



CITY OF ALEXANDRIA

# Alexandria City Council Retreat

November 23, 2024



# Retreat Agenda



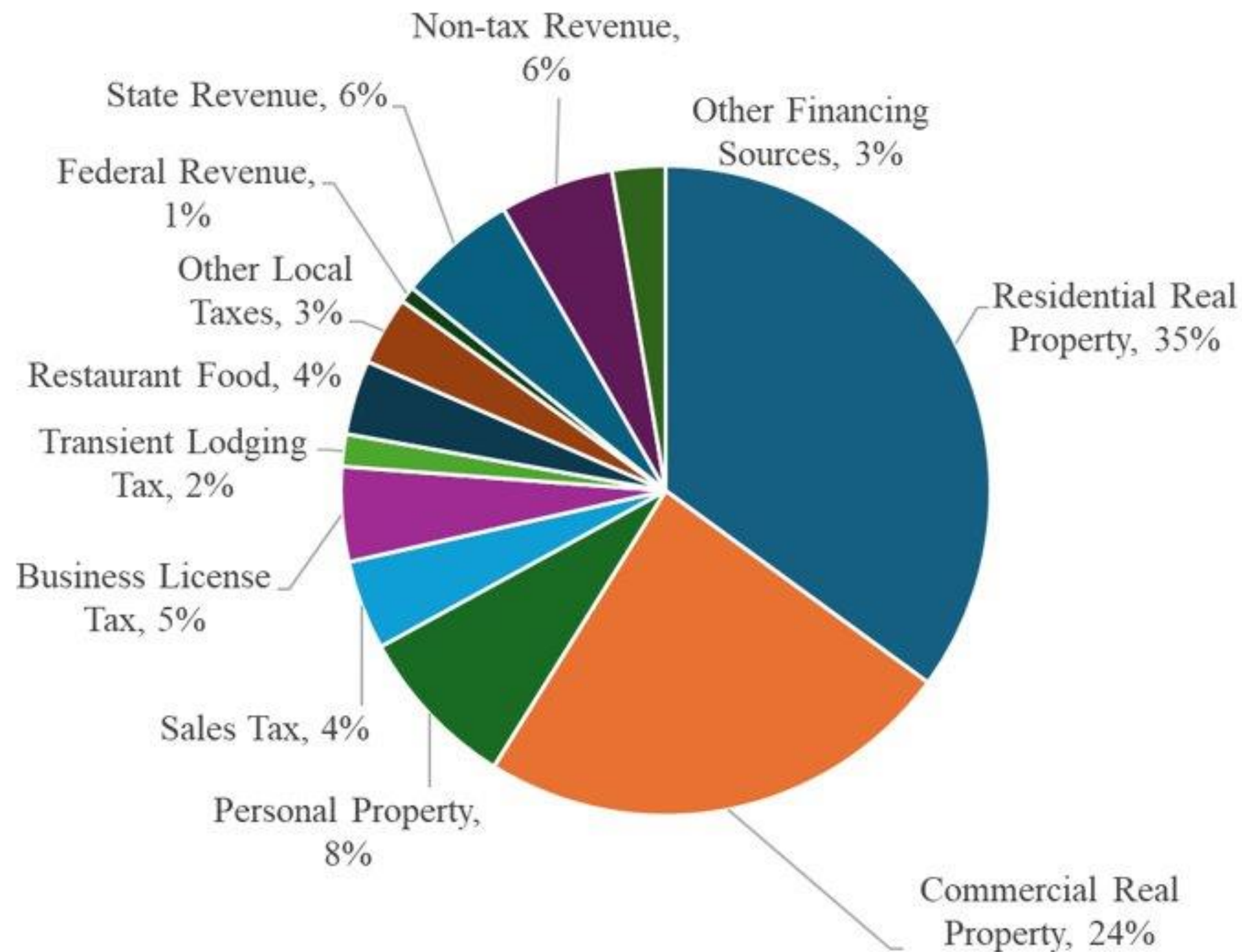
- **9:00 - Welcome & Introductions**
- **9:10 - Opening Remarks**
- **9:20 - FY26 General Fund Operating & Capital Budget Planning**
  - **Revenue Forecast**
  - **Expenditure Overview**
  - **Capital Improvement Program (CIP) Funding**
  - **Budget Process and Guidance Resolution**
- **10:30 - Alexandria City Public Schools (ACPS) Operating Budget**
- **11:30 - Budget and Fiscal Affairs Advisory Committee (BFAAC)**
- **12:15 - Adjourn**



