

CITY OF *Alexandria* VIRGINIA



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

FY 2011 PROPOSED 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 PROPOSED BUDGET OVERVIEW

City Manager's Message

FY 2011 will be the third year of unprecedented fiscal challenges facing the City of Alexandria. We can expect at least 3 and maybe 4 more years of difficult financial prospects calling for significant spending restraint. For this reason, we 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 and not abandon them.

For the FY 2011 budget I am proposing a budget in accord with City Council guidance of \$534.1 million, which is 1.5% less than the peak budget of \$542.0 million two years ago and only 0.8% more than the previous FY 2010 budget. Essentially, we have 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. Over the past 8 months we have diligently reviewed all proposals for spending reductions, revenue increases and service enhancements. This budget contains some significant service reductions, eliminates funding for 67 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 the economic condition improves 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 a growth rate of only 0.2% for City programs. The budget for the transfer of operating funds to the Alexandria City Public Schools increases 2.0% per City Council guidance to meet 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

The City is currently in the process of developing a new strategic plan to replace the original plan adopted in 2004 and amended in 2006. The goals of the new plan currently are (as of February 16, 2010):

- Goal 1: There is Quality development and Redevelopment, Support for Local Businesses, and a Strong, Diverse, and Growing Local Economy.
- Goal 2: The City Respects, Protects, and Enhances the Health of its Citizens and the Quality of its Natural Environment.
- Goal 3: There is an Integrated, Multimodal Transportation System that Efficiently and Effectively Gets People from Point "A" to Point "B."
- Goal 4: Alexandria is a Community with Public Schools Amongst Northern Virginia's Best and Where Our Recreational Programs Provide Youth the Opportunity to Succeed.
- Goal 5: The City Government is Financially Sustainable, Efficient, Community Oriented and Values its Employees
- Goal 6: The City Protects the Safety and Security of its Residents, Businesses and Visitors.
- Goal 7: Alexandria is a Caring Community That is Affordable and Diverse With a Rich History and Culture.

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

That vision is:

Alexandria 2015 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 PROPOSED EXPENDITURE INCREASES (In Millions)

	FY 2010	FY 2011	\$	%
General Fund	Approved	Proposed	Change	Change
City Operating Expenditures	307.6	308.4	0.8	0.3%
Transit Subsidies	16.0	15.9	(0.1)	(0.6%)
Capital Projects/Debt Service	41.8	41.9	0.1	0.2%
<i>City Subtotal</i>	<i>365.4</i>	<i>366.2</i>	<i>0.8</i>	<i>0.2%</i>
City Appropriation to Schools	164.6	167.9	3.3	2.0%
Total General Fund Budget	\$530.0	\$534.1	\$4.1	0.8%

MAJOR “BUDGET DRIVERS” SHAPING THE PROPOSED 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 \$20.9 million and an increase in expenses to provide current services of \$23.3 million (\$9.1 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 proposes a net decrease in spending from this current services baseline of \$19.2 million; and an increase in revenues of \$25.0 million through a real estate tax rate increase of 7.0 cents, which raises \$21.4 million, increases in City fees and service charges of \$1.0 million and increases in other financing of \$2.6 million.

The Proposed FY 2011 General Fund Operating Base Budget increases 0.8% from the FY 2010 Approved Budget. In accord with City Council guidance, funds managed by the City increase only 0.2% and those funds transferred to the Alexandria City Schools (ACPS) increase 2.0%.

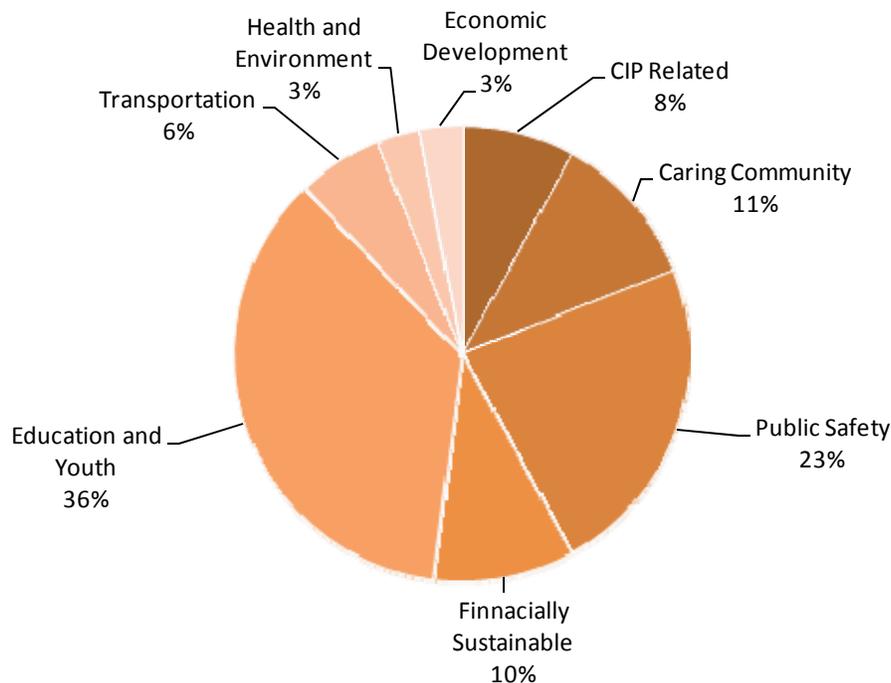
Budget in Brief

ALEXANDRIA CITY PUBLIC SCHOOLS

Of the \$4.1 million increase proposed in the total budget, \$3.3 million (86%) goes to the operating transfer to the Alexandria City Public Schools (ACPS) for our public school system.

