5.0%	7.4%
95 - Interfund Transfers	20	536	1,461	2579.0%	172.6%
98 - Debt Service	1,628	1,735	1,635	6.6%	-5.8%
Grand Total	**62,244**	**74,632**	**95,628**	**19.9%**	**28.1%**



All Funds – Budget Summary						
In Thousands						
Fund	**Expenditure Category**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Adopted**	**2026 Proposed**
General Fund	Personnel Services	24,488	26,245	28,970	30,380	33,008
	Operations & Maintenance	6,945	8,901	8,933	9,490	11,180
	Capital Outlay	412	1,262	951	2,249	2,895
	Non-Departmental	346	479	520	688	607
	Interfund Transfers	743	2,396	250	467	1,324
	Debt Service	1,235	1,484	1,515	1,395	1,315
General Fund Total		**34,168**	**40,767**	**41,139**	**44,669**	**50,328**
Water & Sewer Fund	Personnel Services	1,197	1,590	1,758	2,630	2,722
	Operations & Maintenance	4,747	4,413	4,465	6,291	6,974
	Capital Outlay	218	45	(1)	10,731	15,746
	Non-Departmental	1,817	1,751	2,091	1,705	1,932
	Debt Service	239	352	337	323	307
Water & Sewer Fund Total		**8,218**	**8,151**	**8,649**	**21,680**	**27,681**
Cemetery Fund	Personnel Services	390	400	406	480	500
	Operations & Maintenance	199	200	208	208	233
	Capital Outlay	2	(2)	(246)	205	1,326
	Non-Departmental	160	83	93	82	102
	Interfund Transfers	76	65	66	68	137
	Debt Service	8	8	8	7	6
Cemetery Fund Total		**835**	**754**	**535**	**1,050**	**2,304**
Golf Course Fund	Personnel Services	890	932	1,068	1,384	1,535
	Operations & Maintenance	522	681	938	854	778
	Capital Outlay	(61)	11	(70)	848	2,467
	Non-Departmental	279	262	293	288	325
	Debt Service	4	12	11	10	7
Golf Course Fund Total		**1,634**	**1,899**	**2,239**	**3,384**	**5,113**
Capital Projects Fund	Capital Outlay	10,116	9,150	6,999	2,500	5,941
Capital Projects Fund Total		**10,116**	**9,150**	**6,999**	**2,500**	**5,941**
Stormwater Mgmt Fund	Personnel Services	-	-	-	413	366
	Operations & Maintenance	-	-	-	195	180
	Capital Outlay	-	-	-	740	3,716
Stormwater Mgmt Fund Total		**-**	**-**	**-**	**1,349**	**4,262**
ARPA Fund	Operations & Maintenance	36	-	-	-	-
	Capital Outlay	2,049	622	437	-	-
	Non-Departmental	169	3,550	10,088	-	-
ARPA Fund Total		**2,253**	**4,172**	**10,526**	**-**	**-**
Grand Total		**57,225**	**64,894**	**70,088**	**74,632**	**95,628**

All Funds – Revenue Budget Summary						
In Thousands						
Fund	**Revenue Category**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Adopted**	**2026 Proposed**
General Fund	General Property Tax	12,914	13,806	13,931	14,206	15,294
	Other Local Taxes	15,129	17,468	18,692	17,181	19,257
	Permits, Priv Fees	614	572	792	663	759
	Fines & Forfeitures	359	342	430	360	406
	Use of MoneyProperty	517	1,706	2,332	1,821	2,048
	Charges for Services	2,157	2,356	2,268	2,363	2,691
	MiscellaneousRevenue	20	311	232	54	78
	Intergov Revenue	4,390	4,681	5,105	5,272	5,445
	Other Finance Source	141	708	417	125	225
	Use of Fund Balance	-	-	-	2,624	4,126
General Fund Total		**36,242**	**41,950**	**44,200**	**44,669**	**50,328**
Water & Sewer Fund	Use of MoneyProperty	499	888	1,028	878	905
	Charges for Services	6,862	7,874	8,668	10,067	10,923
	MiscellaneousRevenue	20	18	20	19	21
	Intergov Revenue	-	-	-	-	-
	Availability Fees	130	84	1,238	1,672	6,545
	Other Finance Source	34	12	11	3,476	2,291
	Use of Net Position	-	-	-	5,568	6,996
Water & Sewer Fund Total		**7,545**	**8,876**	**10,965**	**21,680**	**27,681**
Cemetery Fund	Use of MoneyProperty	5	85	143	86	55
	Charges for Services	1,298	1,147	1,164	870	825
	MiscellaneousRevenue	79	70	60	22	25
	Use of Net Position	25	72	118	72	1,399
Cemetery Fund Total		**1,407**	**1,375**	**1,485**	**1,050**	**2,304**
Golf Course Fund	Use of MoneyProperty	46	134	193	134	166
	Charges for Services	2,357	2,659	2,838	2,840	2,955
	MiscellaneousRevenue	0.2	0.2	0.3	0.2	0.3
	Intergov Revenue	1.4	-	-	-	-
	Other Finance Source	8	34	-	34	34
	Use of Net Position	-	-	-	377	1,958
Golf Course Fund Total		**2,413**	**2,826**	**3,031**	**3,384**	**5,113**
Capital Projects Fund	Use of MoneyProperty	116	682	405	-	150
	MiscellaneousRevenue	388	417	430	-	-
	Intergov Revenue	7,765	5,469	4,302	-	520
	Other Finance Source	14	1,869	1,018	2,500	5,271
Capital Projects Fund Total		**8,283**	**8,437**	**6,155**	**2,500**	**5,941**
Stormwater Mgmt Fund	Tax Revenue	-	-	-	425	435
	Intergov Revenue	-	-	-	620	2,516
	Use of Fund Balance	-	-	-	211	1,200
	Interfund Transfers	-	-	-	92	111
Stormwater Mgmt Fund Total		**-**	**-**	**-**	**1,349**	**4,262**
ARPA Fund	Use of MoneyProperty	348	847	913	-	-
	MiscellaneousRevenue	10	32	259	-	-
	Intergov Revenue	1,206	2,986	7,197	-	-
	Use of Fund Balance	721	1,128	3,030	-	-
ARPA Fund Total		**2,285**	**4,993**	**11,398**	**-**	**-**
Grand Total		**58,176**	**68,458**	**77,235**	**74,632**	**95,628**

Personnel Changes

Herndon Total Compensation Philosophy

Herndon has defined workforce organizational values of Respect, Leadership, Teamwork, Accountability, and Commitment to Serve. These values guide employees' work each day and have become part of the foundation upon which we build a high-performance organization, creating an environment in which employees can flourish. Accordingly, Herndon provides meaningful total compensation that includes pay and benefits, aligns with our strategic plan and values, and is affordable, sustainable, and understood by employees. The compensation philosophy is to attract, develop, and retain engaged employees committed to serve. Herndon is committed to maintaining market competitiveness with comparable jurisdictions that are most likely to affect recruitment and retention of employees.

Town Personnel

In FY 2026, 283 positions were budgeted for all towns' funds, of which the 237 regular status positions are budgeted in the General fund, a net increase of one position from FY 2025. Position changes include:

- Police Department - one additional Police Sergeant position for the Special Enforcement and Engagement Team (SEET). Repurpose a vacant Parking Enforcement Official position to create an additional Police Officer position.
- Town Clerk - midyear funding for existing Deputy Town Clerk position to support boards and commissions, moving the responsibility from Community Development to the Town Clerk's office.
- Community Development – reclassification of Planning Operations Manager. Midyear title change of Boards and Commissions Clerk to Zoning Services Specialist, in alignment with moving the boards and commissions administrative support to the Town Clerk's office, that will create additional capacity for zoning activities in Community Development.
- Parks and Recreation – Repurpose and fund a vacant part time Personal Trainer position to create full time Head Lifeguard position. Reclassify the Recreation Program Assistant to Recreation Services Supervisor I. Reclassify a vacant Recreation Assistant I to a Community Center Supervisor.
- Information Technology – move and fund the vacant Systems Administrator position from the Police Department to Information Technology.

General Fund personnel expenditures are $33,008,066, an increase of 8.65% over the FY 2025 Budget of $30,379,725 and represents an 86.6% of the town's total personnel expenditures of $38,130,729. It is critical for the town to remain competitive in the marketplace through continued investment in its workforce. This proposed budget, in alignment with the town's Total Compensation Philosophy, continues to prioritize attraction, development and retention of an engaged and committed workforce through competitive compensation and investment, that constructively and necessarily results in over 65% of the town's budget. The FY 2026 proposed budget provides compensation for regular status employees that includes a pay-for-performance component averaging 2%, and two market rate adjustments of 1.25% for all regular status employees at two points throughout the fiscal year, resulting in a 4.5% average compensation increase for regular status employees. In addition, the proposed budget includes an increase of 12% in healthcare costs. Finally, all pay scales are adjusted accordingly for next year to allow the town to be marketable to prospective employees.

The town continues to manage personnel costs by evaluating positions when they become vacant, reviewing employee workloads, and adjusting personnel levels as appropriate. The town evaluates positions throughout the year for changes in duties, which may warrant position realignments to enable efficient working and career progression. The FY 2026 position plan is included in this document.

Retirement defined benefit premiums through the Virginia Retirement System (VRS) were reevaluated for FY 2025 and remain valid through FY 2026 at 8.45%. VRS completed the Hybrid Rate Separation in FY 2025, which separated the employer-paid rates of the defined benefit and defined contribution components of their pension plans. In addition to paying the defined benefit rate, the employer is also responsible for funding the employer's contributions to the defined contribution plan on behalf of hybrid members. These rates are between 1.0% - 3.5% of a hybrid member's payroll, depending on the match of employees' voluntary contributions. It is anticipated that the FY 2025 budget will see an incremental impact of approximately $430,000 that will continue year after year.

Total Personnel by Fund	FY 2024 Actual		FY 2025 Actual		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
General Fund						
Town Clerk	4	4.00	4	4.00	4	4.00
Town Administration	16	15.60	18	17.60	19	18.60
Parks & Recreation	26	25.38	26	25.38	26	25.63
Finance	13	12.75	13	12.75	13	12.75
Community Development	17	17.00	17	17.00	17	17.00
Police	73	72.63	74	73.26	74	73.63
Public Works	82	82.00	79	79.00	79	79.00
Town Attorney	5	4.63	5	4.63	5	4.63
Total General Fund	236	233.99	236	233.62	237	235.24
Total Water & Sewer Fund	18	18	26	26	26	26
Total Stormwater Fund	0	0	4	4	4	4
Chestnut Grove Cemetery	5	5	5	5	5	5
Golf Course	10	10	11	11	11	11
Total All Funds	269	266.99	282	279.62	283	281.24

The town diligently works hard to keep the number of employees relatively constant, amidst quickly increasing demands and changing state laws, while maintaining the levels of service that our residents have come to expect. Two main approaches have been utilized in achieving this goal: the use of technology in service delivery and the realignment of existing positions to accommodate and adapt to changing workloads and job duties, as well as advancements in technology.

Personnel - All Funds	FY 2024 Actual		FY 2025 Actual		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
General Fund						
Office of the Town Clerk						
Chief Deputy Town Clerk	**1**	1	**1**	1	**1**	1
Deputy Town Clerk	**2**	2	**2**	2	**2**	2
Town Clerk	**1**	1	**1**	1	**1**	1
Town Clerk Total	**4**	4.00	**4**	4.00	**4**	4.00
Town Administration						
Town Manager	**1**	1	**1**	1	**1**	1
Chief Communications Officer	**1**	1	**1**	1	**1**	1
Communications Assistant	**1**	0.8	**1**	0.8	**1**	0.8
Deputy Town Manager	**0**	0	**2**	2	**2**	2
Director of Economic Development	**0**	0	**1**	1	**1**	1
Director of Human Resources	**1**	1	**1**	1	**1**	1
Director of Information Technology	**1**	1	**1**	1	**1**	1
Economic Development Manager	**1**	1	**0**	0	**0**	0
Executive Assistant to the Town Manager	**1**	1	**1**	1	**1**	1
Human Resources Assistant	**1**	0.8	**1**	0.8	**1**	0.8
Human Resources Generalist	**1**	1	**1**	1	**1**	1
Human Resources Manager	**1**	1	**1**	1	**1**	1
Human Resources Specialist	**1**	1	**1**	1	**1**	1
Information Technology Engineer	**1**	1	**1**	1	**1**	1
Manager, Information Technology	**1**	1	**1**	1	**1**	1
Network Administrator	**1**	1	**1**	1	**1**	1
Systems Administrator	**0**	0	**0**	0	**1**	1
System Analyst	**1**	1	**1**	1	**1**	1
Systems Manager	**1**	1	**1**	1	**1**	1
Town Administration Total	**16**	15.60	**18**	17.60	**19**	18.60
Parks & Recreation						
Director of Parks & Recreation	**1**	1	**1**	1	**1**	1
Administrative Assistant	**1**	1	**1**	1	**1**	1
Aquatics Services Manager	**1**	1	**1**	1	**1**	1
Assistant Pool Manager	**0**	0	**0**	0	**1**	1
Community Center Manager	**1**	1	**1**	1	**1**	1
Community Center Supervisor	**1**	1	**1**	1	**2**	2
Custodian II	**1**	1	**0**	0	**0**	0
Deputy Director of Parks & Recreation	**1**	1	**1**	1	**1**	1
Fitness Supervisor	**1**	1	**1**	1	**1**	1
Head Fitness Trainer	**1**	1	**1**	1	**1**	1
Head Lifeguard	**1**	1	**1**	1	**1**	1
Marketing and Communications Specialist	**1**	1	**1**	1	**1**	1
Office Assistant III/Administrative Clerk	**1**	1	**1**	1	**1**	1
Personal Trainer	**1**	0.75	**1**	0.75	**0**	0
Pool Operations Manager	**1**	1	**1**	1	**1**	1
Recreation Assistant I	**2**	2	**2**	2	**1**	1

Personnel - All Funds	FY 2024 Adopted		FY 2025 Adopted		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
Recreation Assistant II	**1**	1	**1**	1	**1**	1
Recreation Program Assistant	**1**	1	**1**	1	**0**	0
Recreation Program Coordinator	**1**	1	**1**	1	**1**	1
Recreation Services Manager	**0**	0	**1**	1	**1**	1
Recreation Services Supervisor I	**1**	1	**1**	1	**2**	2
Recreation Services Supervisor II	**4**	4	**4**	4	**4**	4
System Technician	**1**	1	**1**	1	**1**	1
Tennis Center Manager	**1**	0.63	**1**	0.63	**1**	0.63
Parks & Recreation Total	**26**	25.38	**26**	25.38	**26**	25.63
Finance						
Director of Finance	**1**	1	**1**	1	**1**	1
Accounting Supervisor	**1**	1	**1**	1	**1**	1
Accounting Tech	**1**	0.75	**1**	0.75	**1**	0.75
Budget Manager	**1**	1	**1**	1	**1**	1
Deputy Director of Finance	**1**	1	**1**	1	**1**	1
Financial Management Analyst	**1**	1	**1**	1	**1**	1
Fiscal Services Administrator	**1**	1	**1**	1	**1**	1
Head Cashier	**0**	0	**0**	0	**0**	0
Payroll Administrator	**1**	1	**1**	1	**1**	1
Purchasing Agent	**1**	1	**1**	1	**1**	1
Revenue Operations Supervisor	**1**	1	**1**	1	**1**	1
Revenue Supervisor	**0**	0	**0**	0	**0**	0
Senior Accountant	**1**	1	**1**	1	**1**	1
Senior Accounting Technician	**0**	0	**0**	0	**0**	0
Senior General Ledger Accountant	**0**	0	**0**	0	**0**	0
Tax Administration Associate	**1**	1	**1**	1	**1**	1
Tax Administration Supervisor	**1**	1	**1**	1	**1**	1
Finance Total	**13**	12.75	**13**	12.75	**13**	12.75
Community Development						
Director of Community Development	**1**	1	**1**	1	**1**	1
Administrative Assistant	**1**	1	**1**	1	**1**	1
Arborist/Landscape Architect	**1**	1	**1**	1	**1**	1
Assistant Town Clerk	**0**	0	**0**	0	**0**	0
Capital Projects Planner/Engineer	**1**	1	**1**	1	**1**	1
Clerk of Boards and Commissions	**1**	1	**1**	1	**1**	1
Community Forester	**0**	0	**0**	0	**0**	0
Community Inspector	**2**	2	**2**	2	**2**	2
Community Planner	**1**	1	**1**	1	**1**	1
Deputy Director of Community Development	**1**	1	**1**	1	**1**	1
Development Program Planner	**1**	1	**1**	1	**1**	1
Housing/Neighborhood Improvement Coordinator	**1**	1	**1**	1	**1**	1
Lead Planner/Design and Development	**1**	1	**1**	1	**1**	1
Lead Planner/Long Range	**1**	1	**1**	1	**1**	1
Office Assistant III	**1**	1	**1**	1	**1**	1
Planning Operations Manager	**1**	1	**1**	1	**1**	1

Personnel - All Funds	FY 2024 Adopted		FY 2025 Adopted		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
Transportation Program Manager	**1**	1	**1**	1	**1**	1
Zoning Administrator	**1**	1	**1**	1	**1**	1
Community Development Total	**17**	17	**17**	17	**17**	17
Police						
Chief of Police	**1**	1	**1**	1	**1**	1
Assistant Communications Supervisor	**2**	2	**2**	2	**2**	2
Assistant Program Manager	**0**	0	**1**	1	**1**	1
Assistant Records Supervisor	**1**	1	**0**	0	**0**	0
Communications Technician	**6**	6	**7**	7	**8**	8
Crime Analyst	**1**	1	**1**	1	**1**	1
FOIA Records Specialist	**1**	1	**1**	1	**1**	1
Parking Enforcement Official	**1**	0.63	**2**	1.26	**1**	0.63
Police Administrative Specialist	**1**	1	**0**	0	**0**	0
Police Captain	**2**	2	**2**	2	**2**	2
Police Corporal	**9**	9	**9**	9	**9**	9
Police Lieutenant	**4**	4	**5**	5	**5**	5
Police Officer	**29**	29	**28**	28	**29**	29
Police Sergeant	**9**	9	**9**	9	**10**	10
Police Systems Engineer	**0**	0	**0**	0	**0**	0
Program Manager	**1**	1	**1**	1	**1**	1
Public Information Specialist	**1**	1	**1**	1	**1**	1
Public Safety Operations Manager	**1**	1	**0**	0	**0**	0
Records Technician	**1**	1	**1**	1	**1**	1
Records Technician Supervisor	**0**	0	**1**	1	**1**	1
Systems Administrator	**0**	0	**1**	1	**0**	0
Technical Support Specialist	**2**	2	**1**	1	**0**	0
Police Total	**73**	72.63	**74**	73.26	**74**	73.63
Public Works						
Administrative Assistant	**1**	1	**1**	1	**1**	1
Asset Manager	**0**	0	**1**	1	**1**	1
Assistant Crew Supervisor	**3**	3	**3**	3	**3**	3
Assistant Facilities Maintenance Supervisor	**1**	1	**1**	1	**1**	1
Building Official	**1**	1	**1**	1	**1**	1
Capital Projects Program Manager	**1**	1	**1**	1	**1**	1
Chief, Program & Project Manager	**1**	1	**1**	1	**1**	1
Civil Engineer I	**1**	1	**1**	1	**1**	1
Combination Inspector - Commercial	**1**	1	**1**	1	**1**	1
Combination Inspector - Residential	**1**	1	**1**	1	**1**	1
Deputy Director of Public Works	**2**	2	**2**	2	**2**	2
Director of Public Works	**1**	1	**1**	1	**1**	1
Engineering Inspector	**1**	1	**1**	1	**1**	1
Facility Maintenance Supervisor	**1**	1	**1**	1	**1**	1
Facility Maintenance Technician I	**1**	1	**1**	1	**1**	1
Facility Maintenance Technician II	**3**	3	**1**	1	**1**	1
Facility Maintenance Technician III	**0**	0	**2**	2	**2**	2

Personnel - All Funds	FY 2024 Adopted		FY 2025 Adopted		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
Field Operations Manager	**0**	0	**1**	1	**1**	1
Fleet Manager	**1**	1	**1**	1	**1**	1
General Services Administrator	**1**	1	**0**	0	**0**	0
Mechanic I	**1**	1	**1**	1	**1**	1
Mechanic II	**3**	3	**3**	3	**3**	3
Office Assistant III	**2**	2	**1**	1	**1**	1
Office Assistant III/Administrative Clerk	**1**	1	**0**	0	**0**	0
Operations Manager	**1**	1	**0**	0	**0**	0
Operations Integration Manager	**0**	0	**1**	1	**1**	1
Operations Specialist	**1**	1	**1**	1	**1**	1
Permit Technician	**0**	0	**1**	1	**1**	1
Plan Review Coordinator	**1**	1	**1**	1	**1**	1
Project Engineer I	**3**	3	**3**	3	**3**	3
Property Maintenance Inspector	**1**	1	**1**	1	**1**	1
Purchasing Specialist	**0**	0	**1**	1	**1**	1
Right-of-Way Inspection Supervisor	**1**	1	**1**	1	**1**	1
Right-of-Way Inspector/Utility Marker	**2**	2	**2**	2	**2**	2
Safety and Compliance Specialist	**0**	0	**1**	1	**1**	1
Senior Civil Engineer	**1**	1	**1**	1	**1**	1
Sign and Signal Technician	**1**	1	**1**	1	**1**	1
Streets and Right-of-Way Manager	**1**	1	**0**	0	**0**	0
Traffic Control Supervisor/Coordinator	**1**	1	**1**	1	**1**	1
Transportation Engineer	**1**	1	**1**	1	**1**	1
Traffic Signal Tech	**1**	1	**1**	1	**1**	1
Utility Equipment Operator I	**3**	3	**3**	3	**3**	3
Utility Equipment Operator II	**4**	4	**4**	4	**4**	4
Utility Equipment Operator II/Truck Driver	**6**	6	**6**	6	**6**	6
Utility Equipment Operator III	**1**	1	**1**	1	**1**	1
Utility Maintenance Worker I	**17**	17	**15**	15	**15**	15
Utility Maintenance Worker II	**1**	1	**1**	1	**1**	1
Utility Manager	**1**	1	**0**	0	**0**	0
Utility Work Crew Supervisor	**3**	3	**3**	3	**3**	3
Water Resources Engineer I	**1**	1	**0**	0	**0**	0
Public Works Total	**82**	82.00	**79**	79.00	**79**	79.00
Town Attorney						
Deputy Town Attorney	**1**	1	**1**	1	**1**	1
Legal Assistant	**1**	0.63	**1**	0.63	**1**	0.63
Legal Assistant to the Town Attorney	**1**	1	**1**	1	**1**	1
Risk Manager	**1**	1	**1**	1	**1**	1
Town Attorney	**1**	1	**1**	1	**1**	1
Town Attorney Total	**5**	4.63	**5**	4.63	**5**	4.63
General Fund Total	**236**	233.99	**236**	233.62	**237**	235.24

