



CITY OF
Alexandria
VIRGINIA

Alexandria City Council Retreat
November 4, 2023





Opening Remarks



Retreat Agenda

9:00	Welcome and Introductions
9:10	Opening Remarks
9:20	FY 2025 General Fund Operating & Capital Budget Planning <i>a) Revenue & Expenditure Forecast</i> <i>b) Capital Improvement Program (CIP) Funding</i> <i>c) Employee Health Plans</i> <i>d) WMATA Funding Challenge</i> <i>e) Budget Process and Guidance</i>
11:00	ACPS Operating Budget
11:30	Budget & Fiscal Affairs Advisory Committee (BFAAC)
12:00	Break
12:30	City Council Priorities Discussion
2:00	Adjourn





General Fund Operating & Capital Budget Forecast

Revenues & Operating Expenditures



Revenue Outlook

- Consumer spending is strong
 - Sales tax revenue increase of 7% in FY 2023
- Higher interest rates adversely impacts appreciation; Low supply, high demand helps increase values
 - 2023 Residential appreciation – 5%
 - 2024 Residential range – 2.5 to 4%
 - Similar range in 2025
- Vehicle values remain high, driving personal property tax revenue
 - Assessment adjustment made in 2022 and 2023 to mitigate unprecedented valuation increases



Local Economy

Unemployment Rate*

	2019	2020	2021	2022	2023
Alexandria	2.1%	9.9%	4.6%	2.4%	2.2%
Commonwealth of Virginia	2.6	8.8	4.3	2.8	2.7
United States	3.6	11.0	5.9	3.6	3.6

*Source: US Department of Labor, Bureau of Labor Statistics
As of June each year. Virginia and US are seasonally adjusted. Alexandria is not seasonally adjusted

Office Vacancy Rate**

	2Q 2021	2Q 2022	2Q 2023
Alexandria	16.2%	14.6%	14.6%
Northern Virginia	16.4%	20.9%	19.6%
Washington DC Metro Area	23.9%	19.3%	19.8%

**Source: CoStar and Colliers Northern Virginia Office Report



Principal Taxpayers

Private Property – January 1, 2023

Owner's Name	Property	2023 Assessed Value (in millions)	% of Total Taxable Valuation*
Equity Residential	Apartments	\$761.2	1.57%
Paradigm Companies	Apartments	638.5	1.32%
LCOR Alexandria, LLC	Office Buildings	590.6	1.22%
Morgan Properties	Apartments	579.5	1.20%
CIM Group	Apartments	579.1	1.20%
Stonebridge	Apartments/Office Buildings	460.6	0.95%
AIMCO	Apartments	428.5	0.89%
Monday Properties	Apartments/Office Buildings	362.1	0.75%
UDR	Apartments	325.8	0.67%
Elme Communities	Apartments/Office Buildings	256.0	0.53%
Total (\$48.3B total taxable assessed value)		\$4.982	10.3%

Source: Department of Finance, Division of Real Estate Assessments



Principal Private Employers

July 1, 2023

Owner's Name	Property	Approximate # of Employees*	Estimated % of Total City Employment
Inova Alexandria Hospital	General Medical & Surgical Hospitals	1,700	2.1%
Institute for Defense Analyses	Research and Development Center	750	0.9
System Plan and Analysis Inc	Professional, Scientific, Technical	700	0.9
Goodwin House	Outpatient Care Center	700	0.9
Kearney & Company, P.C.	Certified Public Accountants	600	0.7
CRS Facility Services	Janitorial Services	400	0.5
United Parcel Service	Couriers and Messengers	350	0.4
GEICO	Insurance Services	350	0.4
Grant Thornton LLP	Accounting and Auditing Services	300	0.4
American Society of Clinical Oncology	Professional Association	300	0.4
Total (81,126 city-wide)		6,150	7.6%

Source: Alexandria Economic Development Partnership, Inc an Virginia Employment Commission

*Numbers are rounded/estimated



Employment

Alexandria Employment	2Q 2021	2Q 2023
Professional, Scientific and Technical	16.43%	16.78%
Healthcare and Social Assistance	8.54	9.26
Accommodation and Food Services	8.51	9.73
Retail and Wholesale Trade	8.51	9.35
Financial, Insurance and Real Estate	5.12	5.25
Transportation, Information and Utilities	3.59	3.49
Construction	2.45	2.48
Manufacturing	1.66	1.46
Services	19.46	20.13
Government		
Local	8.14	8.67
State	0.96	0.91
Federal	16.61	12.48
Total ¹	100.0%	100.0%