# Revenue Outlook



# General Fund Revenue Basics





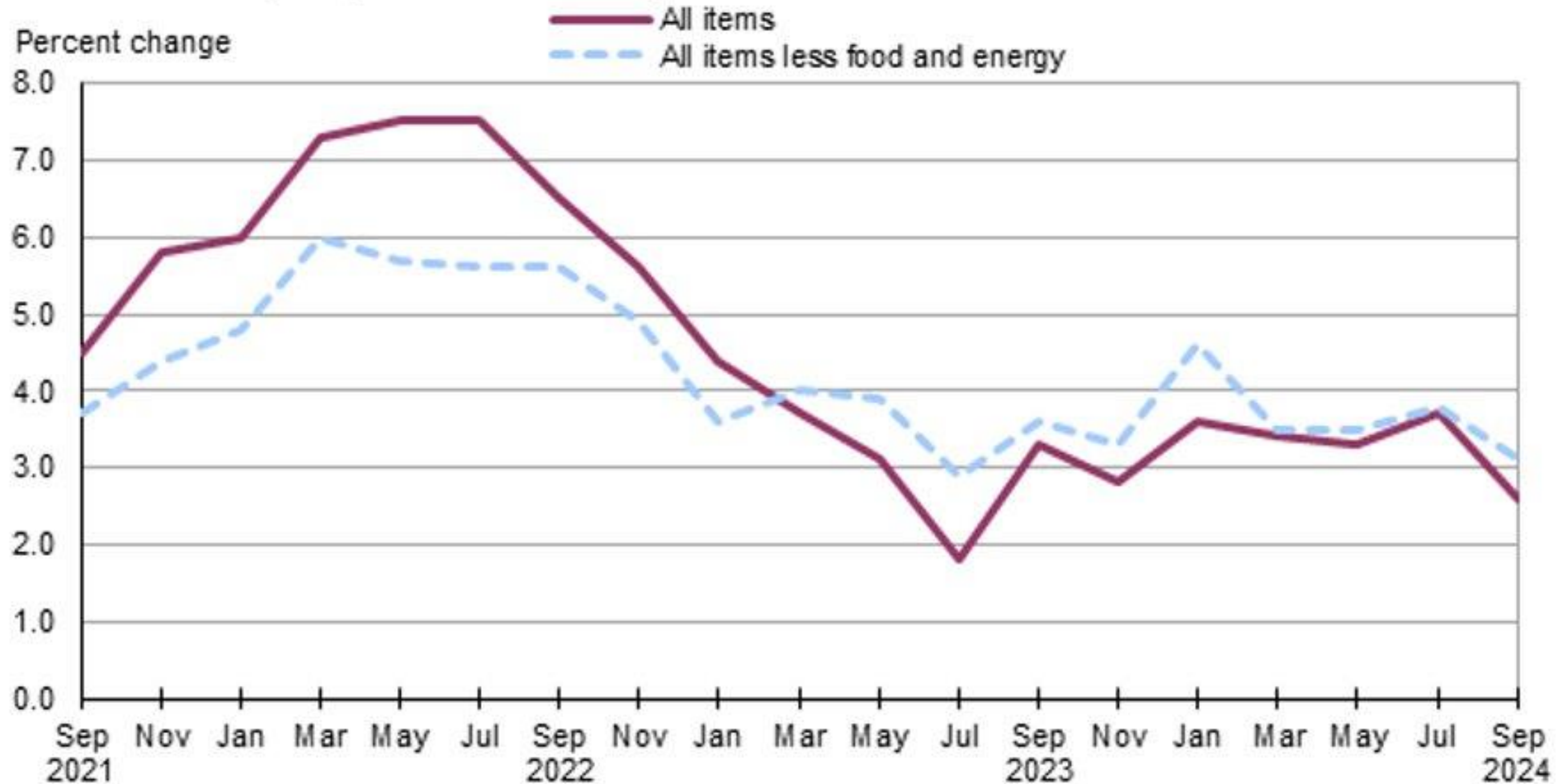
# Revenue Outlook

- Consumer spending remains strong, but growth has slowed
  - Sales tax revenue increase of 7% in FY 2023
  - Sales tax revenue increase of less than 2% in FY 2024
  - Transient lodging tax revenue is the highest ever in FY 2024
- Real estate
  - 2024 Residential appreciation – < 3%
  - 2025 Residential range – 3 to 4%
  - Similar range in 2026
- Vehicle values remain high, driving personal property tax revenue



# Regional Inflation

Chart 1. Over-the-year percent change in CPI-U, Washington-Arlington-Alexandria, DC-VA-MD-WV, September 2021–September 2024

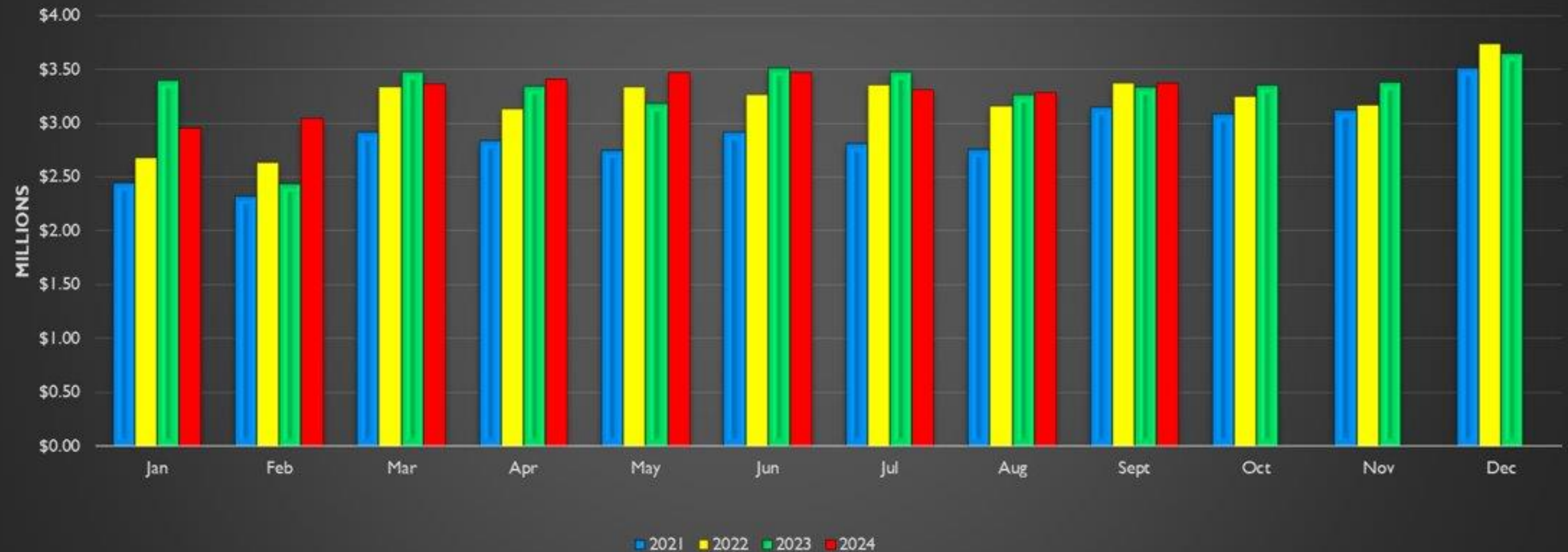


Source: U.S. Bureau of Labor Statistics.



# Revenue Basics

Sales Tax  
Monthly Comparison 2021 - 2024





# Local Economy

## Unemployment Rate\*

	2020	2021	2022	2023	2024
Alexandria	9.9%	4.6%	2.4%	2.2%	2.4%
Commonwealth of Virginia	8.8	4.3	2.8	2.6	3.0
United States	11.0	5.9	3.6	3.6	4.3

\*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 2022	2Q 2023	2Q 2024
Alexandria	14.6%	14.6%	15.5%
Northern Virginia	20.9	19.6	20.2
Washington DC Metro Area	19.3	19.3	19.8