Personnel - All Funds	FY 2024 Adopted		FY 2025 Adopted		FY 2026 Proposed	
	# of positions	FTE	# of positions	FTE	# of positions	FTE
Water & Sewer						
Accounting Tech II	**1**	1	**1**	1	**1**	1
Assistant Crew Supervisor	**2**	2	**2**	2	**2**	2
Operations Engineer	**0**	0	**0**	0	**0**	0
Project Engineer I	**1**	1	**1**	1	**1**	1
Utilities Service Supervisor	**0**	0	**0**	0	**0**	0
Utility Equipment Operator I	**1**	1	**2**	2	**2**	2
Utility Equipment Operator II	**2**	2	**2**	2	**2**	2
Utility Equipment Operator III	**1**	1	**2**	2	**2**	2
Utility Maintenance Worker I	**2**	2	**2**	2	**2**	2
Utility Maintenance Worker II	**2**	2	**3**	3	**3**	3
Utility Manager	**0**	0	**1**	1	**1**	1
Utility Technician	**1**	1	**0**	0	**0**	0
Utility Technician I	**0**	0	**2**	2	**2**	2
Utility Technician II	**0**	**0**	**2**	**2**	**2**	**2**
Utility Work Crew Supervisor	**2**	2	**2**	2	**2**	2
Water Bill and Customer Service Supervisor	**1**	1	**1**	1	**1**	1
Water Meter Reader	**1**	1	**1**	1	**1**	1
Water and Sewer Engineer	**1**	1	**1**	1	**1**	1
Water Resources Engineer I	**0**	0	**1**	1	**1**	1
Water & Sewer Total	**18**	18.00	**26**	26.00	**26**	26.00
Stormwater						
Utility Equipment Operator II	**0**	0	**2**	2	**1**	1
Utility Maintenance Worker I	**0**	0	**0**	0	**1**	1
Utility Technician I	**0**	0	**1**	1	**1**	1
Utility Work Crew Supervisor	**0**	0	**1**	1	**1**	1
Stormwater Total	**0**	0	**4**	4.00	**4**	4.00
Chestnut Grove Cemetery						
Administrative Assistant	**1**	1	**1**	1	**1**	1
Cemetery Manager	**1**	1	**1**	1	**1**	1
Equipment Operator	**1**	1	**1**	1	**1**	1
Equipment Operator/Greensworker	**2**	2	**2**	2	**2**	2
Cemetery Total	**5**	5.00	**5**	5.00	**5**	5.00
Golf Course						
Assistant Golf Course Superintendent	**1**	1	**1**	1	**1**	1
Assistant Golf Professional	**1**	1	**2**	2	**2**	2
Equipment Operator/Greensworker	**3**	3	**3**	3	**3**	3
General Manager	**1**	1	**1**	1	**1**	1
Golf Course Superintendent	**1**	1	**1**	1	**1**	1
Golf Operations Assistant II	**0**	0	**0**	0	**0**	0
Golf Professional	**1**	1	**1**	1	**1**	1
Irrigation Technician	**1**	1	**1**	1	**1**	1
Mechanic/Equipment Operator	**1**	1	**1**	1	**1**	1
Golf Course Total	**10**	10.00	**11**	11.00	**11**	11.00
Total All Funds	**269**	266.99	**282**	279.62	**283**	281.24

Debt Service

Debt Service Overview

The town has authorized and issued general obligation bonds for many decades and has a current issuer rating of Aaa from Moody's Investor Services and AAA from both Standard & Poors and Fitch. Funds for major capital construction are typically generated by the sale of general obligation bonds that pledge the full faith and credit of the town for their repayment. These bonds are usually repaid over a 20 to 30-year period. Other sources of funding include revenue funds generated by enterprise activities or revenue bonds that pledge the revenue generating potential of a facility or utility. In addition to bond financing, the town has made use of capital lease/purchase borrowing to procure selected vehicles and specialized equipment having a unit purchase price more than $50,000 and an expected useful life of seven years or more. The town's financial policies concerning debt issuance and debt service are in the "*Introduction*" section of this document under "*Financial Policies*". A description of the town's current outstanding bond issues, legal debt limit, and debt repayment schedule is provided below.

2022 Golf HVAC Lease Finance Purchase Agreement

In August 2022, the Herndon Centennial Golf Fund entered into a tax-exempt lease purchase agreement for a new HVAC system with HomeTrust Bank for $0.3 million with a 3.13 percent fixed interest rate payable over five years. This agreement is accounted for as a financed purchase with ownership of the HVAC system transferring to the town. This debt will be fully retired on August 1, 2027.

2020A Refunding Bond Issue

In 2020, due to historic low municipal bond interest rates, the tax-exempt portion of the town's 2014 refunding bonds and 2010 GO bonds, with outstanding balances of $3.34 million and $1.7 million, respectively, were prime candidates for refunding. In July 2020, the town refunded these bonds by issuing $5.229 million in refunding bonds with a 1.038 percent coupon rate over 10 years. The refunding bonds will be fully retired on February 15, 2030. The town may prepay, in whole or in part, without penalty, at any time on or after February 15, 2025.

The 2014 refunding bonds consisted of the callable portions of the town's 2005 and 2006 general obligation bonds and the 2009 general obligation note. The 2005 bonds were originally issued to finance the construction of the Herndon Community Center Phase IV addition. The 2006 bonds were originally issued to finance land acquisition for the Elden-Center streets intersection, construct the Town Shop improvements and undertake the second phase of Worldgate Drive repaving. Also, Chestnut Grove Cemetery financed the construction of a new maintenance facility, a small administrative office building and other improvements. The 2009 note was originally issued for land acquisition associated with the Station Street improvement project, design of the Park/Monroe intersection improvement project, constructing storm drainage improvements, installing new sidewalks, and constructing certain Town Shop improvements.

The 2010 general obligation bonds issued under the VML/VACo Finance Program financed three General Fund street infrastructure capital projects. They were the Park-Monroe intersection improvement project, the Station Street improvement project, and the sidewalks, driveway entrances, drainage system and other improvements for the Pearl, Nash, Oak, and Wood Streets neighborhood. Also, the Herndon Centennial Golf Course financed fairway bunker renovations and cart paths.

2020B Refunding Bond Issue

The town's taxable bonds consisting of the 2010 refunding bonds and 2018A General Obligation bonds, with outstanding balances of $0.35 million and $0.706 million, respectively, were also prime candidates for refunding. In July 2020, the town refunded these bonds by issuing $1.111 million in refunding bonds with a 1.159 percent coupon rate over 5 years. The refunding bonds will be fully retired on February 15, 2025. These bonds are not prepayable.

The 2010 refunding bonds were originally issued in May 2001 to provide financing for several large town street and utility improvement projects, construction of new maintenance facilities at the Herndon Centennial Golf Course, and design and engineering of administrative and maintenance buildings at Chestnut Grove Cemetery.

The 2018A taxable general obligation bonds were originally issued in June 2018 to provide financing for six fleet vehicles for general fund use.

2018B General Obligation Bond Issue

In September 2018, the town issued tax-exempt general obligation public improvement bonds in the amount of $11,135,000 at variable interest rates between 2.0 and 5.0 percent secured by the full faith and credit of the town. Bond proceeds of $4,867,140 were used to finance General Fund infrastructure capital projects and bond issuance costs. The capital projects financed with these bond proceeds include the relocation of utilities into the underground duct banks installed over the past several years in the downtown area and three streets, sidewalks, and minor trails projects in the downtown area.

Additionally, $6,779,837 of bond proceeds were used to finance the purchase of water capacity (1 million gallons per day or MGD) from Fairfax Water and bond issuance costs. Debt service for this portion of the bond issue is financed through the Water and Sewer Fund. This general obligation issue will be fully retired on February 15, 2050.

2012 Refunding Bond Issue

In 2012, due to the low municipal interest rates available, the tax-exempt portion of the town's 2003 bond issue, with an outstanding balance of $4.7 million and callable on August 1, 2013, was a prime candidate for an advanced refunding. In June 2012, the town redeemed these general obligation bonds by issuing $4.999 million in refunding bonds with an 11-year life and a true interest cost of 2.15 percent. The net cumulative savings to the town from the refunding was $492,610 over the life of the replaced (2003) bonds. The refunding bond issue were fully retired on August 1, 2023.

1994 Fairfax Water Agreement

In July 1994 the town's Water and Sewer Fund entered into an agreement with Fairfax Water to purchase and additional one million gallons daily of water capacity for $5.3 million payable over 35 years. This obligation will be fully retired on June 30th, 2029.

1999 Fairfax Water Agreement

In October 1999 the town's Water and Sewer Fund entered into the Griffith Water Treatment Plant agreement for existing water capacity with Fairfax Water for $4.5 million payable over 40 years. This obligation will be fully retired on December 31, 2039.

Legal Debt Limit

The Code of Virginia limits the town's tax-supported debt to 10 percent of the taxable assessed value of real property in the town. The town's financial policies, adopted in FY 2019, further limit the town's tax-supported debt to one and one-half percent of the total taxable assessed value of real property in the town. Debt funded by the revenues of self-supporting enterprise funds is excluded from these limits.

As shown in the table below, the town's percentage of tax-supported debt to assessed value has been well below these two thresholds. See table 12 in the town's Annual Comprehensive Financial Report for further details regarding the legal debt limit. The table below also shows other debt ratios such as debt per capita and debt service as a percentage of general fund operating expenditures.

Legal Debt Limit and Other Ratios							
Fiscal Year	**Net Bonded Debt (1)**	**Direct Debt Service**	**Debt Service as % Gen. Fund Expen. (2)**	**Debt Per Capita**	**Assessment Year**	**Taxable Assessed Value**	**% of Debt to Assessed Value (3)**
2014	14,045,713	2,021,793	6.59%	595	2013	3,843,514,734	0.37%
2015	12,466,973	2,254,916	7.20%	528	2014	3,945,950,643	0.32%
2016	11,436,441	1,416,331	4.36%	483	2015	4,145,503,378	0.28%
2017	10,332,068	1,374,362	4.19%	435	2016	4,194,696,204	0.25%
2018	10,031,639	2,209,165	6.61%	421	2017	4,321,456,532	0.23%
2019	12,354,914	1,660,595	4.85%	516	2018	4,440,313,264	0.28%
2020	10,947,964	1,791,616	5.16%	455	2019	4,639,863,944	0.24%
2021	11,106,523	1,324,436	3.84%	462	2020	4,853,983,889	0.23%
2022	10,125,611	1,234,555	3.38%	421	2021	4,911,560,646	0.21%
2023	9,125,112	1,230,449	3.21%	374	2022	5,295,202,341	0.17%
2024	8,097,533	1,233,834	3.04%	331	2023	5,455,485,957	0.15%

(1) Excludes self-supporting debt from the Water & Sewer, Cemetery, and Golf Course Funds. Includes notes payable and deferred bond premiums.
(2) Per the town's debt policy, General Fund debt service should not exceed 12% of General Fund operating and debt service expenditures. FY 2023's percentage is based on estimates.
(3) The state's legal debt limit is 10% of the taxable assessed values of real property within the town. The town's debt policy limit is much lower, at 1.5% of taxable assessed values.

Debt Repayment Schedule

Annual debt service requirements (principal and interest) of the town's existing long-term debt by fund are as follows:

		Self-Supporting			
Fiscal Year	**General Fund**	**Water & Sewer Fund**	**Cemetery Fund**	**Golf Fund**	**Total (Principal & Interest)**
2025	1,394,782	624,957	101,295	135,525	2,256,559
2026	1,096,246	622,957	140,753	121,186	1,981,141
2027	1,034,423	620,707	130,065	115,019	1,900,213
2028	995,237	623,207	122,771	110,213	1,851,428
2029	992,745	625,207	123,485	49,561	1,790,997
2030	996,998	470,315	122,679	49,237	1,639,229
2031	348,006	471,565	-	-	819,571
2032	345,006	472,315	-	-	817,321
2033	346,906	471,465	-	-	818,371
2034	343,506	470,465	-	-	813,971
2035	344,956	469,315	-	-	814,271
2036	340,738	472,752	-	-	813,490
2037	341,363	470,877	-	-	812,240
2038	341,288	473,565	-	-	814,852
2039	345,888	415,339	-	-	761,226
2040	-	361,950	-	-	361,950
2041	-	358,825	-	-	358,825
2042	-	360,219	-	-	360,219
2043	-	361,275	-	-	361,275
2044	-	361,994	-	-	361,994
2045	-	362,375	-	-	362,375
2046	-	362,050	-	-	362,050
2047	-	361,375	-	-	361,375
2048	-	360,350	-	-	360,350
2049	-	358,975	-	-	358,975
2050	-	362,250	-	-	362,250
Total	**9,608,088**	**11,746,646**	**741,048**	**580,741**	**22,676,523**

General Fund Debt Service Budget

Account Description	FY 2021 Audited	FY 2022 Audited	FY 2023 Audited	FY 2024 Adopted	FY 2025 Adopted
Interest Expense GASB 87	-	639	483	600	605
Lease Fin Principal GASB 87	-	42,430	40,600	43,000	44,900
Interest Expense GASB 96	-	-	9,152	-	3,250
Subscription Fin Principal	-	-	202,644	-	223,680
Bond Issue Expense	104,130	-	-	-	-
Account Maint Charge	(188)	-	605	-	-
2010 GO Refunding Interest Exp	7,027	-	-	-	-
2010 GO Refund Principal Exp	205,051	-	-	-	-
2010 GO Bonds Interest	30,173	-	-	-	-
2010 GO Bonds Principal	1,399,750	-	-	-	-
2012 GO Refunding Bonds Intere	44,715	32,320	19,296	6,590	-
2012 GO Refunding Bonds Principal	567,500	585,500	597,500	613,000	-
2014 GO Refunding Bonds Intere	26,482	-	-	-	-
2014 GO Refunding Bonds Principal	2,579,369	-	-	-	-
2018A GO Bond Interest	12,840	-	-	-	-
2018A GO Bond Principal	706,000	-	-	-	-
2018B Bond Int Exp	141,881	179,506	171,256	162,756	153,756
2018B Bond Principal	20,000	165,000	170,000	180,000	185,000
2020A Bond Interest Exp	23,582	41,646	40,416	39,186	37,939
2020A Bond Principal	118,491	118,491	118,491	120,071	383,910
2020B Bond Interest Exp	6,102	7,830	6,621	5,383	4,145
2020B Bond Principal	281,769	104,263	106,848	106,848	357,597
Total Debt Service	6,274,674	1,277,624	1,483,933	1,277,434	1,394,782

Bond Issues

The town's General Fund budget does not contemplate new debt service expenditures in FY 2026 at this time. The Capital Reserve Fund in the General Fund's assigned fund balance may be used to fund future debt service in addition to other capital expenditures. The balance in the Capital Reserve is $4.0M as of June 30, 2024.

Interfund Transfers

Interfund transfers fund, partially or wholly, one-time projects or capital improvement projects through the use of surplus, capital reserves (assigned fund balance), or unassigned fund balance. Details on current and future projects can be found in the Capital Improvement Program document. The FY 2026 budget includes interfund transfers of $1,213,000 from the General Fund to the Capital Projects fund for sidewalk/trail projects, information technology replacement, and parks and sports field improvements. In addition, it is expected that the General Fund will provide support to the Stormwater Management Fund in the form of an interfund transfer.

Account Description	FY 2024 Adopted	FY 2024 Audited	FY 2025 Adopted	FY 2026 Proposed
Capital Projects Fund	250,000	51,000	375,000	1,213,000
Stormwater Management Fund	-	-	92,400	110,811
Total - Interfund Transfers	$250,000	$51,000	$467,400	$1,323,811

Fund Balance

Fund Balance Information

There are various definitions of the term “fund balance.” Generally, the term can be defined as “the cumulative difference of all revenues and expenditures from the government's creation.” Fund balance is divided into five components; non-spendable, restricted, committed, assigned, and unassigned. The non-spendable component includes balances not in spendable form, such as inventories and balances legally required to remain intact. Restricted funds are amounts that can be spent only for the specific purposes stipulated by external resource providers. Unrestricted fund balance may be subdivided into committed, assigned, and unassigned fund balance. If the Town Council anticipates that future actions will require financial resources, then a portion of the fund balance may be committed for those purposes through a formal action. Assigned fund balance reflects the intended use of resources established by the highest level of decision-making authority without a formal action.

The unassigned portion of the fund balance is the financial resource that may be made available to meet unplanned or unforeseen contingencies and other working capital requirements. Additionally, the unassigned portion of fund balance provides the town the ability to maintain a stable tax rate and revenue structure, while providing consistent service delivery to all citizens, especially in times of economic uncertainty.

Below are the General Fund balance amounts by category for the past ten fiscal years:

Fund Balance - General Fund Ten Year History					
Year Ended June 30	**Nonspendable & Restricted**	**Assigned – Revenue Stabilization**	**Assigned - Other**	**Unassigned**	**Total**
2024	$335,367	$2,000,000	$11,329,127	$19,637,900	$33,302,394
2023	1,342,443	1,900,000	8,831,956	17,357,274	30,241,673
2022	1,452,735	1,900,000	8,706,684	16,999,208	29,058,627
2021	1,353,295	1,800,000	4,314,606	19,560,379	27,028,280
2020	168,883	1,800,000	3,538,176	13,293,488	18,800,547
2019	211,510	1,800,000	3,781,134	10,537,672	16,330,316
2018	562,186	1,400,000	2,869,397	10,196,779	15,028,362
2017	341,321	1,200,000	2,859,002	9,345,836	13,746,159
2016	294,366	1,000,000	2,898,995	9,084,025	13,277,386
2015	274,029	800,000	2,108,853	8,458,124	11,641,006

Changes in the town’s General Fund balance over the past ten fiscal years reflect the economic conditions within the Washington Metropolitan Region and reflect the town’s conservative budgeting practices. Building unassigned fund balance in excess of the minimum required by policy gives the town more flexibility for capital project funding and to weather major catastrophes.

The town’s fiscal policies require a minimum balance equal to 20% of General Fund operating expenditures, including debt service, as presented in the town’s annual audited financial statements. Based on this policy, the minimum unassigned fund balance required for FY 2026 based on an adopted operating expenditure budget of $49,004,414 is $9,800,881. The assigned fund balance for revenue stabilization was established in FY 2012. The FY 2024 balance of $2.0 million is the maximum permitted under the town’s financial policies. The other assigned fund balance includes the capital reserve balance of $4.0 million, which is to be used to fund capital or future debt service, and the contingency balance of $1.0 million to cover major, unforeseen expenditures. The capital reserve balance is not limited by policy, and the contingency balance is at its maximum.

The following table presents comparisons of the General Fund’s fund balance from FY 2022 through FY 2026.

General Fund
Fund Balance Summary
FY 2022 - FY 2026

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	FY 2026 vs FY 2025
Revenues						
Real Property Taxes	$ 12,914,408	$ 13,805,589	$ 13,931,052	$ 14,205,626	$ 15,294,340	7.7%
Other Local Taxes	15,128,514	17,468,036	18,692,471	17,181,012	19,256,896	12.1%
Permits and Fees	613,968	572,280	791,911	663,300	758,500	14.4%
Fines & Forfeitures	359,468	342,056	430,153	360,000	405,600	12.7%
Use of Mondey and Property	516,756	1,706,286	2,332,327	1,436,790	2,047,697	42.5%
Charges for Services	2,157,122	2,356,037	2,268,154	2,747,530	2,691,269	-2.0%
Miscellaneous	19,749	311,308	231,752	54,000	78,000	44.4%
Intergovernmental	4,390,442	4,681,197	5,104,924	5,271,863	5,445,373	3.3%
Total Revenues	**$ 36,100,427**	**$ 41,242,789**	**$ 43,782,744**	**$ 41,920,121**	**$ 45,977,675**	**9.7%**
Expenditures						
Town Clerk	$ 508,117	$ 613,312	$ 653,438	$ 804,815	$ 779,764	-3.1%
Town Administration	3,111,415	3,357,954	3,583,077	4,472,532	5,266,281	17.7%
Town Attorney	776,886	833,754	1,227,454	997,549	1,241,755	24.5%
Parks & Recreation	3,569,187	3,961,843	4,039,609	4,795,838	5,368,849	11.9%
Finance	1,517,999	1,646,904	1,994,760	1,984,081	2,123,659	7.0%
Communinty Development	2,019,189	2,671,606	2,613,920	2,914,891	3,276,153	12.4%
Police	9,730,969	10,601,772	12,345,300	12,200,580	13,369,867	9.6%
Public Works	11,022,505	13,122,731	12,884,499	14,470,086	16,586,826	14.6%
Grants	43,525	8,363	41,746	8,781	19,738	124.8%
Commercial Leases	-	-		120,817	85,632	-29.1%
Non-departmental	(108,876)	68,781	(8,515)	36,872	(428,626)	-1262.5%
Debt Service	1,277,623	1,483,932	1,514,963	1,394,782	1,314,516	-5.8%
Total Expenditures	**$ 33,468,539**	**$ 38,370,952**	**$ 40,890,251**	**$ 44,201,624**	**$ 49,004,414**	**10.9%**
Revenue Over (Under) Expenditures	**$ 2,631,888**	**$ 2,871,837**	**$ 2,892,493**	**$ (2,156,503)**	**$ (3,026,739)**	
Other Financing Sources (Uses), Net	(601,541)	(1,688,791)	168,228	(467,400)	(1,098,811)	
Net Change in Fund Balance	**$ 2,030,347**	**$ 1,183,046**	**$ 3,060,721**	**$ (2,623,903)**	**$ (4,125,550)**	
Fund Balance, July 1	27,028,280	29,058,627	30,241,673	33,302,394	30,678,491	
Fund Balance, June 30	**$ 29,058,627**	**$ 30,241,673**	**$ 33,302,394**	**$ 30,678,491**	**$ 26,552,941**	**-13.4%**

Capital Projects Fund
Fund Balance Summary
FY 2022 - FY 2026

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	FY 2026 vs FY2025
Revenues						
Use of Money & Property	$ (4,808)	$ 66,702	$ 224,996	$ -	$ 150,000	
Miscellaneous	39,166	89,457	-	-	-	
Intergovernmental	7,506,048	5,884,687	5,679,942	2,125,000	3,520,000	
Total Revenues	**7,540,406**	**6,040,846**	**5,904,938**	**2,125,000**	**3,670,000**	**72.7%**
Expenditures						
Capital Outlay	**10,115,904**	**9,150,003**	**6,999,224**	**2,500,000**	**5,940,627**	**137.6%**
Revenue Over (Under) Expenditures	**(2,575,498)**	**(3,109,157)**	**(1,094,286)**	**(375,000)**	**(2,270,627)**	
Other Financing Sources (Uses), Net	743,012	2,396,407	250,000	-	1,213,000	
Net Change in Fund Balance	**(1,832,486)**	**(712,750)**	**(844,286)**	**-**	**(1,057,627)**	
Fund Balance, July 1 *	9,145,776	7,313,290	6,600,540	3,915,334	3,915,334	
Fund Balance, June 30	**$ 7,313,290**	**$ 6,600,540**	**$ 5,756,254**	**$ 3,915,334**	**$ 2,857,707**	**-27.0%**

*The FY 2025 Fund Balance was adjusted $1.8M to reflect establishment of the Stormwater Management Fund.