Source: US Department of Labor, Bureau of Labor Statistics



Revenue Forecast

FY 2024 Preliminary Revenue Estimate (\$ in millions)

Revenue	FY 2023 Actuals	FY 2024 Budget	FY 2025 Estimate	\$ Change	% Change
Real Estate	\$512.7	\$532.1	\$545.1	\$13.0	2.4%
Personal Property	\$66.5	\$66.3	\$67.0	\$0.7	1.0%
Sales Tax	\$39.3	\$39.0	\$40.5	\$1.5	3.8%
Other Local Taxes	\$116.8	\$114.5	\$117.1	\$2.6	2.2%
Intergovernmental	\$59.3	\$58.9	\$59.0	\$0.1	0.1%
Non-Tax Revenue	\$62.9	\$56.0	\$51.6	(\$4.4)	(7.9%)
Use of Fund Balance	\$2.1	\$17.5	\$17.5	-	0.0%
Total	\$859.6	\$884.3	\$897.8	\$13.5	1.5%



Expenditure Forecast - Significant Cost Drivers

- **City Employee Compensation \$12.5 M**
 - Step increases \$4.4 M
 - Benefit cost increases \$3.2 M
 - Collective bargaining agreements \$4.9 M
- **ACPS Debt Service \$12.1 M**
- **ACPS Operating Transfer \$5.2 M - \$7.8 M (assumes 2.0% to 3.0% growth)**



Expenditure Forecast - Other Cost Drivers

- **Transit Funding**
 - DASH flat plus collective bargaining
 - WMATA presentation to follow
- **City Non-Personnel Costs \$4.7 M (assumes 3.0% growth)**
- **City Debt Service \$3.1 M**
- **Expenditure Reductions \$10.2 M**
 - Cash capital one-time reduction \$5.9 M
 - City operating budget reductions \$4.3 M



Expenditure Forecast

- **Preliminary Shortfall** - \$19 M or more
- **Dependent on:**
 - Real estate assessments
 - State of the economy
 - Department budget requests
 - Efficiency savings opportunities
 - Compensation beyond step increases and CBAs
 - ACPS operating transfer
 - Portion of WMATA gap funded from General Fund revenue
 - CIP restructuring





General Fund Operating & Capital Budget Forecast

CIP Affordability & Sustainability



CIP Affordability & Sustainability

- **At last year's Council Retreat, discussed CIP sustainability concerns:**
 - 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