\*\*Source: CoStar and Colliers Northern Virginia Office Report

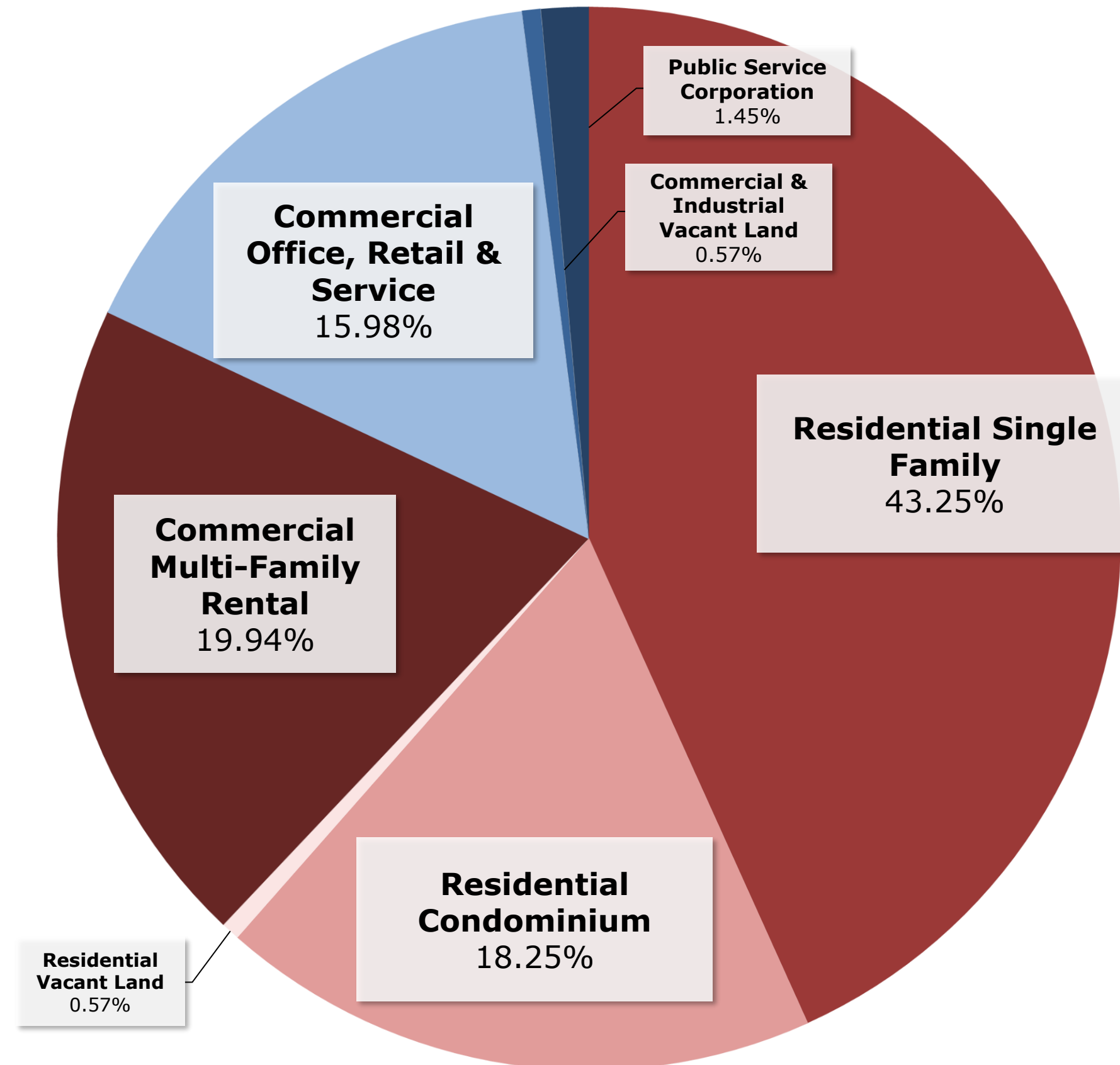


# Assessment Forecast

	Actual Assessment Growth Rates CY 2024	Forecasted CY 2025	Forecasted CY 2026
<b>Residential</b>			
Single Family	2.69%	4.00%	4.00%
Condo	4.49%	3.00%	3.00%
Other Residential	-17.54%	3.50%	4.00%
<b>Total Residential</b>	<b>2.98%</b>	<b>3.70%</b>	<b>3.71%</b>
 <b>Commercial</b>			
Multi-family rental	-2.26%	-3.00%	3.50%
Office, Retail, and Services	-5.73%	-1.14%	-0.59%
Vacant Commercial	-13.40%	-1.50%	0.00%
<b>Total Commercial</b>	<b>-4.00%</b>	<b>-2.16%</b>	<b>1.64%</b>
<b>Total Locally Assessed</b>	<b>0.28%</b>	<b>1.53%</b>	<b>2.97%</b>



