

General Fund - Six-Year Financial Forecast

This section addresses the City's ability to meet its capital needs over the six-year planning period. The development of the City's Capital Improvements Program is a process of assessing needs and making choices in relation to a balanced budget and a reasonable forecast of future financial conditions in the City. A forecasting model gives policy makers the ability to test assumptions behind the projections for future reserve balances and future debt capacity.

The projects in the City's Capital Improvements Program (CIP) are paid for either with grants, debt or on a "pay as you go" basis with a combination of operating and reserve funds. The bottom of the Summary Tables in Tab 3 show the portions of the CIP that are proposed to be paid for with grants, debt and what portions are planned for "pay as you go".

The use of debt and reserve funds is subject to adhering to policies previously adopted by the City Council. The following sections will illustrate how this proposed CIP for the six-year period beginning in FY2021 meets those debt and reserve fund policies.

Section I: Debt

General obligation bonds have been issued throughout the City's history to provide funding for long-term capital improvements. Such bonds are direct obligations of the City, and the full faith and credit of the City are pledged as security. The City is not required by state law to submit to public referendum for authority to issue general obligation bonds. However, the City Council has established a policy, by resolution, which calls for public referendum on any single project debt issuance that exceeds ten percent of annual general fund expenditures for that year. The most recent bond referendum was held in November 2017, for voter approval to issue General Obligation bonds totaling \$120 million for renovation and construction of the George Mason High School (GMHS). Previously, in November 2016, voters approved a bond referendum for the issuance of bonds for the renovation and expansion of the Mary Riley Styles Public Library (MRSPL) for approximately \$8.7M. The debts for these projects were issued in 2018 and 2019.

In June 2019, the City also issued a bond anticipation note for \$20,000,000. This debt was paid off upon the issuance of the 2019 General Obligation Bond in November 2019.

In addition to these debts, the City also issues other General Obligations bonds to fund improvements for the City's sanitary sewer system and storm water system. These systems are accounted for as an enterprise fund and the debt service on these bonds are paid from revenues generated by the respective systems and therefore, the debt service on those bonds are not counted towards the policy-related ratios and are not included in the debt service requirements in the table above. Although Revenue Bonds have been issued in the past to finance Sewer Fund projects, those debts have been paid off.

The chart below shows all the general obligation bonds that are outstanding:

	Interest Rates	Date Issued	Final	Amount of Original Issue	Outstanding Balance		
			Maturity Date		General Fund	Sewer Fund	Stormwater Fund
General obligation	4.00%	3/8/2007	8/1/2021	6,260,000	2,060,000	-	-
General obligation	2.00-4.00%	3/6/2012	8/1/2024	15,300,000	9,605,000	-	-
General obligation	2.00-3.00%	12/22/2011	1/15/2032	8,570,000	3,325,000	-	-
General obligation	2.00-5.00%	12/18/2013	7/1/2033	17,620,000	11,065,000	700,000	595,000
General obligation	2.00-5.00%	12/23/2014	7/15/2030	11,740,000	8,320,000	500,000	560,000
General obligation 2015A	1.48%	8/31/2015	7/15/2020	1,180,000	470,000	-	-
General obligation 2015B	2.31%	8/31/2015	7/15/2035	5,360,000	2,928,233	1,197,129	374,638
General obligation 2016A	1.24%	11/16/2016	7/15/2021	607,000	370,000	-	-
General obligation 2016B	1.41%	11/16/2016	7/15/2026	4,071,000	124,000	3,011,000	-
General obligation 2016C	1.79%	11/16/2016	7/15/2031	2,511,000	222,000	2,193,000	-
General obligation	2.02-3.35%	6/6/2018	1/15/2048	22,305,000	20,390,000	380,000	185,000
General obligation	2.00-5.00%	11/7/2019	7/15/2048	119,550,000	118,390,000	510,000	650,000
VRA bond	2.13-5.13%	10/1/2011	10/1/2031	3,125,000	-	415,000	-
VRA line of credit	3.35%	5/13/2009	9/1/2029	4,100,000	-	2,505,478	-
VPSA bond	4.10-5.10%	5/11/2006	7/15/2026	1,935,000	760,000	-	-
VPSA bond	4.25%	12/15/2011	12/1/2030	3,000,000	2,220,000	-	-
					<u>180,249,233</u>	<u>11,411,607</u>	<u>2,364,638</u>

Annual debt service requirements to maturity for the general obligation long-term bonds are summarized as follows:

Ending June 30	General Fund			Sewer Fund			Stormwater Fund		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	5,817,694	2,139,885	7,957,579	1,022,734	249,355	1,272,089	107,478	59,833	167,311
2021	7,884,694	6,637,838	14,522,532	1,076,333	245,327	1,321,660	142,478	84,346	226,824
2022	8,476,694	5,575,246	14,051,940	1,093,082	213,505	1,306,587	142,478	73,644	216,122
2023	7,593,360	5,248,578	12,841,938	1,109,984	187,244	1,297,228	142,478	67,476	209,954
2024	7,679,360	4,932,570	12,611,930	1,118,043	163,091	1,281,134	142,478	61,306	203,784
2025-2029	32,187,042	20,390,868	52,577,910	3,851,930	504,251	4,356,181	711,142	218,636	929,778
2030-2034	32,080,269	14,406,943	46,487,212	1,742,497	148,821	1,891,318	683,230	97,523	780,753
2035-2039	27,180,120	9,744,814	36,924,934	372,004	23,294	395,298	262,876	19,691	282,567
2040-2044	24,215,000	5,943,675	30,158,675	25,000	375	25,375	30,000	450	30,450
2045-2049	27,135,000	2,098,925	29,233,925	-	-	-	-	-	-
Totals	180,249,233	77,119,343	257,368,576	11,411,607	1,735,263	13,146,869	2,364,638	682,906	3,047,544

Debt Policies

The Financial Policies adopted by the City Council establish sustainable limits for debt management as listed below. A copy of the full text of the City’s debt policies is provided at the end of this section.