CIP Affordability & Sustainability

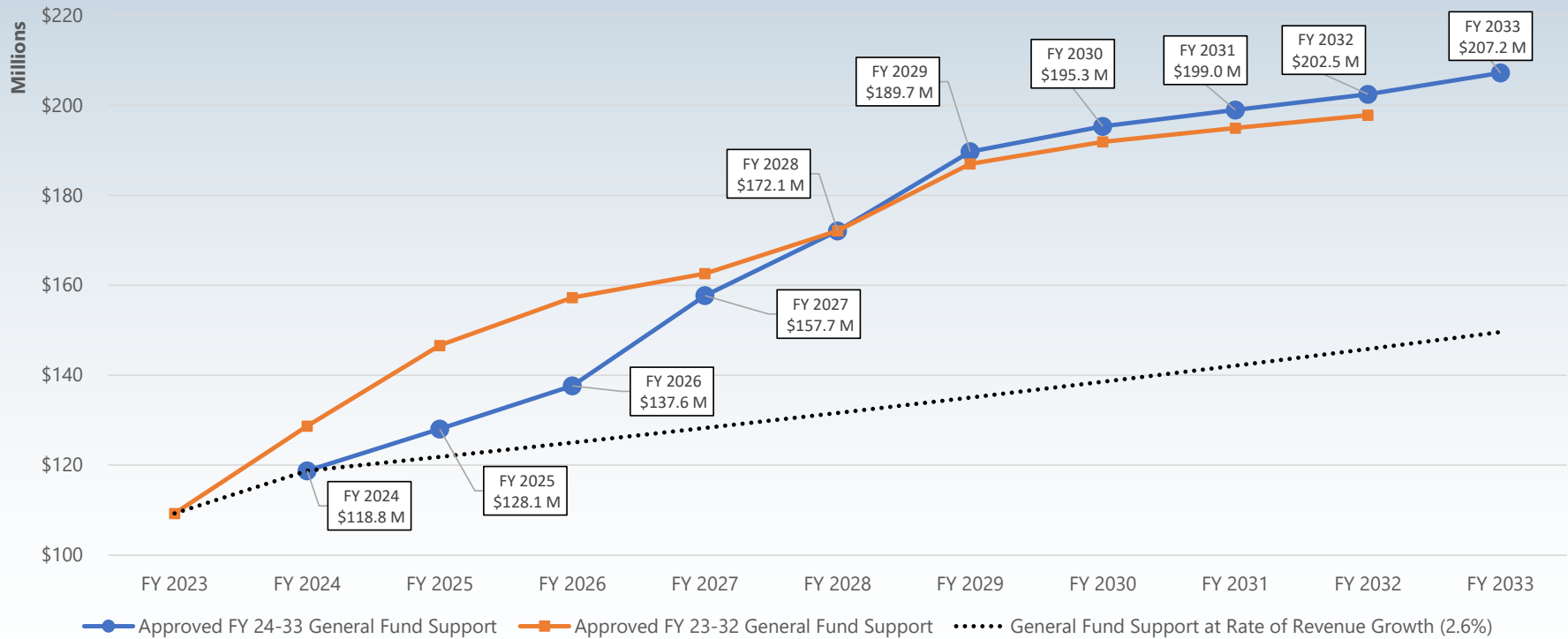
- **Approved FY 2024-3033 CIP**
 - Focused on previously planned projects and working within approved funding levels
 - Focused on executing projects from previous capital appropriations
 - Increased investments in City Hall Renovation, George Mason Elementary, and Landmark Mall Redevelopment
 - Included plan for deploying CIP fund balance designation to help smooth cost curve

Year 1 (FY 2024) Capital Budget
\$360.8 million
10-Year Approved Funding Total
\$2,405.8 million
FY 2024 General Fund Cash Capital
\$38.3 million
FY 2024 General Fund Debt Service
\$80.5 million
Cash/Borrowing Split
46% Cash / 54% Borrowing
<i>Approved Plan Complies with City Debt Management Policies</i>



General Fund Support of Capital Program

Approved FY 2023 – FY 2032 CIP vs. Approved FY 2024 – FY 2033 CIP



Next Steps

- **FY 2025 Development Process**

- Provided funding guidance to City departments and ACPS staff
 - Plan proposed capital programs within existing funding levels
 - Re-time projects to spread investments across the FY 2025 – FY 2034 planning window
- Work with departments to look for opportunities to redeploy available project balances
- Continue focus on cash flow needs of projects to mitigate debt service impacts
- Evaluate cash and borrowing split for opportunities to smooth out debt service cost increases





Employee Health Plans



City Of Alexandria Request For Proposal (RFP)



City of Alexandria (COA) Marketing Solicitation for Employee Medical and Prescription Drug Benefits

- Timeframe for marketing – COA will conduct solicitations every 3 years to ensure the City continues to offer the best in class and most affordable insurance benefits for employees.
- To select the best-in-class partner for the City of Alexandria's self-insured (1) medical plan administration and program management, and (2) pharmacy benefit administration and program management for active employees, non-Medicare and covered dependents of the City of Alexandria.
- To obtain proposals from Pharmacy Benefit Management Carriers who would handle the City of Alexandria's Pharmacy benefits for their Self-Insured plans. This would include pharmacy benefit administration and program management for active employees, non-Medicare and covered dependents of the City of Alexandria.