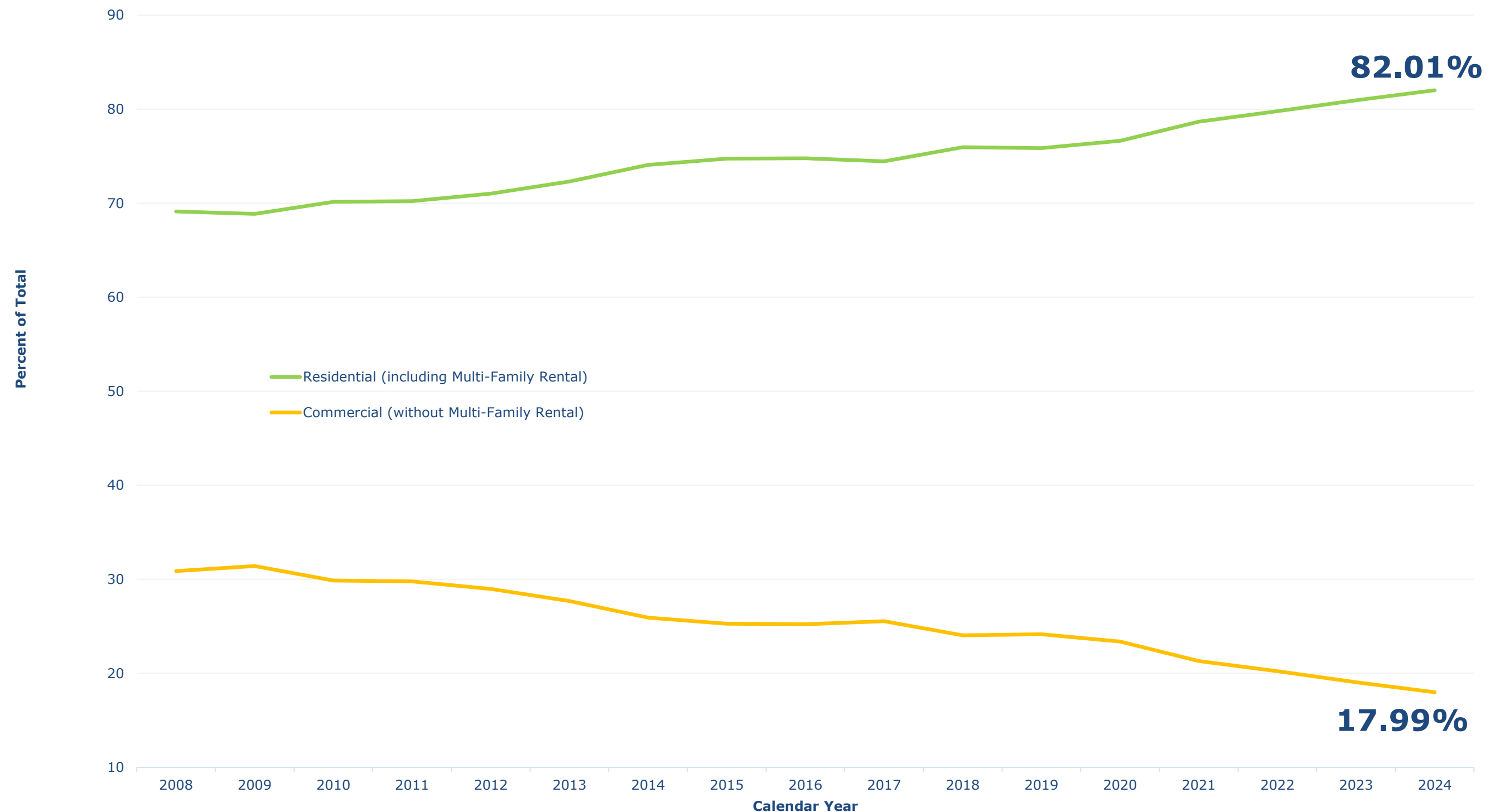
# CY 2024 Real Estate Tax Base





# Real Estate Tax Distribution: CY 2008 to CY 2024

Including Multi-Family Rental Assessments with Residential Assessments





# Principal Taxpayers

Private Property – January 1, 2024

Owner's Name	Property	2024 Assessed Value (in millions)	% of Total Taxable Valuation*
Equity Residential	Apartments	\$722.1	1.49%
Paradigm Companies	Apartments	637.5	1.31%
Stonebridge	Apartments/Office Buildings	567.3	1.17%
Morgan Properties	Apartments	549.8	1.13%
CIM Group	Apartments	516.3	1.06%
LCOR Alexandria, LLC	Office Buildings	480.5	0.99%
AIMCO	Apartments	402.8	0.83%
UDR	Apartments	312.9	0.65%
Elme Communities	Apartments/Office Buildings	250.7	0.52%
Carmel Partners	Apartments	245.3	0.51%
Total (\$48.3B total taxable assessed value)		\$4.685	9.7%

Source: Department of Finance, Division of Real Estate Assessments



# Revenue Forecast

FY 2026 Preliminary Revenue Estimate (\$ in millions)

Revenue	FY 2024 Actuals	FY 2025 Budget	FY 2026 Estimate	\$ Change	% Change
Real Estate	\$526.9	\$545.4	\$554.7	\$9.3	1.7%
Personal Property	71.2	75.6	80.5	\$4.9	6.5%
Sales Tax	40.1	41.2	41.2	\$0.0	0.0%
Other Local Taxes	123.0	124.7	126.9	\$2.2	1.8%
Intergovernmental	36.2	62.5	62.5	\$0.0	0.0%
Non-Tax Revenue	63.3	38.9	38.2	(\$0.7)	(1.9%)
Use of Money and Prop.	30.4	24.2	16.8	(\$7.4)	(-30.5)
Use of Fund Balance	\$10.0	\$14.0	\$14.0	-	0.0%
Total	\$901.1	\$926.4	\$934.8	\$8.4	0.9%



# Key Tax Policies

- Tax Relief estimated for FY 2026 - \$11.2 million
- Elderly and Disabled Tax Relief
  - Real Estate - \$4.6 million
  - Personal Property - \$35,000
- Military Tax Relief
  - Real Estate - \$5.7 million
  - Personal Property - \$0.9 million



# **Rating Agency Highlights = AAA/Aaa**

## **Rating**

- **Moody's -**
  - **Ample reserves and liquidity, supported by adherence to comprehensive fiscal policies.**
  - **The stable outlook reflects the likelihood that the city will maintain its strong financial position given growing revenues and conservative budgeting practices, and that the sizeable local economy will continue to expand and diversify.**
  - **Alexandria's financial position will remain strong given conservative budgeting and solid revenue growth.**



# Rating Agency Highlights = AAA/Aaa

## Rating

- S&P Global
  - Well-embedded, robust policies that govern Alexandria's budgeting and reporting practices, and a culture of long-term planning, all of which support consistently positive operating results.
  - Conservative budgeting practices, which support positive operating trends
  - Available reserves well in excess of the city's fund balance policy of 15% of revenues, with additional flexibility provided in the form of annual pay-as-you-go capital which could be reduced if necessary



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Alexandria  
Virginia**

For the Fiscal Year Beginning

**July 01, 2022**

*Christopher P. Morill*

Executive Director



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**City of Alexandria  
Virginia**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2023



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Alexandria  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

