

CITY OF ALEXANDRIA, VIRGINIA



M A N A G I N G F O R R E S U L T S

FY 2011 APPROVED BUDGET IN BRIEF JULY 1, 2010 – JUNE 30, 2011



ALEXANDRIA CITY COUNCIL

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Monday - Friday 8AM - 5 PM

Budget in Brief

FY 2011 APPROVED BUDGET OVERVIEW

FY 2011 will be the third year of unprecedented fiscal challenges facing the City of Alexandria. The City can expect at least 3 and maybe 4 more years of difficult financial prospects calling for significant spending restraint. For this reason, the City should not rely on expedient, short term fixes to try to solve a long term budget problem. We also need to focus on our strategic goals and objectives in the face of these financial difficulties.

The Approved Budget increases total General Fund spending by 0.3% or \$1.6 million compared to the FY 2010 Approved Budget. The FY 2011 Approved Budget of \$531.6 million is 1.9% less than the peak budget of \$542.0 million two years ago.

The average homeowner's real estate tax burden will change slightly with the real estate tax rate increasing by 7.5 cents to 97.8 cents per \$100 assessed value. Since residential property values have decreased, the net effect is that the amount of the average tax burden increases by 2.9%. The tax rate for commercial property owners will remain significantly lower than surrounding jurisdictions because the budget continues the current policy of no add-on tax on commercial property. Our real estate tax rate and average tax burden for homeowners is among the lowest in the region and is the lowest for commercial property. The City has followed Council guidance to hold the line on the budget coming out of the worst recession since World War II and during the most difficult economic circumstances facing the City in more than 30 years.

City Departments began their work on budget proposals in June of 2009. During the FY 2011 Budget process, all proposals were diligently reviewed for spending reductions, revenue increases and service enhancements. This budget contains some significant service reductions, eliminates funding for 61 City positions (in addition to the 119 positions reduced last year), and delays important investments in capital projects and other needed operating service enhancements until economic conditions improve and the City's tax base recovers. In order to avoid almost any growth in the City budget due to workload growth, normal cost pressures, and other established City policies, a wide range of spending reductions are proposed in almost all areas of the budget. The result is that expenditures decline by 0.5% or \$1.7 million for City programs. The budget for the transfer of operating funds to the Alexandria City Public Schools increases 2.0% or \$3.3 million per City Council guidance to meet the Schools' operating needs in the face of enrollment growth and declining state assistance.

Budget in Brief

BUDGET SUPPORTS SEVEN GOALS OF THE COUNCIL'S STRATEGIC PLAN

In June 2010, City Council adopted a new Strategic Plan containing the City's overall vision, goals, objectives and initiatives. The goals of the new plan currently are:

- Goal 1: Alexandria has Quality development and Redevelopment, Support for Local Businesses, and a Strong, Diverse, and Growing Local Economy.
- Goal 2: Alexandria Respects, Protects, and Enhances the Health of its Citizens and the Quality of its Natural Environment.
- Goal 3: A Multimodal Transportation System that Supports Sustainable Land Use and Provides Internal Mobility and Regional Connectivity for Alexandrians.
- Goal 4: Alexandria is a Community that Supports and Enhances the Well-Being, Success and Achievement of Children, Youth and Families.
- Goal 5: Alexandria is Financially Sustainable, Efficient, Community Oriented and Values its Employees.
- Goal 6: The City Protects the Safety and Security of its Residents, Businesses, Employees and Visitors.
- Goal 7: Alexandria is a Caring and Inclusive Community That Values its Rich Diversity, History and Culture, and Promotes Affordability.

By advancing these goals, the Approved Operating budget and CIP are intended to work toward the City Council's long term vision for Alexandria.

That vision is:

Alexandria is a vibrant, diverse, historic, and beautiful City with unique neighborhoods and multiple urban villages where we take pride in our great community.

Our mission is:

Alexandria City Government is financially sustainable, provides excellent services that are valued by its customers, and engages the entire community as it plans for its future.

