

IV. ESTIMATED EXPENDITURES, REVENUES AND TAXES
FOR AN INCORPORATED TOWN OF RESTON
(FISCAL YEAR 1977-78)

The cost of an incorporated town of Reston depends on the types and quality of functions and services that the town voters desire their town to perform. The town government might be limited to a mayor, council, and clerk, leaving all other functions and services to be performed by the county as at present. (However, no budget has been prepared in this study for such a limited government.) Or it might perform the full range of functions and services now performed by the towns of Herndon and Vienna (with the probable exception of water/sewer service). In the sample budgets appearing at the end of this Section, estimates have been made for three different levels of functions for three models of government organization. In each case, water and sewer services have been omitted, because the water and sewer systems within Reston are assumed to be inseparable from the Fairfax County systems of which they are a part. Fire department services, schools and social welfare services are also omitted, since these are handled by Fairfax County even in the towns of Herndon and Vienna.

All of the expenditure, revenue, and tax estimates for an incorporated town of Reston apply to the fiscal year ending June 30, 1978. This year was selected because it was

the current fiscal year at the time the estimates were prepared and because it was the latest fiscal year for which good data were available as bases for the estimate. For 1978-79 or later fiscal years, total revenues and expenditures would be larger than for 1977-78, because of inflation and the continuing rapid growth of the Reston area. However, the effect of these factors on tax rates and on taxes paid by individual Restonians would be much less than on total receipts or expenditures, for the same reasons. The estimates for fiscal year 1977-78 should provide a usable approximation to the tax rates that a citizen of a town of Reston would have to pay.

The estimate of the expenditures and revenues of an incorporated town of Reston is based on the operating budgets of the towns of Herndon and Vienna for the same 1977-78 fiscal year, with appropriate adjustments for the larger population of Reston and other factors. For estimating convenience, the estimates have been made for the area of Small District 5, the special tax district created to finance the construction of the Reston Community Center. The advantage of using the area of Small District 5 as the basis for the estimates lies in the fact that the assessed value of taxable real property, the principal source of revenue for the town government at the maximum level of

town operations, is readily available for Small District 5 and not for any other area. Use of the Small District 5 boundaries for the estimates is simply a matter of convenience and does not represent a determination by the Governance Committee of the appropriate boundaries of an incorporated town. Where population is used in the estimating process, the calculations are based on an estimated population within the boundaries of Small District 5 of 30,000 as of January 1, 1978, the midpoint of the fiscal year. The populations of Herndon and Vienna on the same date are estimated to be 11,750 and 16,579 respectively.

EXPENDITURES

A cost estimate is given below for each of the functions and services a town of Reston might perform. For comparison, the Herndon and Vienna estimates for the same function or service are reproduced from their respective budgets for the fiscal year ending June 30, 1978. A brief explanation is also given of the basis for the Reston estimate for the item. The Reston estimates include in all cases an allowance for annual pension and insurance costs (7 percent), an allowance for facility rental (150 sq. ft. per employee @ \$6.00 per sq. ft.), and 10 percent for contingencies.

Mayor, Town Council and Town Clerk

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$37,600	\$75,940	\$105,000

Both Vienna and Herndon have a mayor and six councilpersons. The Vienna mayor is paid \$3,600 per year. The town clerk is secretary to the council and maintains the official records of the council. The Reston estimate for mayor, council and clerk is based on the Vienna estimate with provision for three additional councilpersons, three full-time employees in the clerk's office, and 600 sq. ft. of office space.

Finance Department

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$144,622	\$214,191	\$250,000

A town finance department is necessary to collect the taxes and pay bills. One-half of the Herndon and Vienna finance department expenses shown above is allocated to water/sewer activities. Since the assumption is made that these functions would not be performed by the town of Reston, the estimate for the Reston finance department is based on approximately one-half of the Vienna estimate adjusted for the difference in population. The estimate is also supported by advice from the Reston Homeowner's Association (RHOA) staff that conversion of the present

RHOA assessment system to an ad valorem system would require an approximate doubling of their current finance department budget of \$96,467. The estimate provides for approximately 15 full-time employees and 2,250 sq. ft. of office space.

Police Department

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$382,861	\$599,242	\$1,350,000

The Herndon and Vienna budgets provide for police service at \$33 and \$36 per capita, respectively. The Reston estimate is based on the Vienna per capita expense, and at the Vienna ratio, would provide for 23 patrolmen with a supporting detective, communication, administrative, and supervisory force of 37. The current patrol force maintained by Fairfax County in Reston is 18 officers, with a support staff of 29 persons assigned to the Reston sub-station.^{1/} The Reston estimate includes office space for the support personnel and amortization of 12 police cruisers @ \$40,000 per year for 3 years.