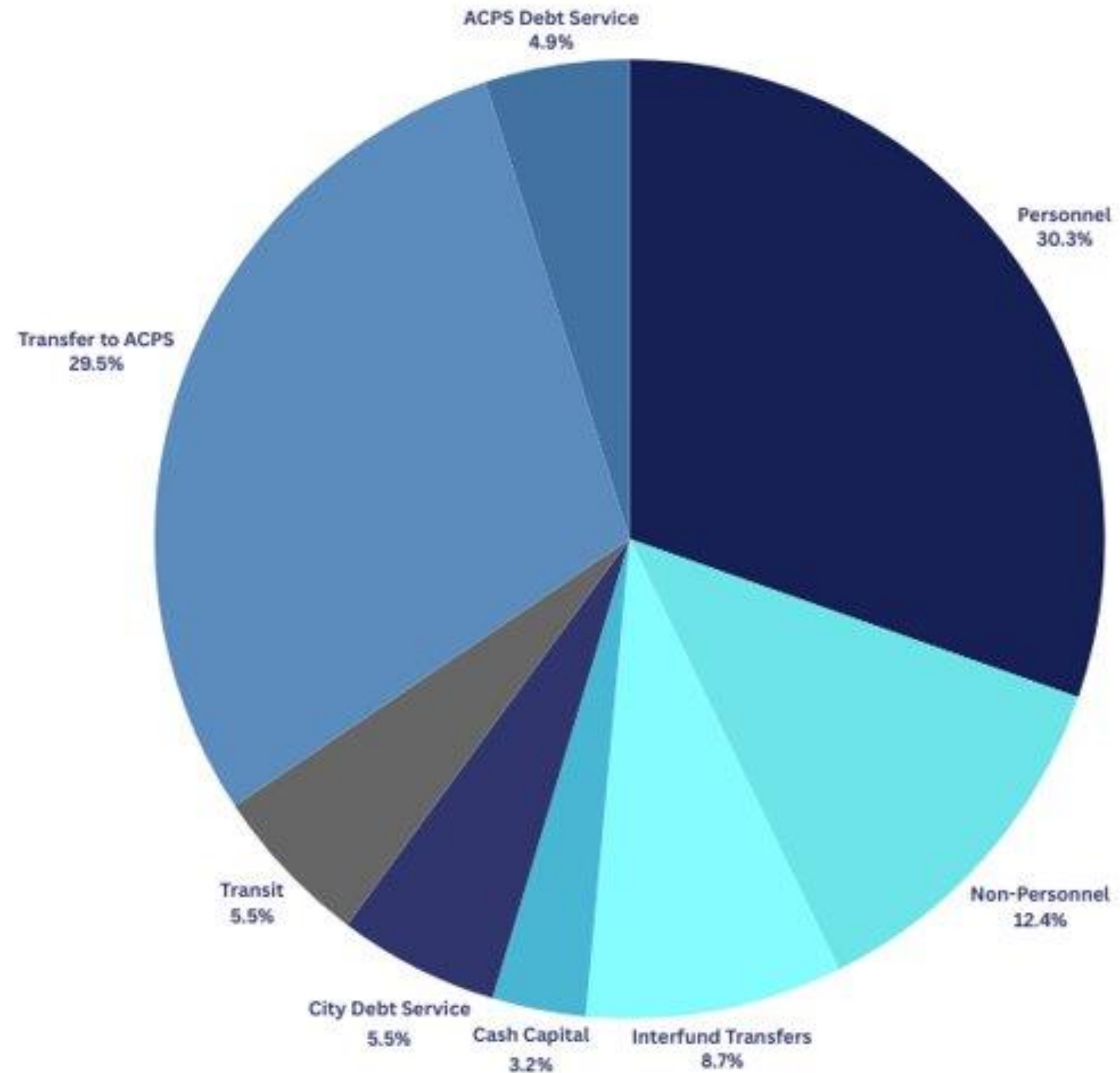
June 30, 2023



# Expenditure Overview

# FY 2025 General Fund Expenditure Overview

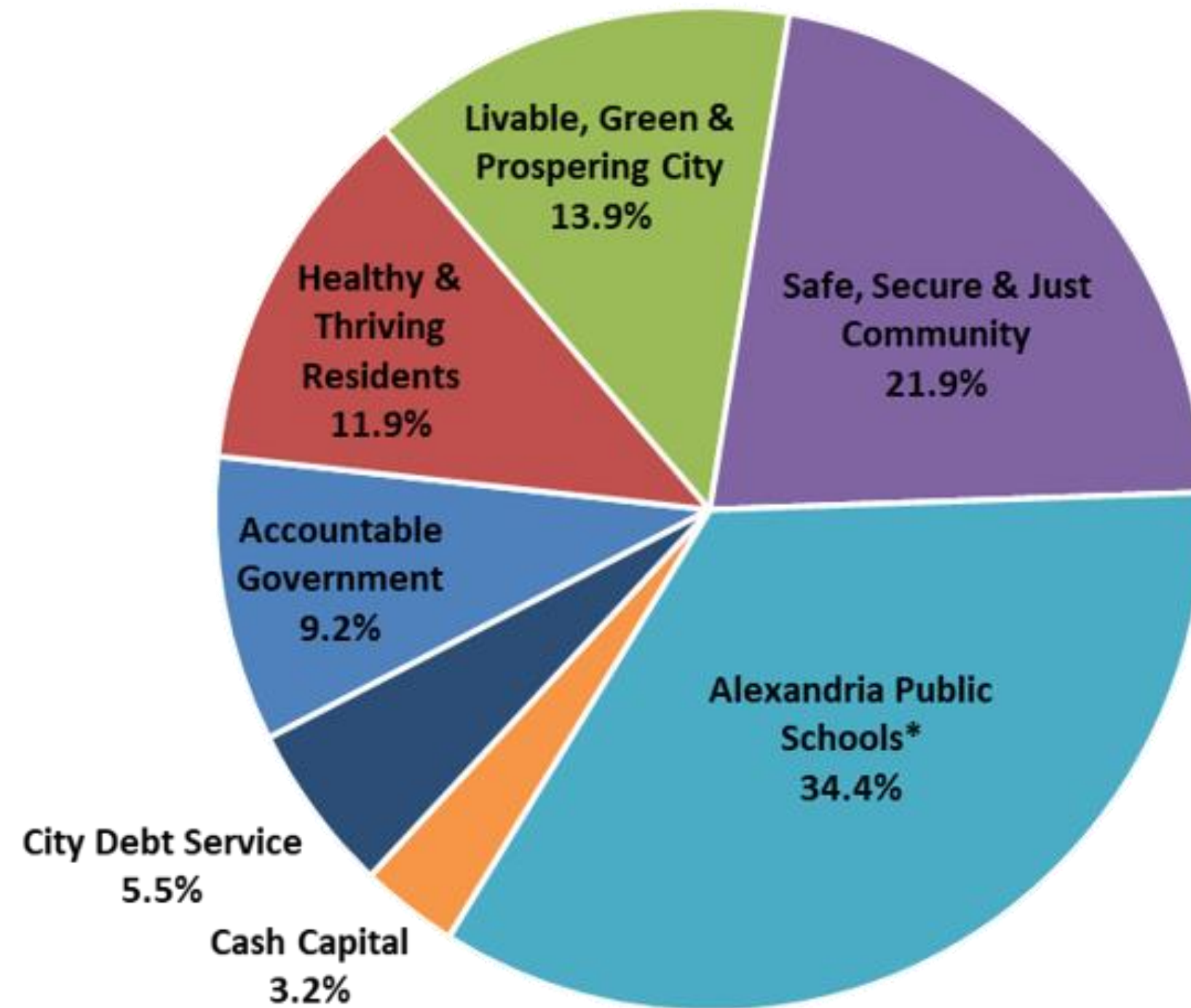
**\$926.4M**





# FY 2025 General Fund Expenditure by Functional Area

**\$926.4M**



\*Includes operating transfer and debt service for ACPS



# Expenditure Cost Drivers

- Total Increase \$26.7 M
  - Existing City operations \$13.3 M
    - Personnel \$9.5 M (3.5%)
    - Non-personnel \$3.8 M (2.0%)
  - ACPS transfer \$5.5 M (assuming 2.0% growth)
  - Transit services \$1.0 M (assuming 2.0% growth)
- Does not include new or expanded services



