

## OPTIONS TO MEET ALTERNATIVE BUDGET TARGETS

As required by the new budget process, the proposed budget provided options for Council's consideration to reduce the FY 2007 budget by an additional \$5.9 million to meet the alternative budget target of \$497.6 million. These options were carefully considered, and additional reductions of \$3.9 million were taken in order to reduce the Approved budget's growth to 4.9%, and further moderate the rate of growth in property taxes for every property owner by allowing an additional 3.2 cent real estate tax rate reduction.

In order to meet the lower, 4.9% growth alternative budget, several modifications to the Proposed Budget were adopted. These are described in more detail in the budget overview, but in general they involve the following:

- Reduce the Proposed CIP in FY 2007 (by an additional \$7.5 million).
- Reduce the Proposed City's Operating budget (by an additional \$1.6 million).
- Reduce the Proposed Schools' Operating budget transfer (by an additional \$0.6 million).
- Reduce various items due to technical adjustments in the amount of \$0.1 million.

## TAX FACTS & ASSESSED VALUE

Type	Unit	FY 2006 Actual Rate	FY 2007 Approved Rate
Real Estate	\$100/AV	91.5¢	81.5¢
Personal Property and relief percentage	\$100/AV	\$4.75 / 70%	\$4.75 / 69%
Refuse Collection Disposal	Household	\$229	\$237

Average Residential Home Assessed Value . . . . .	\$526,852
Average Residential Tax Bill CY 2005 . . . . .	\$4,035
Average Residential Tax Bill CY 2006 (proposed 84.7¢ rate) . . . . .	\$4,462
Average Residential Tax Bill CY 2006 (approved 81.5¢ rate) . . . . .	\$4,294

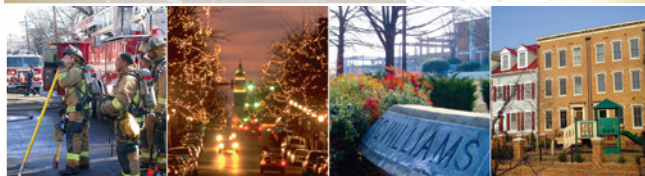
### Median Assessed Value of Homes and Condominiums 2006

Assessed Value	Units	Total Value	Median
Less than \$100,000	55	\$1,850,200	\$72,300
\$100,000-\$249,999	3,945	\$844,127,800	\$219,000
\$250,000-\$499,999	18,295	\$6,733,048,200	\$362,300
\$500,000-\$749,999	10,390	\$6,285,400,600	\$597,000
\$750,000-\$999,999	3,951	\$3,380,077,000	\$845,100
\$1,000,000-\$1,999,999	1,685	\$2,155,923,200	\$1,204,200
\$2,000,000 and over	252	\$913,601,500	\$2,492,400

Source: Department of Real Estate Assessments

The value of each one-cent on the real property tax rate is approximately \$3.3 million for FY 2007, but has a \$4.9 million total impact for the eighteen month period to which the new tax rate would apply.

Reference copies of the budget are available online at [alexandriava.gov/budget](http://alexandriava.gov/budget) and are also available at all Alexandria City public libraries. Copies of the budget are available from the City at no cost, however, inventories are limited. Please call 703.838.4780 in advance to confirm availability.



# FY 2007 APPROVED BUDGET IN BRIEF

JULY 1, 2006 - JUNE 30, 2007



### ALEXANDRIA CITY COUNCIL

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### CITY MANAGER

James K. Hartmann

Information about the budget is available online at

[alexandriava.gov/budget](http://alexandriava.gov/budget) or by contacting:

Office of Management and Budget  
 City Hall, 301 King Street, Room 3630  
 703.838.4780  
 Monday - Friday, 8 AM to 5 PM

## FY 2007 APPROVED BUDGET OVERVIEW

The City Council adopted a FY 2007 Approved Operating Budget of \$493.7 million, an increase of \$23.1 million or 4.9% over last year's budget, and a FY 2007-2012 Capital Improvement Program (CIP) calling for \$326.5 million in City funding over 6 years, a slight decrease from last year's Amended CIP of \$326.8 million.

This Approved General Fund Operating budget is \$9.8 million below the \$503.5 million Proposed Operating Budget. It allows for a 10.0 cent real estate tax rate reduction.

In May 2005, the Council adopted a new budget process, including expenditure targets, designed to provide more time for City Council and the public to consider sometimes difficult budget choices. More importantly, the new budget process was designed to allow Council and the public to make more informed decisions about budget tradeoffs by providing more information regarding specific spending priorities. These priorities need to be weighed against the overarching need to moderate the growth in residential real estate taxes.