American Rescue Plan Act (ARPA) Fund
Fund Balance Summary
FY 2022 - FY 2026

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed
Revenues					
Use of Money & Property	$ 31,713	$ 820,729	$ 872,652	$ -	$ -
Miscellaneous	-	-	-	-	-
Intergovernmental	2,253,349	4,172,375	10,525,542	-	-
Total Revenues	**2,285,062**	**4,993,104**	**11,398,194**	**-**	**-**
Expenditures					
Non-Departmental	169,060	-	-	-	-
Capital Outlay	2,084,289	4,172,375	10,525,542	-	-
Total Expenditures	**2,253,349**	**4,172,375**	**10,525,542**	**-**	**-**
Revenue Over (Under) Expenditures	**31,713**	**820,729**	**872,652**		**-**
Other Financing Sources (Uses), Net	-	-	-	-	-
Net Change in Fund Balance	**31,713**	**820,729**	**872,652**	**-**	**-**
Fund Balance, July 1	-	31,713	852,442	1,725,094	1,725,094
Fund Balance, June 30	**$ 31,713**	**$ 852,442**	**$ 1,725,094**	**$ 1,725,094**	**$ 1,725,094**

(A) As of July, 2022, the Federal Government distributed to the town $25.5M for qualifying projects.

Additional projects qualifying for ARPA funding were selected and appropriated at estimated total cost via budget amendments during FY 2023.

As of April 2024 all funds have been appropriated.

The Capital Projects Fund is a governmental fund which is used to account for transactions related to major asset acquisition, maintenance or construction projects. Typical revenue sources for the Capital Projects Funds include transfers from the General Fund, federal, state and local grants, use of developer contributions or proffers, and proceeds from debt issuance. See the Capital Improvements Program (CIP) document for more details about capital projects.

The American Rescue Plan Act (ARPA) Fund accounts for project spending designated under the Federal Government's American Rescue Plan Act of 2021. This legislation provides municipalities federal grant revenue to respond to the COVID-19 pandemic and its economic effects and to replace revenue lost due to the public health emergency, preventing cuts to government services. Projects qualify under the following four categories: 1) Public Health and Negative Economic Impacts, 2) Premium Pay, 3) Revenue Loss, and 4) Investments in Water, Sewer, and Broadband Infrastructure. The Town of Herndon received a distribution from the Federal Government totaling $25.5 million. The legislation stipulates that all funds must be obligated by December 31, 2024, and spending completed by December 31, 2026. Through FY 2022, FY 2023, and FY 2024 Budget amendments, funds for the the qualifying projects have been appropriated, enabling the town to complete previously deferred maintenance projects, vehicle purchases, and critical water-sewer infrastructure. The town fully obligated the total grant funding by the December 31, 2024 deadline.

Stormwater Management Fund
Fund Balance Summary
FY 2025 - FY 2026

	FY 2025 Adopted	FY 2026 Proposed	FY2026 vs FY 2025
Revenues			
Stormwater Tax	$ 425,000	$ 435,000	2.4%
Intergovernmental	620,000	2,516,000	305.8%
Total Revenues	**1,045,000**	**2,951,000**	**182.4%**
Expenditures			
Operating	608,824	545,811	-10.3%
Capital Outlay	740,000	3,716,000	402.2%
Total Expenditures	**1,348,824**	**4,261,811**	**216.0%**
Revenue Over (Under) Expenditures	**(303,824)**	**(1,310,811)**	
Other Financing Sources (Uses), net	92,400	110,811	
Net Change in Fund Balance	**(211,424)**	**(1,200,000)**	
Fund Balance, July 1	1,840,920	1,629,496	
Fund Balance, June 30	**$ 1,629,496**	**$ 429,496**	**-73.6%**
The Stormwater Management Fund was established July 1, 2024.			

Proprietary Funds

The town has three enterprise funds which are a subcategory of the proprietary fund type. An enterprise fund is defined as a fund established to account for operations financed and operated in a manner similar to private business enterprises. In this case, the town intends that all costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

In the following tables, capital costs are presented on a budgetary basis for the budget columns, and on an accrual basis of accounting in the "actuals" columns. The budgetary basis treats capital costs as outflows that reduce net position. The accrual basis of accounting requires capitalization of capital costs as long-term assets on the balance sheet, with expense recognized annually through depreciation. This difference in basis explains why the actual amounts may differ significantly from the budgeted amounts.

The tables on the remaining pages of this section display the net position comparisons for the Water and Sewer Fund, Chestnut Grove Cemetery Fund, and Golf Course Fund.

Water and Sewer Fund
Net Position Summary
FY 2022 - FY 2026

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	FY 2026 vs FY2025
Operating Revenues	$ 7,329,578	$ 8,323,110	$ 9,077,719	$ 10,491,623	$ 11,265,424	7.4%
Operating Expenses	7,985,139	7,799,485	8,307,131	10,625,855	11,628,017	9.4%
Operating Income (Loss)	**(655,561)**	**523,625**	**770,588**	**(134,232)**	**(362,593)**	**170.1%**
Non-Operating Revenue (Expense) (1)	**(23,710)**	**201,124**	**1,545,127**	**(8,890,188)**	**(6,633,299)**	**2.8%**
Change in Net Position	**(679,271)**	**724,749**	**2,315,715**	**(9,024,420)**	**(6,995,892)**	
Net Position, July 1	22,741,556	22,062,285	22,787,034	25,102,749	16,078,329	
Net Position, June 30	**$ 22,062,285**	**$ 22,787,034**	**$ 25,102,749**	**$ 16,078,329**	**$ 9,082,437**	**-43.5%**

(1) Includes interest, availability fee and other revenue sources, and other expenses; For Adopted/Proposed Budget, also includes budgeted capital outlay.

The FY 2022 rate structure for the Water and Sewer Fund included volume rate increases and the introduction of a flat sewer service charge. Beginning with FY 2024, budgeted revenues were based on annually updated multi-year water and sewer rates studies from external consultants. The analysis includes future capital projects in the Capital Improvement Plan to complete the annual rate model refresh.

Chesnut Grove Cemetery Fund
Net Position Summary
FY 2022 - FY 2026

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	FY 2026 vs FY2025
Operating Revenues	$ 1,377,399	$ 1,216,827	$ 1,224,739	$ 891,821	$ 958,601	7.5%
Operating Expenses	750,292	680,564	706,767	771,550	834,958	8.2%
Operating Income (Loss)	**627,107**	**536,263**	**517,972**	**120,271**	**123,643**	**2.8%**
Non-Operating Revenue (Expense) (1)	**(55,050)**	**84,843**	**353,430**	**(120,271)**	**(1,401,606)**	**2.8%**
Change in Net Position	**572,057**	**621,106**	**871,402**	**-**	**(1,277,963)**	
Net Position, July 1	2,522,480	3,094,537	3,715,643	4,587,045	4,587,045	
Net Position, June 30	**$ 3,094,537**	**$ 3,715,643**	**$ 4,587,045**	**$ 4,587,045**	**$ 3,309,082**	**-27.9%**

(1) Includes interest, availability fee revenue and other expenses; For Adopted/Proposed Budget, also includes budgeted Capital Outlay

The Cemetery Fund's main source of revenue remains the sale of cemetery sites. In a typical fiscal year, the fund sells about 135 cemetery sites and performs about 140 interments. FY 2024 and FY 2025 include funds for further development of current cemetery property. Once completed, the development will provide approximately 3,000 additional burial sites on 3.5 acres.

Golf Course Fund Net Position Summary FY 2022 - FY 2026						
	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Proposed	FY 2026 vs FY2025
Operating Revenues	$ 2,398,785	$ 2,704,120	$ 2,881,687	$ 2,873,039	$ 2,967,814	3.3%
Operating Expenses	1,630,103	1,887,282	2,186,851	2,525,963	2,638,047	4.4%
Operating Income (Loss)	**768,682**	**816,838**	**694,836**	**347,076**	**329,767**	**-5.0%**
Non-Operating Revenue (Expense) (1)	**10,498**	**110,208**	**232,207**	**(723,674)**	**(2,287,951)**	**2.8%**
Change in Net Position	**779,180**	**927,046**	**927,043**	**(376,598)**	**(1,958,184)**	
Net Position, July 1	3,141,550	3,920,730	4,847,776	4,847,776	4,471,178	
Net Position, June 30	**$ 3,920,730**	**$ 4,847,776**	**$ 5,774,819**	**$ 4,471,178**	**$ 2,512,994**	**-43.8%**

(1) Includes interest, availability fee revenue and other expenses; For Adopted/Proposed Budget, also includes budgeted Capital Outlay

Golf course revenues are highly dependent on weather conditions and, as such, can vary significantly from year to year. Financial performance has been strong since the COVID-19 pandemic due in part to increased demand for outdoor activities. The course also benefited from the implementation of online booking through GolfNow. FY 2023 and FY 2024 included subsequent budget amendments for expenditures related to land development and course irrigation system replacement. FY 2024 also included the establishment of a teaching program. The FY 2025 and FY 2026 budgets include additional clubhouse renovations and cart barn replacement. The course continues to be recognized as a leading area course and is a Certified Audubon Cooperative Sanctuary.

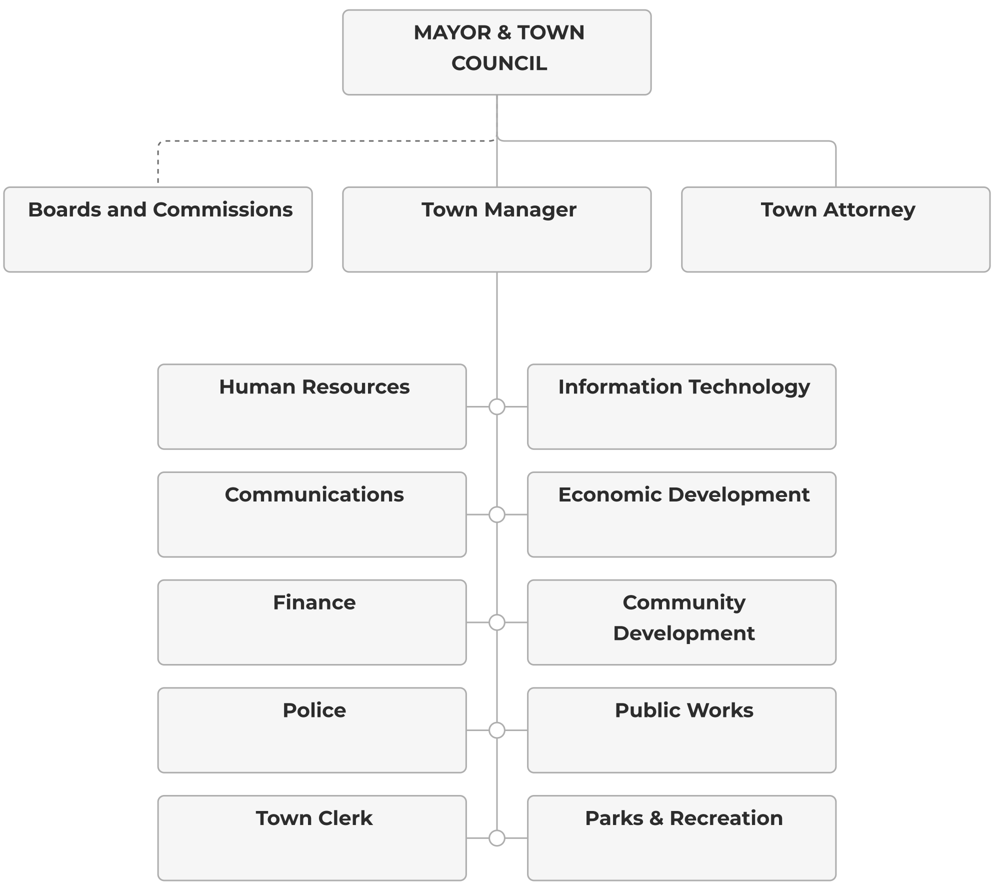
FUND SUMMARIES

General Fund

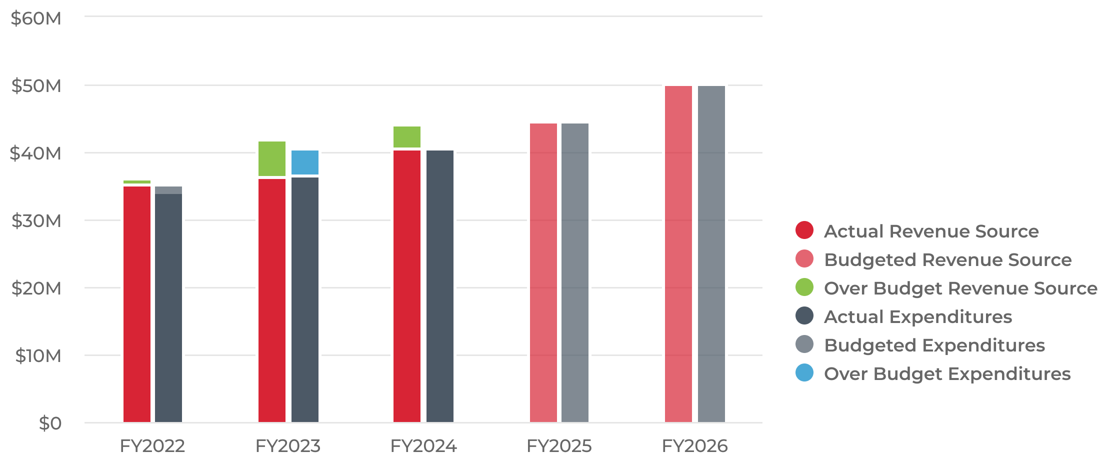
The General Fund is the primary operating fund of the town and covers the cost of many town services, including police, public works, parks and recreation, human resources, community development, and other core municipal services and programs.

The General Fund receives most of the revenue derived by the town from local sources, reimbursement of town expenses shared by Fairfax County and the Commonwealth of Virginia. In addition, this fund may receive revenue from the federal government to pay a portion of the cost of town programs and services. General Fund revenues are not specifically required in statute or in the constitution to support particular programs or departments. General Fund expenditures include the costs of the general operations of town government and services, transfers to other funds, and debt service payments on town general obligation bonds (excluding general obligation bonds and other debt instruments payable from the enterprise funds).

Organizational Chart



Summary



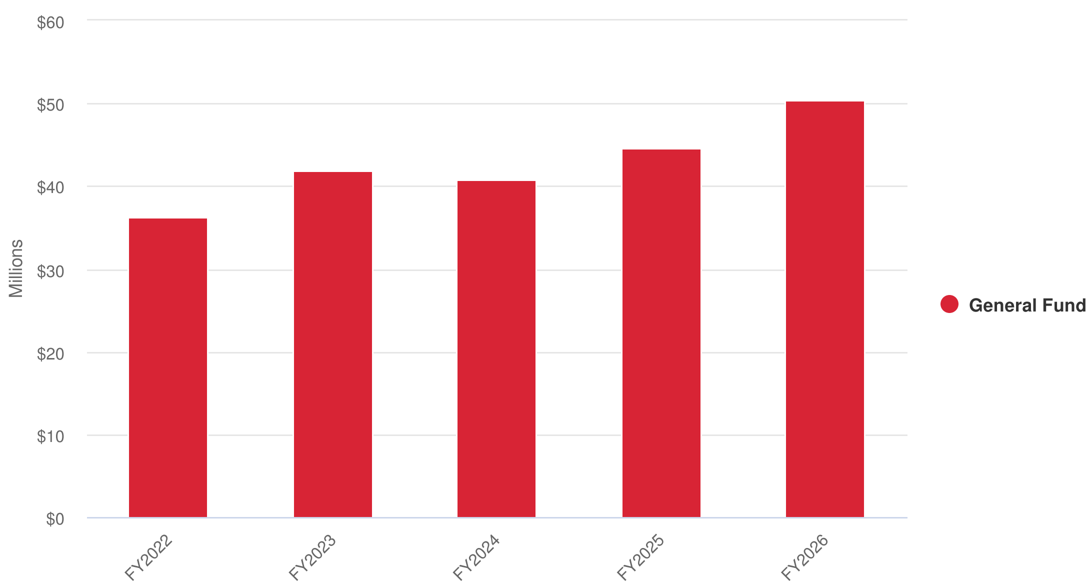
General Fund Revenues

Overview

The Town of Herndon has relatively diverse revenue streams that fund general government operations. In addition to real property taxes, other major revenue categories include excise taxes and fees such as meals tax, transient occupancy tax, local sales tax, cigarette tax, and business, professional, and occupational license fees (BPOL). Charges for services from the Herndon Community Center, classes, and other Parks & Recreation offerings partially offset the cost of providing these amenities. Recurring state and local revenues also play a major role in funding General Fund operations, including funds from Fairfax County for economic development initiatives, State HB 599 funds for police services, highway maintenance allocations from the Virginia Department of Transportation (VDOT), the town's share of the state communications sales and use tax collections, and various other specialized grants.

FY 2026 Proposed Budget General Fund revenues, which include recurring revenues and other one-time financing sources, total $50,328,225. This total represents an increase of $5,659,202 or 12.7% compared to the FY 2025 Adopted Budget.

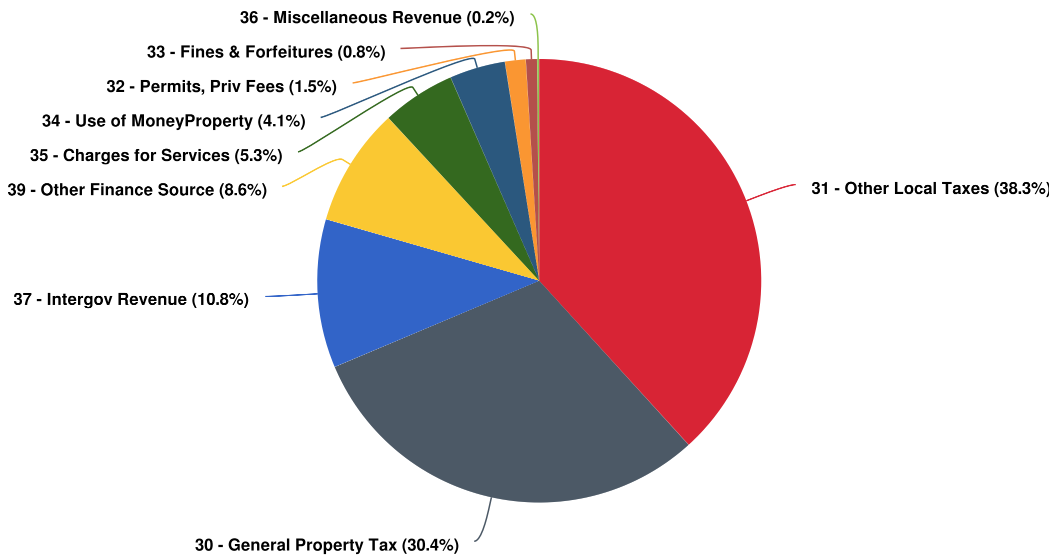
Budgeted and Historical Revenue General Fund



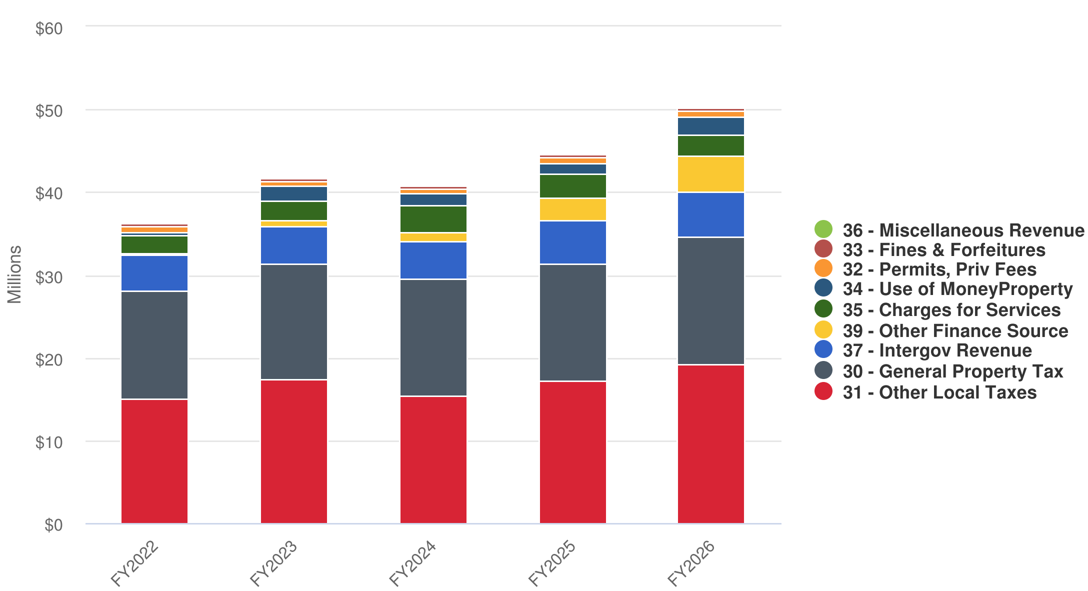
Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
General Fund						
30 - General Property Tax	$12,914,409	$13,805,589	$13,931,052	$14,205,626	$15,294,340	7.7%
31 - Other Local Taxes	$15,128,514	$17,468,036	$18,692,471	$17,181,012	$19,256,896	12.1%
32 - Permits, Priv Fees	$613,968	$572,280	$791,911	$663,300	$758,500	14.4%
33 - Fines & Forfeitures	$359,468	$342,056	$430,153	$360,000	$405,600	12.7%
34 - Use of MoneyProperty	$516,756	$1,706,286	$2,332,327	$1,436,790	$2,047,697	42.5%
35 - Charges for Services	$2,157,122	$2,356,037	$2,268,154	$2,747,530	$2,691,269	-2%
36 - Miscellaneous Revenue	$19,749	$311,308	$231,752	$54,000	$78,000	44.4%
37 - Intergov Revenue	$4,390,442	$4,681,197	$5,104,924	$5,271,863	$5,445,373	3.3%
39 - Other Finance Source	$141,470	$707,616	$417,412	$2,748,902	$4,350,550	58.3%
Total General Fund:	**$36,241,898**	**$41,950,404**	**$44,200,156**	**$44,669,023**	**$50,328,225**	**12.7%**