The current debt limits are as follows:

- General Fund supported debt shall not exceed five percent of the net assessed valuation of taxable real property in the City.
- The goal is to maintain the annual debt service expenditures for all General Fund supported debt below twelve percent (12%) of total General Fund operating expenditures, including school board transfer and debt service and in no event shall it exceed fifteen (15%). If at any time the 12% target is exceeded, the City shall target available fund balance of twenty percent (20%) but not less than fifteen percent (15%) for the then current fiscal year.

- The term of any bond issue will not exceed the useful life of the capital project, facility or equipment for which the borrowing is intended.

Ratio of Debt Principal to Assessed Value of Real Property

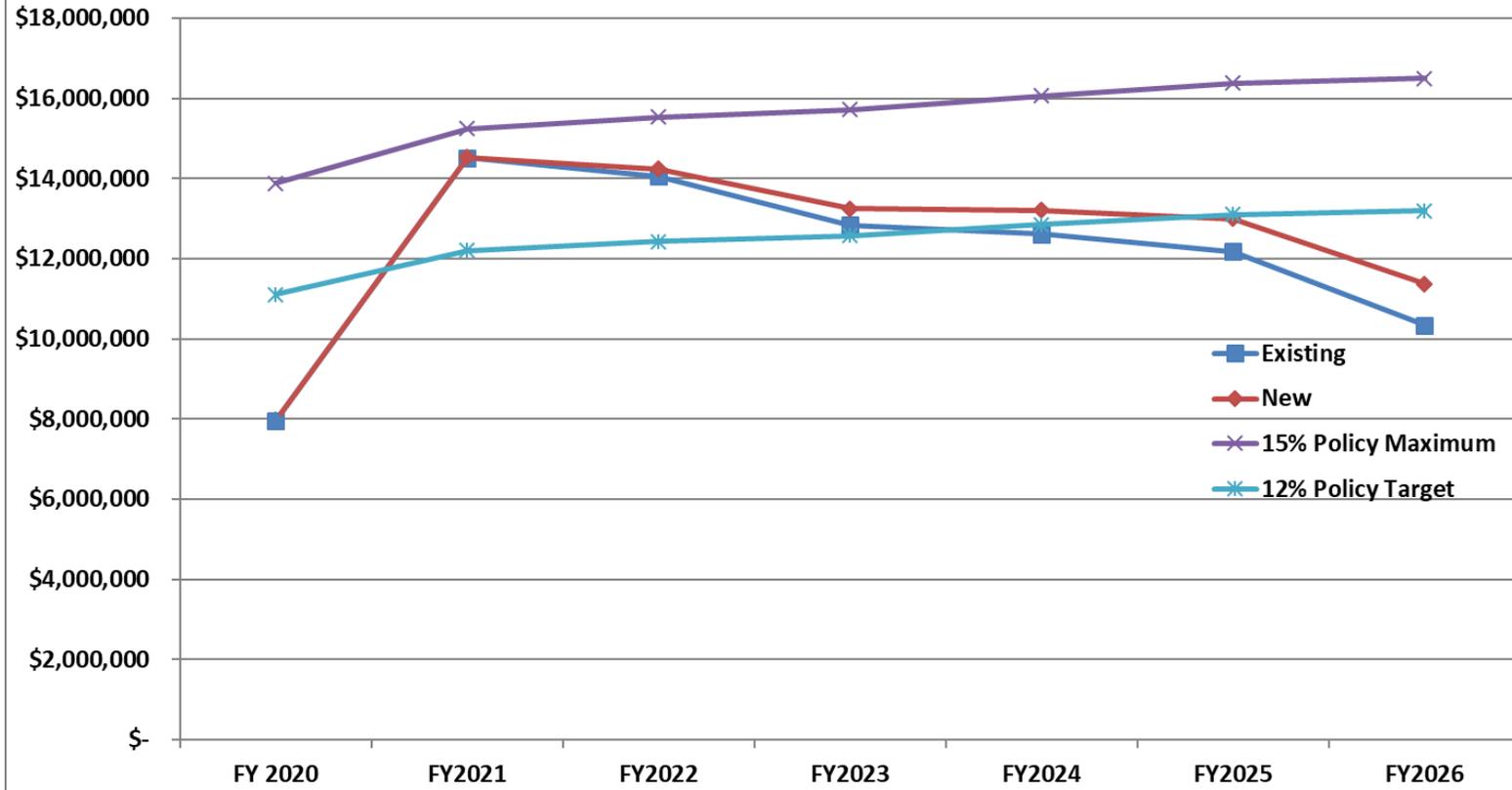
As of January 1, 2019, the assessed value of taxable real property in the City was \$4.28 billion, of which five percent equals \$214.2 million. Current outstanding debt for the General Fund is \$180.2 million and it is currently projected to be the highest debt balance the City will have over the next several years, inclusive of all additional debt projected to be issued in the FY2021-FY2030 CIP.