## BUDGET SUPPORTS EIGHT GOALS OF THE STRATEGIC PLAN

The FY 2007 budget reinforces the Eight Goals of the strategic plan. Those goals are:

- Quality development and redevelopment that is well planned and consistent with Alexandria's vision.
- A City that respects, protects, preserves and enhances the natural environment and historic resources.
- An integrated, multi modal transportation system that efficiently and effectively gets people from point "A" to point "B."
- A strong local economy that is growing in varied small businesses and job opportunities.
- A caring community that is diverse and affordable.
- A City government that is financially sustainable, efficient and community oriented.
- Public schools that are among the best in Northern Virginia (in partnership with the Alexandria Schools).
- A City that ensures the safety, security, emergency preparedness, and well-being of the community.

By emphasizing 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 2015 is a vibrant, diverse, historic, and beautiful City with unique neighborhoods and multiple urban villages where we take pride in our great community.*

## FY 2007 APPROVED EXPENDITURE INCREASES

The General Fund Operating Budget increase of \$23.1 million (4.9%) is allocated as follows:

- \$21.6 million (7.9%) for City operations including a 3% cost-of-living-adjustment (COLA) for City employees and other pay adjustments to maintain comparability with other jurisdictions;
- \$1.7 million (13.4%) in increased transit subsidies for WMATA and DASH;
- (\$11.3 million) (-24.8%) net decrease in cash contributions and debt service for capital projects; and
- \$11.1 million (8.0%) for the Alexandria City Public Schools including a 3% COLA for School employees.

### EXPENDITURE SUMMARY

(In Millions)

General Fund	FY 2006 Adjusted	FY 2007 Approved
City Operating Expenditures	273.6	295.3
Transit Subsidies	12.5	14.2
Capital Projects/Debt Service	45.6	34.3
City Appropriation to Schools	138.8	149.9
<b>Total General Fund Budget</b>	<b>\$470.5</b>	<b>\$493.7</b>

## MAJOR "BUDGET DRIVERS" SHAPING THE APPROVED BUDGET

\$21.1 million of additional funds are necessary to maintain current service levels and implement or continue current City policies. Some of the main "drivers" of the budget are staffing compensation, transit subsidies, debt service, rent and facility maintenance, and grant match increases. Both the City Manager's Proposed Budget and the Approved Budget maintain the current level of almost all City services.

The City must pay salaries and benefits that are competitive with neighboring jurisdictions and the generally tight job market in the Washington, D.C. area, or risk losing good employees. To do so, this budget approves a 3% COLA (\$5.7 million for City employees), and approves increases to meet retirement funding obligations (\$5.3 million), health benefits (\$2.7 million), and merit pay increases (\$2.8 million). \$4 million is set aside from FY 2006 estimated surplus revenues for pay adjustments for general salary schedule employees and other needed adjustments to regain the City's competitive position vis-à-vis other Washington metropolitan area jurisdictions.

To maintain current services, the Health insurance premium increase is \$2.7 million. However, Council reduced the rate of growth in Health insurance premium costs by an additional \$1.1 million by having all active City employees pay a percentage of health insurance premiums and increasing co-pays.

The budget also provides \$2.5 million to maintain current transit service levels, \$1.7 million for debt service increases, \$1.3 million for rent and facility maintenance cost increases, and \$1.1 million for grant match increases.

The Schools' budget faces similar "budget drivers" including a 3% COLA (\$3.9 million), merit pay increases (\$3.5 million), increases in the cost of retirement benefits (\$3.6 million), and fuel and energy costs (\$0.7 million).

## FY 2007 APPROVED EXPENDITURE SUMMARY

In the budget, \$21.1 million maintains current City services and programs. The budget also proposes \$2.1 million in new discretionary spending on City operations. This new spending is offset by approximately \$2.1 million in expenditure reductions in City operations.

### CITY EXPENDITURE CHANGES (\$ in millions)

Change	Cost
Cost of Living Adjustment (COLA)	\$5.7
Virginia Retirement System (VRS) contribution	\$5.3
Merit Pay	\$2.8
Health Insurance premiums	\$2.7
Transit subsidies	\$2.5
Debt Service	\$1.7
Rent & Facility Maintenance	\$1.3
Grant Match Increase	\$1.1
Other Cost Increases	\$4.7
Capital Project Pay-As-You-Go Funds	\$(6.7)
Discretionary Spending Increases	\$2.1
Expenditure Reductions	\$(2.1)
<b>Total</b>	<b>\$21.1</b>

