



CITY OF  
*Alexandria*  
VIRGINIA

**Alexandria City Council Retreat**  
November 5, 2022







# Opening Remarks





# Retreat Agenda

9:00	<b>Welcome and Introductions</b>
9:10	<b>Opening Remarks</b>
9:20	<b>FY 2024 General Fund Operating &amp; Capital Budget Forecast</b> <i>a) Revenue Forecast</i> <i>b) Expenditure Overview</i> <i>c) Capital Improvement Program (CIP) Funding</i> <i>d) Transit Funding</i>
10:50	<b>ACPS Operating Budget</b>
11:20	<b>Employee Compensation</b>
12:00	<b>Break</b>
12:30	<b>Budget &amp; Fiscal Affairs Advisory Committee (BFAAC)</b>
1:00	<b>FY 2024 City Council Budget Process &amp; Guidance</b>
2:00	<b>Closed Session</b>
2:30	<b>Adjourn</b>





# General Fund Operating & Capital Budget Forecast

*Revenue Forecast & Economic Indicators*



# Revenue Forecast

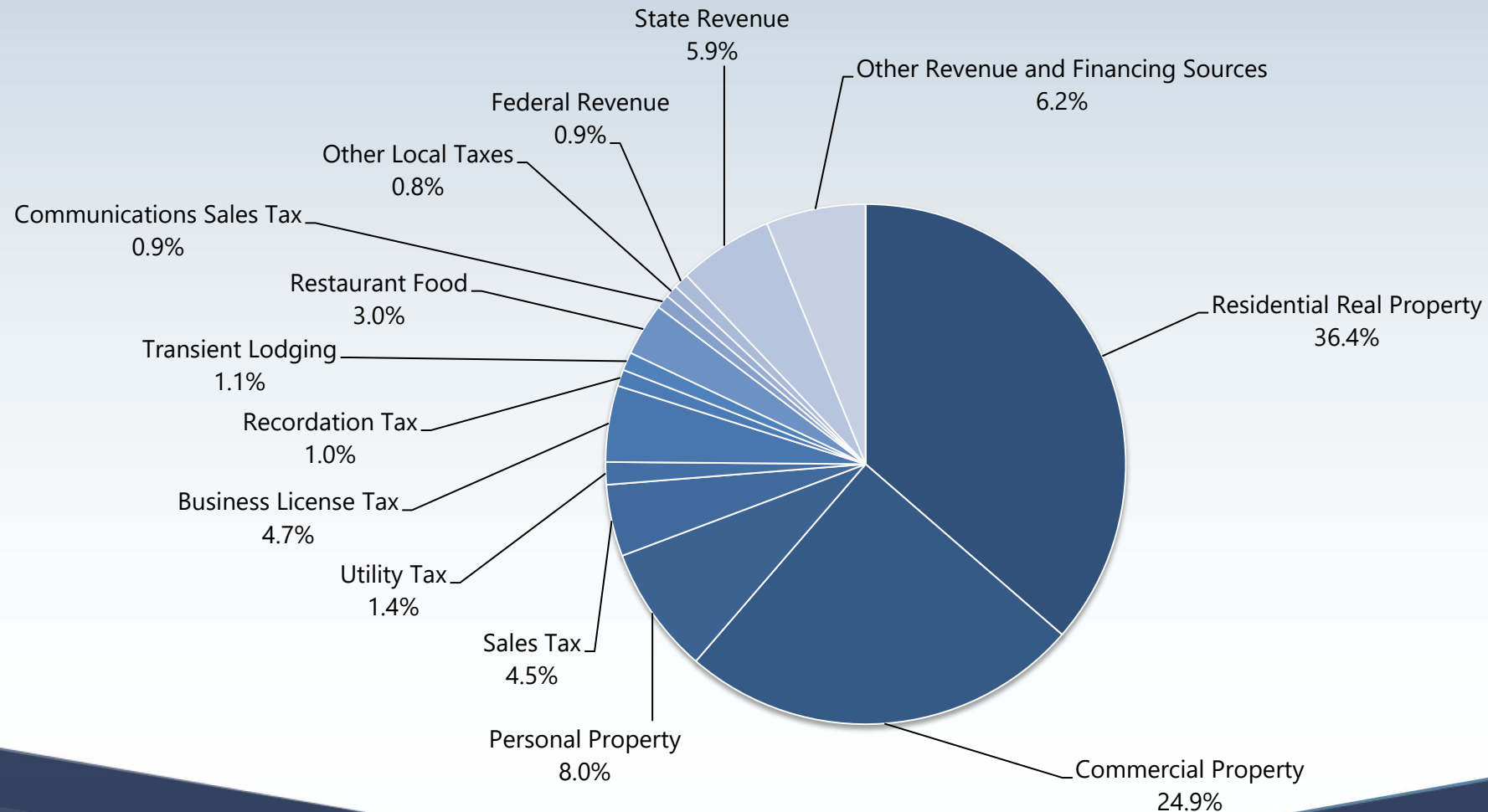
*FY 2024 Preliminary Revenue Estimate (\$ in millions)*

Revenue	FY 2022 Actuals	FY 2023 Budget	FY 2024 Estimate	\$ Change	% Change
Real Estate	\$492.0	\$514.6	\$520.7	\$6.1	1.2%
Personal Property	\$57.2	\$66.8	\$66.8	-	-
Penalties & Interest	\$3.4	\$3.2	\$3.2	-	-
Other Local Taxes	\$148.9	\$148.5	\$147.4	(\$1.1)	(0.7%)
Intergovernmental	\$56.3	\$57.4	\$57.8	\$0.4	0.7%
Non-Tax Revenue	\$81.3	\$40.6	\$51.3	\$10.7	26.4%
Use of Fund Balance	-	\$8.1	\$8.1	-	0.0%
<b>Total</b>	<b>\$839.1</b>	<b>\$839.2</b>	<b>\$855.3</b>	<b>\$16.1</b>	<b>1.9%</b>