Trash Removal

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$139,268	\$232,748	\$490,000

^{1/} The sub-station staff also supports 18 patrolmen assigned outside Reston.

Herndon budgets \$11.85 per capita for one trash pick-up per week. Vienna budgets \$14.03 per capita for two pickups per week. The estimate for Reston is based on the Vienna per capita cost.

Street Maintenance

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$331,390	\$536,296	\$950,000

The Herndon and Vienna estimates given above are a combination of the general fund allocations (i.e. non-water/sewer related) of the department of public works administration, shop or equipment maintenance, and street maintenance line items of their respective budgets. The street maintenance line item alone does not include the full cost of that service. The Herndon estimate amounts to approximately \$6,800 per lane mile maintained, and the Vienna estimate amounts to approximately \$4,500 per lane mile maintained. The Herndon estimate is substantially higher than the Vienna estimate, apparently because of an extensive street reconstruction program. The Vienna lane mile cost has been used as the basis for the Reston estimate by applying it to the approximately 180 lane miles of public streets now in Reston.

The estimate for street maintenance does not cover the substantial volume of private streets owned by the various

cluster associations. Because these streets generally do not meet state standards, they would not be eligible for state grants for street maintenance even if they should be transferred to the ownership of a town of Reston. Extension of street maintenance to cover these privately owned streets would require a substantial increase in the estimate given here, without any corresponding increase in revenues from state grants.

Snow Removal

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
N/A	\$15,600	\$24,000

Vienna estimates \$131 per lane mile for snow removal. This figure has been applied to the approximately 180 lane miles in Reston to arrive at the Reston estimate.

Planning and Zoning Department

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$66,579	\$52,365	\$105,000

The assumption is made that Reston's planning and zoning department should be one-third larger than that maintained by Herndon. Both Herndon and Reston are rapidly developing areas, whereas Vienna is virtually completely developed. The Reston estimate is based on the Herndon

estimate with the additional provision of stipends for a seven-member planning commission, stipends for a three-member board of zoning appeals, and 900 sq. ft. of office space for 6 employees.

Town Manager

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$55,329	\$95,168	\$115,000

If the town government undertakes any significant level of services and functions, the coordination of the various functional departments will require a full-time town manager. Herndon has a town manager, secretary, and administrative assistant/intern. Vienna has a town manager, two assistants, and a secretary. The estimate for Reston is based on the Vienna estimate plus provision for 600 sq. ft. of office space.

Town Attorney

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$45,400	\$30,688	\$55,000

The town attorney provides legal advice to the town council and administration. Since Reston is in a period of rapid development, legal questions on planning and zoning matters will be substantial. The estimate provides for a

full-time salaried attorney, a secretary, and 300 sq. ft. of office space.

Parks and Recreation

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$40,783	\$435,671	N/A

The equivalent of a town parks and recreation service is now provided in Reston by the Homeowners associations (RHOA, Stratton Woods, Deepwood) and by Small District 5. For purposes of this estimate, it is assumed that RHOA and the other homeowner associations and Small District 5 would retain their independence and that the town would not attempt to duplicate their services. If the contrary assumption should be made -- that some or all of these functions would be transferred to the town of Reston -- an expense estimate would need to be included for parks and recreation. At the same time, however, the costs borne by Small District 5 and/or the homeowners associations would be smaller, and their levies upon Reston property owners could be reduced.

REVENUES

For each revenue source the estimates of receipts from that source in the 1977-78 fiscal year budgets of Herndon and Vienna are indicated below, together with an estimate

of probable Reston revenue. For purposes of this estimate it is assumed that Reston town tax rates would not exceed those imposed by the county where the town tax replaces a comparable county tax. The Business, Professional, and Occupational tax, the Motor Vehicle license tax, and the Cigarette tax are taxes that are now paid to the county, but with incorporation would be paid to the town.