Ratio of Annual Debt Service Payments to Total General Fund Expenditures

The second element of the debt limit policy bears closer attention as this ratio goes more directly to the question of how much debt the City can afford.

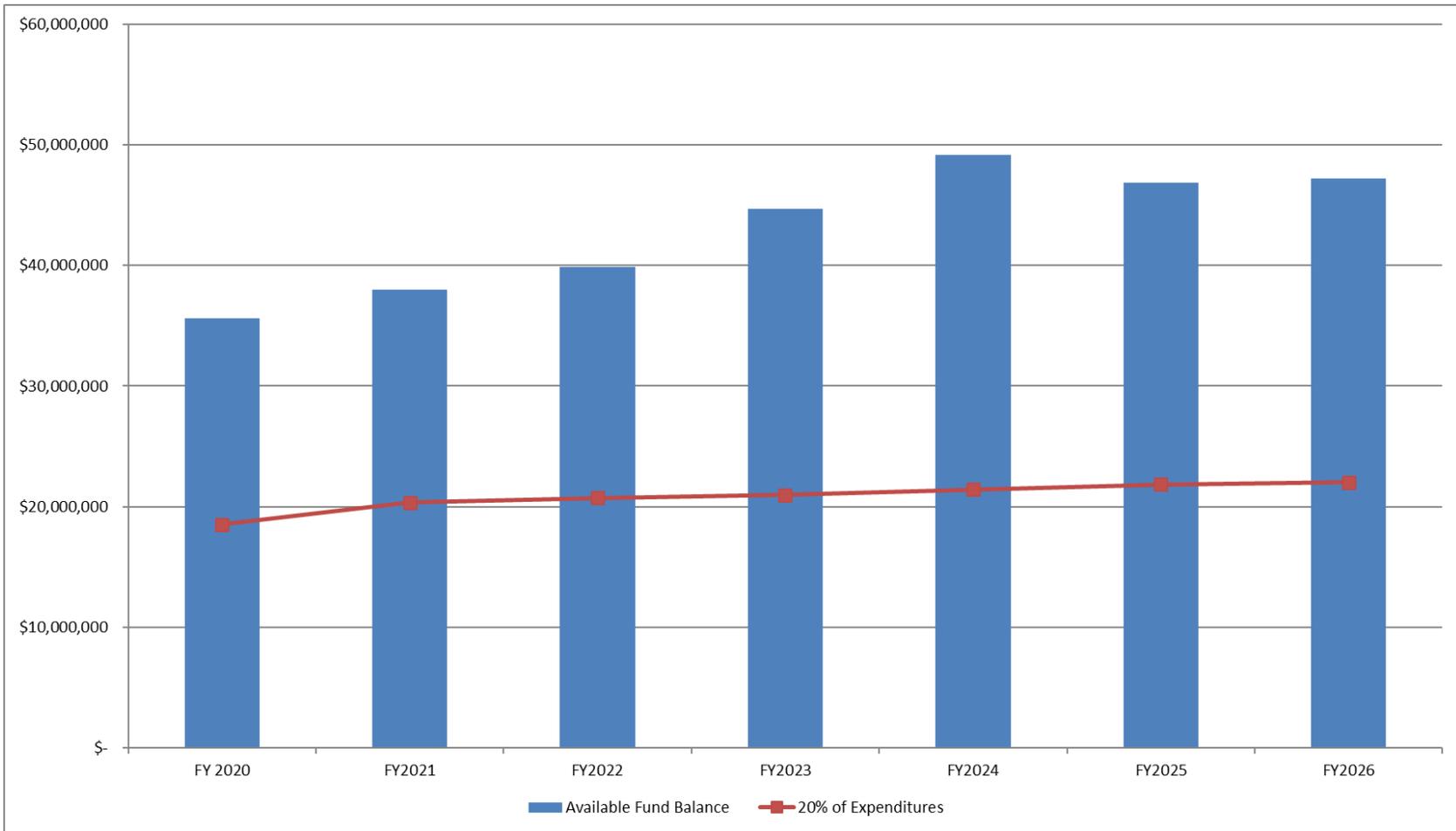
The chart on the following page illustrates the relationship of debt service payments to total expenditures through FY2026. Expenditures projected are based on a balanced budget based on conservative revenue projections.

Debt Service as Percentage of Expenditures FY2020-FY2026



As shown in the chart, the debt service to expenditure ratio will exceed the policy goal of 12% starting in FY2021 but will remain slightly below the policy maximum of 15%. The increase in annual debt service primarily results from the construction of the new George Mason High School construction.

As a result of exceeding the 12% policy goal, the City is required by its financial policy to maintain available fund balance of 20% and no less than 15% of total General Fund expenditures. The chart below shows the City's projected available fund balance in relation to the goal of 20% ratio.