Revenues by Source

Adopted Revenues by Source



Budgeted and Historical Revenues by Source



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source						
30 - General Property Tax						
Real Property Tax	$12,658,400	$13,619,732	$13,814,692	$14,000,850	$15,176,385	8.4%
Public Service Corp Tax	$311,188	$341,462	$340,619	$350,000	$350,000	0%
Elderly Tax Relief	-$123,327	-$191,145	-$263,693	-$190,224	-$277,045	45.6%
RE Taxes Pen & Int	$68,147	$35,540	$39,434	$45,000	$45,000	0%
Total 30 - General Property Tax:	**$12,914,409**	**$13,805,589**	**$13,931,052**	**$14,205,626**	**$15,294,340**	**7.7%**
31 - Other Local Taxes						
Consumer Utility Tax	$786,539	$808,218	$806,484	$775,000	$810,000	4.5%
Rights of Way Use Fee	$107,210	$77,363	$92,509	$120,000	$95,000	-20.8%
Cigarette Tax	$175,432	$167,255	$154,917	$148,500	$141,075	-5%
Transient Occupancy Tax	$1,267,569	$1,920,100	$2,059,066	$2,030,967	$2,243,133	10.4%
Meals Tax	$3,447,384	$4,347,841	$4,418,731	$4,300,000	$4,877,617	13.4%
Bank Stock Tax	$483,622	$606,024	$598,961	$525,000	$600,000	14.3%
Cable TV PEG Fees	$155,884	$136,711	$121,824	$145,000	$120,000	-17.2%
Business Licenses - BPOL	$5,863,537	$6,460,183	$7,195,459	$6,124,898	$7,000,000	14.3%
Utility Consumption Tax	$83,547	$86,705	$87,320	$108,000	$90,000	-16.7%
Vehicle License Fee	$430,872	$466,540	$490,464	$450,000	$560,000	24.4%
Local Sales Tax	$2,326,918	$2,391,096	$2,666,736	$2,453,647	$2,720,071	10.9%
Total 31 - Other Local Taxes:	**$15,128,514**	**$17,468,036**	**$18,692,471**	**$17,181,012**	**$19,256,896**	**12.1%**
32 - Permits, Priv Fees						
Residential Parking Permits	$440	$650	$440	$650	$500	-23.1%
Planning Fees	$157,233	$170,367	$196,832	$140,000	$200,000	42.9%
VA Storm Water Mgmt Permit Fee	$842	$2,895	$9,859	$3,000	$3,000	0%
Bldg Inspect Fees/Permits	$441,150	$384,630	$569,756	$504,650	$540,000	7%
Right of Way Permit Fee	$14,303	$13,739	$15,024	$15,000	$15,000	0%
Total 32 - Permits, Priv Fees:	**$613,968**	**$572,280**	**$791,911**	**$663,300**	**$758,500**	**14.4%**
33 - Fines & Forfeitures						
Fines/Local (Parking)	$37,772	$47,855	$73,045	$61,500	$69,000	12.2%
Fines/Fairfax County Court	$293,804	$266,145	$327,735	$270,000	$310,000	14.8%
Fines/Court Maintenance Fees	$4,132	$5,680	$6,377	$6,000	$6,000	0%
Fines/E-Summons Fees	$21,561	$19,875	$22,396	$20,000	$20,000	0%
Fines/Zoning Fines	$2,200	$2,500	$600	$2,500	$600	-76%
Total 33 - Fines & Forfeitures:	**$359,468**	**$342,056**	**$430,153**	**$360,000**	**$405,600**	**12.7%**
34 - Use of MoneyProperty						

Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Lease Revenue						
Lease Revenue GASB87	$428,735	$423,261	$381,800	$384,100	$345,258	-10.1%
Total Lease Revenue:	**$428,735**	**$423,261**	**$381,800**	**$384,100**	**$345,258**	**-10.1%**
Interest on Lease						
Interest on Lease	$13,248	$14,894	$13,667	$14,900	$2,439	-83.6%
Total Interest on Lease:	**$13,248**	**$14,894**	**$13,667**	**$14,900**	**$2,439**	**-83.6%**
Total 34 - Use of MoneyProperty:	**$516,756**	**$1,706,286**	**$2,332,327**	**$1,436,790**	**$2,047,697**	**42.5%**
35 - Charges for Services						
Franchise Lease	$70,798	$72,926	$75,114	$75,000	$77,368	3.2%
Special Refuse Collection	$24,530	$19,988	$14,902	$20,000	$15,000	-25%
Recycle Collection Fee	$406,514	$442,758	$400,832	$442,758	$502,000	13.4%
Recreation Programs	$886,369	$957,909	$1,104,002	$1,163,800	$1,375,051	18.2%
Admission Fees	$172,872	$223,874	$228,022	$259,000	$272,800	5.3%
Park Operation	$27,969	$27,676	$25,320	$25,000	$36,500	46%
Herndon Festival	$260,394	$248,698	$0	$0	$0	0%
Concession	$5,639	$7,765	$14,981	$8,500	$12,800	50.6%
P&R Rental Income	$87,753	$137,199	$165,381	$149,100	$166,100	11.4%
Tennis/Multi-Use Facility	$162,107	$196,971	$212,323	$200,000	$220,000	10%
UB Penalties & Late Payments	$0	$0	$0	$0	$0	0%
Annual Parking Space Maint Fee	$13,650	$13,650	$13,650	$13,650	$13,650	0%
Newspaper Sales	$38,526	$6,621	$13,627	$6,621	$0	-100%
Total 35 - Charges for Services:	**$2,157,122**	**$2,356,037**	**$2,268,154**	**$2,747,530**	**$2,691,269**	**-2%**
36 - Miscellaneous Revenue						
VRSA Safety Grant	$7,911	$4,000	$2,876	$4,000	$3,000	-25%
Sponsorships & Donations	-$3,000	$500	$750	$0	$0	0%
Not Otherwise Classified	$14,839	$306,808	$228,126	$50,000	$75,000	50%
Total 36 - Miscellaneous Revenue:	**$19,749**	**$311,308**	**$231,752**	**$54,000**	**$78,000**	**44.4%**
37 - Intergov Revenue						
Federal Grant - Misc						
Fed Grt - Misc		$0	$118,807	$0	$0	0%
Total Federal Grant - Misc:		**$0**	**$118,807**	**$0**	**$0**	**0%**
FFX County-Forfeited Proceeds						
FFX County-Forfeited Proceeds	$0	$366	$0	$0	$0	0%

Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Total FFX County-Forfeited Proceeds:	**$0**	**$366**	**$0**	**$0**	**$0**	**0%**
Total 37 - Intergov Revenue:	**$4,390,442**	**$4,681,197**	**$5,104,924**	**$5,271,863**	**$5,445,373**	**3.3%**
39 - Other Finance Source						
Other Sources Lease Financing						
Other Sources Lease Financing	$1,538	$13,281	$9,725	$0	$0	0%
Total Other Sources Lease Financing:	**$1,538**	**$13,281**	**$9,725**	**$0**	**$0**	**0%**
GASB96						
GASB96 Other Sources Subsc Fin		$73,606	$46,697		$0	N/A
Total GASB96:		**$73,606**	**$46,697**		**$0**	**N/A**
Total 39 - Other Finance Source:	**$141,470**	**$707,616**	**$417,412**	**$2,748,902**	**$4,350,550**	**58.3%**
Total Revenue Source:	**$36,241,898**	**$41,950,404**	**$44,200,156**	**$44,669,023**	**$50,328,225**	**12.7%**

General Fund Taxes and Fees

Assessed Real Property Value

The town's real property tax is imposed on the taxable assessed value of real property, appraised at 100% of fair market value. Fairfax County conducts the assessments annually, as of January 1, for the upcoming fiscal year.

When calculating changes in real property assessed values, the calculations must differentiate between changes in the value of existing property and changes that result from the value of new construction or reassessments due to rezoning. The first component is referred to as *equalization,* while the second is simply referred to as *new construction/rezoning*. Differentiating between these two types of value allows for greater transparency about the actual source of the revenue – assessment changes versus rate changes. Theoretically, the town's revenue (levy) could increase without a corresponding change in the real property tax rate due solely to new construction or rezoning, and not necessarily an increase in the value of existing property.

In the Town of Herndon, the split of total real estate tax revenues collected from commercial properties and residential properties is 36.0% and 64.0%, respectively. In FY 2026, residential and commercial real estate assessments are estimated to increase by 6.6% and 0.6%, respectively, resulting in a combined increase in real estate assessments of 4.3%. Individual property taxes may increase or decrease a percentage greater than or less than this percentage. As a result of the overall increase in assessments, for FY 2026, the total "equalization" rate, as defined by the Code of Virginia, is $0.255, a decrease of 1.8% from the current real estate tax rate of $0.260 per $100 of assessed value.

Real Property Tax Levy

For FY 2026, general property tax revenue is budgeted at $15,294,340 or 30.4% of the total adopted General Fund revenue, the fund's single largest tax. This total includes the real property tax, penalties, taxes on public service corporations, and a credit (reduction in revenue to the town) of $277,045 in tax relief offsets for qualifying elderly and disabled property owners. The town's collection rate is typically above 98% of taxes levied every year.

While the increase in assessments adds additional revenue in this category over FY 2025, due to inflationary and economic impacts, planning for further capital investments, and rising personnel and operational costs, in order to continue to provide the base level of services and programs to the community, this proposed budget includes a proposed real estate tax increase of $0.01, increasing the rate from $0.260 to $0.270 per $100 assessed value.

In FY 2024, the Town Council reduced the real estate tax rate from $0.265 to $0.260. The rate increase included in this proposed budget restores the half-cent decrease and proposes an additional half-cent increase to bring the rate to $0.270. Each penny on the real estate tax rate is estimated to produce approximately $560,000 in additional revenue for the town. This equates to an average impact to the average Herndon residential property owner of an additional $56 annually.

Other Local Taxes

In addition to real estate taxes, the town assesses other local taxes that are primarily consumer-driven. These taxes are consumer utility taxes, rights of way use fees, cigarette taxes, transient occupancy taxes, meals taxes, motor vehicle licenses, and the town's share of the local sales tax. Other taxes and fees included in the "Other Local Taxes" category include bank stock taxes, cable TV franchise fees, and BPOL. "Other Local Taxes" is *typically* the largest category of revenue for the General Fund. In the FY 2026 proposed budget, it is budgeted at $19.3 million, which represents 38.3% of General Fund revenues. Additional details on the major revenue categories included in "Other Local Taxes" are provided below.

Consumer Utility Tax

This tax is based on the purchase of electric and natural gas utility services within the corporate limits of the town. Residential and commercial rates vary and are comprised of a base charge and a usage charge for electric and natural gas. The FY 2026 proposed budget includes $810,000 for consumer utility taxes. Receipts have been relatively flat in recent years.

Cigarette Tax

Cigarettes are taxed at $0.75 per pack of 20 cigarettes and must be paid by the seller for all cigarette inventories. Payment of the tax is documented by the display of a stamp or meter imprint. Revenues for this tax for FY 2026 are proposed at $141,075, and continue to decrease each year. FY 2026 Cigarette Tax revenue is proposed at 5% less than the FY 2025 adopted budget.

Transient Lodging

The proposed budget maintains the current transient lodging tax rate of 6%, which is imposed on hotel and motel room rates, as well as bed and breakfast operations, inns, tourist homes, and other transient lodging facilities. Currently, there are eight hotels in town, with a combined total of 1,200 available rooms. The FY 2026 proposed budget for transient lodging taxes is $2,243,133, or an increase of 10.4% over the FY 2025 adopted budget. Transient lodging taxes accounts for $2.2 million, or 11.6% of the total "Other Local Taxes" revenue category.

Meals Tax

The meals tax is an excise tax assessed as a percentage of the price of a meal or prepared food, with some exceptions. The consumer pays the tax which is collected and then remitted monthly to the town by the seller.

The FY 2026 proposed budget is based on increasing the town's meals tax rate from 3.75% to 4.0%. The revenue estimate for meals taxes is $4.9 million, an increase of $577,617 or 13.4% over the FY 2025 adopted budget. This increase is attributable to the anticipated increase in the sales volume subject to meals tax, combined with approximately $300,000 of estimated impact of the rate increase. Meals tax revenues comprise 25.3% of the total of the "Other Local Taxes" category.

Bank Stock Franchise Tax

This tax is an $0.80 charge for every $100 of the net capital as of January 1st held by banks located within the town's corporate limits. Bank Stock returns are filed by March 15th and are due by May 31st each year. The FY 2026 budgeted amount for Bank Stock Franchise Tax is $600,000.

Cable TV Franchise Fees

This fee is imposed on subscriber receipts and other cable revenues of cable television providers, earned within the town's corporate limits. The total fee was composed of a 5% franchise fee and a 3% PEG (Public, Educational and Government) access fee designated for capital acquisition and infrastructure improvements. Effective January 1, 2007, the 5% franchise fee was replaced by the state's 5% communications sales and use tax, which the town receives monthly from the state. The 3% PEG fee continues to be assessed and collected by the town in February of every year. The majority of this fee is donated to the Herndon Community Television Corporation (HCTV) since they in turn broadcast official town meetings on local channels. The FY 2026 budgeted amount for Cable TV Franchise Fees is $120,000 and has been slowly decreasing in the past years.

Business Professional and Occupational License (BPOL)

Business license taxes are generally based on gross receipts, after accounting for the following thresholds:

1. Businesses with annual gross receipts of $0.00 up to and including $50,000 per year pay a flat license tax of $30.
2. Businesses with annual gross receipts in excess of $50,000 up to and including $100,000 per year pay a license tax that is either the lesser of $50 per year or the license tax calculated under the business license classification tax rate.
3. Business license taxes for businesses with annual gross receipts greater than $100,000 are based on the applicable business license classification tax rate.

The following table displays the various business license classifications and rates:

Business Classification	Rate Per $100 of Gross Receipts Above the $100,000 Threshold
Federal Research and Development	$0.03
Wholesale Merchants	$0.05
Builders and Developers	$0.05
Real Estate Brokers	$0.40
Contractors	$0.13
Retail Merchants **	$0.17
Restaurants	$0.13
Other Business and Personal Services	$0.21
Repair Services **	$0.19
Money Lenders	$0.20
Utilities	$0.50
Telephone Companies	$0.24
Amusements	$0.36
Hotels/Motels	$0.26
Professional	$0.40

The FY 2026 proposed budget for BPOL is $7,000,000. Town businesses are required to file and pay their BPOL taxes concurrently on March 1 each year, based on gross receipts earned during the previous calendar year. For FY 2026, the town plans to raise the BPOL rates for two categories (Retail Merchants and Repair Services) in order for the town rates to align with Fairfax County rates. It is anticipated that the rate update may generate over $100K additional BPOL revenue.

Motor Vehicle Licenses

This is an annual fee for each motor vehicle, trailer, or semi-trailer owned, kept or used by residents or businesses in the town. The fee rates are $25 for private passenger and other vehicles weighing less than 4,000 pounds, $32 for vehicles weighing more than 4,000 pounds and $12 for motorcycles. Fairfax County collects this fee for the town and remits the revenue to the town. Decals are no longer required by the town. The FY 2026 budget for Motor Vehicle Licenses is $560,000.

Local Sales and Use Tax

One percent of the sales tax collected in Fairfax County is returned to the county by the Commonwealth of Virginia. The county retains 50% of this allocation with the remaining 50% distributed, using the population of school-aged children, to incorporated towns and unincorporated areas in Fairfax County. The FY 2026 proposed budget includes $2,720,071; a modest 2.0% increase compared to the FY 2024 actual revenue.

Permits and Fees

FY 2026 estimated revenue generated from permits and fees, which include planning fees, Virginia stormwater management permit fees, building permits, building inspection fees, and rights-of-way permit fees, is budgeted at $758,500. This revenue source represents about 1.5% of FY 2026 total General Fund revenues.

Fines and Forfeitures

Revenue from fines and forfeitures accounts is estimated at $405,600 or about 0.8% of total FY 2026 proposed budget General Fund revenues. A majority of the revenues in this category are generated from court fines collected on behalf of the town by the Fairfax County court system. Other fines included here are parking and zoning fines.

Use of Money and Property

The use of money and property revenue category is comprised of several revenue types, the most significant of which is interest earnings and rental income. The total estimated income generated from the Use of Money and Property category for FY 2026 proposed budget is $2,047,697. This category represents 4.1% of the proposed total General Fund revenues. The year over year increase in revenues is primarily due to higher cash balances earning slightly lower interest rates.

Charges for Services

Charges for services are comprised mainly of parks and recreation fees that partially offset the cost of offering these programs and amenities. This category also includes franchise leases, recycling collection fees, and annual parking maintenance fees. The FY 2026 proposed budget includes charges for services of $2,691,269 or a 13.9% increase compared to the FY 2025 adopted budget of $2,363,430.

The town provides weekly recycling collection services for all single-family, duplex, and townhouse residential dwellings. The current fee, in place since 2021, is $16.00 per calendar quarter ($64.00 per year) included in the quarterly utility bills and generated over $400,000 a year in revenue to help offset expenses. While this fee is billed to customers quarterly, it is collected monthly by the town because the town's customers are billed on different quarterly cycles. The FY 2026 proposed budget of $502,000 includes a fee increase of $5.00 per quarter and will be billed under the updated name "Solid Waste Fee".

Intergovernmental Revenues

Intergovernmental Revenues account for 10.8% of total FY 2026 proposed budget General Fund revenues and include VDOT street maintenance reimbursements, a 4% vehicle rental tax, and grants from local, state, and federal sources. Revenues for this category are proposed at $5,445,373, the third-largest General Fund category.

Annually, the town receives funding from VDOT for maintenance of the public roads and streets within the town. For street maintenance, the FY 2026 proposed budget includes an allocation of $2,700,000, a 3.8% increase compared to the FY 2025 adopted budget.

The state's communication sales and use tax replaced three previously locally assessed town taxes. These were the consumer utility taxes on telecommunication services, the mobile telecommunications fee (cellular telephone tax) and the 5% portion of the town's cable TV franchise fee. The communication sales and use tax is collected and remitted by the different telecommunications and cable TV companies to the state for distribution to localities based on the locality's share of the total statewide collections of these taxes. The town's share of this tax is 0.41 percent. The revenues from this tax have been declining in recent years mainly due to changes in technology that have resulted in diminished use of taxable services.

The town receives a variety of grant money every year from federal, state, and county sources. The FY 2026 proposed budget include an estimate of $1,125,760 in state grants, the majority of which is in HB 599 funding for the police department and makes up 20.7% of the Intergovernmental revenue for the town. There are also a variety of smaller grants that can vary annually.

Other Revenue Sources

Revenues in the "Other Finance Source" and "Miscellaneous Revenue" categories include sale of land/buildings and surplus or obsolete materials, proceeds from capital lease purchases, insurance recoveries, use of capital maintenance reserves, and use of fund balance. Recommended use of FY 2026 "Other Finance Source" revenues total $4,350,550. This includes $225,000 from miscellaneous sources and the use of $4,125,550 of unassigned fund balance to assist in funding the portion of capital and other one-time expenditures.

General Fund Expenditures

The General Fund is the primary operating fund of the town and includes the Town Clerk, Town Administration (which includes: Communications, Economic Development, Town Manager, Human Resources, and Information Technology), Parks & Recreation, Finance, Community Development, Police, Public Works, and the Town Attorney. The FY 2025 General Fund budget of $50,328,225 represents an increase of $5,659,202, or 12.7% over the FY 2025 Adopted budget of $44,669,023. The following tables and charts provide a multi-year comparative overview.

Personnel Expenditures

Personnel is the single largest expenditure category in the General Fund. At $33,008,066, personnel costs comprise 65.6% of the FY 2026 budget, an 8.7% increase compared to the FY 2025 Adopted Budget and an 13.9.% increase compared to the FY 2024 Actuals. The increase in the FY 2026 budget is primarily due to a 12% increase in health insurance premiums, an increase of 2.5% in Market Rate Adjustments, and pay-for-performance increases averaging 2.0%, funding previously unfunded positions, adding an SEET team to the Police department and reclassifications across different departments, as well as an adjustment of all pay scales accordingly for next year to allow the town to be marketable to prospective employees.

Operations and Maintenance Expenditures

The FY 2026 proposed budget includes Operations & Maintenance (O&M) expenditures of $11,180,432, comprising 22.2% of the total General Fund budget, an increase of 17.8% over the FY 2025 adopted budget. The FY 2026 proposed budget includes priority spending on major projects and reduction in other areas based on previous year's actual results. This strategy helped create a more balanced budget with a focus on the areas that were a high priority.

Capital Expenditures

Capital expenditures of $2,894,550 comprise 5.8% of the FY 2026 proposed budget, or an increase of 28.7% over the FY 2025 adopted budget. Additional capital spending for major projects is budgeted in the Capital Projects Fund. Enterprise Funds contain fund-specific capital spending.

Non-Departmental Expenditures

Non-Departmental expenditures are not directly tied to specific departments and include the following categories: community donations (cash and in-kind), general liability insurance, the annual financial statement audit, contingency reserve, retiree health benefits, and interfund reimbursements.

Beginning with FY 2023, interfund reimbursements are recorded as a reduction in General Fund expenditures. The reduction is a reimbursement of the estimated cost of General Fund services provided to the town's Enterprise Funds. These services include, but are not limited to, human resource administration, payroll, accounts payable, accounts receivable, purchasing, information technology services, public works services, and project management.