Real Property Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$496,000	\$1,098,000	Minimum level \$ 0
		Medium level \$ 752,756 -
		908,756
		Maximum level \$2,102,756

The real property tax is the most significant local government tax for the homeowner. The town real property tax is in addition to, and not in place of, the county real property tax. Thus, if Reston is incorporated and imposes a town real property tax, homeowners in the town would pay both the county real property tax (including the Small District 5 Tax) and the town tax. For the 1977-78 fiscal year, the total county real property tax rate for property in Reston was \$1.78 per \$100 value, including \$.04 for Small District 5. The Herndon town real property tax rate was \$.34 per \$100. The Vienna town real property tax rate was \$.36 per \$100. For the minimum level of services, it

is estimated that no real property tax would be required for Reston. For the medium level, the required Reston rate would range between \$.13 and \$.16 per \$100 (between \$78 and \$96 on a home valued at \$60,000). For the maximum level, the Reston rate would be \$.37 per \$100 (\$222 on a home valued at \$60,000). The total value of taxable real property in Reston (Small District 5 boundaries) at January 1, 1977, to which the town rate would be applied was \$570,975,335.

1987 AV
2,241,962,000

In comparing the real property tax rates for a town of Reston with those paid by citizens of Herndon and Vienna, the tax rate levied by Small District 5 and the home owners (but probably not the cluster) assessments should be considered part of the local tax burden, because they support governmental or governmental-like functions and owners of residential property (all property in the case of Small District 5) have no choice as to their payment. These taxes and assessments total about \$.16 per \$100 on the average for a single family home, consisting of \$.04 per \$100 for Small District 5 plus an average of about \$.12 per \$100 assessed by RHOA. (The RHOA assessment is a flat \$75 - equivalent to \$.12 per \$100 for a home valued at \$60,000.)

Personal Property Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$50,000	N/A	- 0 -

Vienna does not impose a town personal property tax. Herndon does. The town personal property tax, as the town real property tax, is in addition to, and not in place of the county personal property tax. It is assumed that, like Vienna, a town of Reston would not impose this tax.

Business, Professional, and Occupational Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$90,000	\$325,000	\$235,144

The business, professional, occupational (BP&O) tax is a tax on gross receipts. If levied by the town, it may not be levied by the county on the same business within the town. The level of business activity in Reston, to which this tax would apply, is difficult to estimate. An April 1973 Booz-Allen study estimated fiscal year 1978 BP&O taxes to be paid by Reston businesses to Fairfax County at \$345,800 for a population of 44,000. Since the 1978 population of Reston is now estimated to be only 68 percent of that assumed in the Booz-Allen study, it is estimated that the town BP&O revenue would be 68 percent of the Booz-Allen estimate. The estimate also assumes that the town BP&O tax rates would be the same as the county BP&O tax rates.

Motor Vehicle License Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$97,000	\$165,000	\$250,000

The town motor vehicle license tax counts as a credit toward the applicable county license tax. It would be paid to the town instead of the county. The Reston estimate is based on a tax of \$20 applied to an estimated average of 1.25 motor vehicles for each of 10,000 households.

Cigarette Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$48,000	\$160,000	\$123,600

Herndon and Vienna both impose a tax on cigarettes of \$.05 per pack. Fairfax County also imposes a tax of \$.05 per pack, but the county tax does not apply in the towns. The Vienna per capita revenue is \$9.84. The Herndon per capita revenue is \$4.12. Since Reston's retail sales activity is closer in volume to Herndon's, the Herndon per capita figure is used as the basis for the Reston estimate.

ABC Profit Distribution

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$17,000	\$68,000	\$15,500

Profits of the state-owned liquor stores (the ABC stores) are distributed to the cities, counties, and towns

on a per capita basis using the most recent decennial census. The Reston estimate is based on a 1970 population of approximately 5,000, and a 1976 distribution of \$3.10 per person. It should be noted that, after the 1980 census, this would become a much more substantial part of the town budget, with the distribution to a town of Reston being more than twice as large as the distribution to Vienna.

Consumer Utility Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$135,000	\$400,000	- 0 -

A town tax on consumer light, gas, and phone bills pre-empts the county tax thereon only if the town provides (1) its own school system, or (2) its own police or fire system and its own water/sewer system. Under present state law, a newly incorporated town is very unlikely to provide its own school system, and for the technical reasons already mentioned Reston is very unlikely to provide its own water/sewer system. For these reasons it is assumed that a town of Reston would not levy a consumer utility tax.

Share of County Sales Tax

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$100,000	\$265,000	- 0 -

Under present state law, a town is entitled to a share of the county imposed sales tax only if the town was incorporated and operating as a town when the county tax was imposed. A town of Reston would not qualify.

VDH&T Grant for Street Maintenance

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
90,000	\$191,000	\$270,000

The Virginia Department of Highways and Transportation grants funds to towns that undertake their own public street maintenance on the basis of \$2,500 per lane mile of state primary highway and \$1,500 per lane mile of state secondary highway. All state highways in Reston are secondary highways (highway numbers 600 and up). There are approximately 180 lane miles of state highway and street in Reston.