# Expenditure Cost Drivers

- Cash capital \$1.3 M increase (4.3%)
- Debt service \$5.7 M increase
  - City debt service \$2.3 M (4.6%)
  - ACPS debt service \$3.3 M (7.3%)
- Assumes no increase in the FY 2026-2034 CIP



# FY 2026 Preliminary Forecast

- Expenditure estimate = \$953.1 M (2.9% increase)
- Revenue forecast = \$934.8 M (0.9% increase)
- Adjustments needed to balance = \$18.3 M
  - Revenue increases and/or expenditure reductions



# Operating Budget Expenditure Estimate

Expenditure	FY24 Actual	FY25 Budget	FY26 Estimate	\$ Change	% Change
City Operations	\$457.2	\$476.9	\$490.2	\$13.3	2.8%
ACPS Transfer	258.7	273.0	278.5	5.5	2.0
Transit Services	48.7	50.7	51.7	1.0	2.0
Cash Capital	48.4	29.5	30.8	1.3	4.3
City Debt Svc	51.7	50.7	53.1	2.3	4.6
ACPS Debt Svc	32.2	45.5	48.9	3.3	7.3
Total	896.9	926.4	953.1	26.7	2.9



# Goals

- Continue focus on City Council priorities
  - View through the lenses of equity and environmental stewardship
- Fund previous commitments
  - Collective bargaining agreements
  - Cyclical compensation reviews and adjustments
  - Current CIP
- Avoid service reductions in high priority programs



# Objectives

- Limit overall operating budget growth to 2.0% for City departments, ACPS, and partner agencies
  - Limit does not apply to cash capital and debt service
- Limit base budget growth to non-discretionary increases
- Identify at least 1% in efficiency savings (\$4.5M)
- Prioritize services
- Review cost recovery rates



# Tax Rate Options

Source	Current Rate	Legal Limit	Potential Revenue
Real Estate	\$1.135	None	\$5.0 M per 1 cent
Vehicle Personal Property	\$5.33	None	\$7.3 M per 50 cents
Meals	5.0%	None	\$7.0 M per 1.0%
Transient Lodging	6.5% + \$1.25 per night	None	\$2.0 M per 1.0%
BPOL	\$0.35	Business, Personal, Repair \$0.36 Financial Services \$0.58	\$0.4 M per \$0.01 \$1.0 M per \$0.10
Admissions	10% not to exceed \$0.50	None	\$0.2 M per \$0.25 cap increase

- Proposed budget will include updated revenue estimates and rate comparisons to other jurisdictions
- Advance notice required to change through Add/Delete



# Capital Improvement Program (CIP)



# Approved FY 2025 – FY2034 CIP

- Began work to reposition capital program for more sustainable growth
- Focused on previously planned projects and core maintenance
- Significant investments planned in City Hall, Market Square, George Mason Elementary, Cora Kelly Elementary, and Landmark redevelopment
- Continues plan for deploying CIP fund balance designation to help smooth cost curve

## Year 1 (FY 2025) Capital Budget

\$493.7 million

## 10-Year Approved Funding

\$2,401.5 million

## FY 2025 General Fund Cash Capital

\$29.5 million

## FY 2024 General Fund Debt Service

\$96.3 million

## Cash/Borrowing Split

45% Cash / 55% Borrowing

***Approved Plan Complies with City Debt Management Policies***



# Capital Investment in City and Schools

- The last decade has seen historic levels of investments of local funding into City and School capital projects; Approved CIP continues to plan for crucial investments.

Substantially Completed	Active/In Progress	In Funding Plan
<ul style="list-style-type: none"><li>• Landmark Mall Redevelopment Land Purchase</li><li>• Del Pepper Community Center Building Purchase</li><li>• Ferdinand T. Day Elementary School Building Purchase</li><li>• 1703 N. Beauregard Street Building Purchase</li><li>• Douglas MacArthur Elementary School</li><li>• Minnie Howard Pool Addition</li></ul>	<ul style="list-style-type: none"><li>• High School Project</li><li>• Waterfront Flood Mitigation</li><li>• Four Mile Run Bridge Program</li><li>• George Mason Elementary School</li><li>• City Hall Renovation</li><li>• Market Square Garage/Plaza</li><li>• Landmark Infrastructure Improvements</li><li>• Old Town Pool</li></ul>	<ul style="list-style-type: none"><li>• Cora Kelly Elementary School</li><li>• Fire Station 205</li><li>• Landmark Fire Station</li></ul>



# Debt Management

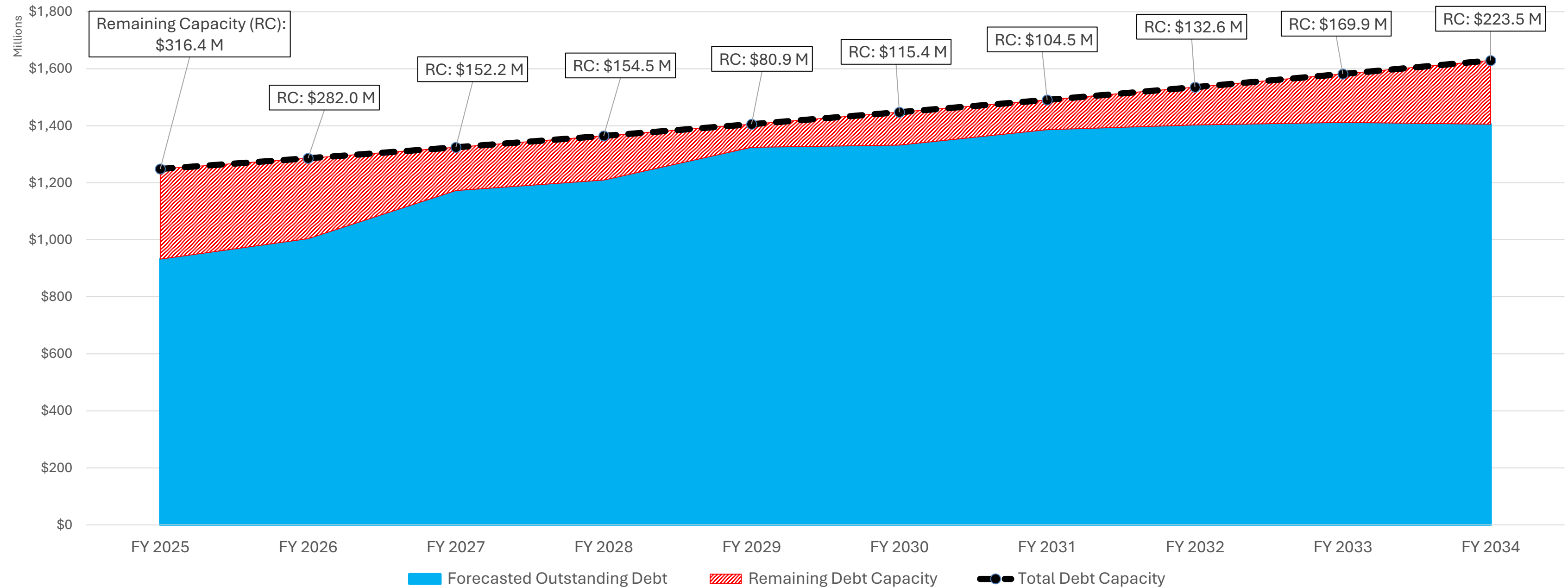
<u>For General Fund Supported Debt in Approved CIP</u>
<b>Outstanding Debt (as of June 30, 2024)</b>
\$886.7 million
<b>Forecasted Borrowing</b>
\$1,378.2 million
<b>Principal Payments</b>
\$879.5 million
<b>Interest Payments</b>
\$523.7 million