# Revenue Forecast

*FY 2023 Approved General Fund Revenue (\$839.2 M)*





# Economic Indicators

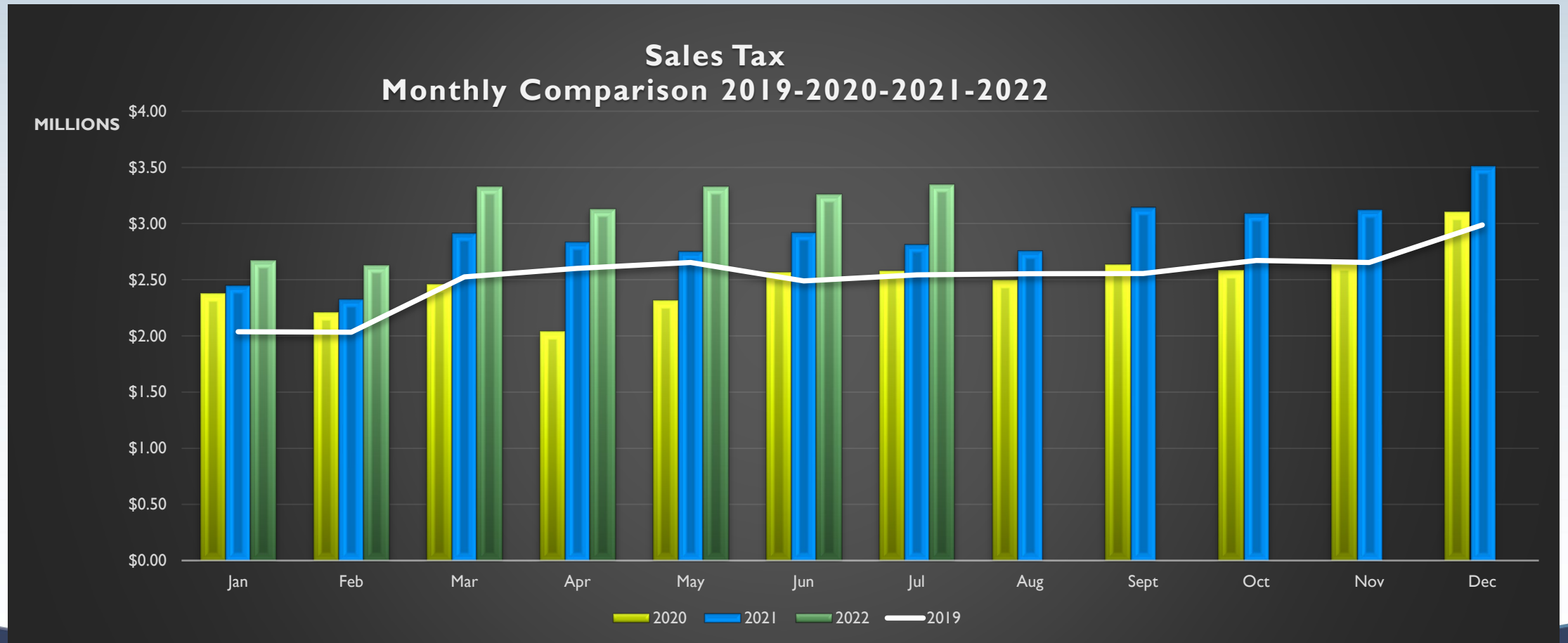
## *Revenue Outlook*

- Real Property – low supply, high demand continues
  - Mortgage interest rate increases are slowing sales
    - Increased days on market
    - Decreased sales volume
    - Interest rates from 3% to 7% in 10 months
- 2022 Residential appreciation – **6%**
  - Lower growth rate anticipated in 2023
- Vehicle values remain high, driving personal property tax revenue
  - Assessment adjustment made in 2022 to mitigate unprecedented valuation increases