Available fund balance is comprised of unassigned fund balance, permit fee reserves, and capital reserves as well as projected payments from a developer for the lease of 10 acres of land next to the George Mason High School, also known as Little City Commons. A comprehensive agreement for this lease was executed in May 2019. The first payment of \$6.5 million from the developer was received in August 2019. Four payments in the amount of \$7 million each or \$28 million total is expected to be received annually beginning FY2021.

The projected reduction in available fund balance is a result of the City's intended use of capital reserves to help pay for debt service in the coming years.

Forecasting these reserve balances requires assumptions about future operating revenues and expenditures. Key assumptions included in the model used in the chart above include:

- Little City Commons will be developed timely as projected.
- interest rates not exceeding 5%; and
- a balanced operating budget every year.

It is worth noting that the discussion of “debt capacity” in terms relating strictly to policy guidance does not address the separate *issue of affordability within current tax rates.*

In summary, the ratio of annual debt service to total General Fund expenditures is a constraint that bears close attention. This ratio is used by bonding rating agencies to assess fiscal health, and must be used by the City to assess the affordability of specific projects and the five-year CIP as a whole.

Section II: Capital Reserve Balance Policies (Pay-As-You-Go/PAUG)

A minor portion of the City's CIP projects are funded on a “Pay as you go” basis; the focus for the next six years is in executing previously approved projects. Under this financing option, capital projects are funded by available current year revenues or, if available, the use of capital reserve balances.

The City's financial policy establishes the funding of a capital reserve at a minimum of 5% of fixed assets or \$3.75 million, whichever is lower. The capital reserve balance shall be used to pay for projects in the CIP or for debt service for those projects. Over the coming years, the City

will be using a portion of the capital reserves to pay for debt service but is currently projected to maintain a balance at or above the policy minimum.

Attachments:

2018 Financial Policies, adopted

Budget Guidance, adopted

Budget Glossary

RESOLUTION TO ADOPT FISCAL POLICIES FOR THE CITY OF FALLS CHURCH

WHEREAS, the City Council of the City of Falls Church is charged with the ultimate oversight of the fiscal activity of the City government; and

WHEREAS, City Council is resolved to adopt best practices in the prudent exercise of their oversight responsibilities; and

WHEREAS, the City Council's long track record of strong financial management carries many benefits, including the ability, when necessary, to borrow funds at lower cost to the taxpayers; and

WHEREAS, the revision to the fiscal policies herein provides flexibility to meet the challenges of funding a new high school, raises the fund balance target to strengthen fiscal resilience, and reflects the Council's resolve to continue its strong stewardship of the City's long term financial sustainability.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Falls Church does hereby adopt a comprehensive set of fiscal policies as follows.

**CITY OF FALLS CHURCH
FISCAL POLICIES**

I. PLANNING AND BUDGETING – ALL FUNDS

A. Governing Legislation

The adoption and implementation of the City of Falls Church's (the City) budget shall be governed by Chapter 6 of the City Charter and Chapter 10 of the City Code. This policy shall not override any of the provisions of the Charter and the Code, but rather, shall provide supplemental guidance on the adoption and implementation of the City's budget.

B. General

The City of Falls Church will adopt an annual General Fund budget in which the budgeted revenues and expenditures are equal (a balanced budget). The budget shall clearly delineate the sources of funding for each year's expenditures.

Any one-time revenues or use of unassigned fund balance will be used for one-time, non-recurring expenditures such as capital assets, pay-as-you-go projects in the Capital Improvement Program (CIP), equipment, special studies, debt reduction, and capital

reserve contributions. Restricted or committed fund balances may only be used for the purpose so stated.

Each year's budget may include a General Fund Contingent appropriation ("Council Reserve") to cover unforeseen expenditures, new projects initiated after a fiscal year has begun, or revenue shortfalls. Unexpended amounts in this reserve at fiscal year-end may be re-appropriated by Council for use in the subsequent fiscal year. Funding may be allocated from this contingent appropriation only by resolution of City Council.

The City will adopt annual Utility Funds budgets in which the budgeted revenues from fees and charges, investment earnings, and operating grants will be sufficient to meet operating expenses and debt service. Availability fees, including availability fees accumulated from previous years, will only be used to offset the costs of providing additional capacity, including debt service on any debt incurred to finance such projects. Any one-time revenues or use of unrestricted net assets will be used for one-time, non-recurring expenses such as capital, equipment, special studies, debt reduction, and reserve contributions. Restricted net assets may only be used for the purpose so stated.

The City will prepare and update annually a five-year Capital Improvement Program (CIP) to be approved by City Council. At the same time, the City Council will adopt an annual budget for the Capital Fund including a resolution to bond projects requiring that source of funding. The CIP will be developed with an analysis of the City's infrastructure and other capital needs, and the financial impact of the debt service required to meet the recommended financing plan.

Except for trust funds, the City will adopt an annual budget for all other funds including the School Board and the Economic Development Authority.

The City Council will adopt all budgets by Ordinance.

C. Budget Amendments

Amendments to any budget that require an increase in revenue and/or expenditure requires an Ordinance to be passed by the City Council.

Transfers of funding between departments, as defined by the City's organization structure, requires a resolution by the City Council. Any transfers to and from the Storm Water Fund and Sewer Fund constitute an increase in each of the Funds' budgets and therefore requires an Ordinance to be passed by the City Council.

Transfers within departments require an approval by the City Manager and by the Chief Financial Officer.