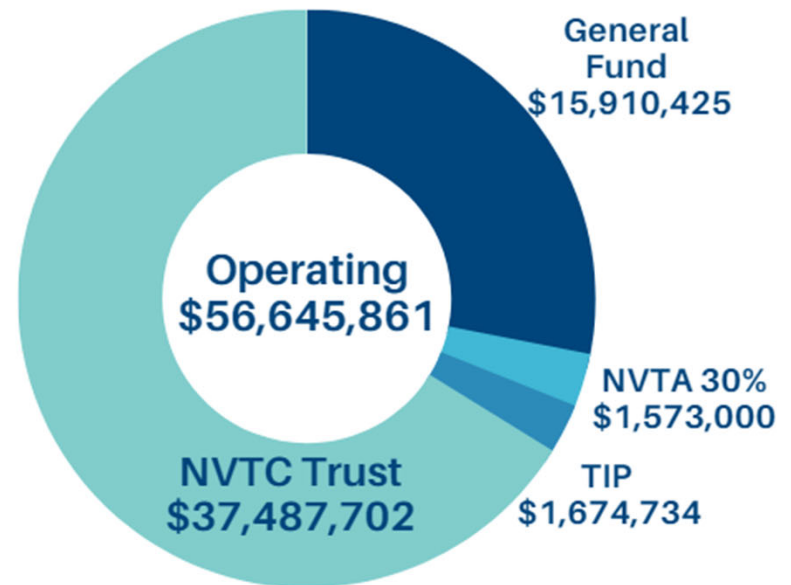
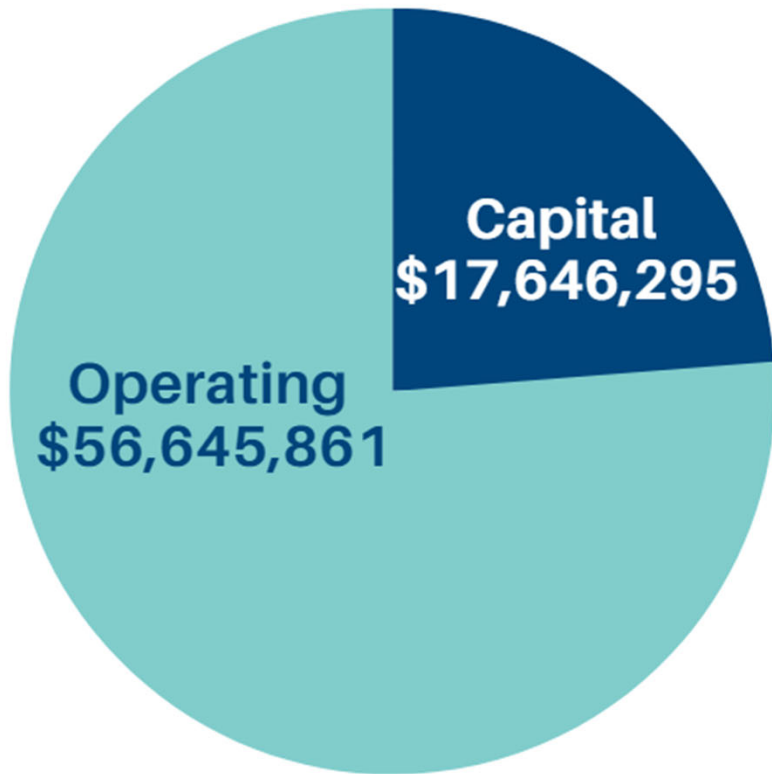


General Fund Operating & Capital Budget Forecast

Transit: WMATA Funding Gap



FY 2024 WMATA Funding: \$74,292,156



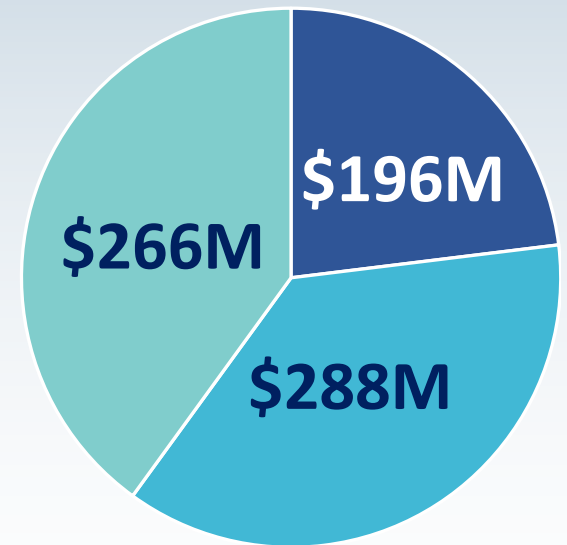
FY 2025 Operating Gap (\$750M)