# Economic Indicators

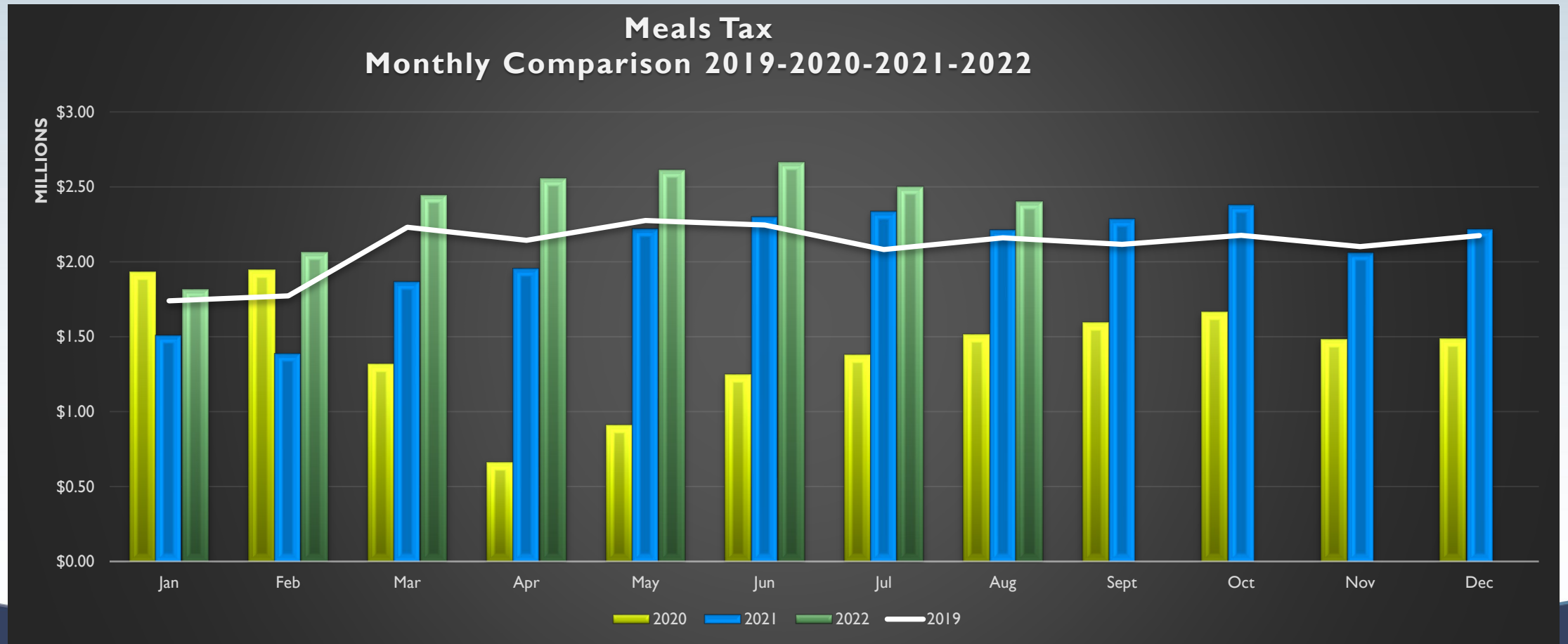
## Consumer Spending – Sales Tax





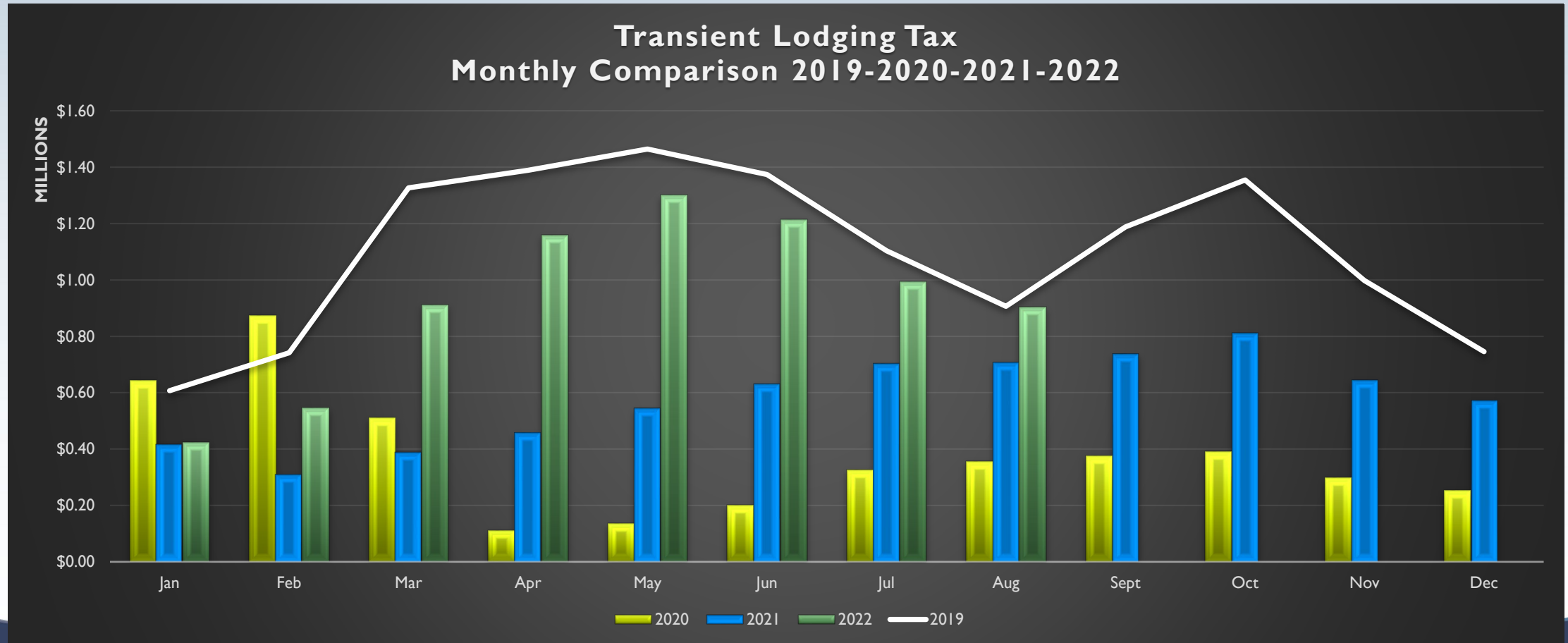
# Economic Indicators

## Consumer Spending – Meals Tax



# Economic Indicators

## Consumer Spending – Transient Lodging Tax





# Economic Indicators

*Richmond Federal Reserve, CFO Survey*

## Data & Results

Archives

## Data & Results – Q2 2022

June 29, 2022

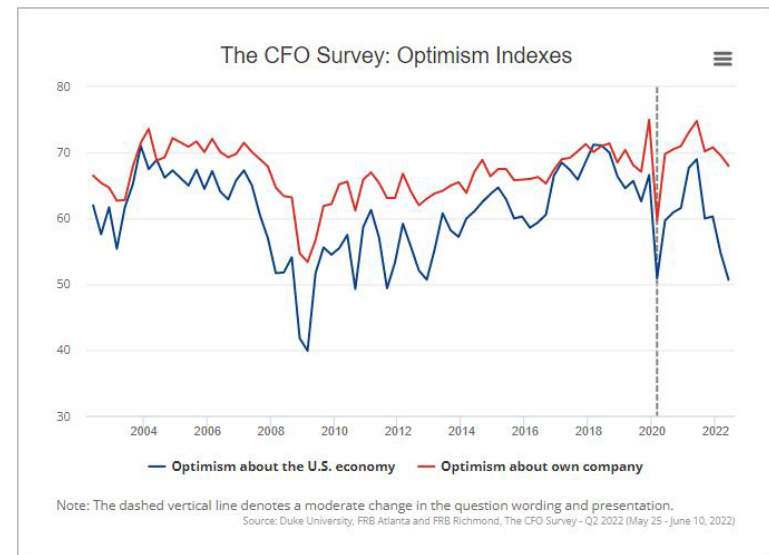
### Economic Outlook for 2022 Deteriorates

Views on the economy among CFOs have worsened for 2022. CFOs expressed a decline in optimism about the economy and reduced expectations for real GDP growth. Respondents also expected higher cost and price pressures for their firms and flat real revenue growth.

News Release

### CFO Optimism

Optimism about the U.S. economy continued to fall in the second quarter. When survey participants were asked between May 25 and June 10 to rate their optimism about the overall U.S. economy, the average index was 50.7, compared to 54.8 last quarter and 60.3 two quarters ago.

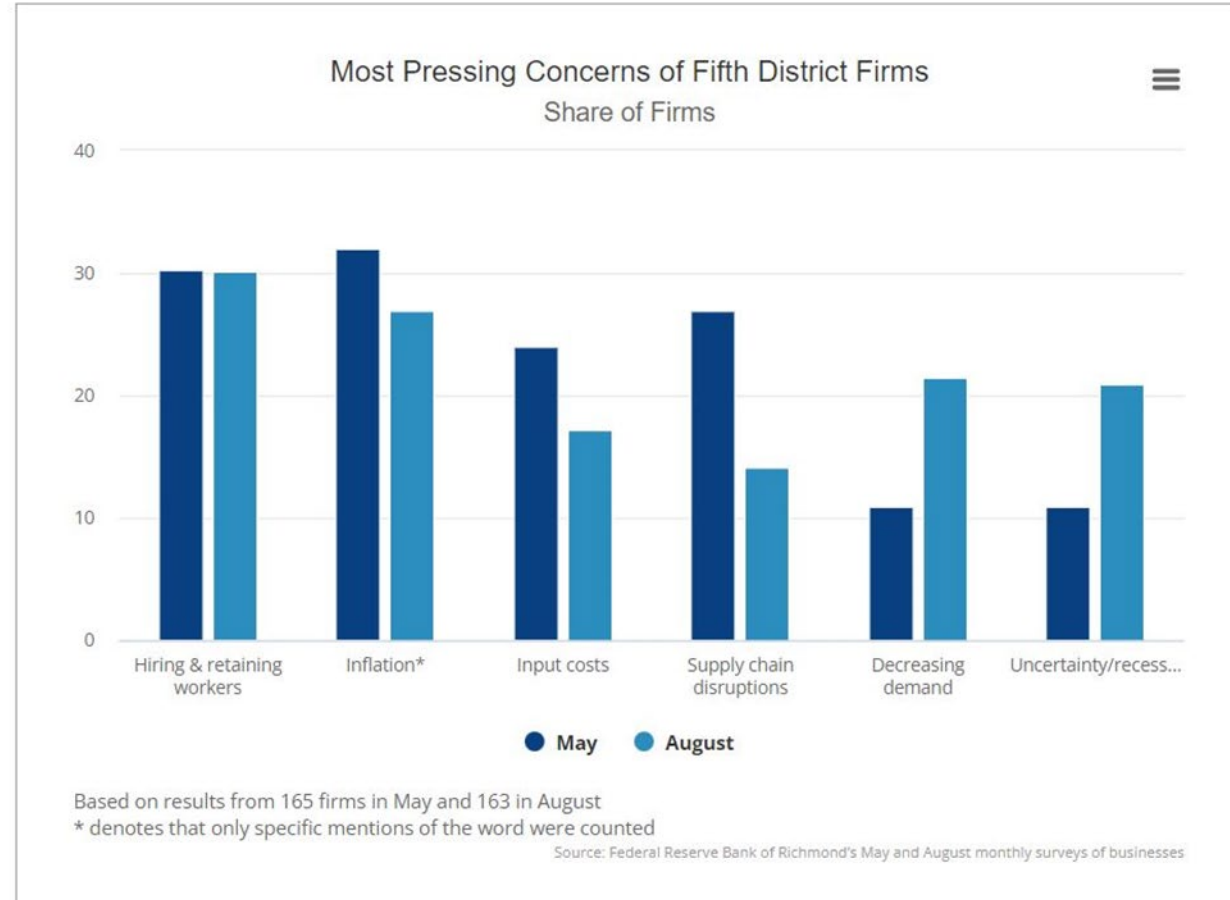


# Economic Indicators

*Richmond Federal Reserve, CFO Survey*

## Evolution of Top Concerns from May to August

CFOs' growing pessimism about the health of the economy in the second quarter began playing out in the August monthly surveys of businesses, as concerns surrounding decreasing demand and recession risk overtook concerns of fluctuating input costs and supply chain disruptions.





# Economic Indicators

*Richmond Federal Reserve*

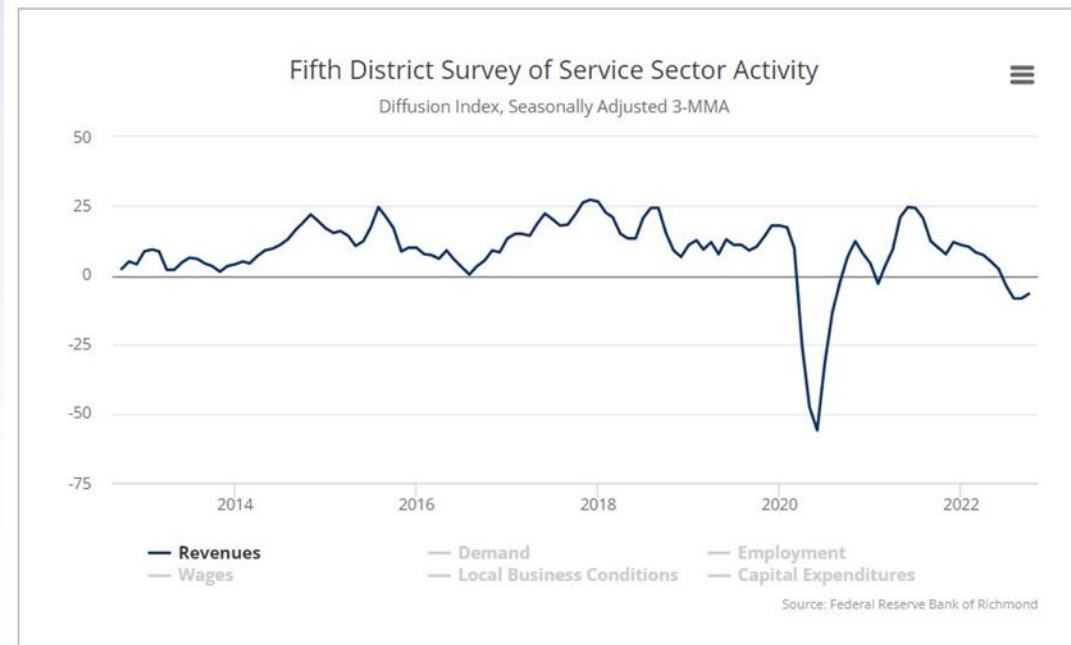
## Fifth District Survey of Service Sector Activity