Transfers between capital projects require a resolution by the City Council. Downward adjustments to project budgets require approval only by the City Manager and the Director of Finance.

D. Funding of Post-Retirement Benefits

The City will use an actuarially-accepted method of funding its pension system to maintain a fully-funded position. The City's contribution to employee retirement costs will be adjusted annually as necessary to fully fund its actuarially determined employer contributions.

The City will use an actuarially-accepted method of funding its other post-employment benefits to maintain a fully-funded position. The extent of the City's *other* post-employment benefits and its contribution to them will be adjusted annually as necessary to fully fund its actuarially determined employer contribution.

E. Transfers from Utility Funds

Transfers from the Utility Funds to the General Fund may be done for reimbursement of administrative expenses based on a reasonable method of calculation and payment in lieu of taxes.

II. DEBT MANAGEMENT

A. General Fund

The City of Falls Church will adhere to the following policies whenever the City issues new bonds:

1. Total General Fund supported debt shall not exceed 5% of the net assessed valuation of taxable real estate property in the City.
2. The goal would be to maintain annual debt service expenditures for all General Fund supported debt below twelve percent (12%) of total General Fund operating expenditures, including school board transfer and debt service and in no event shall it exceed fifteen percent (15%). If at any time the 12% target is exceeded, the City shall comply with the fund balance requirements stated in Section III.A.3.
3. The term of any debt issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
4. The city shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
5. The City shall comply with all requirements of Title 15.2 Code of Virginia and all other legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.

6. At least 25% of total debt will be repaid within five years and at least 50% of total debt within ten years. If at any time the payout ratio falls below these thresholds, the City shall comply with the fund balance requirements stated in Section III.A.3.
7. Debt shall be defined as bonds, capital leases, lines of credit, and certificates of participation or any other instruments that constitute evidence of indebtedness on the part of the City.

The Council shall put to referendum certain general obligation bonds:

1. Where the aggregate amount of the bond, for the bonded project or portion thereof exceeds ten percent of the General Fund budget for the fiscal year in which the bond(s) are anticipated to be issued.
2. The referendum requirement does not apply to bonds issued for sewer, fire, police and medical services projects.

In addition, Article VII of the Constitution of the Commonwealth of Virginia limits the City's debt capacity to not more than 10% of the assessed valuation of taxable real estate property in the City.

B. Utility Funds

The City may issue bonds to fund enterprise activities, such as storm water and sewer utilities, or for capital projects which will generate a revenue stream.

1. The bonds will be issued only if revenue sources are identified that are sufficient to fund the debt service requirements.
2. Costs of issuance, debt service reserve funds, and capitalized interest may be included in the capital project costs and thus are fully eligible for reimbursement from bond proceeds.
3. Bonds may be issued either as revenue bonds or as City general obligation bonds. In either case, the debt service coverage for the fund supporting the debt shall be at least 105%. Debt service coverage is calculated by dividing net operating income by the bonds' annual debt service.

III. FUND BALANCE AND NET ASSETS

A. General Fund

Unassigned fund balance is a key element of financial resilience for any municipal organization. An unassigned fund balance at 17% of expenditures represents two months of operating expenditures, and is held in reserve to mitigate the impacts of unanticipated revenue shortfalls, and provide a buffer for unexpected expenditure

requirements. Capital reserves, similarly, allow the City to execute a multi-year capital plan with a buffer against unforeseen economic events.

The City of Falls Church adopts the following policy for its Unassigned General Fund balance:

1. The goal for unassigned fund balance shall be 17%, but not less than 12%, of the actual General Fund expenditures for the then current Fiscal Year, and these funds shall be appropriated by the City Council.
2. In the event that the unassigned fund balance is used to provide for temporary funding of unforeseen emergency needs or used to mitigate effect of unbudgeted revenue shortfall, the City shall restore the unassigned fund balance to 12% of the actual General Fund expenditures for the then current fiscal year within two fiscal years following the fiscal year within which the event occurred. To the extent additional funds are necessary to restore the unassigned General Fund Balance to 17% of the actual General Fund expenditures for the then current year, such funds shall be accumulated in no more than three approximately equal contributions each fiscal year; this shall provide for full recovery of the targeted fund balance amount within five years following the fiscal year in which the event occurred.
 - a. The use of unassigned fund balance as described in item 2 shall be made by a budget amendment.
3. In the event City's annual debt service for all General Fund supported debt exceeds twelve percent (12%) of General Fund expenditures as stated in Section II.A.2 or the City's debt payout ratios fall below the thresholds described in Section II.A.6, the goal for available General Fund Balance (including all unrestricted and spendable fund balance) shall be twenty percent (20%) but not less than fifteen percent (15%) of the actual General Fund expenditures for the then current fiscal year. In addition, the same method of fund balance restoration (as outlined for unassigned fund balance in Section III.A.2) will apply to total available fund balance if it falls below fifteen percent (15%).
4. The following are other types of fund balance as defined by Governmental Accounting Standards Board (GASB) and should not be included in the calculation of the ratio discussed in item 1:
 - a. Restricted fund balance represents that portion of fund balance that is restricted for a specific future use either by enabling legislation, donor, or bond covenant. This fund balance is required to be used or maintained for the specific purpose so stated.
 - b. Committed fund balance represents fund balance that is committed by the City Council to be used for a specific purpose, such as funds committed to be used for capital projects in the Capital Improvement Project fund. Such commitment may only be reversed by similar action

that committed it. Such commitment should be supported by definitive plans approved by the City Council.