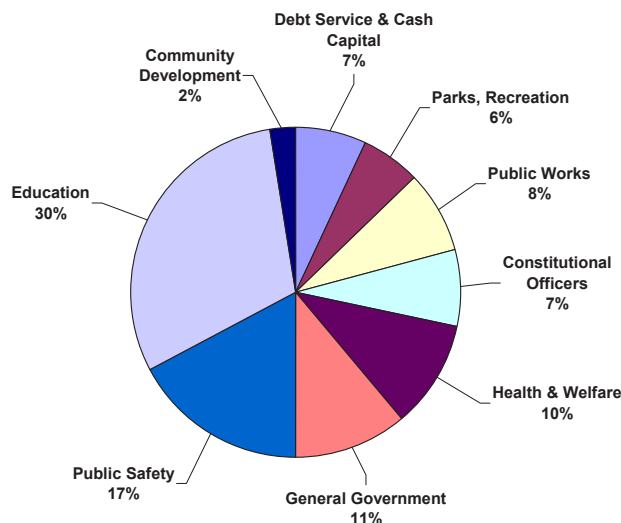
## ALEXANDRIA CITY PUBLIC SCHOOLS

Alexandria wants public schools that always are among the very best in Northern Virginia. The City's primary role in achieving this end is responsibly funding the Schools' operating and capital needs. The Approved Operating budget for FY 2007 provides \$149.9 million in City funds for operations, an \$11.1 million increase over last year. City funding for School Operations increases by 8.0% over FY 2006.

This \$11.1 million increase is sufficient to fund all the costs necessary to maintain current services and programs, such as merit increases, a 3% COLA, increased retirement costs and implementation of the federally-mandated No Child Left Behind Act. One adjustment reduces the School Board's request by \$1.7 million and represents a lower technical assumption about the cost of employee health insurance premiums.

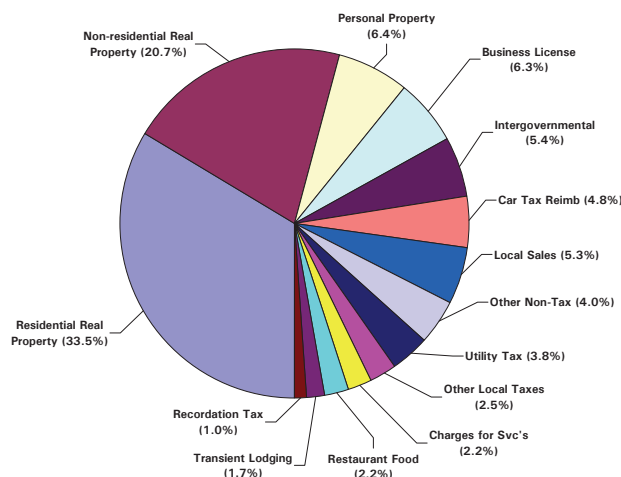
The Approved CIP provides \$87.2 million for the School Board's submitted capital program for FY 2007 – FY 2012 and fully funds that program's costs through FY 2008. The budget reduces the School Board's requested increase in funding for a Minnie Howard Ninth Grade Center renovation and expansion in FY 2009 and FY 2010. The Approved CIP keeps that estimate at last year's Approved CIP level pending further study of trends in construction costs and enrollment.

## FY 2007 COMBINED GENERAL FUND EXPENDITURES, WHERE IT GOES...



FY 2007 General Fund Expenditures . . . . . \$493.7 Million

## FY 2007 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...



FY 2007 General Fund Revenues . . . . . \$489.5  
 Use of Prior-Year Surplus . . . . . \$3.1  
 Sewer Fund Transfer In . . . . . \$1.1  
**Total General Fund Revenues . . . . . \$493.7**

## FY 2007 APPROVED REVENUE SUMMARY

The Proposed General Fund revenues are projected at \$489.5 million. An additional \$3.1 million in FY 2005 surplus revenues have been designated for use in FY 2007. Another \$1.1 million in sanitary sewer fund revenues are available to finance that program's share of debt service. As a result, a total of \$493.7 million is available to support the proposed City and Schools' General Fund expenditures, a 4.9% increase in total revenues.

Real Estate tax revenues are projected at \$265.6 million, a 5.8% increase as compared to last year's approved budget, reflecting the combination of increased assessments and new construction.

- This also includes a reduction in the real estate tax rate by 10.0 cents per \$100 assessed value and an increase in the thresholds providing real estate tax relief to elderly and disabled homeowners.
- Revenues from Other Taxes are expected to increase by 4.2%, even though personal property tax revenues are expected to decrease by 1.6%; Other Non-Tax Revenues are expected to increase by 25.6%; and intergovernmental revenues from federal and state sources are expected to increase by 5.0% from last year's approved budget.
- The budget also includes an increase in solid waste collection fees of \$8 from \$229 to \$237 (3.5%) per residence to keep that activity self-supporting through user fees.