October 25, 2022

Fifth District service sector activity deteriorated in October, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes fell notably to -8 and -7, nearly returning to their August levels. Furthermore, optimism that revenues and demand will improve over the next six months tumbled in October, with both indexes turning negative. The indexes for capital, equipment & software, and services expenditures edged down slightly.... [Read More](#)

[Read Full Report](#)

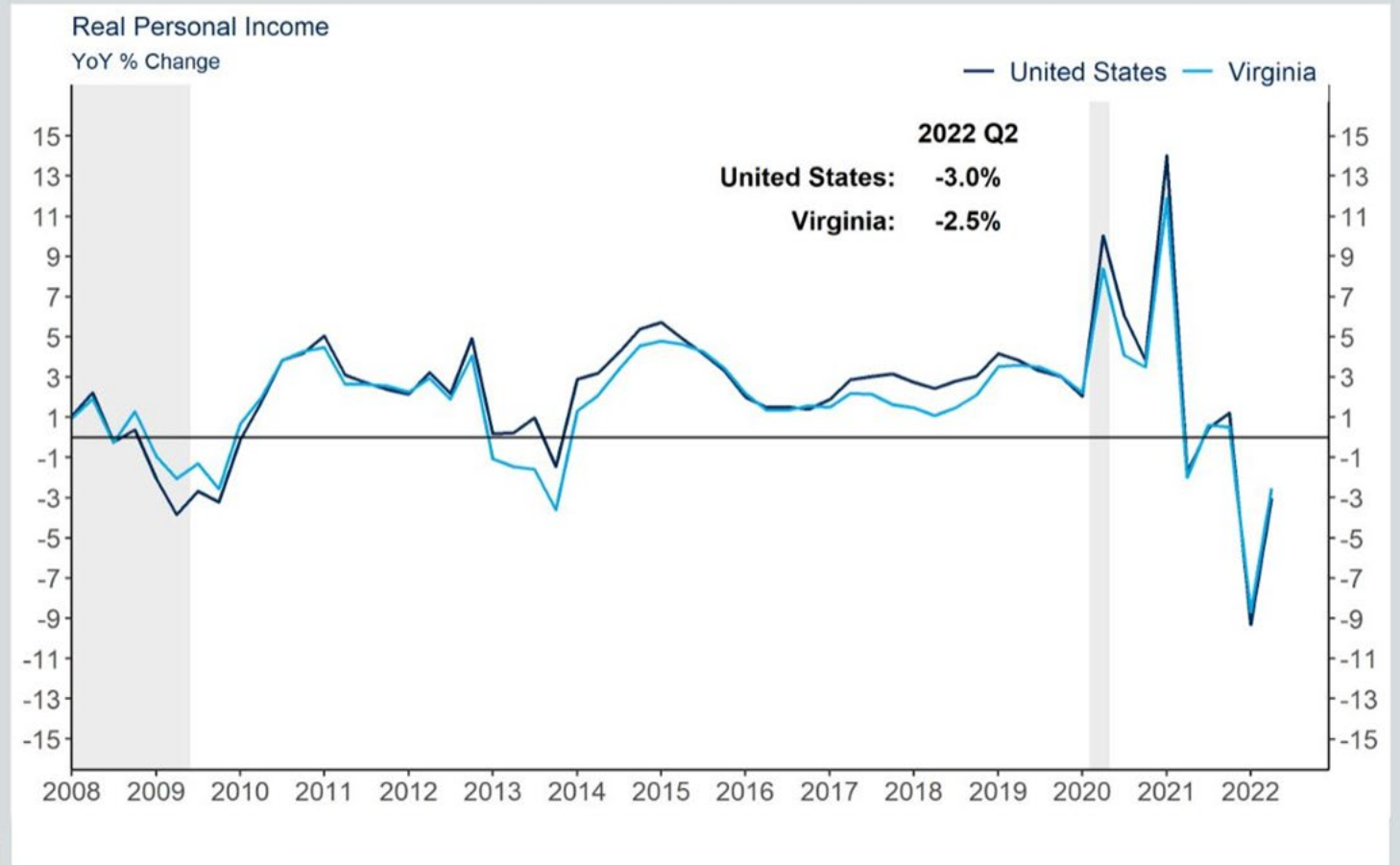
[Download Current and Historical Data](#)



# Economic Indicators

Richmond Federal Reserve

## Virginia Real Personal Income







# **General Fund Operating & Capital Budget Forecast**

*Expenditure Projection*



# Expenditure Projection

*FY 2024 Preliminary Expenditure Estimate (\$ in millions)*

General Fund Expenditures	FY23 Approved	FY24 Estimate	\$ Change	% Change
City Operations	\$ 436.7	\$ 448.8	\$ 12.1	2.8%
Transit	44.5	50.8	6.3	14.1%
ACPS Transfer	248.7	256.2	7.5	3.0%
ACPS Debt Service	31.9	30.6	-1.3	-4.2%
Cash Capital	36.2	36.3	0.1	0.5%
City Debt Service	41.2	49.6	8.4	20.5%
<b>Total</b>	<b>\$ 839.2</b>	<b>\$ 872.3</b>	<b>\$ 33.1</b>	<b>3.9%</b>
<i>Revenue</i>	<i>\$ 839.2</i>	<i>\$ 855.3</i>	<i>\$ 16.1</i>	<i>1.9%</i>
<b>Shortfall*</b>	<b>\$ -</b>	<b>\$ 17.0</b>		

\* FY 2024 estimated funding gap of \$17M does not include City employee compensation above merit increases, collective bargaining, supplemental funding requests from departments and other agencies, on-going demand for ARPA-funded initiatives.