Budget in Brief

FY 2011 APPROVED EXPENDITURE INCREASES (In Millions)

| General Fund | FY 2010 Approved | FY 2011 Approved | \$ Change | % Change |
|----------------------------------|---------------------|---------------------|--------------|--------------|
| City Operating Expenditures | 307.6 | 305.5 | (2.1) | (0.7%) |
| Transit Subsidies | 16.0 | 16.0 | 0.0 | 0.0% |
| Capital Projects/Debt Service | 41.8 | 42.2 | 0.4 | 1.0% |
| <i>City Subtotal</i> | <i>365.4</i> | <i>363.7</i> | <i>(1.7)</i> | <i>-0.5%</i> |
| City Appropriation to Schools | 164.6 | 167.9 | 3.3 | 2.0% |
| Total General Fund Budget | \$530.0 | \$531.6 | \$1.6 | 0.3% |

The FY 2011 City Operations approved budget includes \$1.6 million in Contingent Reserves for a potential WMATA operating subsidy increase. The WMATA budget was not final at the time of City Council budget adoption. The budget adopted by WMATA following the City budget adoption included a \$0.3 million subsidy increase.

MAJOR “BUDGET DRIVERS” SHAPING THE APPROVED BUDGET

In building this budget the City faced a \$44.2 million budget gap. The gap was “caused” by a decline in revenues under current tax rates and policies of \$25.4 million and an increase in expenses to provide current services of \$18.8 million (\$4.6 million for City cost increases and \$14.2 million to meet School enrollment growth, cost increases, and School revenue declines from the State and other sources).

To close this gap, the budget includes a net decrease in spending from this current services baseline of \$16.9 million; and an increase in revenues of \$27.3 million through a general fund real estate tax rate increase of 7.0 cents, which raises \$21.9 million, increases in City fees and service charges of \$2.1 million and increases in other financing of \$3.3 million. Council elected to add a stormwater utility tax of 0.5 cents to the general fund real estate tax rate which raises \$1.6 million for a blended real estate tax rate increase of 7.5 cents.

The Approved FY 2011 General Fund Operating Base Budget increases 0.3% from the FY 2010 Approved Budget. In accord with City Council guidance, funds managed by the City decrease by 0.5% and those funds transferred to the Alexandria City Schools (ACPS) increase 2.0%.

Budget in Brief

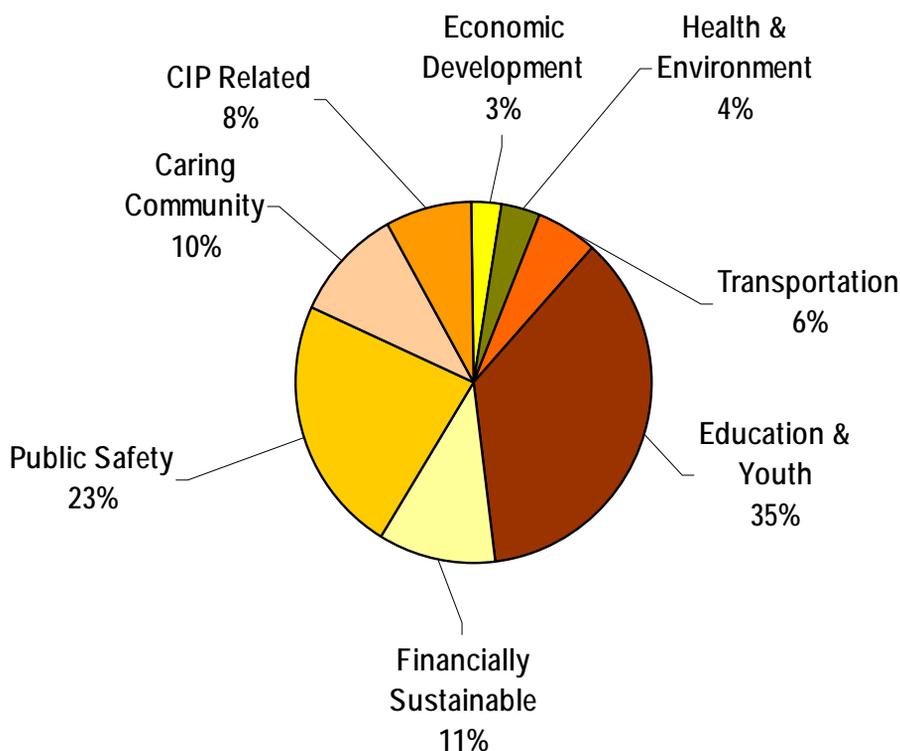
ALEXANDRIA CITY PUBLIC SCHOOLS

The operating transfer to the Alexandria City Public Schools (ACPS) for our public school system in the FY 2011 Approved Budget increases by \$3.3 million compared to FY 2010.