Interfund Transfers

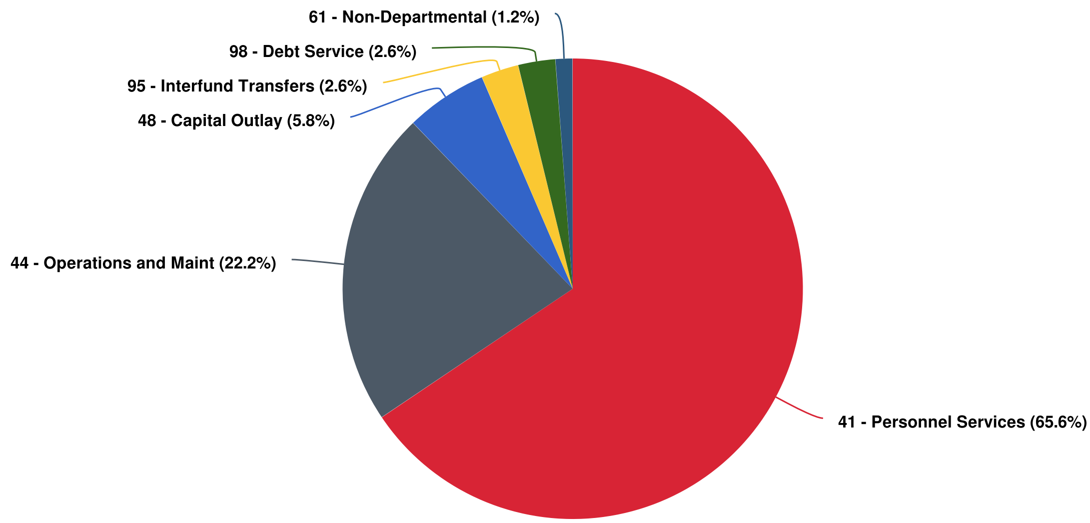
The FY 2026 proposed budget includes two interfund transfers: $1,213,000 to the Capital Projects Fund, and $110,811 to the Stormwater Fund.

Debt Service

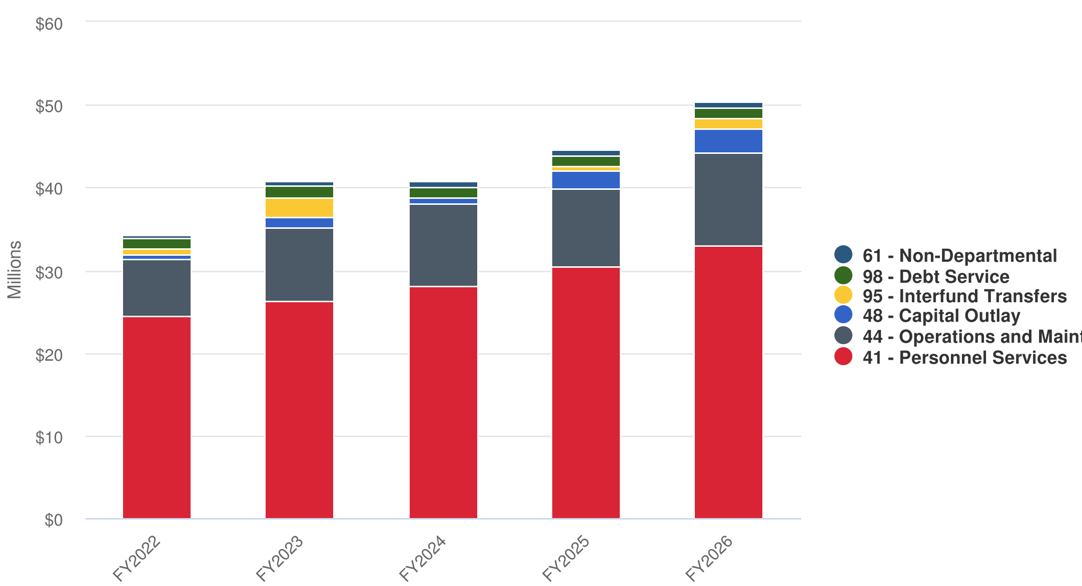
Debt service expenditures of $1,314,516 represent 2.6% of the FY 2026 proposed budget or a decrease of 5.8% from the FY 2025 adopted budget.

Expenditures by Expense Type

Budgeted Expenditures by Expense Type

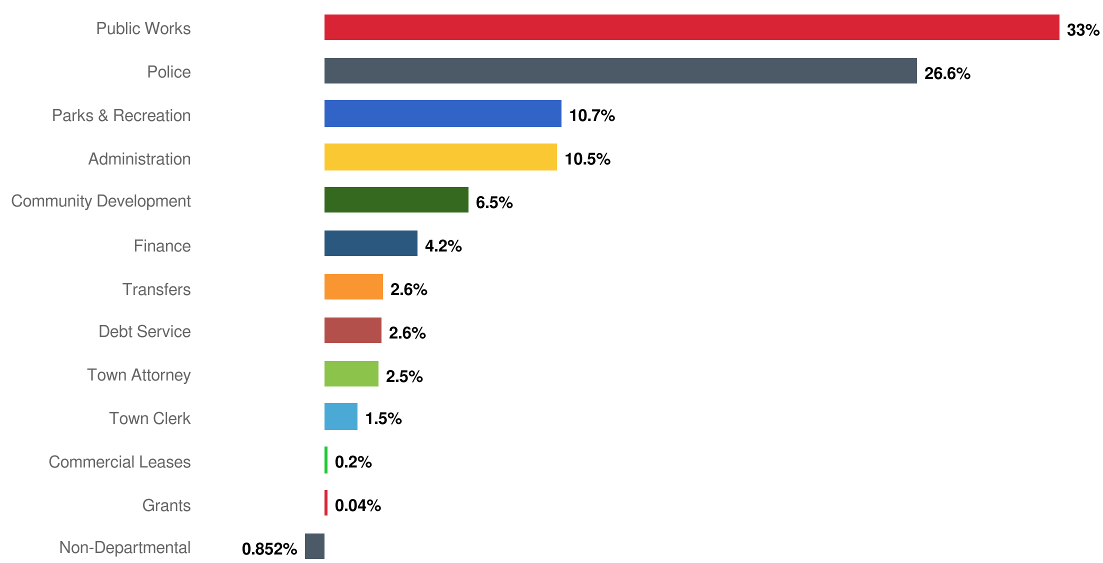


Budgeted and Historical Expenditures by Expense Type



Expenditures by Department

Budgeted Expenditures by Function



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expenditures						
Town Clerk	$508,117	$613,312	$653,438	$804,815	$779,764	-3.1%
Administration	$3,111,415	$3,357,954	$3,583,078	$4,472,532	$5,266,281	17.7%
Parks & Recreation	$3,569,187	$3,961,843	$4,039,608	$4,795,838	$5,368,849	11.9%
Finance	$1,517,999	$1,646,904	$1,993,944	$1,984,081	$2,123,659	7%
Community Development	$2,019,189	$2,671,606	$2,613,920	$2,914,891	$3,276,153	12.4%
Police	$9,730,969	$10,601,772	$12,345,300	$12,200,580	$13,369,867	9.6%
Public Works	$11,022,505	$13,122,731	$12,884,499	$14,470,086	$16,586,826	14.6%
Town Attorney	$778,424	$833,754	$1,227,454	$997,549	$1,241,755	24.5%
Grants	$43,525	$8,363	$41,746	$8,781	$19,738	124.8%
Commercial Leases	$117,501	$115,064	$83,138	$120,817	$85,632	-29.1%
Transfers	$743,012	$2,396,407	$250,000	$467,400	$1,323,811	183.2%
Non-Departmental	-$227,915	-$46,283	-$91,653	$36,872	-$428,626	-1,262.5%
Debt Service	$1,277,624	$1,483,933	$1,514,963	$1,394,782	$1,314,516	-5.8%
Total Expenditures:	**$34,211,553**	**$40,767,360**	**$41,139,434**	**$44,669,023**	**$50,328,225**	**12.7%**

Non-departmental Expenditures

FY 2026 Budget Summary: Non-departmental Expenditures						
General Fund	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Actual**	**FY 2025 Adopted**	**FY 2026 Proposed**	**% Change FY 2026 to FY 2025**
41 - Personnel Services						
Interfund cost allocation	(593,894)	(593,894)	(707,661)	(741,406)	(878,476)	4.8%
Budgeted vacancy savings					(250,000)	
44 - Operations and Maint	19,516	58,878	64,097	20,000	33,000	6566.7%
48 - Capital Outlay	0	9,472	4,500	0	0	-
61 - Non-Departmental						
Retiree Benefits, Insurance, Audit & Reserve	233,568	288,536	486,452	498,277	526,850	2.4%
Community Donations						
HCTV	108,425	108,425	108,425	110,000	0	1.5%
Arts Herndon	4,500	39,500	40,000	40,000	40,000	0.0%
Next Stop Theatre	0	39,500	40,000	40,000	40,000	0.0%
Juneteenth & Pakistan Events	0	3,300	0	10,000		-
Commmunity Cultural Festivals	0	0	27,015	60,000	60,000	-
Grand Total	**($227,885)**	**($46,283)**	**($32,483)**	**$36,871**	**($428,626)**	**-213.5%**

Non-departmental expenditures represent costs for goods and services not attributable to one specific organizational department within the town. Included in this category are costs for the town's external audit, liability insurance, retiree health benefit costs, and the community donations. In addition, non-departmental expenses include the allocation of costs from the General Fund across the Enterprise Funds for services provided by town administration, such as human resource management, finance, project management, and information technology.

During FY 2024, the Town Council established a policy for town donations to promote new community cultural festivals and events. For the FY 2026 Budget, the HCTV costs are reported as an expenditure in the Town Administration - Communications department.

Water and Sewer Fund

The Water and Sewer Fund accounts for the operation, maintenance, and construction of the town's water and sanitary sewer systems. The Water and Sewer fund runs as a standalone business with their resources, revenues and expenditures accounted for in a type of self-balancing proprietary fund called an enterprise fund.

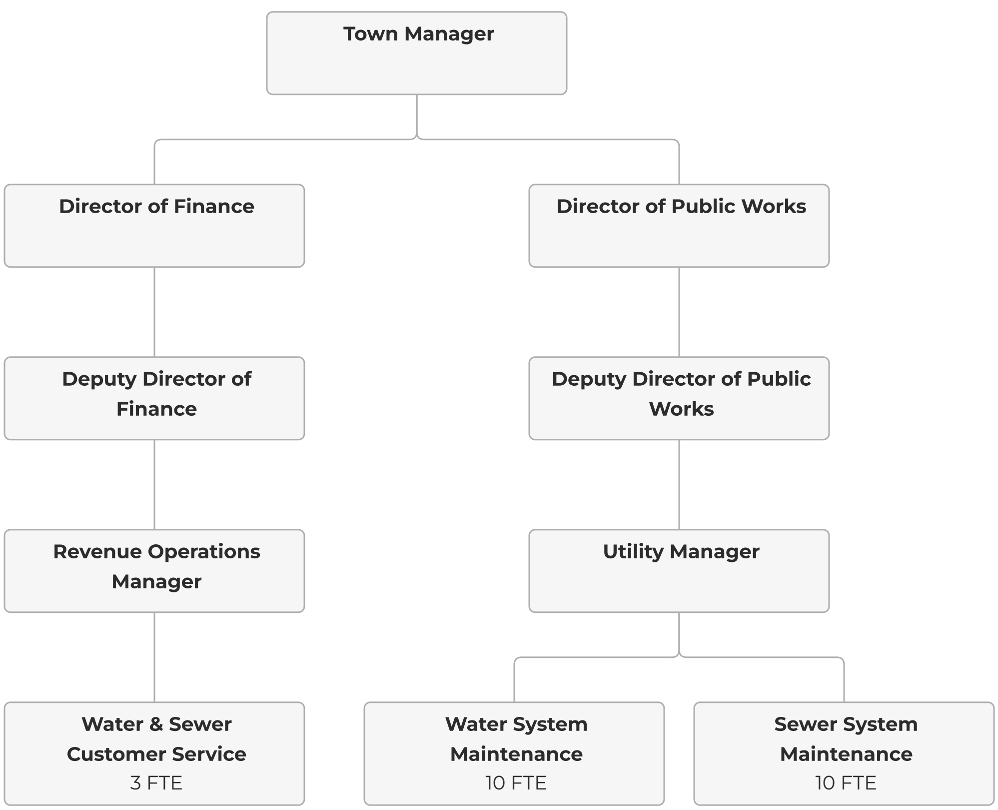
The Water and Sewer Fund provides safe, efficient and affordable water and sewer services for Town of Herndon utility customers. Operations are funded by user fees charged for services provided.

Sewer Service & Maintenance maintains the town's sanitary sewer conveyance system and provides technical and operational support for the town's development, as well as maintains unrestricted flow of the sanitary sewer system.

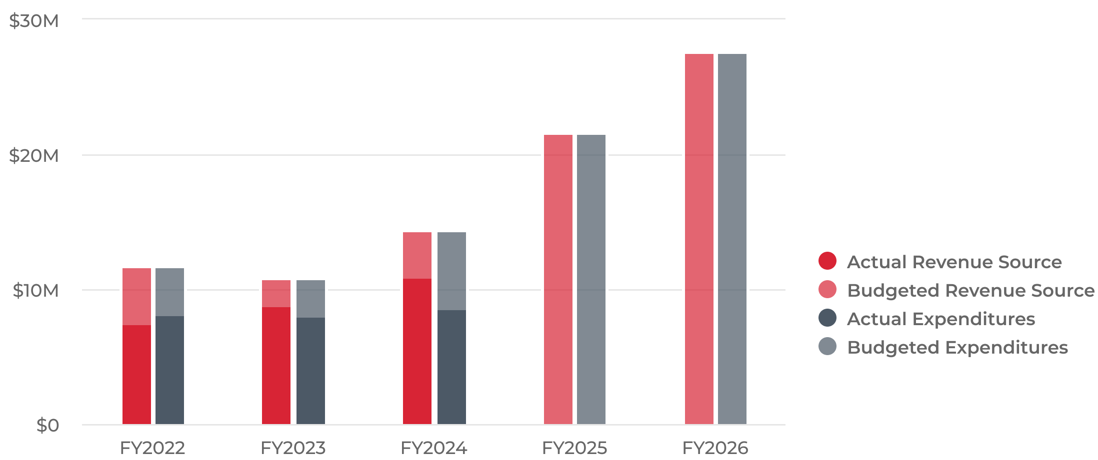
Water Supply & Maintenance provides high quality water supply to Town of Herndon customers and provides technical and operational support for the town's development activities. This includes ensuring system pressure is sustained beyond the requirement for fire protection. The water utility maintains approximately 84.7 miles of water main and three water towers.

Public health and safety are primary goals for these town services.

Organizational Chart



Summary


$30M
$20M
$10M
$0
FY2022
FY2023
FY2024
FY2025
FY2026
Actual Revenue Source
Budgeted Revenue Source
Actual Expenditures
Budgeted Expenditures

Water and Sewer Rates

Water & Sewer Rates

The FY 2026 proposed budget includes the following billing changes:

Water

Quarterly Service Charge (5/8" meter)	$21.24
Base Rate	$4.79/ 1000 gal.
Peak Rate	$8.15/ 1000 gal.

Sewer

Quarterly Service Charge (5/8" meter)	$15.95
Base Rate	$9.64/ 1000 gal.

These new rates are part of a multi-year plan to adjust rates to meet increases in sewer treatment costs, wholesale water costs, and a need for a significant capital repair and improvement program to replace aging water and sewer pipes, and support expanded capacity. During the pandemic and through 2022, the town held rates steady, recognizing the economic burden on residents created by the pandemic and the high inflation rates that followed the pandemic. While the town held rates steady, cost for water and treatment of wastewater continued to rise. In 2024, the wholesale cost to the town for water increased 7% and the cost for wastewater treatment increased 16% For 2025 the increases are 9% and 5% respectively. Rates for both wholesale water and wastewater treatment by Fairfax County are projected to continue to rise.

The age of much of our system, along with the need for additional capacity to support future demand, are driving the need for a major capital project plan over the next few years. The cost of major capital projects for the town's water and sewer systems is estimated at $114,000,000 over the next five years. This includes major projects such as:

- Water Main Replacement
  - Wilshire Drive
  - Monroe Street
  - Nash Street
- Water Main Design
  - Florida Avenue
  - Pickett Lane & Patrick Drive
- UMP
  - Pump Station Construction (includes vaults)
  - Alabama Tank Design
  - Center Street Water Main Upsizing Design
  - Elden Street Water Main Upsizing Design
- Vehicles
  - Hydro Vac
  - Small Dump Truck
- Spring Down Sewer Main Upsizing (Herndon Parkway HTOC area)
- Sewer Main Lining & Manhole Rehab

These projects are necessary to continue to provide safe, reliable water for town residents.

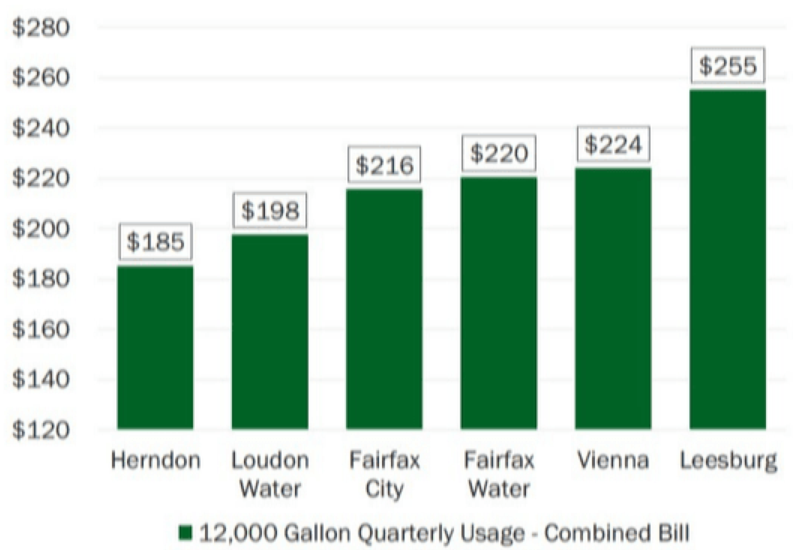
Although the town has been able to fund some of the early work using federal ARPA funding, work that will start between 2026 and 2030 will be funded from the Water and Sewer Fund. The town has maintained a healthy reserve in the water and sewer fund, which will be used to fund some of the construction work. The town intends to bond approximately 74% of the funding required for the upcoming major projects to spread the costs of these projects over many years and mitigate the short-term burden to water and sewer customers. The following graph shows the year-by-year result of annual revenue vs annual expenditures and how reserves and bonds will be used to smooth rate increases over the next few years.

Projected Operating Results

Water and Sewer Bill Comparison

The town recognizes that these rate increases will have an impact on Herndon resident budgets. Unfortunately, increasing operating costs, along with the need for renewal of large portions of the system make the increases necessary. Even with these increases, Herndon will remain among the lowest cost providers in the region. The town will continue to strive to provide Herndon residents with safe and high-quality water and sewer services while maintaining an affordable position as one of the lowest priced providers in Northern Virginia.

FY 2025 Water and Sewer Bill Comparison with Neighboring jurisdictions

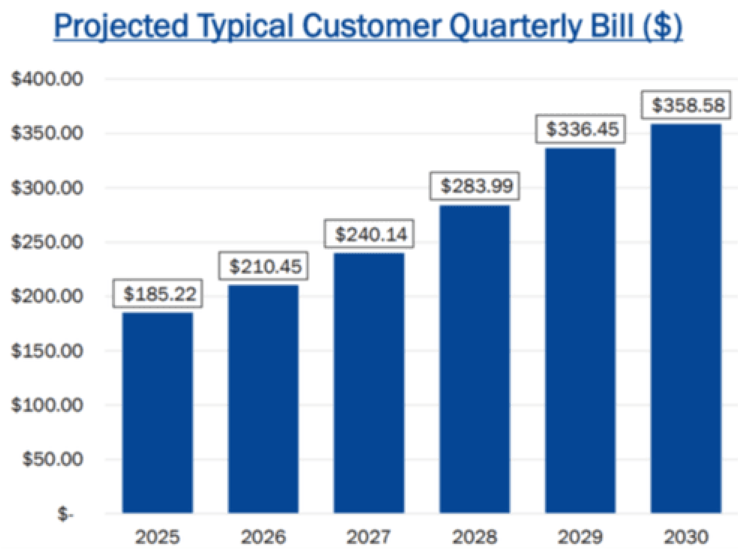


Typical Customer Bill

The new rates for proposed FY 2026 will increase the average customer quarterly bill by about $25. This change will be higher for customers that are heavy users and less for customers that use less than 12,000 gallons/quarter.