# **General Fund Operating & Capital Budget Forecast**

## *CIP Affordability & Sustainability*





# CIP Affordability & Sustainability

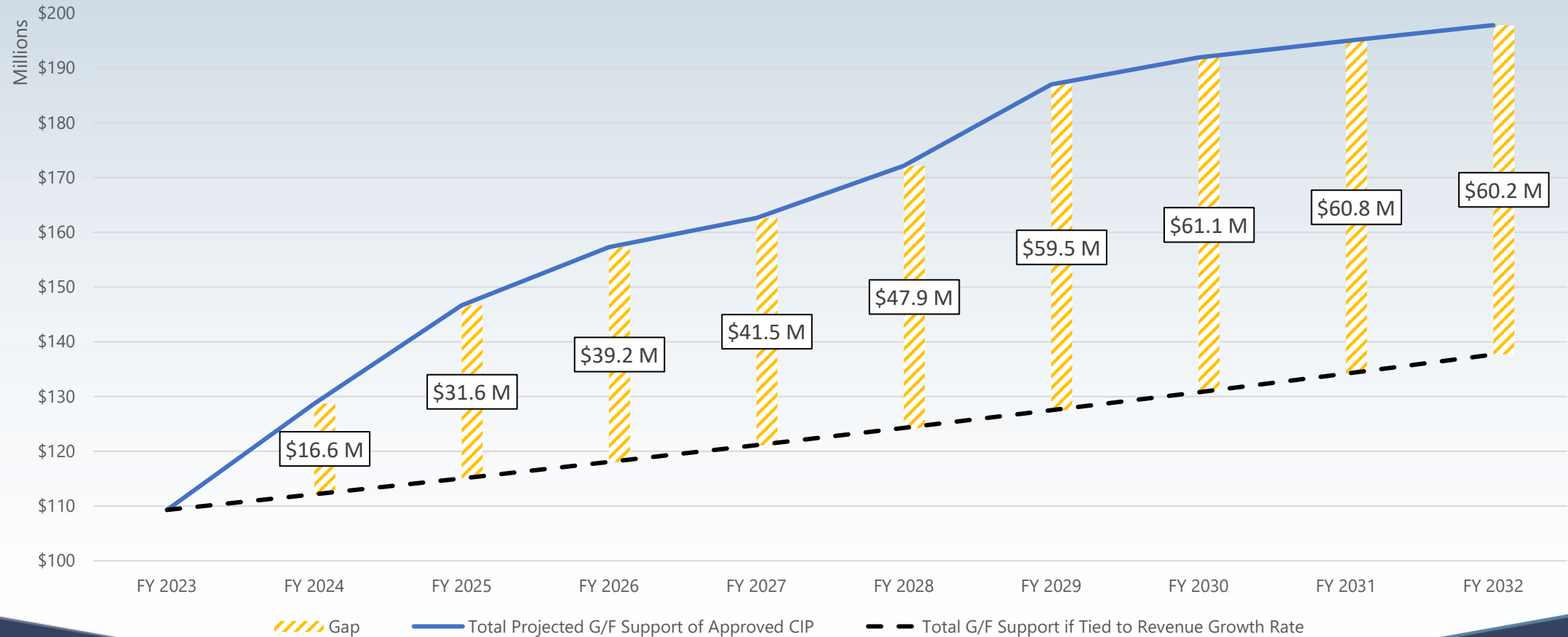
- **Major Takeaways:**

- CIP cost to operating budget exceeds anticipated growth in revenue
  - Approved capital budgets are larger and more complex than our experienced ability to execute capital projects
  - Cash flowing and borrowing timing changes have mitigated large increases to debt service to date, but some of these increases become inevitable as large projects get underway
- **Approved capital improvement program needs to be reassessed and placed on more sustainable path**



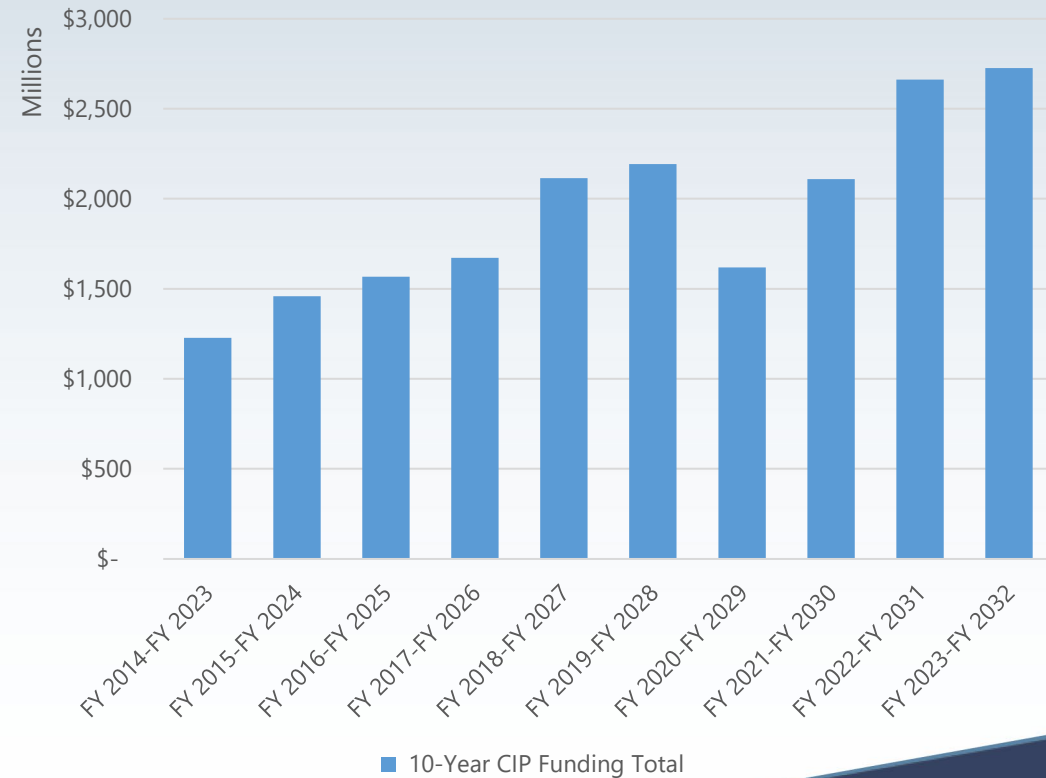
# General Fund Support of Capital Program

Approved CIP vs. Historical Revenue Growth Rate (2.6%)



# Capacity to Execute Projects

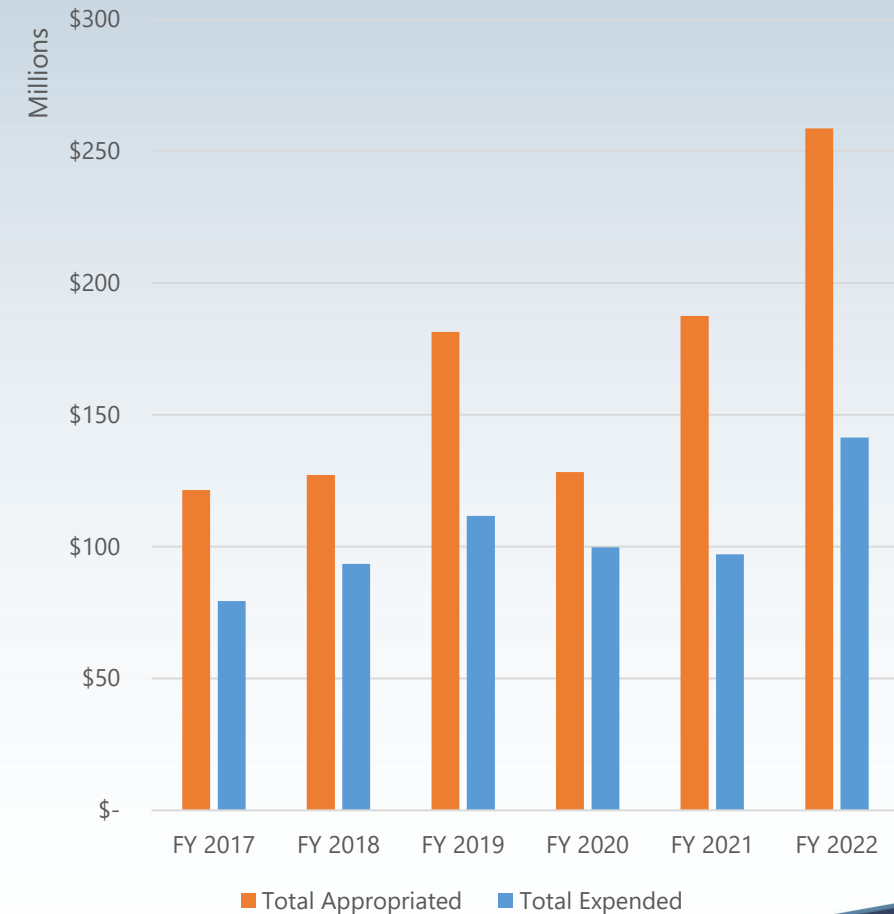
- 10-year CIP has grown significantly over last decade
  - Approved CIP is more than **double** the size of FY 2014 – FY 2023 CIP
- To try and keep pace, resources have been added to the CIP to help execute plan
  - Project Budgeting Excellence/PMIS
  - Computerized Maintenance Management Study
  - Significant increase of staffing in capital funds
  - Facilities Condition Index (FCI) to drive CFMP investments