- c. Non-spendable fund balance represents that portion of the fund balance that is not available for future spending such as prepaid items, inventory and long-term notes receivables.
- d. Assigned fund balance represents amounts that are constrained to be used for specific purpose (such as towards contracts) by either the City Council or the City Manager.

B. Capital Reinvestment Policy: General Fund

1. The City shall establish a capital reserve and it shall be a committed fund balance. The balance shall be maintained at 5% of General Fund capital assets OR \$3,750,000, whichever is lower. The capital reserve shall be used to pay for replacement and rehabilitation projects in the Capital Improvement Program or for debt service for those projects. The use of this capital reserve shall be included in the annual appropriation or in budget amendments passed by the City Council through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.

C. Utility Funds

It is the City's goal, pursuant to the utility rate studies provided by consultants, to have positive unrestricted net assets for its Utility Funds in its Statement of Net Assets that reflect economic well-being.

1. Unrestricted net assets shall be greater than 25% of total operating expenses at fiscal year-end, to provide reserves for operations and future capital improvements.
2. There will be a restriction of net assets for investment in capital assets, net of related debt, as required by Generally Accepted Accounting Principles.
3. Designation of unrestricted net assets represents plans by management. Such designations should be supported by definitive plans approved either by the City Council or the City Manager.

The City shall establish a capital reserve for the Storm Water Fund. The balance shall be maintained at 2% of fixed assets. The capital reserve shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects. The use of these funds shall be included in the annual appropriation or in budget amendments passed by the City Council

- through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.
4. The City shall establish a capital reserve for the Sewer Fund. The balance shall be maintained at 2% of capital assets OR \$400,000, whichever is lower. The City shall meet this goal by FY2022 through appropriation of \$50,000 per annum commencing in FY2014. The capital reserve shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects. The use of these funds shall be included in the annual appropriation or in budget amendments passed by the City Council through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.

All definitions of “fund balance”, “net assets”, “revenues”, “operating revenues”, “expenditures” and “expenses” shall comply with Government Accounting Standards Board definitions.

IV. FISCAL POLICIES – ADOPTION

1. The City’s fiscal policies shall be adopted by resolution of the City Council.
2. The fiscal policies shall remain in effect until such time as they are amended or repealed by subsequent Council action, and will be presented to City Council every two years within ninety days of a new Council taking office.

Reading: 2-26-18
Adoption: 2-26-18
(TR17-48)

IN WITNESS WHEREOF, the foregoing was adopted by the City Council of the City of Falls Church, Virginia on February 26, 2018 as Resolution 2018-16.



Celeste Heath
City Clerk

RESOLUTION PROVIDING GUIDANCE ON THE DEVELOPMENT OF THE
FY2021 CITY BUDGET

WHEREAS, the City Council believes it is useful to provide early guidance on budget development; and

WHEREAS, the City Council has received initial projections for revenues and expenditures for the coming fiscal year, as well as multi-year projections, and has considered these projections in providing budget guidance; and

WHEREAS, the guidance statement is intended to provide a framework for the City Manager and the School Board as they develop a proposed budget for presentation in the spring that is aligned with fiscal projections as well as Citywide goals as expressed in the Capital Improvements Program, the Comprehensive Plan, the Council Work Plan, and other approved plans; and

WHEREAS, the City takes tremendous pride in the quality of public input and citizen involvement in the budget process, and the budget process is designed to provide as many opportunities as possible for citizens to exchange information about budget priorities, and this public input will ultimately inform the Council's final budget decisions next spring;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Falls Church that the attached "FY2021 Budget Guidance Statement" is hereby adopted.

Reading: 12-09-19
Adopted: 12-09-19
(TR19-40)

IN WITNESS WHEREOF, the foregoing was adopted by the City Council of the City of Falls Church, Virginia on December 9, 2019 as Resolution 2019-41.



Celeste Heath
City Clerk

City Council FY2021 Budget Guidance Statement December 9, 2019

The City Council seeks a FY2021 budget development process that advances the City Vision and Comprehensive Plan; supports the City's excellent schools and excellent government services; and adheres to adopted fiscal policies that keep City finances on a sound footing. The City of Falls Church is committed to providing valuable public services that promote a high quality of life in a cost effective manner. To these ends, the FY2021 Budget Guidance is as follows:

- Review all City government and school programs and operations to achieve the most cost effective delivery of services possible. This includes exploring opportunities for consolidating services currently provided by both the General Government and School Divisions.
- It is the Council's intention to maintain appropriate discipline on operating budgets for General Governments and Schools with a vision toward reserving financial capacity for the major capital projects in the City's immediate future, including the George Mason High School and Mary Ellen Henderson Middle School projects, the Mary Riley Styles Library project, and the City Hall Public Safety project.
- The FY2021 General Fund operating budget, inclusive of both general government and school operations, should not exceed organic tax revenue growth, currently projected at 3.1% over the FY2020 budget, and not require an increase in the real estate tax rate.
- Present a FY2021 operating budget and capital financial plan that is in accordance with the City's adopted Financial Policies.
- Present high level multi-year revenue and expenditure projections so that FY2021 budget decisions can be assessed in the context of long term sustainability. Revenue forecasts should include potential economic development along with other factors.
- Present a budget that provides a level of employee compensation that is competitive within the regional labor market and sustainable over the long term, and that funds the City pension plan per the actuarial determined contribution (ADC).
- The budget should provide options for funding improvements that will further the progress in making the City's business districts vibrant, attractive, and walkable, and options for funding and delivery of the neighborhood traffic calming program and a new dedicated sidewalk program on a sustained basis. In addition, the budget should contain options to increase staffing or contracted services for successful delivery and maintenance of these improvements.
- The budget should provide options for funding affordable housing.