- Use of long-term borrowing is our main tool for this historic level of capital investment
- Use of debt is governed by City's self adopted debt management policies
- Adherence to these policies and prudent financial management have resulted in the City maintaining AAA/Aaa credit rating for 30+ years
  - Allows for access to low interest rates on bonds



# Debt Management

## Outstanding Debt as a Percentage of Fair Market Real Property Value

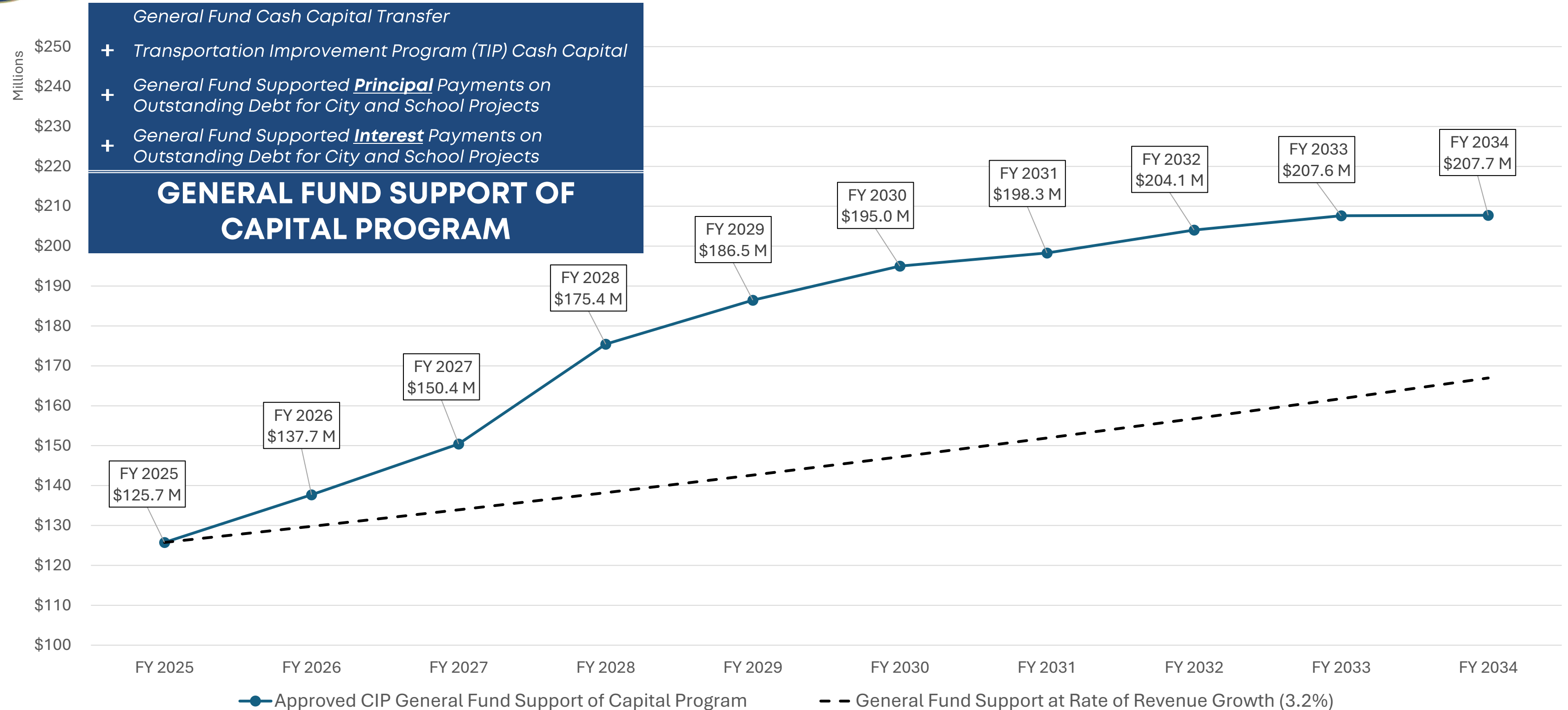


**Increasing capital investment beyond approved levels, will require additional pay-as-you-go cash capital or reductions to other key capital investments/state of good repair programs.**