This 2.0% increase in the City's contribution to public education should protect our Schools in Alexandria from severe reductions in service levels. Few, if any, other jurisdictions in the region can make the same statement. The Superintendent's proposed budget requests a slightly higher (about \$700,000) amount from the City, but this budget and his are not that far apart.

FY 2011 GENERAL FUND EXPENDITURES WHERE IT GOES... \$531.6 Million

The Operating Budget By Strategic Plan Goals

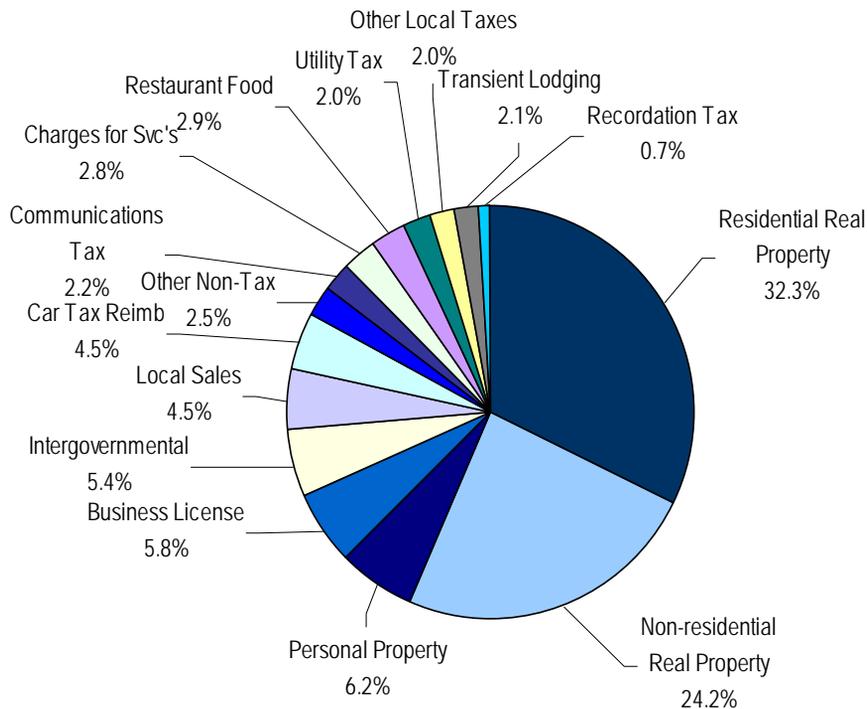


Budget in Brief

FY 2011 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...

\$531.6 million

(excluding prior-year surplus and sewer fund transfer)



| | |
|--|----------------|
| FY 2011 Approved General Fund Revenues | \$524.7 |
| Use of Prior-Year Surplus | \$5.7 |
| Sewer Fund Transfer In | \$1.2 |
| Total General Fund Revenues | \$531.6 |

The Approved General Fund revenues are projected at \$524.7 million. Another \$1.2 million in sanitary sewer fund revenues are available to finance that program's share of debt service. An additional \$5.7 million in prior year revenues have been designated for use in FY 2011. As a result, a total of \$531.6 million is available to support the approved City and Schools' General Fund expenditures, a 0.3% increase in total revenues.

Budget in Brief

FY 2011 APPROVED REVENUE SUMMARY

Total taxes paid by residents, visitors and businesses will increase by \$1.6 million or 0.3% in the base budget. In order to address a part of the City's \$44 million budget gap, the General Fund real estate tax rate increases by 7 cents.* Due to declining assessments, even with a 7.5 cent tax rate increase, 34% percent of homeowners will pay less real estate taxes than last year and 66% more. The average homeowner would pay \$10.42 more a month or \$125 more a year (+2.95%). Commercial property averages are not very meaningful, but overall the real estate taxes on the office property will decrease by 4.9%; hotel property taxes would decrease by 14.3%; general commercial property (retail) taxes would decrease 1.6%; shopping center property taxes would decrease by 4.0%; and warehouse property taxes would decrease by 6.9%.

No other tax rate would be raised. The approved increases in user fees and service charges yielding \$2.1 million more in total revenue. Federal and State revenues are estimated to be \$1.7 million or 3.1% less. City asset sales are proposed to raise \$1.15 million for capital program purposes. If more asset sales materialize, those funds would be dedicated to the capital improvement program.