This 2.0% increase in the City's contribution to public education, absent further, significant decreases in State aid, 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 BY STRATEGIC PLAN GOALS... \$534.1 Million

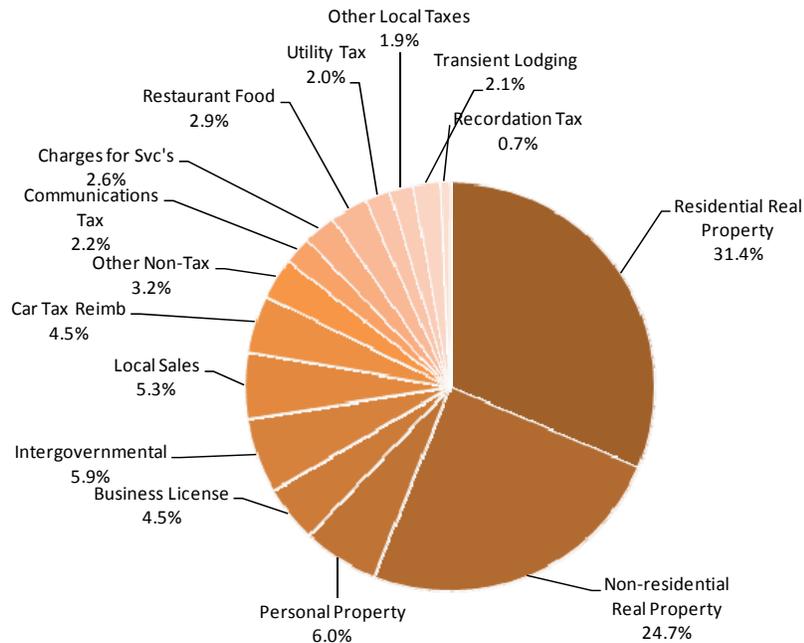


Budget in Brief

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

\$534.1 million

(excluding prior-year surplus and sewer fund transfer)



FY 2011 Proposed General Fund Revenues	\$527.9
Use of Prior-Year Surplus	\$5.0
<u>Sewer Fund Transfer In</u>	<u>\$1.2</u>
Total General Fund Revenues	\$534.1

The Proposed General Fund revenues are projected at \$527.9 million. Another \$1.2 million in sanitary sewer fund revenues are available to finance that program's share of debt service. An additional \$5.0 million in FY 2009 surplus revenues have been designated for use in FY 2011. As a result, a total of \$534.1 million is available to support the proposed City and Schools' General Fund expenditures, a 0.8% increase in total revenues.

Budget in Brief

FY 2011 PROPOSED REVENUE SUMMARY

Total taxes paid by residents, visitors and businesses will increase by only a very small amount --\$1.9 million or 0.5% in the base budget. In order to address a part of our \$44 million budget gap, the real estate tax rate increases by 7 cents. Due to declining assessments, 34% percent of homeowners would pay less real estate taxes than last year even with a 7 cent tax rate increase and 66% more. The average homeowner would pay only \$8.58 more a month or \$103 more a year (+2.4%). Commercial property 'averages' are not very meaningful, but overall the real estate taxes on the office property will decrease by 5.4%; hotel property taxes would decrease by 14.8%; general commercial property (retail) taxes would decrease 0.5%; shopping center property taxes would decrease by 4.5%; and warehouse property taxes would decrease by 7.4%.

No other tax rate would be raised. The proposed increases in user fees and service charges are modest, yielding only \$1.0 million more in total revenue. Federal and State revenues are estimated to be \$1.9 million or 3.6% 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.

Millions of dollars

	FY 2010 Approved	FY 2010 Projected	FY 2011 Proposed	Change from FY 2010 Approved
Real Property Tax	\$296.3	\$303.5	\$296.2	(0.0%)
Other Taxes	149.1	149.4	151.4	1.5%
Non-tax revenue	27.6	26.1	28.8	4.3%
Fed & state revenue	53.4	51.7	51.5	(3.6%)
PY surplus & other fund transfers	3.6	3.6	6.2	72.2%
Total	\$530.0	\$534.4	\$534.1	0.8% *

* The total change from FY 2009 Projected Revenues is -0.1%

Budget in Brief

CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The City Manager's Proposed FY 2011-FY 2020 Base Capital Improvement Program totals \$612.4 million in local funding, and \$627.8 million in total funding. The first six years of the plan total \$366.9 million in local funding, which represents an increase of 3.1 percent in local funding over last year's CIP.

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. For purposes of more valid, "apples to apples" comparisons, the majority of comparisons to prior year CIP's illustrated in this document will look at the first six years (FY 2011 – FY 2016) of the Proposed Plan. In future year CIP's, comparisons between the full ten years of planned project funding will be standard.

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 \$200 million funding gap persisted despite Departments honoring this guidance.

The CIP for FY 2011 – FY 2010 provides \$627.8 million as follows:

- \$160.2 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;
- \$119.5 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;
- \$19.7 million for community development, and other regional commitments;
- \$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 \$22 million and the deficit climbs by about \$10 million to \$12 million each year through FY 2015 to an annual shortfall of around \$55 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 \$35.7 million deficit to a best case forecast of a \$7.8 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 Proposed Rate
Real Estate	\$100/AV	90.3 cents	97.3 cents
Personal Property & Relief Percentage	\$100/AV	\$4.75 / 73%	\$4.75 / TBD
Refuse Collection Disposal	Household	\$331	\$327

Average Residential Home Assessed Value	\$447,873
Average Residential Tax Bill CY'2009	\$4,255
Average Residential Tax Bill CY'2010 (Proposed 97.3 cents rate)	\$4,358

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)

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.