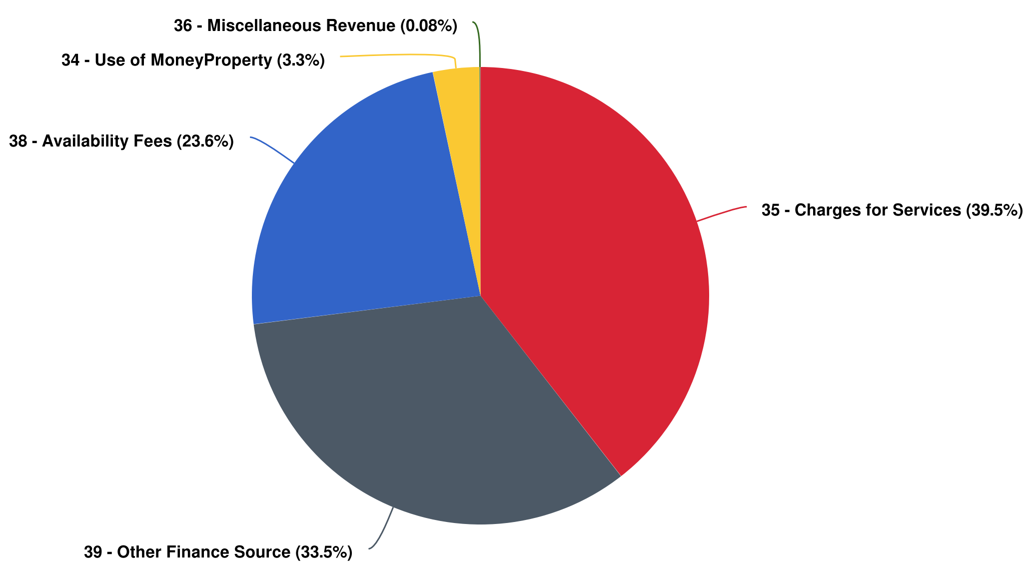
Projected Typical Quarterly Customer Bill 2025 - 2030

(12,000 gallons)

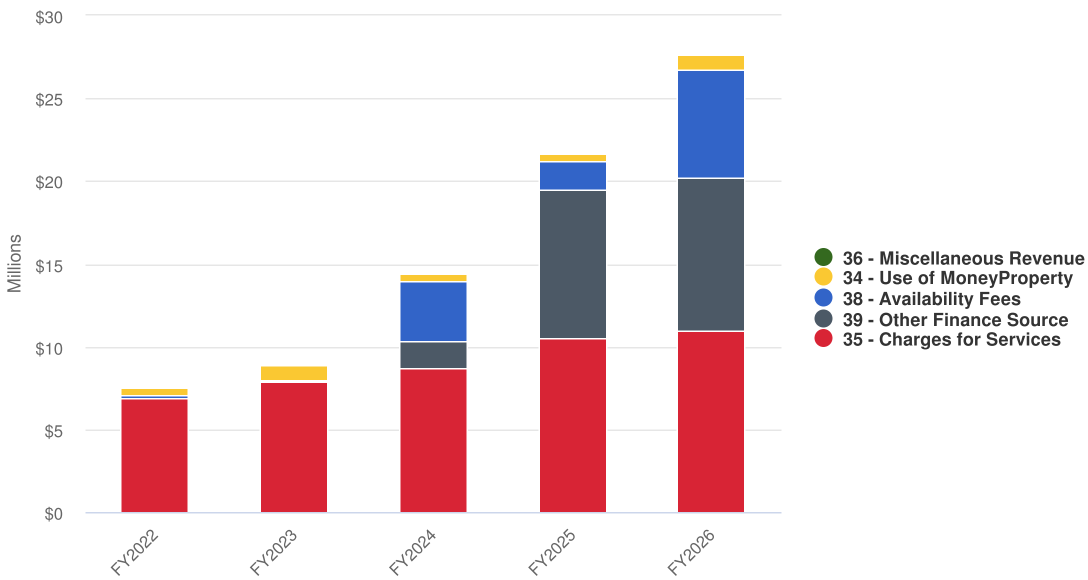


Revenues by Source

Revenues by Source



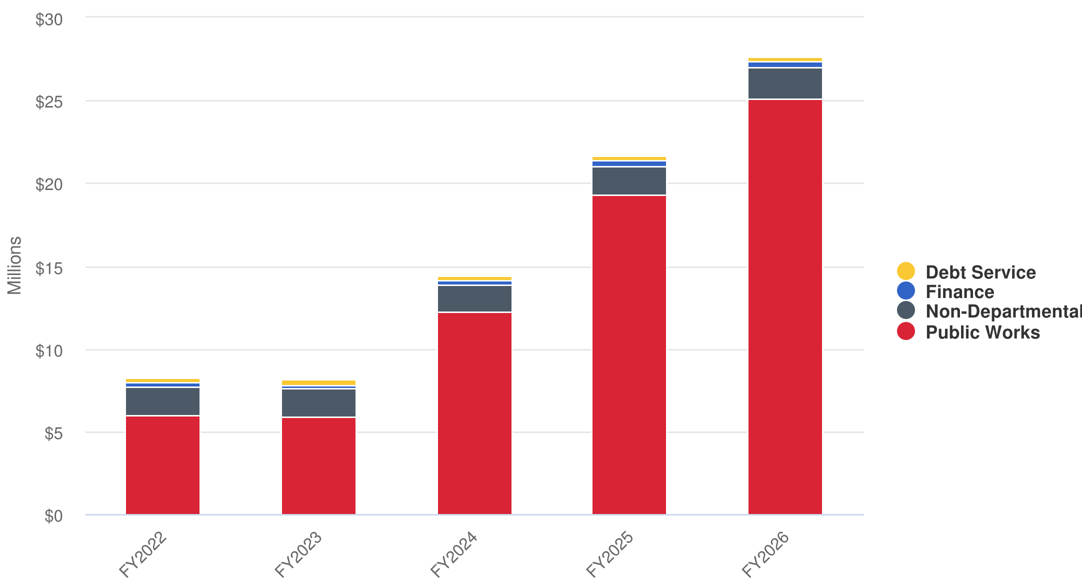
Budgeted and Historical Revenues by Source



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source						
34 - Use of MoneyProperty	$499,434	$888,408	$1,027,921	$472,000	$904,855	91.7%
35 - Charges for Services	$6,861,708	$7,874,017	$8,668,356	$10,472,923	$10,923,000	4.3%
36 - Miscellaneous Revenue	$19,532	$17,606	$19,968	$18,700	$21,100	12.8%
38 - Availability Fees	$130,228	$84,070	$1,237,668	$1,672,140	$6,545,340	291.4%
39 - Other Finance Source	$34,051	$11,744	$11,040	$9,044,420	$9,286,710	2.7%
Total Revenue Source:	**$7,544,954**	**$8,875,845**	**$10,964,953**	**$21,680,183**	**$27,681,005**	**27.7%**

Expenditures by Function

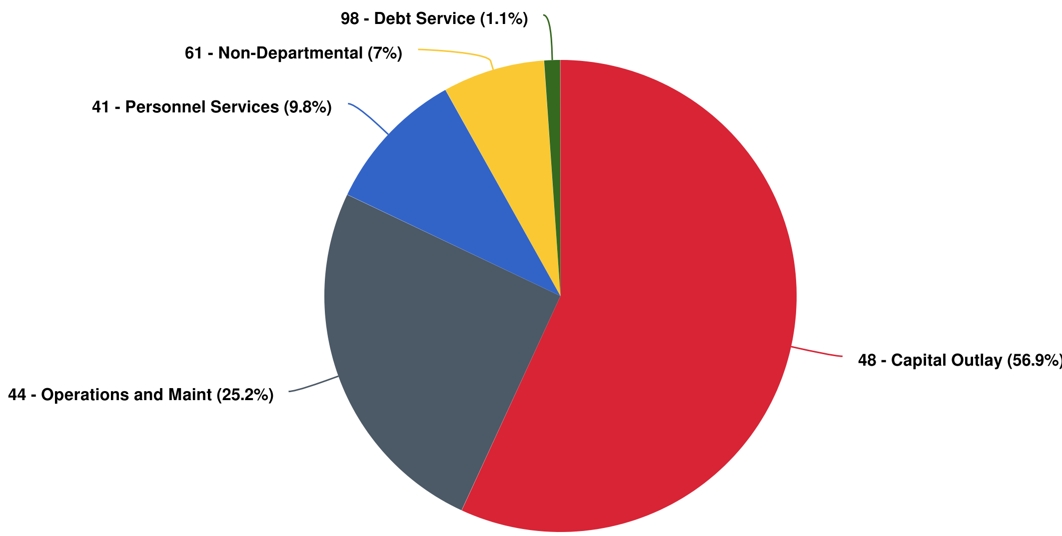
Budgeted and Historical Expenditures by Function



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expenditures						
Finance	$248,423	$228,162	$333,522	$359,933	$380,631	5.8%
Public Works	$6,011,608	$5,854,869	$5,944,512	$19,302,691	$25,079,552	29.9%
Non-Departmental	$1,725,107	$1,716,454	$2,034,606	$1,694,232	$1,914,215	13%
Debt Service	$239,082	$351,611	$336,600	$323,328	$306,607	-5.2%
Total Expenditures:	**$8,224,220**	**$8,151,095**	**$8,649,240**	**$21,680,183**	**$27,681,005**	**27.7%**

Expenditures by Expense Type

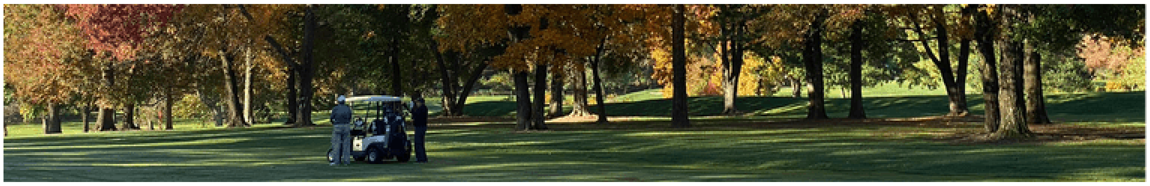
Budgeted Expenditures by Expense Type



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects						
41 - Personnel Services	$1,197,288	$1,590,011	$1,758,126	$2,629,623	$2,721,866	3.5%
44 - Operations and Maint	$4,752,671	$4,413,061	$4,464,587	$6,291,254	$6,973,910	10.9%
48 - Capital Outlay	$218,301	$45,099	-$1,416	$10,731,000	$15,746,381	46.7%
61 - Non-Departmental	$1,816,878	$1,751,314	$2,091,343	$1,704,978	$1,932,241	13.3%
98 - Debt Service	$239,082	$351,611	$336,600	$323,328	$306,607	-5.2%
Total Expense Objects:	**$8,224,220**	**$8,151,095**	**$8,649,240**	**$21,680,183**	**$27,681,005**	**27.7%**

Golf Course Fund

The Golf Course Fund is considered a proprietary or enterprise fund and operates much like a commercial business, where revenues are comprised of user fees support operational and maintenance expenses.



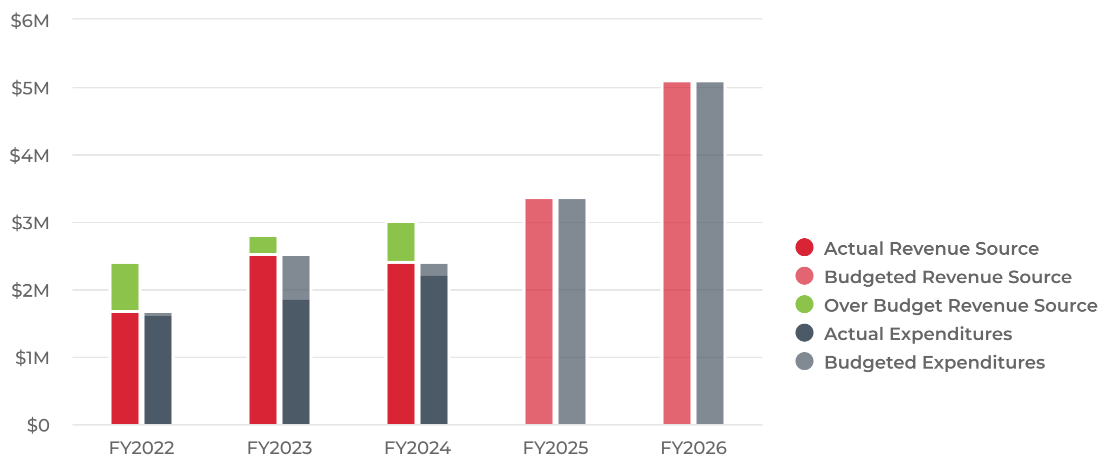
The Herndon Centennial Golf Course: with its 18 hole, par 71 layout features well-bunkered undulating greens, gently rolling fairways, free-flowing tees, tree-lined areas along portions of the course, meandering creeks, and several water hazards. It is the closest golf course to the Dulles International Airport and an easy drive from downtown Washington D.C. Herndon Centennial has received numerous recognitions to include:

- Four-time host of USGA Public Links Sectional Qualifiers
- Golf Digest's "Places to Play" for 18 consecutive years
- "Best Area Courses for Women" by Pros n Hackers Magazine
- Certified Audubon Cooperative Sanctuary

Organizational Chart

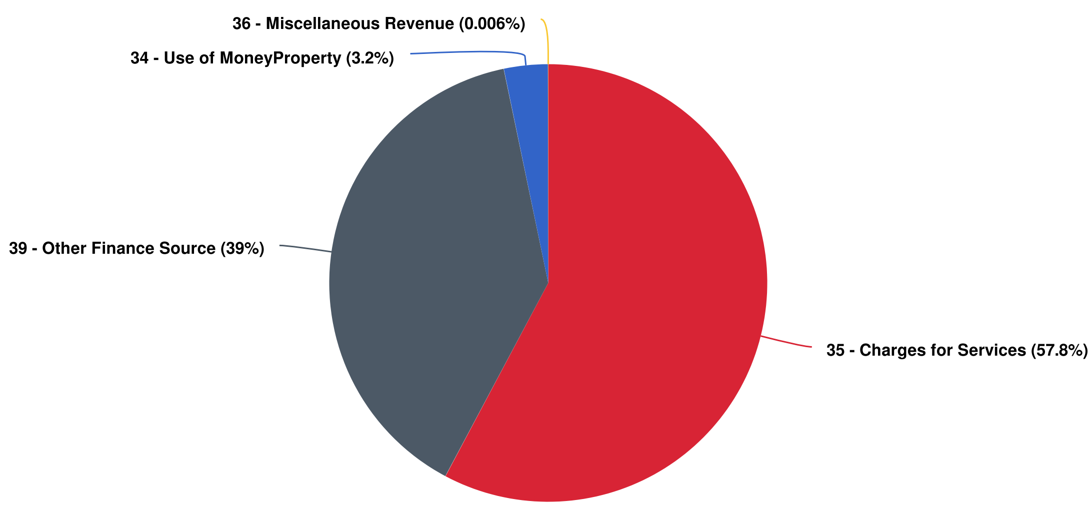
Summary

The Golf Course Fund has proposed revenues of $5.11M for FY 2026, which represents a $1,728K (51.1%) increase over FY 2025 Adopted Budget. Budgeted expenditures include capital outlay to begin Clubhouse renovation work and cart cover.

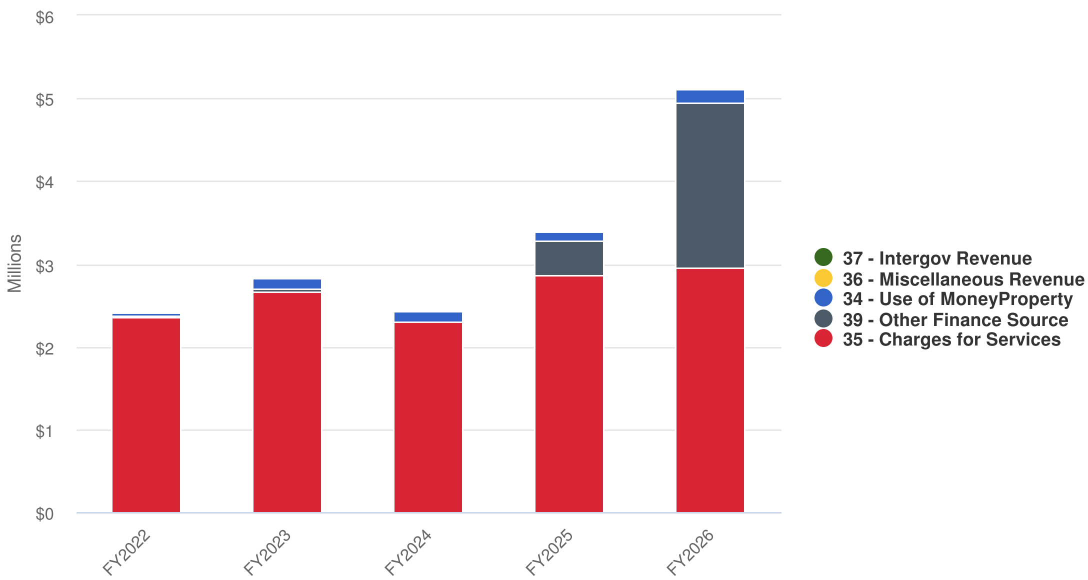


Revenues by Source

Revenues by Source



Budgeted and Historical Revenues by Source



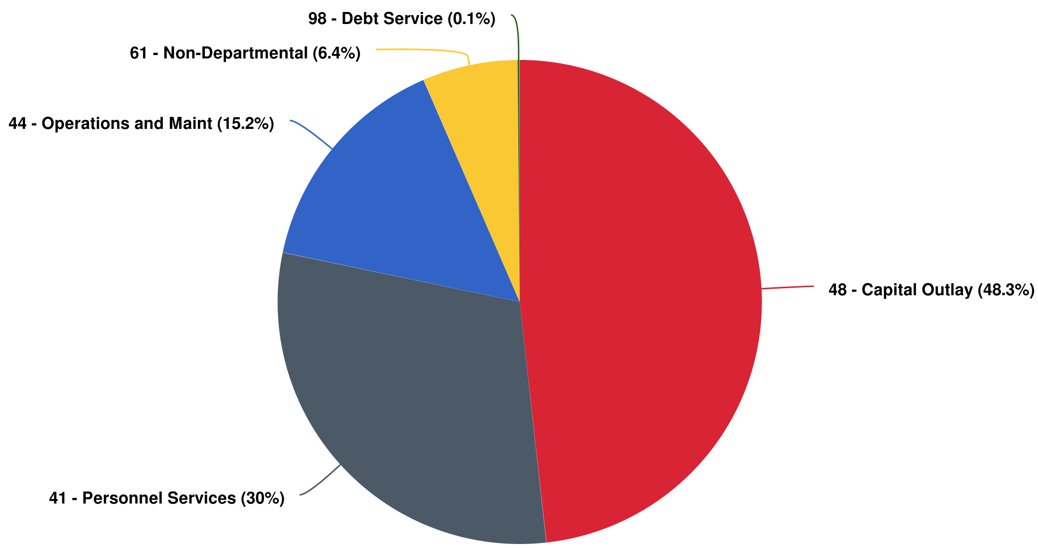
Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source						
34 - Use of MoneyProperty	$45,771	$133,830	$193,031	$100,540	$165,704	64.8%
35 - Charges for Services	$2,357,309	$2,658,595	$2,837,938	$2,872,790	$2,954,666	2.9%
36 - Miscellaneous Revenue	$238	$249	$294	$249	$303	21.9%
37 - Intergov Revenue	$1,373	$0	$0	$0	$0	0%
39 - Other Finance Source	$8,480	$33,671	$0	$410,269	$1,991,855	385.5%
Total Revenue Source:	**$2,413,171**	**$2,826,344**	**$3,031,264**	**$3,383,848**	**$5,112,528**	**51.1%**

Expenditures by Function

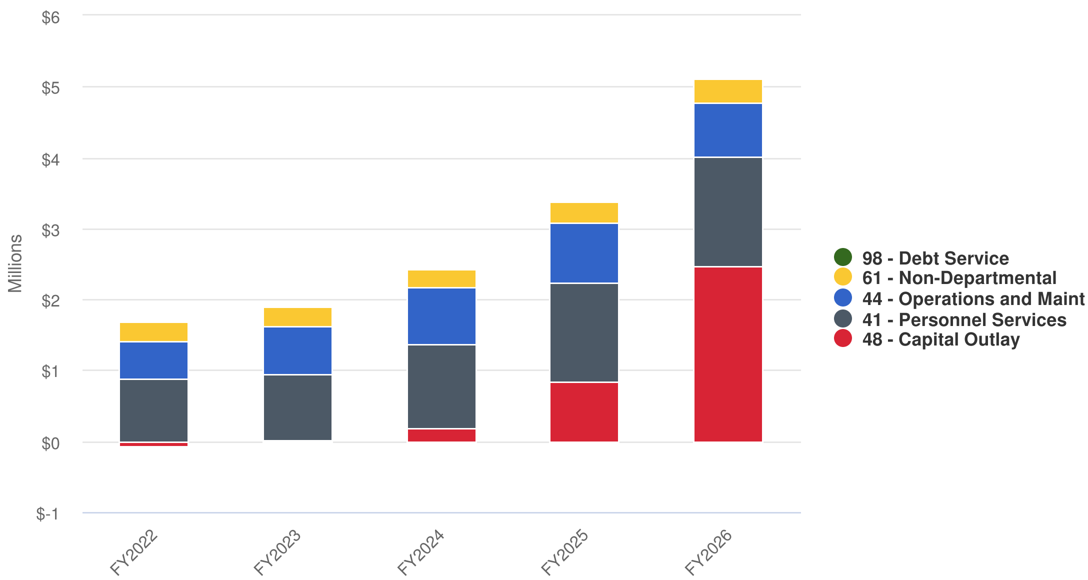
Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expenditures						
Golf Course	$1,363,371	$1,686,889	$1,963,633	$3,101,920	$4,776,806	54%
Non-Departmental	$266,733	$200,393	$264,676	$272,043	$328,441	20.7%
Debt Service	$3,888	$12,016	$11,118	$9,884	$7,281	-26.3%
Total Expenditures:	**$1,633,992**	**$1,899,299**	**$2,239,427**	**$3,383,848**	**$5,112,528**	**51.1%**

Expenditures by Expense Type

Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects						
41 - Personnel Services	$890,150	$932,481	$1,067,729	$1,384,020	$1,535,265	10.9%
44 - Operations and Maint	$521,819	$681,458	$937,699	$853,778	$777,884	-8.9%
48 - Capital Outlay	-$60,864	$11,475	-$69,769	$848,000	$2,467,200	190.9%
61 - Non-Departmental	$279,000	$261,868	$292,650	$288,165	$324,898	12.7%
98 - Debt Service	$3,888	$12,016	$11,118	$9,884	$7,281	-26.3%
Total Expense Objects:	**$1,633,992**	**$1,899,299**	**$2,239,427**	**$3,383,848**	**$5,112,528**	**51.1%**

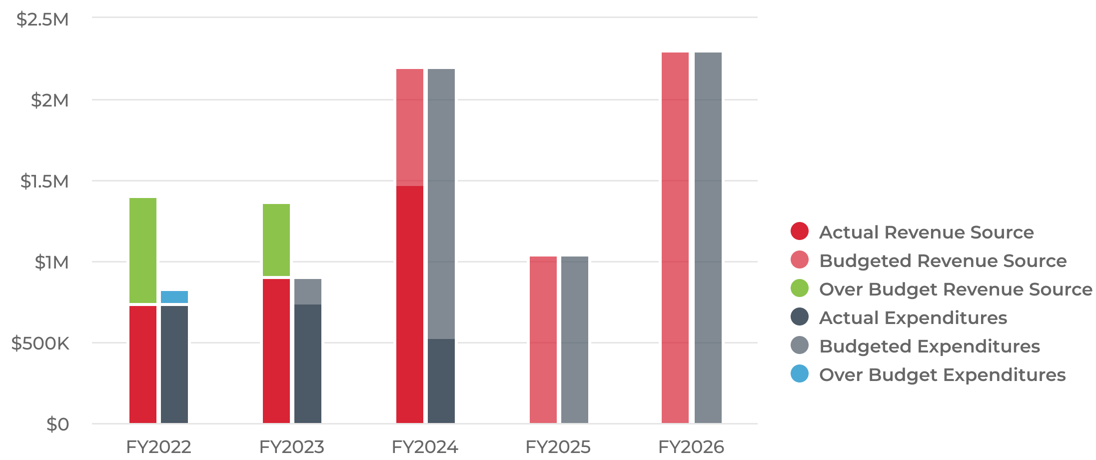
Chestnut Grove Cemetery Fund

Chestnut Grove Cemetery is a community heritage resource, providing twenty-five acres as an active historic cemetery. The earliest burials in the cemetery date to the 1830s, and the site was formally organized as a cemetery in 1872. The cemetery was deeded to the Town in 1997 from the Chestnut Grove Cemetery Association, which had operated the cemetery from the early 1950s. Chestnut Grove Cemetery runs as a standalone business, with its resources, revenues, and expenditures accounted for in a type of self-balancing proprietary fund called an enterprise fund.