Miscellaneous & Revenue Sharing

<u>Herndon</u>	<u>Vienna</u>	<u>Reston</u>
\$176,500	\$163,500	\$447,000

Miscellaneous revenues in Herndon and Vienna consist of delinquent tax penalties and interest, court fines, interest on invested funds, bank stock tax, dog tags, planning fees, and public service corporation tax (Herndon). Herndon and

Vienna have revenues per capita from these sources of \$9.86 and \$10.20 respectively. We estimate the Reston revenue from these sources at \$10 per capita. Herndon also receives \$4.89 per capita in revenue sharing. We include the same per capita allowance in our Reston estimate.

SAMPLE BUDGETS

Sample budgets reflecting minimum, medium, and maximum levels of town government functions and services are set forth below, together with suggested revenue sources for funding. If Reston should incorporate as a town, the actual functions and services to be performed by the town would need to be decided through broad based public discussion and establishment of a substantial consensus. The three selections of services presented in the budgets given below are given as three possible examples of choices that might be made and the financial consequences of such choices.

Minimum Level

A minimum level of town government might be limited to ordinance-making, planning and zoning, and representation of the town interest at county, metropolitan, state, and federal levels of government. All other services and functions would continue to be performed by the county as at present. This minimum level could probably be supported

by town taxes that replace equivalent county taxes (such as the BP&O and Motor Vehicle License taxes). For the minimum level of functions and services, there would thus be no increase in the overall local tax burden.

<u>Expenses</u>		<u>Revenues</u>	
Mayor, council and clerk	\$105,000	BP&O tax	\$235,144
Finance (See Note 1.)	250,000	Motor veh. lic.	250,000
Planning and zoning	105,000	ABC profits	15,500
Town attorney	55,000	Misc.	14,356
Total	\$515,000	Total	\$515,000

Medium Level

A medium level of town government would add a town manager plus either a police department or a public works department to the minimum level indicated above. The medium level would require use of all the revenue sources described above with a town real property tax rate of between \$.13 and \$.16 per \$100 (between \$78 and \$96 on a home valued at \$60,000).

Public Works Department Alternative

<u>Expenses</u>		<u>Revenues</u>	
Mayor, council and clerk	\$ 105,000	BP&O tax	\$ 235,144
Finance	250,000	Motor veh. lic.	250,000
Planning and zoning	105,000	ABC profits	15,500
Town attorney	55,000	Cigarette tax	123,600
Trash removal	490,000	VDH&T grant	270,000
Street maintenance	950,000	Misc.	447,000

Snow removal	24,000	Real property	
Town manager		tax @ approx.	
(See Note 1.)	115,000	\$.13 per \$100)	752,756
Total	\$2,094,000	Total	\$2,094,000

Police Department Alternative

<u>Expenses</u>		<u>Revenues</u>	
Mayor, council and clerk	\$ 105,000	BP&O tax	\$ 235,144
Finance	250,000	Motor veh. lic.	250,000
Planning and zoning	105,000	ABC Profits	15,500
Town attorney	55,000	Cigarette tax	123,600
Police	1,350,000	Misc.	447,000
Town manager		Real property	
(See Note 1.)	115,000	tax @ approx.	
		\$.16 per \$100)	908,756
Total	\$1,980,000	Total	\$1,980,000

Maximum Level

A maximum level budget for an incorporated town of Reston would include all of the services and functions now performed by the towns of Herndon and Vienna for their residents with the exception of water/sewer and parks and recreation. As explained in preceding sections of this report, Reston is part of the Fairfax County water/sewer system, and the parks and recreation function for the

Note 1: Estimates for finance department on minimum level and for town manager on medium level are probably overstated since figures are based on cost of these functions at maximum level. See discussion of these functions in the "Expenditures" section above.

initial period following incorporation would probably continue to be performed by the homeowners and cluster associations and Small District 5. The maximum level budget would require a real property tax rate of \$.37 per \$100 (\$222 for a home valued at \$60,000)

<u>Expenses</u>		<u>Revenues</u>	
Mayor, council and clerk	\$ 105,000	BP&O tax	\$ 235,144
Finance	250,000	Motor veh. lic.	250,000
Planning and zoning	105,000	ABC profits	15,500
Town attorney	55,000	Cigarette tax	123,600
Trash removal	490,000	VDH&T grant	270,000
Street maintenance	950,000	Misc.	447,000
Snow removal	24,000	Real property tax @ approx. \$.37 per \$100)	2,102,756
Police	1,350,000		
Town manager	115,000		
Total	\$3,444,000	Total	\$3,444,000