*0.5 cents was also added to the tax rate for stormwater projects, bringing the total tax rate increase to 7.5 cents.

Millions of dollars

| | FY 2010 Approved | FY 2010 Projected | FY 2011 Approved | Change from FY 2010 Approved |
|--------------------------------------|---------------------|----------------------|---------------------|---------------------------------|
| Real Property Tax | \$296.3 | \$303.5 | \$296.2 | (0.0%) |
| Other Taxes | 149.1 | 149.4 | 150.6 | 1.0% |
| Non-tax revenue | 27.6 | 26.1 | 26.1 | (5.6%) |
| Fed & state revenue | 53.4 | 51.7 | 51.7 | (3.1%) |
| PY surplus & other fund transfers | 3.6 | 3.6 | 6.9 | 91.7% |
| Total | \$530.0 | \$534.4 | \$531.6 | 0.3% * |

* The total change from FY 2010 Projected Revenues is -0.5%

Budget in Brief

CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The FY 2011 – FY 2020 Capital Improvement Program represents the first time the City has published a ten-year capital plan rather than a six-year plan. The Approved FY 2011-FY 2020 Capital Improvement Program totals \$691.8 million in local funding, and \$707.1 million in total funding. The first six years of the plan total \$426.6 million in local funding, which represents an increase of 11.1 percent in local funding over last year's CIP.

The CIP addresses two broad areas of expenditure:

- Protection of the City's investment in existing public facilities or infrastructure (physical assets); and
- Planning and construction of major new public facilities and infrastructure, including new or replacement Information Technology systems.

The appetite for capital investment in the Alexandria community continues to exceed the City's funding limitations for the fourth consecutive year. The FY 2008 – FY 2013 Approved CIP identified \$85.3 million of projects above what the City projected for revenues under the approved tax rates and tax structure. This shortfall number was \$61.3 million in the FY 2009 – FY 2014 Approved CIP. And then in the FY 2010 – FY 2015 Approved Capital Improvement Plan, the gap between requested capital expenditures and the City funding capacity had grown to \$124.1 million. For FY 2011, the gap between funding requests and funding limits grew to over \$200 million.

The City Manager's goal for the FY 2011 – FY 2020 CIP was to confront and deal with the funding shortfall directly and build a ten-year plan that deals with the real needs of the City and community while assuming realistic funding levels in each year. In order to accomplish the goal of a true, balanced ten-year plan, the first step required City staff to differentiate between the most needed projects and other less important projects (i.e. necessary vs. desirable), and then determine realistic time constraints and logistical considerations for the higher priority projects. Departments were instructed to only request funding for projects that maintain existing City assets or service levels. The only exceptions to this guidance allowed for projects that answered a public safety concern or a specific pressing business need, or where additional funding was needed to finish a partially-completed project.

The CIP for FY 2011 – FY 2010 provides \$707.1 million as follows:

- \$158.1 million for public schools;
- \$147.3 million for public buildings, including \$46.7 million for construction of the new police headquarters; and for public safety communications and technology equipment replacement;
- \$119.6 million for public transportation and traffic control;
- \$36.0 million for streets, bridges, pedestrian improvements, other traffic improvements and mass transit;
- \$55.5 million for recreation and parks;
- \$61.3 million for information technology projects, including; including \$34.6 million to fund the Computer Aided Dispatch and Records Management System for Police, Fire and Emergency Medical Services;
- \$19.8 million for community development, and other regional commitments;
- \$25.9 million for stormwater management projects;
- \$55.5 million for the sanitary sewer system; and
- \$28.3 million allowance for inflation or additional projects.

Budget in Brief

FINANCIAL OUTLOOK

We are forecasting 3 or 4 more years that will require difficult budget decisions. Our mid-range forecast for FY 2012 is a shortfall of \$18 million and the deficit climbs gradually each year through FY 2015 to an annual shortfall of around \$34 million, after which it begins to decline slightly each year. Considerable uncertainty still exists. In FY 2012 alone the range of uncertainty is from a worst case forecast of a \$32.0 million deficit to a best case forecast of a \$3.9 million deficit.

We are not alone in facing these challenges. All of the local governments in our region, and indeed the entire nation, face similar, if not more severe financial difficulties. Through this period our strategic objective is to have an operating budget and capital improvement program that is structurally balanced for the long term and to improve continuously our ability to manage City resources effectively and efficiently.