- The budget should provide options for funding improvements to the City storm water infrastructure.
- The Capital Improvements Program (CIP) should meet the commitments of the City Council in the adopted FY2020 – FY2025 CIP and include a ten year planning horizon for major capital needs.
- The CIP should include strategic use of the NVTA 30% and 70% funds as well as other state and federal sources of funds for transportation improvements for all modes of transportation, including walking, cycling, transit, and vehicles. These transportation investments should be aligned with the walkability priorities established in the Mobility for All Modes Chapter of the Comprehensive Plan.
- The budget should address funding for WMATA that does not exceed the 3% cap on annual increases to jurisdictional contributions for the operating and capital budget.
- Calculate and highlight in the budget presentation the pension expense avoided by the investment of a portion of the water sales proceeds in the pension fund.
- Accompany the FY2021 budget presentation with public information that explains the budget clearly and solicits public participation and input in budget decisions.

Accrual Basis of Accounting – A method of accounting that recognizes the financial effect of transactions, events, and inter-fund activities when they occur, regardless of the timing of related cash flows.

Adopted Budget – The original adopted operating and capital budget approved by the City Council after public hearings and amendments to the proposed budget; becomes legal guidance to City management and departments for spending levels.

Advisory Referendum – A measure voted on by the general public in an election; refers to a specific question posed on a ballot which is non-binding and used to provide guidance to the elected representatives.

Appropriation – An authorization made by the City Council that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are granted for a one-year period.

Assessed Value – The fair market value placed upon real and personal property by the City as the basis for levying property taxes.

Assessment/Sales Ratio – Assessed value for each sale of real property divided by its selling price; used to determine if real property is assessed within a reasonable range of fair market value. The Commonwealth of Virginia requires that real property be assessed at 100 percent of fair market value. An acceptable assessment/sales ratio percentage is 70 percent or higher.

Balanced Budget – By law, local government budgets must be balanced; i.e., expenditures may not exceed revenues.

Basis of Accounting – The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes.

Bond Debt Instrument – A written promise to pay a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal. Bonds are typically used for long-term debt to pay for specific capital expenditures.

Bond Ratings – A rating of quality given on any given bond offering as determined by an independent agency in the business of rating such offerings.

BPOL Tax – Business license or gross receipts tax, this item taxes the total revenues of a business.

Budget – A plan of financial operation including an estimate of proposed means of financing them (revenue estimates). The term also sometimes is used to denote the officially approved expenditure ceilings under which the City and its departments operate.

Budget Calendar – The schedule of key dates or milestones the City follows in the preparation and adoption of the budget.

BZA – Board of Zoning Appeals.

Capital Projects Fund – Each year, the City adopts a six-year Capital Improvements Program (CIP) that serves as a blueprint for the long-term physical improvements the City wishes to make. The Capital Fund

is funded through a transfer from the general, storm water and sewer funds, State aid and proceeds from bond issuances. The current year CIP is included as part of the annual budget.

Capital Improvements Program (CIP) – A six-year plan of proposed capital expenditures for long-term improvements to City facilities including water, sewer, transit and schools; identifies each project and source of funding. To be included in the CIP a project must be estimated to cost more than \$150,000 and have a useful life in excess of five years.

Capital Outlay – An appropriation or expenditure category for government assets with a value of \$5,000 or more and a useful economic life of one year or more.

Carryforward (carryover) – Funds in the School Division budget unexpended in one year that are used as a funding source for the subsequent year. This is required by 6.18 of the City Charter.

Coefficient of Dispersion – Represents the mean percentage deviation from a median.

Comprehensive Annual Financial Report (CAFR) – The annual report that represents a locality's financial activities and contains the independent auditor's reports on compliance with laws, regulations and internal controls over financial reporting based on an audit of financial statements performed in accordance with "Government Auditing Standards."

COG – Metropolitan Washington Council of Governments – an independent, nonprofit association of 17 member governments located in the Washington metropolitan region.

Constitutional Officers – Officials elected to four-year terms of office who are authorized by the Constitution of Virginia to head City departments; the Treasurer, the Commissioner of Revenue, and the Sheriff in the City.

Consumer Price Index (CPI) – A measure, calculated by the United States Department of Labor, commonly used to indicate the rate of inflation.

Contingency – A budgetary reserve set aside for emergencies or unforeseen expenditures for which no other budget exists.

CSA – Comprehensive Services Act.

CY – Calendar year.

Debt Per Capita – Total outstanding debt divided by the population of the City.

Debt Ratio – A measure used that determines the annual debt service or outstanding debt as a percentage of some other item which is generally an indication of the ability of the City to repay the debt; examples include annual debt service as a percentage of total annual expenditures and total outstanding debt as a percentage of total assessed value.

