



NEWS RELEASE

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Vienna Town Council adopts trimmed down 2020-21 budget

Vienna Town Council adopted last night a \$41 million budget for fiscal year 2020-21, which begins July 1. The adopted budget encompasses four funds, including the general, or daily operations, fund, which totals \$24.8 million for the coming year, a \$2.5 million decrease from the originally proposed general fund budget and about 7% less than the FY2019-20 general fund. Overall, the Town's new budget represents about a 0.4% decrease over last year; the decrease is minimized because budgeted funds for debt service and water and sewer are up.

Cuts to the proposed general fund are necessary in response to anticipated losses in revenue due to impacts from the coronavirus pandemic.

"Revenue is coming in much lower in some cases," says Finance Director Marion Serfass, "and the Town has to cut expenses in order to balance the budget."

Revenue shortfalls are expected in a variety of areas that impact the general fund, particularly in parks and recreation fees, business licenses, state revenues, and sales tax.

To address these shortfalls, the Town has adopted several strategies related to personnel expenses, including deferring salary increases, decreasing overtime allocations, freezing most positions, and cutting parks and recreation contractor/staff costs. In addition, no new priorities are included in the 2020-21 budget. Staff travel has been suspended, snow equipment replacement deferred, and an additional \$200,000 in departmental expenses, unrelated to service delivery, have been cut.

Town Council also adopted a real estate tax rate for 2020-21 at 22.5 cents per \$100 assessed value. This will mark the eighth year that the Town's real estate tax rate has remained the same or been decreased. Due to increased values in assessment, the average Town of Vienna real estate tax bill this coming year will be about \$79 more.

The health crisis also has had a significant impact on the Town's debt service fund, which is used to pay back bonds issued to fund the Town's capital improvement projects. In February, the Town issued \$34.5 million in general obligation bonds at 1.86% interest rate to fund

construction of the long-planned police station and several road, sidewalk, and drainage projects.

The Town funds its debt service account using meals taxes collected from restaurants. Those revenues are down 10% for the current fiscal year; the Town has used cash reserves to make up the \$300,000 shortfall in the 2019-20 budget. This coming year, the Town expects to use reserves in the debt service fund and/or part of the \$3.1 million bond premium it received in February to cover shortfalls in the \$5.5 million fund.

“We can’t cut the debt service budget,” says Serfass. “This is money that the Town owes on its bonds. We do, however, thanks to the Town’s strong financial policies and practices, have options to address this need.”

The other funds that comprise the Town’s budget include stormwater at \$437,720 and water and sewer at \$10.2 million. Council adopted in May water and sewer rates for the 2020-21 year that represent a 10.4% increase. This year represents the third consecutive rate increase, as outlined in a five-year rate plan study that calls for increased funding to address critical infrastructure needs. The average customer’s annual water and sewer bill is expected to increase by \$74.

Serfass notes that jurisdictions across the country are facing unanticipated revenue shortfalls and increased expenses due to the pandemic. “This was an unanticipated economic downturn,” she says. “The biggest concern is the uncertainty. We don’t know how long this is going to go on.”

Staff and Council will continue to monitor the Town’s budget on a monthly basis and make further adjustments to expenses if necessary.

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