It is important that we work together to deal with this difficult financial situation responsibly with a long term perspective and strategy. This Operating Budget and Capital Improvement Program does so by maintaining both a long term focus on financial sustainability and the high quality of life enjoyed by Alexandrians.

Budget in Brief

TAX FACTS & ASSESSED VALUE

| Type | Unit | CY 2009 Actual Rate | CY 2010 Approved Rate |
|---------------------------------------|-----------|---------------------------|-----------------------------|
| Real Estate | \$100/AV | 90.3 cents | 97.8 cents |
| Personal Property & Relief Percentage | \$100/AV | \$4.75 / 73% | \$4.75 / TBD |
| Refuse Collection Disposal | Household | \$331 | \$336 |

| | |
|---|-----------|
| Average Residential Home Assessed Value | \$447,873 |
| Average Residential Tax Bill CY'2009 | \$4,255 |
| Average Residential Tax Bill CY'2010 (Proposed 97.8 cents rate) | \$4,380 |

Median Assessed Value of Homes and Condominiums CY 2010

| <u>Assessed Value</u> | <u>Units</u> | <u>Total Value</u> | <u>Median</u> |
|-------------------------|--------------|--------------------|---------------|
| Less than \$100,000 | 266 | \$23,268,929 | \$88,739 |
| \$100,000-\$249,999 | 10,154 | \$1,853,848,710 | \$182,645 |
| \$250,000-\$499,999 | 16,588 | \$6,160,433,152 | \$371,673 |
| \$500,000-\$749,999 | 8,427 | \$5,098,914,626 | \$598,856 |
| \$750,000-\$999,999 | 3,022 | \$2,561,623,446 | \$836,005 |
| \$1,000,000-\$1,999,999 | 1,434 | \$1,840,930,860 | \$1,209,605 |
| \$2,000,000 and over | 180 | \$513,134,682 | \$2,428,880 |

Source: Department of Real Estate Assessments

The value of each one-cent on the real property tax rate is approximately \$3.06 million for CY 2010.

Budget in Brief

FY 2011 BUDGET CALENDAR

Citizens are invited to participate in a public hearing on the budget on Tuesday, March 10 at 4PM and a public hearing on the tax rate on Saturday, April 17 at 9:30AM. City Council will also hold twelve public work sessions denoted below (all sessions are held in City Hall, Sister Cities rm. #1101, unless otherwise noted):

February 16, 2010 – Introduction and Presentation of Budget (5:30 pm City Council Chambers, City Hall) – Delayed from February 9, 2010 due to a snow emergency

February 16, 2010 – Work Session on Revenues, Human Resources, and Compensation (7:30 pm)

February 24, 2010 – Work Session on CIP (6:30 pm)

March 1, 2010 – Work Session: Public Safety (6:30 pm)

March 3, 2010 – Work Session: Health and Environment (including proposals for additional resources for the Storm Water Utility, Sanitary Sewer and Residential Refuse Collection Programs) (6:30 pm)

March 10, 2010 – Budget Public Hearing (4:00 pm City Council Chambers, City Hall)

March 13, 2010 – Decide maximum possible property tax rate (9:30 am City Council Chambers, City Hall)

March 15, 2010 – Joint Work Session with School Board on ACPS Budget (6:30 pm location to be determined)

March 23, 2010 – Introduction of Tax Ordinances (7:00 pm City Council Chambers, City Hall)

March 24, 2010 – Work Session: Caring Community with Rich History and Culture (6:30 pm)

April 05, 2010 – Work Session: Transportation (including proposal for add-on commercial real estate tax for Transportation purposes and Economic Development) (6:30 pm)

April 14, 2010 – Work Session: BFAAC, Financial Sustainability, Efficiency and Responsiveness (6:30 pm)

April 17, 2010 – Public Hearing on effective tax rate increase (9:30 am City Council Chambers, City Hall)

April 26, 2010 – Work Session on Preliminary Adds/Deletes (7:00 pm)

May 03, 2010 – Work Session on Final Adds/Deletes (5:30 pm City Council Work Room, 2nd Floor, City Hall)

May 03, 2010 – Budget and Tax Rate Adoption (7:00 pm City Council Chambers, City Hall)

Reference copies of the budget are available online at alexandriava.gov/budget and are also available at all Alexandria City public libraries.