Debt Service – The payment of interest and principal to holders of the City's debt instruments.

Economic Development Authority (EDA) – Responsible for encouraging industrial and commercial development in the City.

Encumbrance – A reservation of funds that represents a legal commitment, often established through contract, to pay for future goods or services.

Enterprise Funds – Account for the financing of services to the general public whereby all or most of the operating expenses involved are recorded in the form of charges to users of such services. The enterprise funds consist of the Sewer Utility Fund and the Water Utility Fund.

Expenditure – Actual outlay of monies for goods or services.

Fair Market Sales – Defined as an “arm’s length” transaction where there is a willing buyer and a willing seller, neither of which is under pressure to sell or buy. This excludes transfers such as sales within a family, foreclosures, or sales to a governmental unit.

Fringe Benefits – The employer contributions paid by the City as part of the conditions of employment. Examples include, among other things, health insurance, Virginia Retirement System, and the City retirement system, post-retirement health benefits, life insurance, long-term disability.

Fiscal Year (FY) – Section 6.01 of the City’s charter sets the fiscal year as July 1 through June 30.

Full-Time Equivalent (FTE) – A measure of determining personnel staffing, computed by equating 2,080 hours of work per year with one full-time equivalent position.

Fund – An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities that are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance – The excess of an entity’s assets over its liabilities; also known as excess revenues over expenditures. A negative fund balance is sometimes called a deficit.

GAAP – Generally Accepted Accounting Principles. These form the basis of the City’s accounting and financial reporting.

GASB – Governmental Accounting Standards Board – an organization that provides the ultimate authoritative accounting and financial reporting standards for state and local governments.

General Fund – Used to account for all general operating expenditures and revenues, this is the City’s largest fund. Revenues in the general fund primarily are from property taxes, sales tax, the business license tax and State aid.

General Obligation Bond – A bond for which the full faith and credit of the City is pledged for payment.

Infrastructure – Public systems and facilities, including water and sewer systems, roads, bridges, public transportation systems, schools and other utility systems.

Internal Service Charges – Charges to City departments for assigned vehicle repairs and maintenance provided by the motor pool division.

IT – Information Technology.

Lease Financing Instrument – Financial obligation which is not the general obligation debt of the City for which the full faith and credit of the City is pledged for payment.

Median Household Income – Median denotes the middle value in a set of values, in this case, household income.

Modified Accrual Basis of Accounting – Basis of accounting according to which revenues are recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

Non-Departmental Accounts – Accounts used to record expenditures that cannot or have not been allocated to individual departments.

NVTA – Northern Virginia Transportation Authority.

NVTC – Northern Virginia Transportation Commission.

Object – As used in expenditure classification, this term applies to the type of item purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personnel services, contractual services and materials and supplies.

OPEB – Other Post Employment Benefits. These are benefits offered to retirees in addition to a retirement plan. The City offers retiree health insurance and life insurance.

Personal Property Tax (PPT) – A City tax levied on motor vehicles and boats based on published listings of values, and on machinery and tools based on a percentage of cost.

Proposed Budget – The operating and capital budgets submitted to the City Council by the City Manager.

Proprietary Fund – A fund that accounts for operations that are financed in a manner similar to private business enterprise; consists of enterprise funds.

Public Service Corporation (PSC) – An entity defined by the Commonwealth of Virginia as providing utilities to residents and businesses; includes power companies, phone companies, gas companies, and other similar type organizations.

Real Estate Tax (R/E) – A tax levied by the City Council on real property in the City of Fairfax; real property is defined as land and improvements on the land (buildings).

Reserve – An account used to indicate that a portion of accumulated fund balance is committed for certain expenditures. Reserves may also be funded in a given year's operation, either for contingencies for specific items, or for future expenditures.

Reserve for Contingencies – An account used to appropriate current revenues for unknown expenditures that may arise during the fiscal year.

Revenue – The income received by the City in support of a program of services to the community; includes such items as property taxes, fees, user charges, grants, fines and forfeitures, interest income and miscellaneous revenue.

Revenue Estimate – A formal estimate of how much revenue will be earned from a specific revenue source for some future period – typically a future fiscal year.

ROW – Right-of-way.

Salaries – The amounts paid for personal services rendered by employees in accordance with rates, hours, terms and conditions authorized by law or stated in employment contracts. This category also includes overtime and temporary help.

Supplies and Material – The expenditure classification used in the budget to cover office and operating supplies, construction materials, chemicals, fuels, and repair parts.

Tax Rate – The amount of tax levied for each \$100 of assessed value.

Transient Occupancy or Lodging Tax – Tax on stays at hotels and motels of less than 30 days duration.

User Fees – The payment of a fee for direct receipt of a public service by the person benefiting from the service.

Utility Funds – Sanitary sewer and Stormwater services are accounted for in the utility funds. The sanitary sewer fund and storm water fund are enterprise funds. Enterprise funds are those funds in which the cost of providing goods or services is financed primarily through user charges.

VML – Virginia Municipal League – a nonprofit association of City, town and county officials that provides member services to Virginia local governments.

WMATA – Washington Metropolitan Area Transit Authority, the regional agency that operates the METRO bus and subway systems expenditures.