# Capacity to Execute Projects

- Average capital spending is significantly less than capital appropriations
  - Average appropriation is **over 1.5 times** the average spend rate
- Monitoring this over the past several years has resulted in **\$630.7 M** in delayed borrowing since FY 2019



# Next Steps

- **FY 2024 & FY 2025 Development Processes**
  - Identify and address immediate needs and project changes; focus on projects already underway in upcoming process
  - Reprioritization and re-timing of CIP projects to better align with ability of operating budget to absorb costs increases and City's ability to execute projects
    - Early Years of CIP aligned to projects to be delivered
    - Later Years of CIP aligned to dedicating funding capacity for projects/needs
  - Upcoming development cycles need to re-evaluate City and School capital programs to ensure joint uses, services, and efficiencies are fully explored and realized







# General Fund Operating & Capital Budget Forecast

*Transit: DASH & WMATA*





# Transit Affordability & Sustainability

- **Major Takeaways:**

- DASH Capital: Bus replacement costs outpace currently available CIP funds to meet State of Good Repair and 2037 goal for electrification
- DASH Operating: At current pace, DASH operating subsidy will triple between FY 2017 and FY 2027 (to \$45m from \$15m)
- Metro: Uncertainty on FY 2024 and FY 2025 shortfalls

- **Transit investments need to be placed on sustainable path**



# DASH & MetroBus Overview



## DASH

- 2019\* - 3.93 million rides
- 66% of bus riders in Alexandria
- 10 Routes

## MetroBus

- 2019\* - 2.3 million rides
- 33% of bus riders in Alexandria
- 12 Routes

\*Pre-pandemic, pre-DASH fare free



# DASH BACKGROUND

Launched Fare Free in 2021



Launched New DASH Network in 2021



Ridership is above pre-pandemic levels



Students are 10-15% of weekday DASH ridership

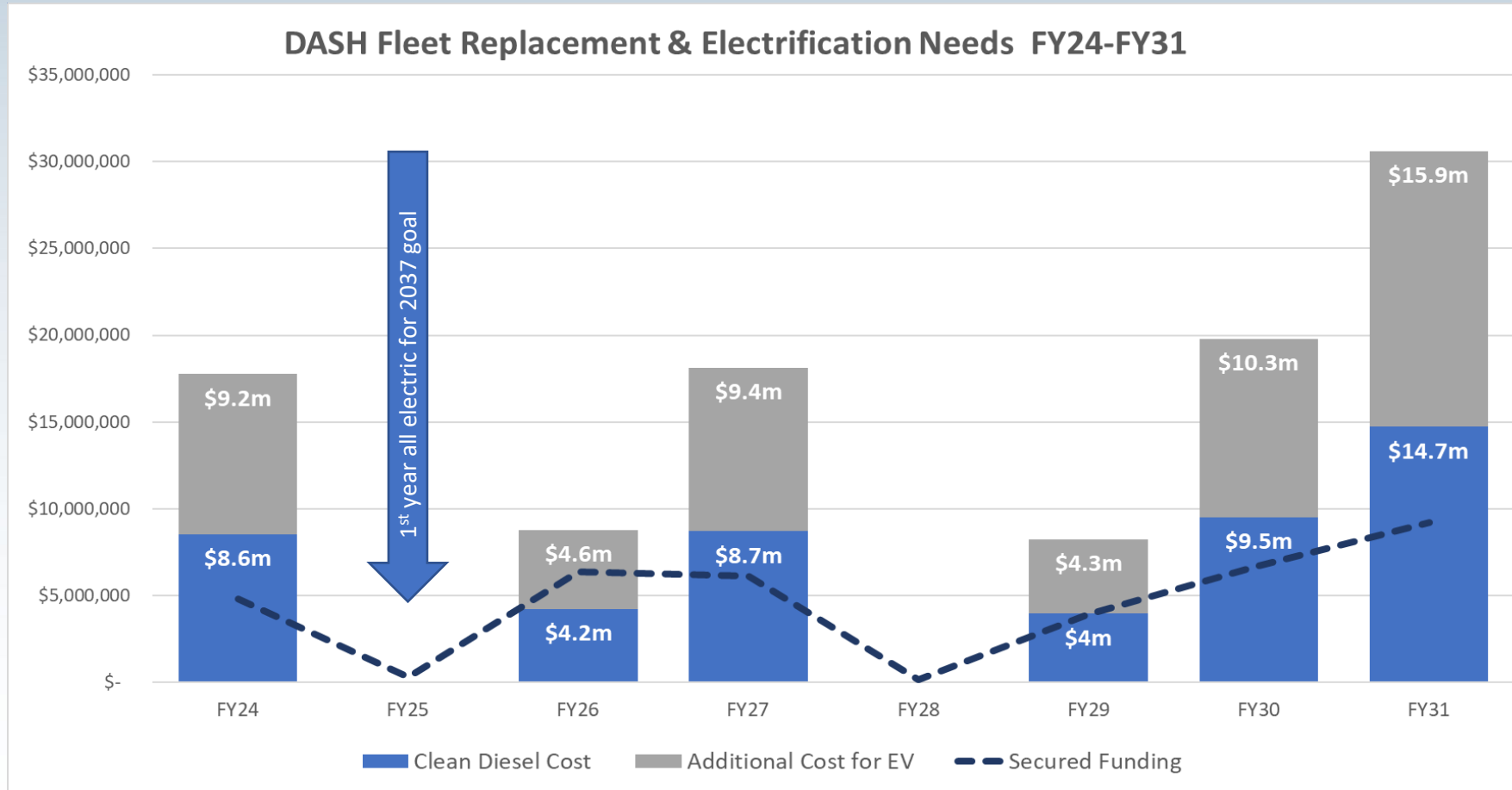


Increase in off-peak ridership





# CAPITAL: Bus Replacement and Electrification Costs Outpace Currently Available Funds



# FY24 Operating Cost Drivers

Labor **+7.5%** ↑

Fuel **+78%** ↑

TRIP grant funding **-37%** ↓

Fare Revenue **-8%** ↓

**FY24 Budget:**

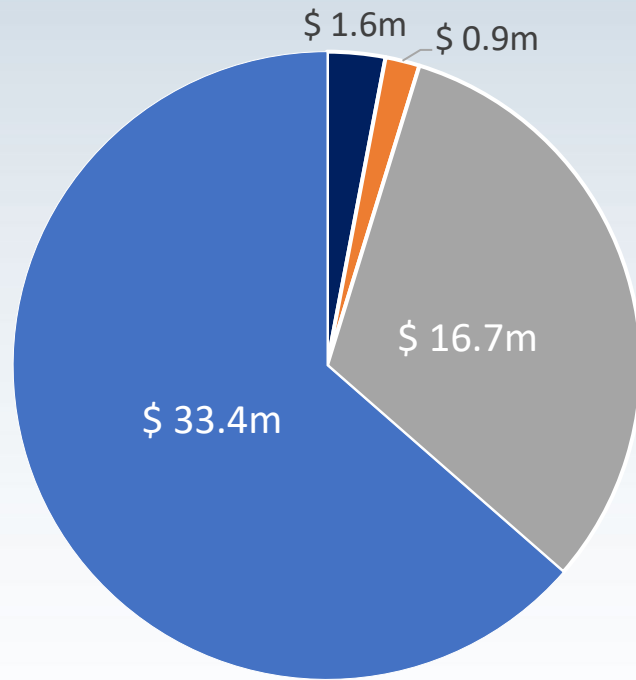
**18.6% General Fund subsidy  
increase (+\$4.7M)**