- **What is causing the gap?**

- \$266M (36%) Increases in Expenditures/Costs (Inflation & Collective Bargaining Agreements)
- \$196M (26%) Jurisdictional Subsidy Credit
- \$288M (38%) Decreased Revenue since pandemic

- **What is being done?**

- Multiple regional working groups (4)
- Areas of Discussion
 - Service Cuts, Preventative Maintenance Transfers, Fare Increases, Layoffs
- Long-term, sustainable, dedicated funding for Metro
 - Structural Reform options
 - New revenue options (beyond FY25)
- Short-term solution for FY25 and FY26 gap



FY2025 Potential Scenarios

Operating Budget: Illustrative Concepts

\$ in Millions

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Standard PM No service cuts Most add'l Subsidy	Max PM No service cuts Some add'l Subsidy	Max PM Targeted service cuts Least add'l Subsidy	Max PM ^C Major (~33%) svc. cuts No add'l subsidy	Standard PM Severe (~60%) svc. cuts No add'l subsidy
FY2025 Deficit	\$750	\$750	\$750	\$750	\$750
One-Time Savings + Cost Efficiencies	- \$145	- \$145	- \$145	- \$145	- \$145
FY24 Revenue Adjustment ^A	+ \$45	+ \$45	+ \$45	+ \$45	+ \$45
Preventive Maintenance Transfer Options ^B	- \$0	- \$285	- \$285	- \$220	- \$0
Fare Increase ^D	- \$0	- \$0	- \$25	- \$25	- \$25
Service Cuts ^D	- \$0	- \$0	- \$25	- \$405	- \$625
Additional Subsidy to Balance Budget^E	\$650	\$365	\$315	\$0	\$0
Potential Inflation Reduction	- \$23	- \$23	- \$23	- \$23	- \$23
Potential Federal SmartBenefits Replacement	- \$50	- \$50	- \$50	- \$50	- \$50
	\$577	\$292	\$242	Service cut relief	
FTE Impact ^D	-	-	-175	-2,900	-4,700

A. \$45M Revenue Forecast Adjustment - includes \$65M average fare and trip adjustment (rev. decrease) offset by \$20M fare evasion recovery (rev. increase)

B. Additional PM transfer above \$60M annual base amount

Note: Totals may not sum due to independent rounding

C. Maximum PM transfer reduced due to cuts to eligible maintenance activity

D. 10 to 12.5% increase; does not include parking.

E. Amount above annual 3 percent growth cap from FY2024-2025



Customer Impacts of FY2025 Scenarios

Operational Reduction: Illustrative Service Concepts

	Scenario 1 Standard PM No service cuts Most add'l Subsidy	Scenario 2 Max PM No service cuts Some add'l Subsidy	Scenario 3 Max PM Targeted service cuts Least add'l Subsidy	Scenario 4 Max PM ^c Major (~33%) service cuts No add'l subsidy	Scenario 5 Standard PM Severe (~60%) service cuts No add'l subsidy
Metro rail	124 trains 5 to 12 minutes Midnight or 1 am closing	124 trains 5 to 12 minutes Midnight or 1 am closing	112 to 120 trains Targeted service cuts Shorter peak periods Turnbacks Six-car trains	75 to 90 trains 10-15 min peak 20-30 min off-peak Early closing ~33% cut	50 to 60 trains 20-30 mins all day 9:30 PM closing ~60% cut
Metro bus	134 bus lines 21 lines: 12 min or better all day Systemwide: varies	134 bus lines 21 lines: 12 min or better all day Systemwide: varies	Cut 10 bus lines	Cut 50 bus lines Cut frequency on busy lines ~33% cut	Cut 80 to 95 bus lines 20 to 30 minutes 9:30 PM closing ~60% cut
Metro Access	Full service	Full service	Full service	No service beyond regulatory requirements	No service beyond regulatory requirements
Fares	No fare increase	No fare increase	Higher fares	Higher fares	Higher fares





FY 2025 City Council Budget Process & Guidance



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 14, 2023
 - Operating – requested to adopt no later than February 22, 2024
- Continue the additional public hearing prior to Add/Delete deadline
- Continue to designate final add/delete work session as optional if consensus is reached during the preliminary add/delete work session



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.

Outside Agencies:

- Organizations outside the City government should provide a level of base budget detail equivalent to that provided by internal city departments.





Alexandria City Public Schools





Budget & Fiscal Affairs Advisory Committee