Organizational Chart

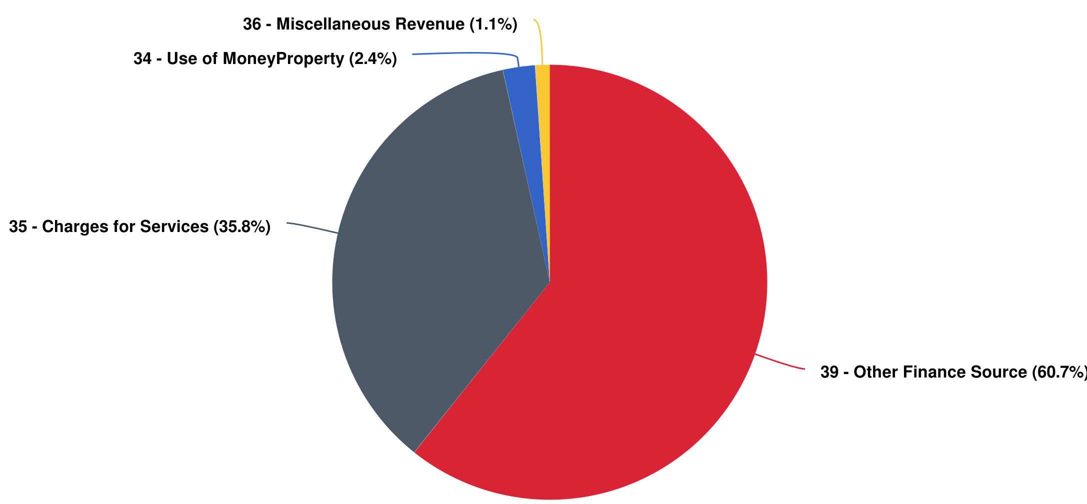
Summary

The Town of Herndon proposed a $2,304,252 budget in FY 2026, which represents a 119% or $1,254K increase over the prior year's adopted budget.

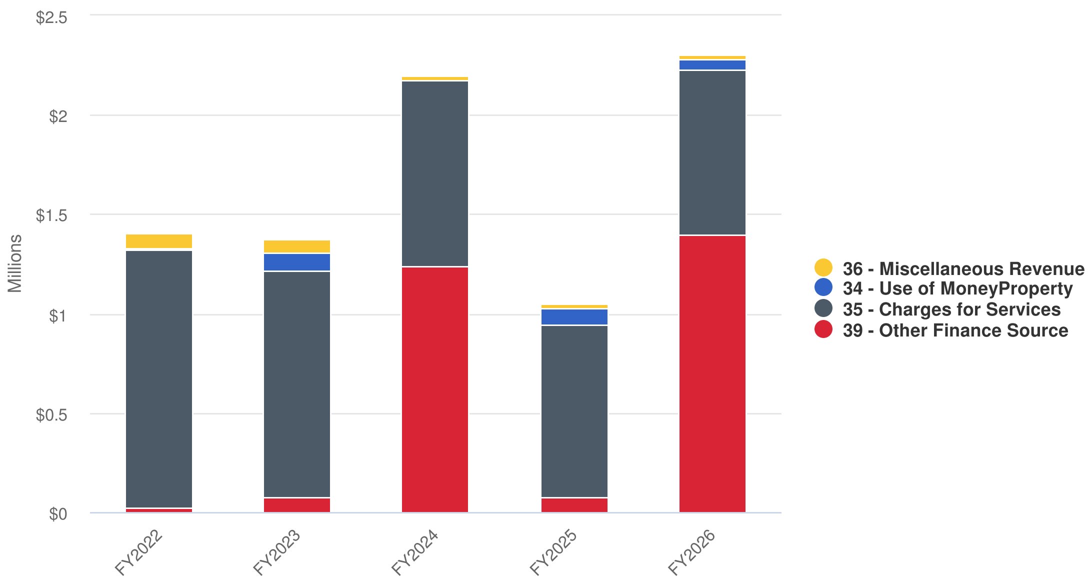


Revenues by Source

Budgeted Revenues by Source



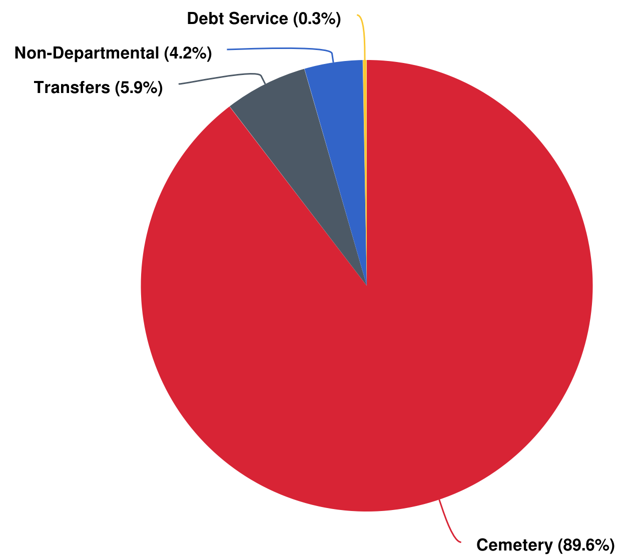
Budgeted and Historical Revenues by Source



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source						
34 - Use of MoneyProperty	$4,991	$85,441	$142,808	$86,000	$55,000	-36%
35 - Charges for Services	$1,298,235	$1,146,629	$1,164,493	$869,630	$825,446	-5.1%
36 - Miscellaneous Revenue	$79,164	$70,198	$60,245	$22,191	$24,813	11.8%
39 - Other Finance Source	$24,658	$72,486	$117,506	$72,485	$1,398,993	1,830%
Total Revenue Source:	**$1,407,048**	**$1,374,753**	**$1,485,051**	**$1,050,306**	**$2,304,252**	**119.4%**

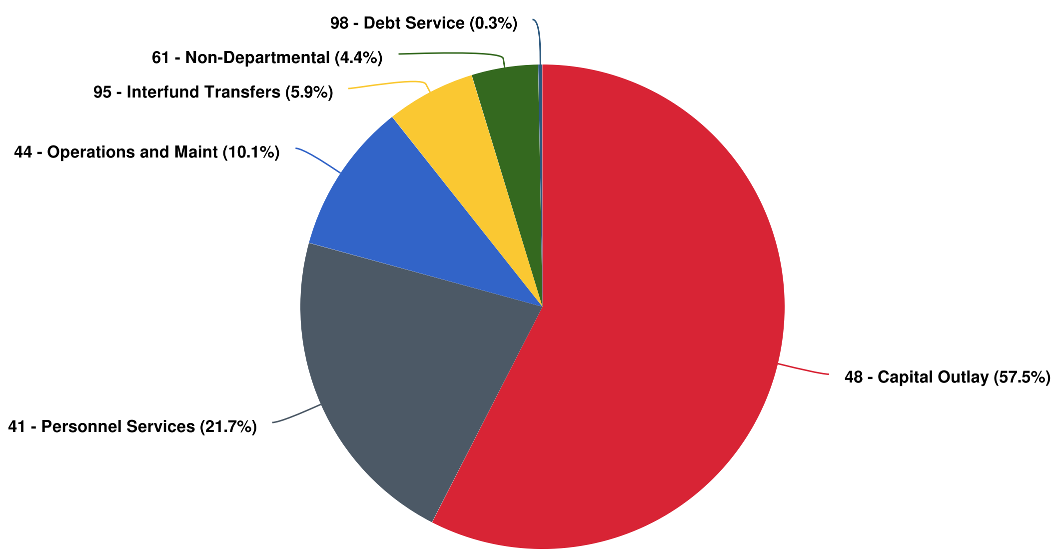
Expenditures by Function

Budgeted Expenditures by Function

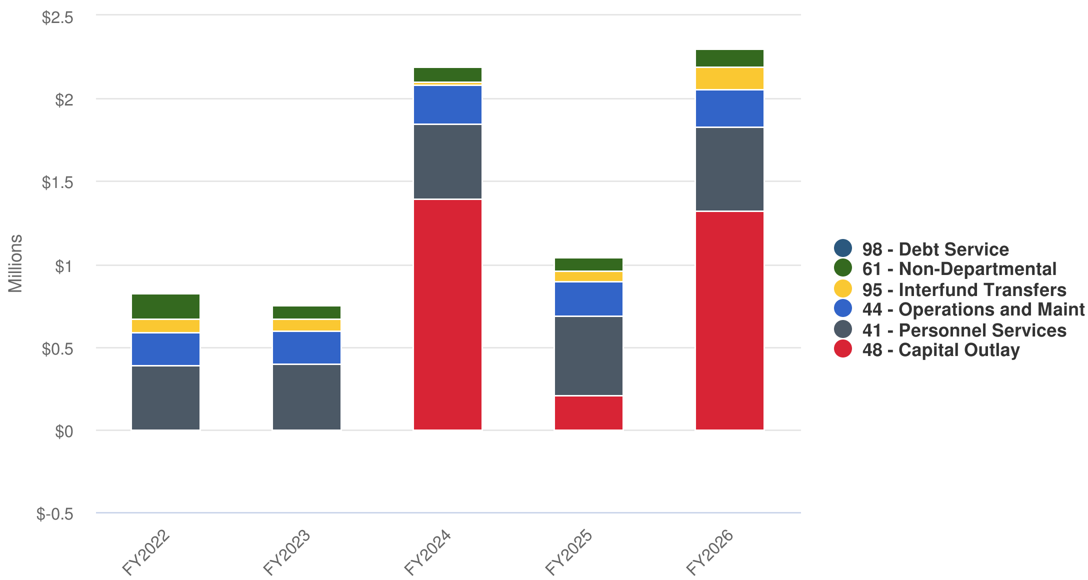


Expenditures by Expense Type

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects						
41 - Personnel Services	$389,583	$399,575	$406,147	$479,920	$500,023	4.2%
44 - Operations and Maint	$198,936	$200,009	$207,607	$208,345	$232,764	11.7%
48 - Capital Outlay	$1,625	-$2,461	-$246,123	$204,571	$1,326,076	548.2%
61 - Non-Departmental	$160,146	$83,441	$93,390	$81,628	$102,170	25.2%
95 - Interfund Transfers	$76,451	$65,141	$66,384	$68,398	$136,774	100%
98 - Debt Service	$8,248	$7,943	$7,636	$7,443	$6,444	-13.4%
Total Expense Objects:	**$834,989**	**$753,648**	**$535,042**	**$1,050,306**	**$2,304,252**	**119.4%**

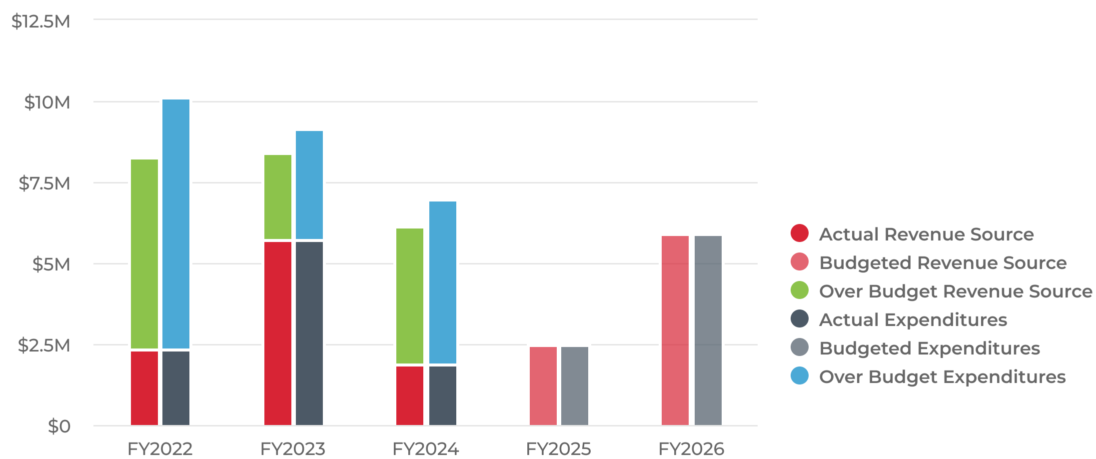
Capital Projects Fund

The Capital Projects Fund is used to account for transactions related to major asset acquisitions, maintenance, or construction projects.

Summary

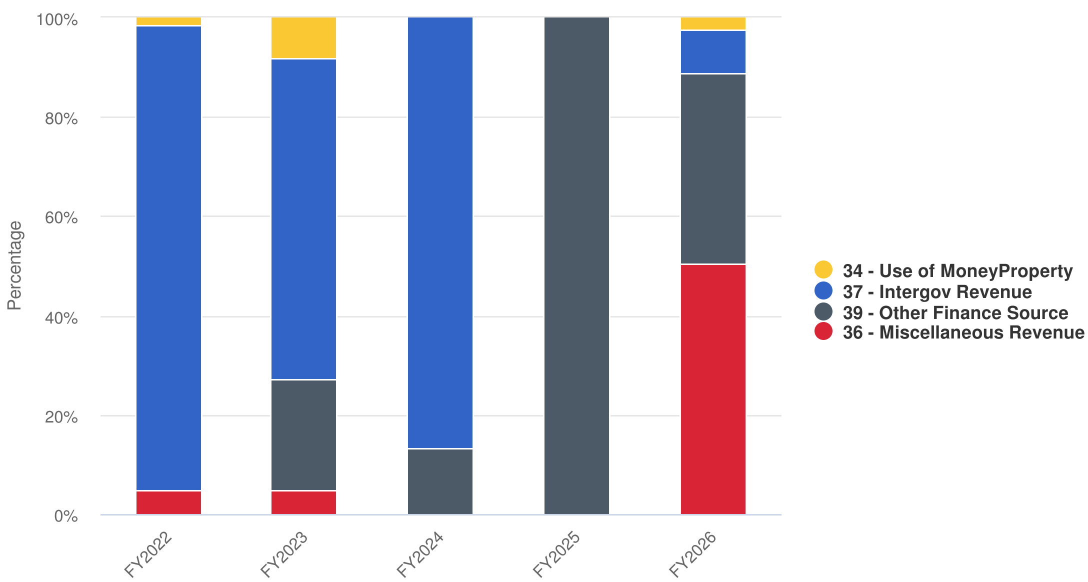
FY 2026 Budget includes $5,940,627 for the Capital Projects Fund. This represents a 137.6% increase over the prior year's adopted budget. Anticipated spending includes sidewalk/trail projects, information technology investment, park and sports fields improvements, transportation projects and facilities improvements. Details on the current and future projects is available in the Capital Improvement Program (CIP) document.

Typical revenue sources for the Capital Projects Funds include interest earnings on available project balances, federal, state, and local grants for select capital construction projects, use of developer contributions, or proffers, proceeds from debt/lease arrangements, and inter-fund transfers.



Revenues by Source

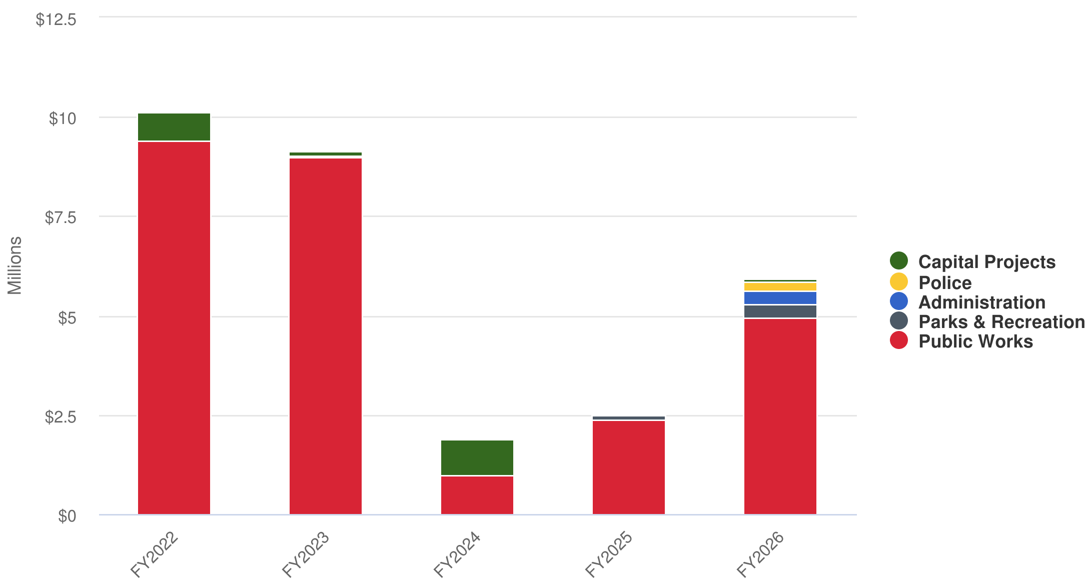
Budgeted and Historical Revenues by Source



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source						
34 - Use of MoneyProperty	$116,117	$682,127	$404,547	$0	$150,000	N/A
Total 34 - Use of MoneyProperty:	**$116,117**	**$682,127**	**$404,547**	**$0**	**$150,000**	**N/A**
36 - Miscellaneous Revenue	$387,560	$416,996	$430,049	$0	$3,000,000	N/A
Total 36 - Miscellaneous Revenue:	**$387,560**	**$416,996**	**$430,049**	**$0**	**$3,000,000**	**N/A**
37 - Intergov Revenue						
Hern Pk/Spring St to Fx Co Pkw		$0	$3,845,876		$0	N/A
Total 37 - Intergov Revenue:	**$7,765,347**	**$5,468,638**	**$4,302,037**	**$0**	**$520,000**	**N/A**
39 - Other Finance Source	$14,397	$1,869,492	$1,018,305	$2,500,000	$2,270,627	-9.2%
Total 39 - Other Finance Source:	**$14,397**	**$1,869,492**	**$1,018,305**	**$2,500,000**	**$2,270,627**	**-9.2%**
Total Revenue Source:	**$8,283,421**	**$8,437,253**	**$6,154,938**	**$2,500,000**	**$5,940,627**	**137.6%**

Expenditures by Function

Budgeted and Historical Expenditures by Function



Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expenditures						
Administration	$14,397	$16,992	$65,804	$25,000	$324,000	1,196%
Parks & Recreation	$0	$0	$0	$100,000	$350,000	250%
Police	$0	$0	$0	$0	$254,000	N/A
Public Works	$9,397,317	$8,998,932	$6,664,522	$2,375,000	$4,942,627	108.1%
Capital Projects	$704,190	$134,079	$268,899	$0	$70,000	N/A
Total Expenditures:	**$10,115,904**	**$9,150,003**	**$6,999,225**	**$2,500,000**	**$5,940,627**	**137.6%**

Expenditures by Expense Type

Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY2026 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects							
48 - Capital Outlay	$10,115,904	$9,150,003	$6,999,225	$2,500,000	$5,940,627	$5,940,627	137.6%
Total Expense Objects:	**$10,115,904**	**$9,150,003**	**$6,999,225**	**$2,500,000**	**$5,940,627**	**$5,940,627**	**137.6%**

ARPA

On March 10, 2021, Congress passed, and the President signed the American Rescue Plan Act of 2021. This Act provides funding for several different programs to address the COVID-19 pandemic.

The Town of Herndon established the American Rescue Plan Act (ARPA) Fund in FY 2022 to account for project spending designated under the Federal Government's American Rescue Plan Act of 2021. This legislation provides municipalities federal grant revenue to respond to the COVID-19 pandemic and its economic effects and to replace revenue lost due to the public health emergency, preventing cuts to government services.

A primary component of the ARPA was $350 billion in assistance for eligible state, local, territorial, and Tribal governments for the direct impact of the COVID-19 pandemic through the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Virginia received $634M for Non-entitlement Units (NEUs) from the CSLFRF. Non-entitlement Units are local governments typically serving a population under 50,000. The Town of Herndon was allocated a total amount of $25.5M in two (2) installments. The Town of Herndon received the first installment on June 30, 2021, and the second installment on July 22, 2022.

Projects qualify under the following four categories: 1) Public Health and Negative Economic Impacts, 2) Premium Pay, 3) Revenue Loss, and 4) Investments in Water, Sewer, and Broadband Infrastructure.

The legislation stipulates that all funds must be obligated by December 31, 2024, and spending completed by December 31, 2026. Through FY 2022, FY 2023, and FY 2024 Budget amendments, funds for the majority of the qualifying projects have been appropriated, enabling the town to complete previously deferred maintenance projects, vehicle purchases, and critical water-sewer infrastructure.

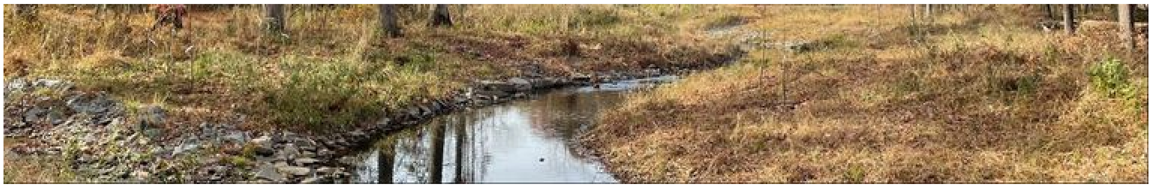
Actual spending for FY 2024 totaled $10.5 million. There are currently 30 identified projects included in the fund. FY 2024 included an additional $0.5M for Information Technology and infrastructure, bringing the total appropriated funds up to the $25.5M distribution received plus earned interest. The town has approved via amendment to spend a portion of the interest earned-to-date for additional enhancements pertaining to existing approved projects. No additional expenditures were budgeted for FY 2026. All spending regulated by the grant proceeds is expected to be spent by December 31, 2026.