***from \$25.2M to \$29.85M***



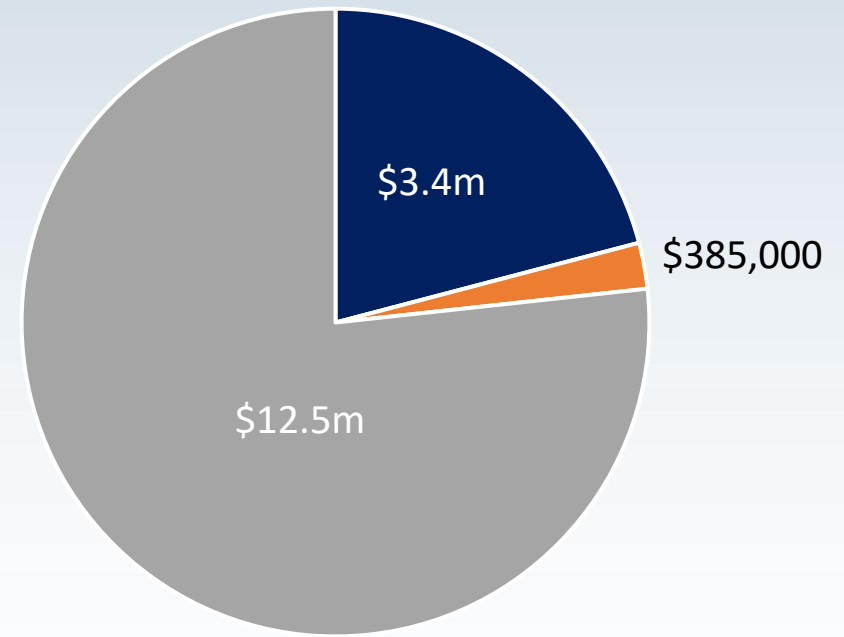
# How the City funds Metro

FY23 WMATA Operating Funding - \$52.6m



■ NVTA 30% ■ TIP ■ City Funding ■ NVTC Trust

FY23 WMATA Capital Funding - \$16.3m

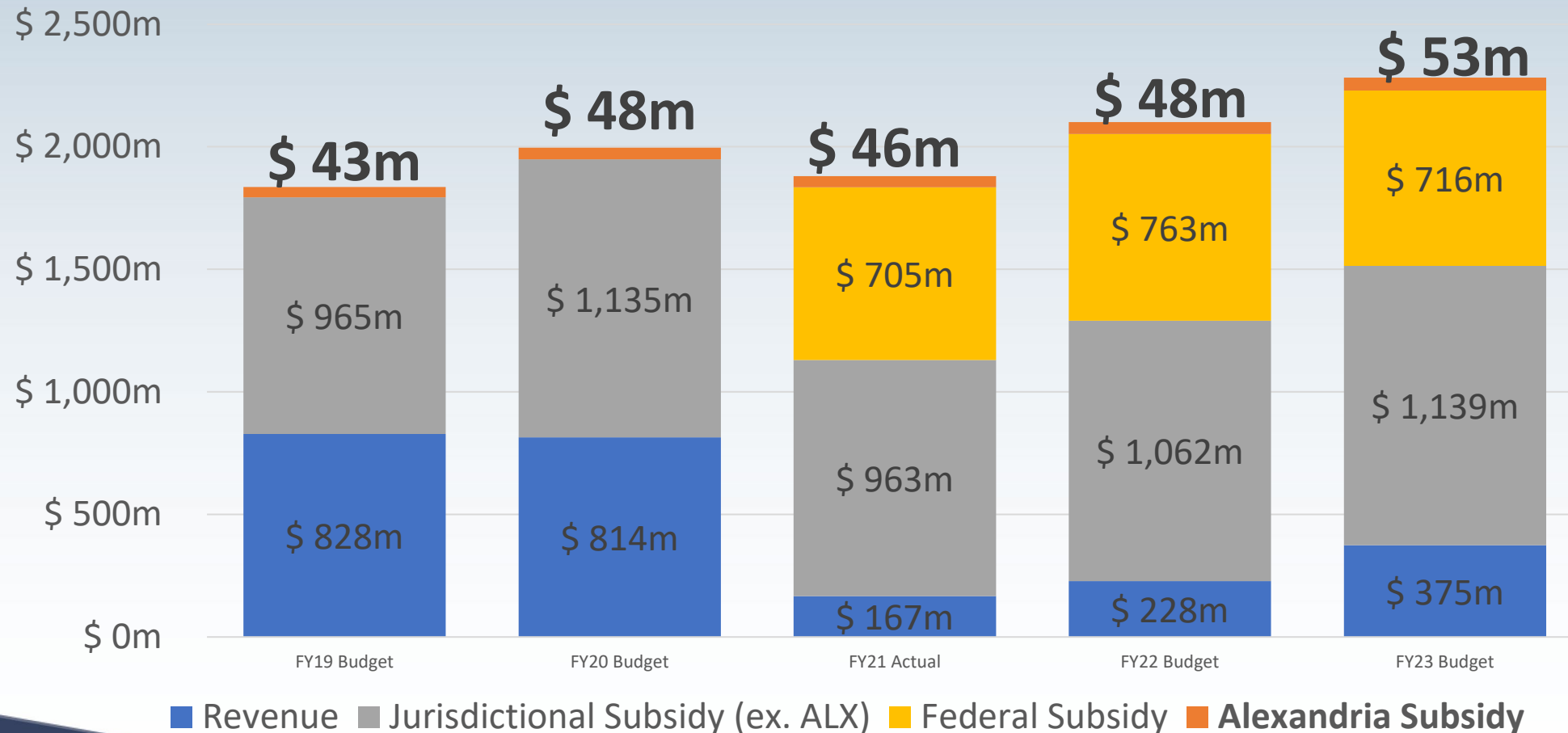


■ NVTA 30% ■ TIP ■ City Funding





# Metro: Operating Budget (in millions)

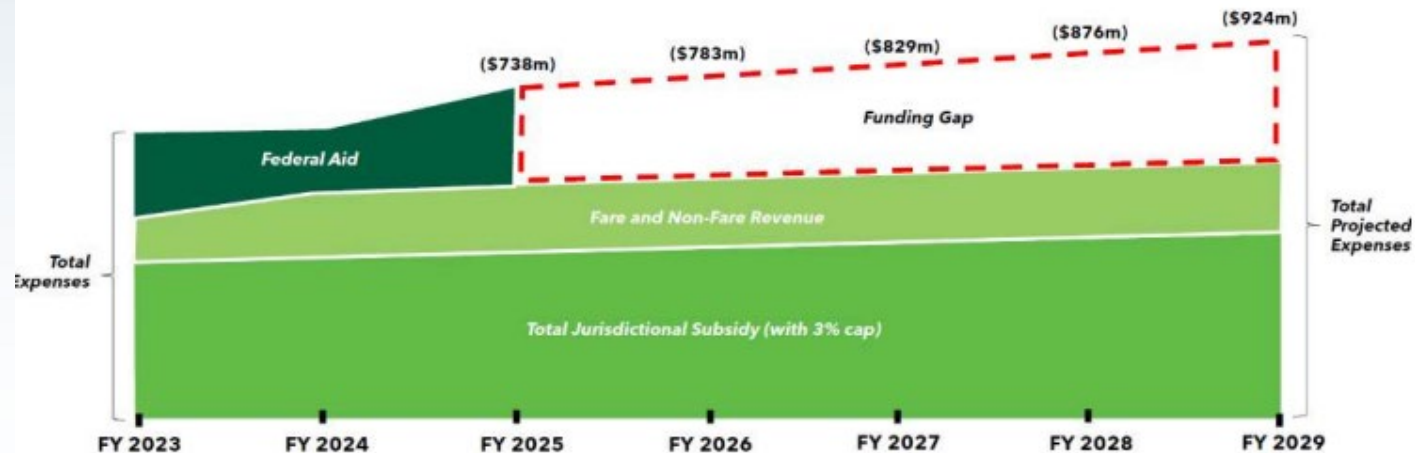


# Metro FY 2024 Operating Subsidy

Metro projecting a budget gap of \$146M in FY24

Alexandria subsidy increase typically between 3% - 10% annually

FY24 subsidy likely \$54.2M - \$57.8M (\$1.6m to \$5.2 million increase over FY 23)