# General Fund Support of Capital Program

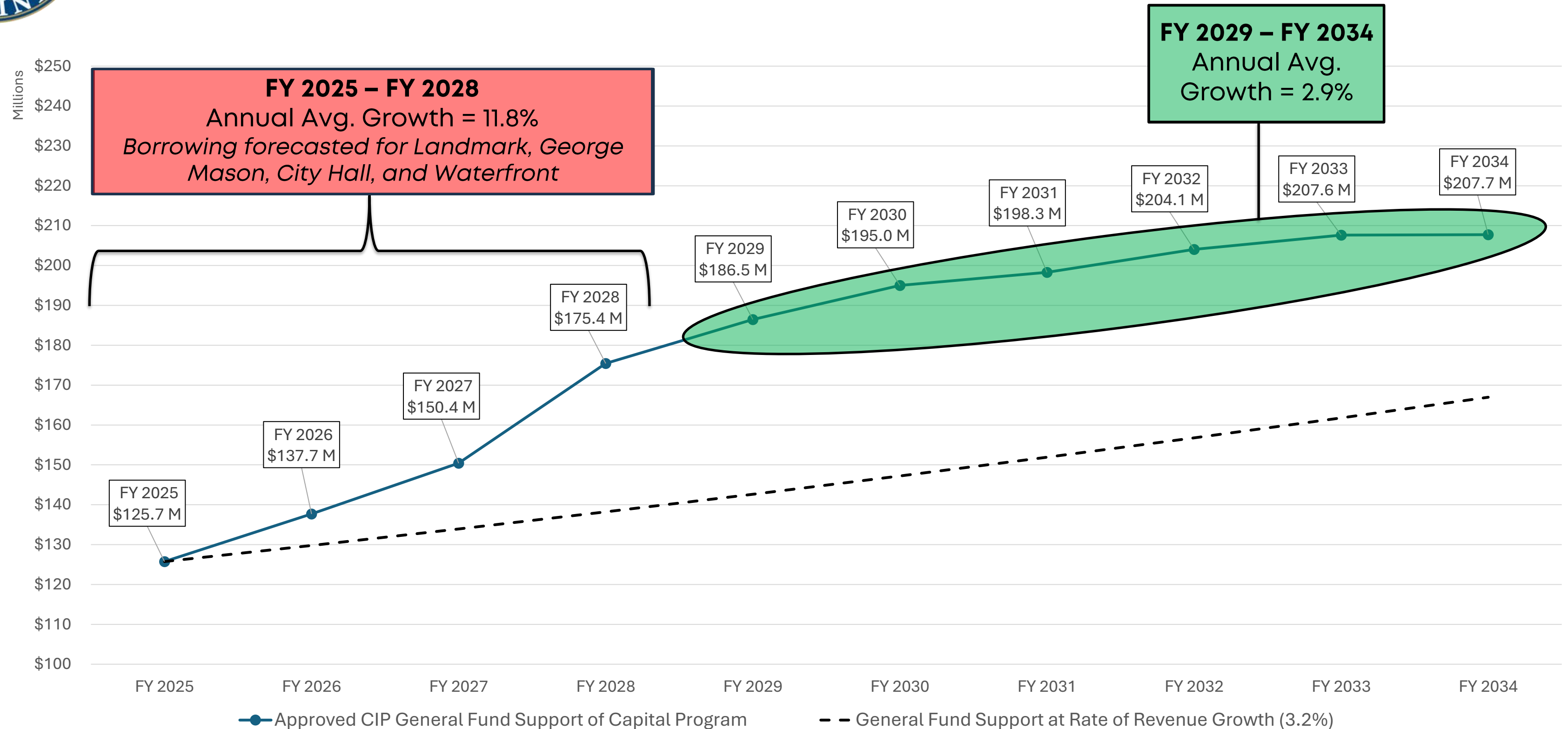
Approved FY 2025 – FY 2034 CIP





# General Fund Support of Capital Program

Approved FY 2025 – FY 2034 CIP





# Next Steps

- **FY 2026 Development Process**

- Provided funding guidance to City departments and ACPS staff
  - Little-to-no-change in level of- or timing of- capital funding from previously Approved CIP
- 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



# **Budget Guidance & Process Resolutions**



# Budget Guidance Resolution

- **Purpose of Budget Guidance Resolution:** City Council's guidance to the City Manager, ACPS, and outside agencies on priorities for the operating and capital budgets
- **Recommendations for FY 2026 Operating Budget Guidance:**
  - Limit general fund operating expenditure growth, exclusive of cash capital and debt service, to no more than two percent
  - Provide flexibility for a real estate tax increase if revenue growth does not support the two percent increase
  - Include recommendations to support both the needs of the City and ACPS, if revenue growth exceeds the two percent threshold without a tax rate increase
  - Partner organizations that receive funding support from the City should limit funding requests to no more than two percent over current funding levels



# **Budget Guidance Resolution – ACPS**

## **(Section G)**

- FY 2026 Recommendations
  - Limit operating transfer growth, exclusive of cash capital and debt service, to no more than two percent
  - Limit school capital funding to levels contemplated in Approved FY 2025 – FY 2034 CIP



# Budget Process Resolution

- Budget Process Resolution purpose: City Council's establishes rules of procedure to guide upcoming budget deliberations
- Recommendations for FY 2026 Process:
  - ACPS budget adoption dates updated to align with approved budget calendar
    - Capital Improvement Program – no later than December 19, 2024
    - Operating Budget – no later than February 20, 2025



# FY 2026 City of Alexandria & ACPS Budget Timeline

## City Budget Calendar

## ACPS Budget Calendar

**Nov. 7, 2024**

Presentation of the  
Superintendent's Proposed  
FY 2026-2035 CIP Budget

**Nov. 23, 2024**

City Council  
Budget Retreat

FY 2026 Operating Budget  
Planning Presentation at City  
Council Budget Retreat

**Nov. 25, 2024**

City Council & School Board Joint  
ACPS CIP Work Session

**Nov. 26, 2024**

City Council Budget Guidance  
& Process Resolution

**Dec. 19, 2024**

Adoption of the ACPS  
FY 2026-2035 CIP

**Jan. 23, 2025**

Superintendent's Proposed  
ACPS FY 2026 Budget

**Feb. 20, 2025**

Adoption of the  
FY 2026 ACPS Budget

**Feb. 25, 2025**

City Manager Proposed Budget  
Presentation to City Council

**Feb. 27, 2025**

City Manager Proposed Budget  
Public Presentation

**Feb-Mar 2025**

City Council Budget Work  
Sessions, Public Input, & Budget  
Deliberation

**Mar. 5, 2025**

City Council & School Board Joint ACPS Operating Budget  
Work Session

**Apr. 22 & 28, 2025**

City Council Add/Delete  
Work Sessions

**April 30, 2025**

City Council FY 2026 Budget  
Adoption



City Budget Site:  
[alexandriava.gov/Budget](http://alexandriava.gov/Budget)



ACPS Budget Site:  
[acps.k12.va.us/departments/  
financial-services/budget](http://acps.k12.va.us/departments/financial-services/budget)



# Budget Process Resolution

- FY 2026 Add/Delete Dates
  - March 31- Add/Delete submissions requiring ordinance change due from Council
  - April 3 – Add/Delete submissions due from Council
  - April 8 – Add/Delete public hearing
  - April 22 – Preliminary Add/Delete work session
  - April 25 – Completed add/delete proposals along with funding circulated to Council and the public prior to budget adoption
  - April 28 – Final Add/Delete work session, if needed
  - April 30 – Budget Adoption



# Alexandria City Public Schools

## (ACPS)



# **Budget and Fiscal Affairs Advisory Committee (BFAAC)**