Expenditures by Expense Type

Name	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects						
44 - Operations and Maint	$35,559	$622,338	$437,208	$0	$0	0%
48 - Capital Outlay	$2,048,730	$3,550,037	$9,795,033	$0	$0	0%
61 - Non-Departmental	$169,060	$0	$0	$0	$0	0%
50 - Capital Outlay	$0	$0	$167,517	$0	$0	0%
49 - Capital Outlay	$0	$0	$125,785	$0	$0	0%
Total Expense Objects:	**$2,253,349**	**$4,172,375**	**$10,525,542**	**$0**	**$0**	**0%**

Stormwater Management Fund

The Stormwater Management Fund, a governmental special revenue fund was established for FY 2025. Stormwater management is the effort to reduce runoff of rainwater or melted snow into streets, lawns and other sites and the improvement of water quality. Goals of stormwater managment include protecting our environment, reducing flooding to protect people and property, reducing demand on public stormwater drainage systems, supporting healthy streams and rivers, and creating healthier, more sustainable communities.



Summary

The Town of Herndon established the Stormwater Management Fund to account for services related to the stormwater system. Expenditures are funded by the Stormwater Service District Tax paid by all residents of Fairfax County, including the towns of Herndon, Vienna, and Clifton. The Stormwater Service District tax was established to address more stringent regulatory requirements and clean water mandates associated with the Chesapeake Bay. The tax is billed at a rate of $0.0325 per $100 of assessed real estate value and collected as part of the real estate tax billing twice per year. The County shares the collected tax revenues with the town in two ways: 1) Herndon's portion of the stormwater tax as determined by agreement with the County, and 2) grant revenue for approved stormwater projects. For FY 2026, the Stormwater Management Fund proposed budget includes shared tax revenue of $435,000 and grant revenues of $2.52 million. These revenues will support the stormwater personnel, operating, and capital project costs, including ongoing stream restoration projects.

Revenues by Source

Name	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Revenue Source				
36 - Miscellaneous Revenue	$0	$425,000	$435,000	2.4%
37 - Intergov Revenue	$0	$620,000	$2,516,000	305.8%
39 - Other Finance Source	$0	$211,424	$1,200,000	467.6%
95 - Interfund Transfers	$0	$92,400	$110,811	19.9%
Total Revenue Source:	**$0**	**$1,348,824**	**$4,261,811**	**216%**

Expenditures by Expense Type

Name	FY2024 Actuals	FY2025 Budgeted	FY 2026 Proposed	FY2025 Budgeted vs. FY 2026 Proposed (% Change)
Expense Objects				
41 - Personnel Services	$0	$413,424	$365,508	-11.6%
44 - Operations and Maint	$0	$195,400	$180,303	-7.7%
48 - Capital Outlay	$0	$740,000	$3,716,000	402.2%
Total Expense Objects:	**$0**	**$1,348,824**	**$4,261,811**	**216%**

APPENDIX

Glossary

Acronyms and Glossary

Acronyms

ADA - Americans with Disabilities Act.

AMR – Automated Meter Reading – Water & Sewer Department.

APA - American Polygraph Association.

ARPA - American Rescue Plan Act of 2021.

ASP - Applications Service Provider - used to refer to an outsourcing of previously provided in-house computer hardware and software maintenance and support.

BMP – Best Management Practices.

BZA – Board of Zoning Appeals.

BPOL - Business, Professional and Occupational License Tax - refers to the license tax that is levied upon the privilege of doing business or engaging in a profession, trade, or occupation in the town.

CAD - Computer Aided Dispatch.

ACFR - Annual Comprehensive Financial Report - the official annual financial report of the town.

CCTV – Closed circuit television.

CD - Department of Community Development.

CDBG - refers to the Community Development Block Grant program funded by the United States Department of Housing and Urban Development (HUD) to improve the housing, neighborhood, and economic conditions
.

CDPD - Cellular Digital Packet Data - the communication system and protocol for the mobile computers.

CFA - Computerized Fleet Analysis.

CIP - Capital Improvement Program.

CMAQ - Congestion Mitigation and Air Quality Improvement Program – the CMAQ program provides federal funding for surface transportation and other related projects that contribute to air quality improvements and reduce congestion.

CRM – Customer Relationship Management software.

CY - Calendar Year, twelve-month period beginning January 1 and ending December 31.

DPW - Department of Public Works.

ERP – Enterprise Resource Planning software for the town's financial, human resources and utility billing systems.

FBINA - Federal Bureau of Investigation – National Academy.

FY - Fiscal Year, the twelve months beginning July 1 and ending the following June 30.

GAAP - Generally Accepted Accounting Principals

GASB - This refers to the Governmental Accounting Standards Board which is currently the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States.

GED - General Educational Developmental Diploma.

GIS - Geographic Information System - a computer system used to assemble, store, manipulate and display information about land in the Town.

GLINK - required communications software used to access VCIN/NCIC/DMV.

GFOA – Government Finance Officers Association.

HCAC - Herndon Community Association Coalition - an umbrella group of homeowner and condominium associations in the Town of Herndon.

HMC - Herndon Municipal Center – Completed in 1995, the HMC was constructed to bring town government back to the heart of Herndon. The HMC houses the administrative offices of town government.

HPD - Herndon Police Department.

HDRB – Historic District Review Board.

HOA – Homeowners Association.

HTOC – Herndon Transit-Oriented Core.

ICS – Incident Command System.

MCT - Mobile Computer Terminal.

MGD - Million gallons per day.

MRA - Market Rate Adjustment.

MS4 - Municipal Separate Storm Sewer System.

NIMS – National Incident Management System.

NRC - Neighborhood Resource Center.

NRO - Neighborhood Resource Office.

O&M – Operation and Maintenance.

OSSI - Open Software Solutions Inc.

P-CARD – Purchasing Card.

RFP – Request for Proposal.

RMS - Records Management System.

ROCIC - Regional Organized Crime Information Center.

SCADA – Supervisory Control and Data Acquisition, a type of software application program used to process control and gather real time data from remote locations to monitor equipment and conditions.

SLRRP – Sewer Lateral Repair and Replacement Program.

SRTS – Safe Route to School.

SSO – Sanitary Sewer Overflow.

TEIC – Traffic Engineering Improvement Committee.

USGA – United States Golf Association.

VCIN – Virginia Criminal Information network.

VDACS – Virginia Department of Agricultural and Consumer Services.

VDOT - Virginia Department of Transportation.

VPA – Virginia Polygraph Association.

VRS - Virginia Retirement System - The Virginia Retirement System administers a defined benefit retirement plan, a group life insurance plan, a deferred compensation plan and a cash match plan for Virginia's public sector employees.

VSMP - Virginia Stormwater Management Program.

W&OD – Washington and Old Dominion Trail – The 100-foot-wide Washington and Old Dominion Railroad Regional Park is one of the skinniest parks in the commonwealth of Virginia, but also one of the longest – 45 miles in length. The W&OD takes its name from the railroad whose trains ran along the right- of-way from 1859 until 1968.

ZOTA – Zoning Ordinance Text Amendment.

Glossary

Accrual - the accrual basis of accounting recognizes revenues in the accounting period in which they are earned while expenses are recognized when the related liability is incurred.

Activity Center - the basic operational organization for which costs are defined and measurable activities or functions are performed.

Adopted Budget Plan - a plan of financial operations approved by the Town Council, highlighting major changes made to the town's annual advertised budget plan by the Town Council. The Adopted Budget Plan reflects approved tax rates and estimates of revenues, expenditures, transfers and department goals, objectives, and workload data. Sections are included to show major budgetary/financial policies and guidelines used in the town's fiscal management.

Advertised Budget Plan - a plan of financial operations submitted by the Town Manager to the Town Council. This document reflects estimated revenues, expenditures, transfers and department goals, objectives, and workload data. In addition, sections are included to show major budgetary/financial policies and guidelines used in the town's fiscal management. Also called the annual budget.

Amortization - The reduction of debt through regular payments of principal and interest sufficient to retire the debt instrument at a predetermined date known as its maturity.

Annual Budget - a budget applicable to a single fiscal year.

Appropriation - an authorization granted by the Town Council to a specified unit of the town government to make expenditures and to incur obligations for specific purposes. It is limited in amount and as to the time when it may be spent, usually expiring at the end of the fiscal year.

Assessed Valuation - a valuation set upon real estate or other property by a government as a basis for levying taxes.

Assessment - the official valuation of property for purposes of taxation.

Assigned Fund Balance – that portion of total fund balance which a government intends to use for a specific purpose.

Audit - a systematic collection of sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has effectively carried out its responsibilities.

Balanced Budget - budget in which all expenditures and other financial uses are fully funded by revenues and other financing resources. The town is required to have a balanced budget according to the *Code of Virginia*.

Basis of Accounting - the timing of recognition when the effects of financial transactions or events should be recognized for financial reporting purposes.

Bond - a written promise to pay a specified sum of money (called the principal) at a specified date in the future, plus periodic interest at a specified rate. In the budget document these payments are identified as debt service. Bonds may be used as an alternative to tax receipts to secure revenue for long-term capital improvements. General obligation bonds are debt instruments backed by the full faith and credit of the town. The State Constitution mandates taxes on real property sufficient to pay the principal and interest of such bonds. The majority of bonds issued for town construction projects are general obligation. Revenue bonds are payable solely from revenues generated from the project for which the bonds were issued.

Budget - a plan for the acquisition and allocation of resources to accomplish specified purposes. The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as "the budget of the Police Department," "the Capital Budget" or it may relate to a fiscal plan for an entire jurisdiction, such as "the budget of the Town of Herndon."

Budgetary Basis of Accounting – the method used to determine when revenues and expenditures are recognized for budgetary purposes, as opposed to financial reporting purposes.

Calendar Year - twelve months beginning January 1 and ending December 31.

Capital - a category of account codes which identifies major expenditures of public funds, beyond maintenance and operating costs, for procurement of items such as vehicles, computer equipment, office furniture and the acquisition or construction of a needed physical facility.

Capital - Minor Furniture/Equipment - fixed assets such as automobiles, typewriters, furniture, technical instruments, etc., which have a life expectancy of more than one year and a unit value of at least five thousand dollars.

Capital Improvement Program - a prioritization and orderly implementation of short and long-range plans for land acquisition and construction of capital projects. It further provides for the scheduling of the associated expenditures over a period of several years in order to maximize the use of public funds. The first year of the program represents the capital budget for that fiscal year. The schedule is based on a series of priorities, which take into consideration the respective projects' function and urgency as defined by the CIP Priority Matrix. In addition, special consideration is given to the projects' relation to other improvements and plans and the town's current and anticipated financial capacity. The Capital Improvement Program is updated annually, at which time the schedule and the projects are reevaluated, new, or deferred projects are added, and the time frame is extended by one additional fiscal year.

Capital Projects Fund - an adjunct fund of the General Fund with a self-balancing set of accounts, consisting of funds for the acquisition and/or construction of major capital facilities or capital improvements.

Capital – Vehicles - fixed assets such as large vehicles and equipment that have a life expectancy of more than one year and a unit value of at least $50,000.

Carry-over Funds - carry-over funds are the result of unspent appropriations in the prior year, new growth, the expansion of the tax base beyond what was projected and increased revenues over estimated amounts. They are brought forward from the preceding fiscal year reserves. Appropriable carry-over is known as uncommitted/unreserved fund balance.

Cash Management - a conscious effort to manage cash flows in such a way that interest and penalties paid are minimized and interest earned is maximized. Checks received are deposited the same day, bills are paid no sooner than the due date unless discounts can be obtained by paying earlier. Future needs for cash are determined with exactness and cash on hand not needed immediately is invested in short-term interest- bearing securities

Chestnut Grove Cemetery Fund - see Enterprise Fund.

CityWorks - software utilized by the town and citizens which supports tracking of work orders/projects etc.

Committed Fund Balance - that portion of total fund balance which has internally imposed restrictions authorized by the government's highest level of decision-making authority

Cost - the amount of money or value exchanged for property or services.

Debt - an obligation resulting from the borrowing of money.

Debt Capacity – the amount of long-term debt the town could comfortably sustain without raising taxes by a large amount or reducing services to citizens to meet the annual debt service requirements.

Debt Ratios - comparative statistics showing the relationship between the town's outstanding debt and such factors as the real estate assessment base, Town population or income. These ratios often are used as part of the process of determining the credit rating of the town, especially when issuing general obligation bonds.

Debt Service - the accounting for payments of principal and interest on long-term debt.

Delinquent Taxes - taxes remaining unpaid on or after the date on which a penalty for non-payment is attached.

Department - a separate functional and accounting entity within a certain fund type.

Depreciation - The decrease in value of physical assets due to use and the passage of time. In financial terms, it refers to the process of allocating the cost of a capital asset to the periods during which the asset is used.

Disbursement - an expenditure, or a transfer of funds, to another accounting entity within the town's financial system. Total disbursements are equal to the sum of expenditures and interfund transfers.

Encumbrance - a reservation of funds for an anticipated expenditure prior to actual payment for an item. Funds usually are reserved or encumbered once a contracted obligation has been signed for an item, but prior to the cash payment actually being dispersed.

Enterprise Fund - accounts for operations that are financed in a manner similar to private business, where the intent is that costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges. The town's enterprise funds are the Water and Sewer Fund, the Golf Course Fund, and the Chestnut Grove Cemetery Fund.

Expenditure - a decrease in net financial resources. Expenditures include payment in cash for current operating expenses, debt service and capital outlays.

Expenses - charges incurred, whether paid or unpaid, for operations, maintenance, interest, and other charges, which are presumed to benefit the current fiscal year.

Fiduciary Fund – funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Fiscal Year - in the Town of Herndon, the twelve months beginning July 1 and ending the following June 30. (The Federal government's fiscal year begins October 1.) The property tax rate in the Town's FY 2024 fiscal plan applies to the calendar year beginning January 1, 2023. Expenditures are for the fiscal year beginning July 1, 2023.

Fringe Benefits - the fringe benefit expenditures included in the adopted budget plan are the town's share of an employee's fringe benefits. These include FICA (Social Security), health insurance, life insurance, retirement, unemployment, disability insurance, flexible spending plan and worker's compensation, most of which are paid through salary banded premiums.

Fund - a fiscal and accounting entity with a self-balancing set of accounts which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance - the excess of a fund's assets over its liabilities and reserves.

General Fund - the primary tax and operating fund for town governmental activities and general operations. This fund accounts for all Town revenues and expenditures which are not accounted for in other funds.

General Obligation Bond - bond for whose payment the full faith and credit of the town is pledged. This pledge involves the general taxing powers of the town to satisfy the payment of debt obligations. See Bond.

Goal - a general statement of purpose. A goal provides a framework within which the program unit operates; it reflects realistic constraints upon the unit providing the service. A goal statement speaks generally toward end results rather than toward specific actions. Also see Objective.

Golf Course Fund - see Enterprise Fund.

Governmental Funds – Governmental funds are typically used to account for most of a government's activities, including those that are tax-supported. The town maintains the following types of governmental funds: a general fund to account for all activities not required to be accounted for in another fund, a special revenue fund and capital projects funds.

Interfund Transfers – Interfund Transfers are comprised of one-time projects or capital improvement projects, funded partially or in full, using either an undesignated fund balance or revenue from the one percent increase in the meals tax.

Investments - securities held for the production of income in the form of interest, dividend, or rental payments. The term does not include fixed assets used in town operations.

Lease Purchase - this method of financing allows the town to construct or acquire property and pay for it over a period of time by installment payments rather than an outright purchase. The time payments include an interest charge, which is typically reduced because the lessor does not have to pay income tax on the interest revenue.

Levy - to impose taxes, special assessments, or service charges for support of the town.

Line Item - a specific expenditure category within a department budget, e.g., travel, telephone, postage, printing and forms, or office supplies. Defined by an objective code number.

Major Fund – A governmental fund or enterprise fund reported as a separate column in the basic financial statements. The general fund is always a major fund. In addition, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of the corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental or enterprise funds for the same item.

Mission Statement - a written description stating the purpose of an organization unit (department or agency) and its function (what the department or agency does).

Mobile System - laptops in cars.

Modified Accrual - the modified accrual basis of accounting is used to record revenues and related assets when they become measurable and available to finance operations of the fiscal period. Accordingly, real and personal property taxes are recorded when billed and licenses, permits and fines are recorded as revenues. Expenditures are recorded as they are incurred.

Natatorium – building which holds a swimming pool.

Net Position - the difference between assets and liabilities in the government-wide statement of net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Net Bonded Debt – gross bonded debt less any cash or other assets available and earmarked for its retirement and less all self-supporting debt, e.g., those debt portions to be repaid by the Golf Course Fund and the Cemetery Fund.

Non-Departmental - a category for accounting for expenditures that are common to all departments and activities, such as insurance, general education and training, leased office space and annual audit. (Not used in categorizing General Fund expenditures.)

Non – Major Funds – any fund not meeting the definition of a major fund.

Non-spendable Fund Balance – that portion of the total fund balance which is not in a spendable form, such as inventories or prepaid expenses.

Objective - a statement of purpose defined more specifically than a goal. A goal may be a sum of several related objectives. An objective normally indicates anticipated levels of achievement and is usually time-limited and quantifiable. Within the objective, specific statements with regard to targets and/or standards are often included.

Obligations - amounts that the town may be required to pay out from its resources.

Operating Expenditures - a category of recurring expenses, other than salaries and capital equipment costs, which cover expenditures necessary to maintain facilities, collect revenues, provide services, and otherwise carry out the town's goals. Typical line items are supplies, printing, postage, transportation, and utilities.

Operations and Maintenance - (O&M) a category of account codes which identify general operating expenses, i.e., supplies, routine equipment and building maintenance and other overhead-type expenditures.

Ordinance - a formal legislative enactment by the Town Council. Revenue-raising measures, such as the imposition of taxes, special assessments, and service charges, require ordinances.

Pay-For-Performance System - this refers to an assessment system that provides a process for appraising the quality of work performed by Town employees and linking potential pay increases with work performance. It is designed to establish a link between performance assessment and employee performance of job duties and responsibilities.

Personal Property - a category of property, other than real estate, so identified for purposes of taxation. It includes personally owned items, as well as corporate property and business equipment. Examples include automobiles, motorcycles, trailers, boats, airplanes, business furnishings and manufacturing equipment.
Goods held for sale by manufacturers, wholesalers or retailers are not included.

Personnel - a category of account codes which identifies various classifications of wages and salaries and overtime expenses.

Position - a group of duties and responsibilities, as prescribed by an office or department, to be performed by a person on a full time, part time and/or temporary basis. The following items relate to positions and the funding of the various types of positions. The status of a position is not to be confused with the status of the employee. For the purpose of the town's budget, the following definitions are used solely in describing the status and funding of positions:

- A regular employee is any non-probationary employee of the town who is other than a temporary employee and may be part-time or full-time.

- A regular part-time employee is an individual who is assigned regular working hours of a minimum of 20 hours but less than 40 hours per work week.

- A temporary/seasonal employee is an individual who performs a seasonal or temporary job on an "as needed" basis in less than full time status and does not receive fringe benefits.

- A job-sharing arrangement is a work arrangement in which the Town Manager approves the sharing by two regular part-time employees of one regular full-time position.

Principal - in the context of bonds, the face value or per value of a bond or issue of bonds payable on stated dates of maturity.

Proffer - an offer of cash or property. This usually refers to property, cash, or structural improvements offered by contractors/developers to the town in land development projects. An example is a proffer of land from a developer to the town.

Proprietary Fund - funds that focus on the determination of operating income, changes in net position, and cash flows.

Public Hearing - a scheduled meeting or time specifically set aside to provide an opportunity for citizens to discuss their feelings about a particular issue. Prior to a public hearing, the scheduled date and time, as well as the subject, must be advertised.

Purpose Statement - a general statement of the purposes of the town. The purpose statement is all- inclusive and expresses organizational values and philosophies.

Quasi-external Revenue - Interfund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the town government (e.g., payments from an enterprise fund to the general fund for reimbursement of indirect services).

Real Property - real estate, including land and improvements (buildings, fences, pavement, etc.) classified for purposes of assessment.

RecTrac – Software used by the town to manage all recreational clients/programs/payments etc.

Refunding Bonds - bonds issued to retire bonds already outstanding.

Revenue Bonds - bonds issued to finance the construction, acquisition, or improvement of a revenue- producing facility, with the principal and interest requirements payable solely from the revenues generated by the facility's operations.

Reserve - an account that records a portion of the fund balance which must be segregated for some future use, and which is not available for future appropriation or expenditures.

Special Revenue Fund – a fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, such use of the interest earnings and other revenues related to the Town's Chestnut Grove Cemetery Perpetual Care Fund.

Resolution - a special or temporary order of the Town Council.

Tax Base - the aggregate value of the items being taxed. The base of the town's real property tax is the market value of all real estate in the Town; that of the personal property is the market value of all automobiles, trailers, boats, airplanes, business equipment, etc., which may be taxed as personal property by the town.

Tax Levy Ordinance - an ordinance by which taxes are levied.

Tax Rate - the amount of tax stated in terms of a unit of the tax base, i.e., 2675 cents per $100 of real property assessed valuation.

Tipping Fees - the amount per ton which Fairfax County charges municipalities and commercial trash haulers to off-load refuse trucks at the transfer station or landfill.

Total Budget - the receipts and disbursements of all funds, e.g., the General Fund, the Water and Sewer Fund, the Chestnut Grove Cemetery Fund, and the Golf Course Fund, combined; also includes funds necessary to complete approved capital projects.

Transfers - a movement of money from one-line item to another, from one department to another or from one fund to another, as authorized by the department head, Town Manager, or Town Council, as appropriate.

Trust Fund – Funds consisting of resources received and held by government as trustee, to be expended or invested in accordance with the conditions of the trust.

Unassigned Fund Balance - remaining portion of fund balance at the close of the fiscal year which has not been assigned to other funds nor allocated for other purposes or to other categories of fund balance (i.e., not categorized as restricted, committed, or assigned to a specific purpose).

User Fees - these are charges for certain town services used by the public. Examples include fees for the use of golf course, recreation facilities, aquatics center, tennis courts, water consumption, sewer conveyance and cemetery interments.

Water & Sewer Fund - see Enterprise Fund.

Working Capital - the amount of net cash available in enterprise operations to assist with fund operations. Working capital is generally the difference between current assets and current liabilities.