Source: WMATA Finance and Capital Committee Meeting September 2022





# Alexandria City Public Schools







# Employee Compensation



# Becoming an Employer of Choice



STRATEGY



IMPLEMENTATION

# Becoming an Employer of Choice: *Strategy*

## Recruiting and Retention

- Employer Value Proposition (EVP)
- Diversity, Equity, and Inclusion
- Data Analytics and Metrics

## Total Compensation Philosophy

- Compensation Philosophy
- Benchmarking





# Employer Value Proposition (EVP)



Leadership

Vision and Strategy  
Management



Recognition and  
Rewards

Total Compensation



Culture

Day to Day Work  
Mission, Vision, Values,  
Leadership Principles



Learning and  
Development

Career Path  
Training  
Development

# Diversity, Equity, and Inclusion *On Purpose!*



Analytics to Understand Placement Goals



Resources to Access Diverse Candidate Pools



Metrics and Data Analysis to Assess Performance



Processes, Policies, and Procedures to Ensure Fair and Equitable Practices



# Data Analytics and Metrics



KEY  
PERFORMANCE  
INDICATORS



TALENT  
ACQUISITION  
POLICIES AND  
STANDARDIZATION



SOPs/SLA/DESK  
MANUAL



ONBOARDING  
MODULE



ALEXNET



# Total Compensation

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Salary/hourly rate

---

Medical benefits coverage—include amount paid by employee and employer

---

Flexible spending account information

---

Paid leave—include vacation/sick/PTO, holiday, personal, bereavement, military pay, jury duty, etc.

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Disability insurance

---

Life insurance

---

Employee assistance program

---

Retirement benefits—include 401(k)/403(b), pension plans, etc.

---

Educational assistance programs

---

Relocation expenses

---

Learning and development offerings

---

Career-advancement opportunities



# Total Compensation

## Benefits

- Overview
- Highlights



# City of Alexandria's Retirement Package

The City of Alexandria offers a comprehensive retirement package:

Plans for General Schedule, Medics, Fire Marshals and Deputy Sheriffs

- VRS and the City's Supplemental Retirement Plan
  - VRS is a defined benefit plan that offers lifetime income at retirement.
    - Newer employees also accumulate a defined contribution benefit which is made of up employee and employer contributions plus interest.
  - The City of Alexandria's Supplemental Retirement Plan is a defined benefit plan that provides lifetime income at retirement.
    - This benefit is paid in addition to VRS and is a **unique benefit only offered to the City of Alexandria employees**.

At 30 years of service the combination of VRS and the City's Supplemental Retirement Plan provides a **73.5% to 78% salary replacement ratio in retirement**.

- Note VRS hybrid participants will receive 54% salary replacement ratio in retirement but will also receive a defined contribution benefit.





# City of Alexandria's Retirement Package

The City of Alexandria offers a comprehensive retirement package:

## Plan for Firefighters and Police Officers

- Firefighters and Police Officers Pension Plan
  - The Firefighters and Police Officers Pension Plan is a defined benefit plan that offers lifetime income at retirement.
- At 30 years of service the Firefighters and Police Officers Pension Plan provides a **75% to 82% salary replacement ratio in retirement**.

## Voluntary Savings Plans

- In addition to the mandatory pension plans, all City employees have access to the City's voluntary savings vehicles:
  - 457 Deferred Compensation Plan
  - Payroll Deduct Roth IRA
- Both vehicles allow employees to save for retirement in a tax-advantaged way.



# Becoming an Employer of Choice: *Implementation*

## Recruiting and Retention

- Launch Talent Acquisition Strategy
  - *Employer Value Proposition (EVP)*
  - *Diversity, Equity, and Inclusion*
  - *Data Analytics and Metrics*

## Total Compensation Philosophy

- Implement Compensation Action Items
  - Compensation philosophy
  - Benchmarking

# Accomplishments...

- New technology to improve the recruitment process
- New Partnership W/Spring Health
  - Improves availability and access to therapy, coaching, medication management, and preventative mental health resources
  - Offers work/life services such as child-care, legal, financial, and daily living resources.



# Accomplishments...

- Attended HBCU Career Development Marketplace
- Executed Wellness Events and Programs:
  - Flu clinic
  - Health & Wellness Expo
  - Field Day





# Accomplishments...

- Rated #2 for the 2022 Healthiest Employers of Virginia
- Winner for Best & Brightest in Wellness Award
- Launched Required Safety/Credentialing Trainings
- Continuation of Executive Coaching
- Associated Training Partner for the Project Management Institute (PMI)
- Launched R.I.S.E. Leadership Academy



# What's Next...

- Fraud Prevention Training
- Risk Management & Safety Training
- Supervisors & Managers 3-Day Training
- Enhanced Learning Technologies & Innovation- Microlearning & Mobile Learning
- Re-Launch of NEOGOV Learn (On-demand learning)



# What's Next...

- New technology to build diverse candidate pipelines
- Employee Service Awards
- City-wide Hiring Event





# Budget & Fiscal Affairs Advisory Committee







# FY 2024 City Council Budget Process & Guidance



# Review of Proposed Resolutions

- **Budget Process Resolution**
- **Budget Guidance Resolution**





# Proposed Budget Process Resolution

- Dates for School Board to adopt Capital Improvement Program (CIP) and combined funds operating budget updated to align with ACPS adopted budget schedule
  - CIP – requested to adopt no later than December 15, 2022
  - Operating – requested to adopt no later than February 16, 2023
- Additional public hearing proposed for March 2023
- If consensus is reached during the preliminary add/delete work session, the final add/delete work session may become optional



# Proposed Budget Guidance Resolution

## Present 2 budget scenarios:

- 1) The City Manager shall propose for Council consideration a proposed operating budget and 10-year Capital Improvement Program and one alternative budget scenario.
- 2) One budget scenario will be recommended to balance the budget if the real estate tax rate remains at its current level, and one will include recommendations for a real estate tax or other tax rate increases.





# Public Input

<https://www.alexandriava.gov/Budget>



## Fiscal Year 2024 Budget Development

The FY 2024 proposed budget is scheduled to be presented by the City Manager to City Council on February 28, 2023. On November 5, 2022, City Council will hold its annual retreat to kick-off the budget, and on November 9, 2022 City Council will adopt its budget guidance.

- [FY 2024 Budget Calendar](#)
- [FY 2024 Budget Resources](#)
- [FY 2024 Public Comment Form](#)



# Budget Calendar

Date	Time	Meeting Topic
Tuesday, February 28, 2023	7:00pm	FY 2024 Proposed Budget Presentation
Wednesday, March 1, 2023	7:00pm	Budget Work Session #1: Capital Improvement Program
Thursday, March 2, 2023	7:00pm	Proposed Budget Presentation - Public
Wednesday, March 8, 2023	7:00pm	Budget Work Session #2: Alexandria City Public Schools
Monday, March 13, 2023	7:00pm	Public Hearing FY 2024 Budget
Tuesday, March 14, 2023	7:00pm	Introduce the Maximum Property Tax Rates
Wednesday, March 15, 2023	7:00pm	Advertise tax rate
Wednesday, March 15, 2023	7:00pm	Budget Work Session #3
Saturday, March 18, 2023	9:30am	Additional Public Hearing FY 2024 Budget
Wednesday, March 22, 2023	7:00pm	Budget Work Session #4
Wednesday, March 29, 2023	7:00pm	Budget Work Session #5
Thursday, April 6, 2023		Add/deletes due
Saturday, April 15, 2023	9:30am	Tax Rate Public Hearing/ Add/Delete Public Hearing
Tuesday, April 25, 2023	7:00pm	Budget Work Session #6: Preliminary Add/Delete
Monday, May 1, 2023	7:00pm	Budget Work Session #7: Final Add/Delete
Wednesday, May 3, 2023	7:00pm	Budget Adoption/ Tax Rate Adoption