Millions of Dollars	FY 2006 Approved	FY 2006 Projected	FY 2007 Proposed	FY 2007 Approved	% Change 06 Approved/07 Approved*
Real Property Taxes	251.1	252.4	276.3	265.6	5.8%
Other Taxes	138.8	144.0	142.1	144.7	4.2%
Non-tax revenue	23.1	26.4	28.6	29.0	25.6%
Federal & State revenue	47.7	48.8	51.6	50.1	5.0%
Prior year surplus & other fund transfers	9.7	9.7	4.9	4.2	(56.7%)
<b>Total</b>	<b>470.5</b>	<b>481.2</b>	<b>503.5</b>	<b>493.7</b>	<b>4.9%</b>

\* The total change from FY 2006 Projected Revenues is 2.6%.

## CAPITAL IMPROVEMENT PROGRAM

The City of Alexandria's Capital Improvement Program is a comprehensive plan that identifies the City's future infrastructure and facility needs, and the corresponding funding required to meet those needs.

Capital Improvement Program costs are slightly down, reflecting future plans to continue to improve the City's infrastructure. Last year's Amended CIP totaled \$326.8 million over six years; this year's Approved CIP totals \$326.5 million through FY 2012. The Approved CIP contains some new projects, some increased costs for existing projects, and some reductions compared to last year's CIP.

The six-year CIP would be funded by \$167 million in borrowing and \$159.5 million from City funds. City funds include \$66.6 million in cash capital contributions from current revenues, \$12.7 million from the open space trust fund, \$27.2 million from sewer use and connection fees, \$7.3 million from fund balance, \$18.4 million from bond interest earnings. An additional \$27.3 in funding sources still needs to be determined or expenditures reduced. The CIP complies with the policy limits in FY 2007 governing the amount of allowable debt and debt service costs, and should continue to ensure AAA/Aaa ratings by the two major bond rating agencies.

## CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The major building projects funded in the CIP over the next 6 years include the new public high school, a new police headquarters, and the renovated Patrick Henry, Charles Houston and Chinguapin Recreation Centers. Significant funding also is provided for transportation and sewer infrastructure projects.

The CIP for FY 2007 through 2012 provides \$326.5 million as follows:

- \$87.2 million for public schools;
- \$64.1 million for public buildings, including \$48.8 million for construction of the new police headquarters;
- \$61.4 million for streets, bridges, pedestrian improvements, undergrounding of utilities and other traffic improvements and mass transit;
- \$54.9 million for recreation and parks, including \$20.0 million for renovations and improvements to the Chinguapin Recreation Center, \$4.7 million in City funds for a possible All-City Sports Complex, and \$12.7 million for open space acquisition;
- \$31.9 million for reconstruction, extension and rehabilitation of sewers (sanitary sewer projects funded 100% from sewer fees);
- \$18.1 million for information technology projects; and
- \$8.9 million for community development, libraries and other regional commitments.

## FINANCIAL OUTLOOK

During consideration of the FY 2007 budget, several longer range challenges have been identified that require future attention to assure the financial condition of the City is sustainable.

The City faces future challenges in meeting competitive pressures of the regional labor market. Health care insurance costs for current employees are increasing at a rapid rate, and accounting standard changes are pressuring the City to develop a plan to fund its estimated \$80 million plus in long-term liability for retiree health insurance benefits. The City also must redesign the process by which it measures and maintains staff pay and benefit competitiveness with other Washington metropolitan jurisdictions.

The City is positioned financially to be ready for the coming slowdown in the real estate market. For future planning purposes the budget assumes only a 4% growth in assessments next year. The City maintains a strong undesignated fund balance that could be used to absorb a sudden and unexpected downturn in the real estate market. The City has the ability to adjust City spending by slowing down planned capital projects, and staff can closely monitor spending and revenues during the year so that any negative trends in revenues or expenditures can be identified and make quick adjustments as necessary.

Over the long range, the economic vitality of the City is the major determinant of the budget health of the City. The recent economic sustainability summit has identified a large number of strengths, weaknesses, opportunities and threats to the future economic condition of the City. It will be the City's collective challenge to identify the best course to follow to promote the future economic health of Alexandria's residents and businesses.

The funding plan for the CIP contains \$7 million in to-be-determined funding to pay for a planned \$62.2 million CIP program in FY 2008. The City will have to examine closely whether it can afford \$62.2 million in CIP expenditures in FY 2008, or whether it can use pay-as-you go financing or additional borrowing to provide the additional \$7 million needed to balance the CIP in FY 2008.